

**HOUSE OF ASSEMBLY**  
**Thursday 7 October 2010**  
**ESTIMATES COMMITTEE A**

**Chair:**

Ms C.C. Fox

**Members:**

Mr L.K. Odenwalder  
Mr A.S. Pederick  
Mrs I.M. Redmond  
Ms M.G. Thompson  
Mr I.H. Venning  
Mrs L.A. Vlahos

*The committee met at 09:00*

**HOUSE OF ASSEMBLY, \$8,034,000**  
**JOINT PARLIAMENTARY SERVICES, \$14,402,000**  
**LEGISLATIVE COUNCIL, \$5,134,000**

**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:** Good morning, everyone. As you all know the estimates committees are a relatively informal procedure and, as such, there is no need to stand when you are asking or answering questions. The committee will determine an approximate time for consideration of proposed payments to facilitate the changeover of departmental advisers. I ask the Premier and the leader to indicate whether they have agreed on a timetable for today's proceedings and, if so, to provide the Chair with a copy.

Changes to committee membership will be notified as they occur. Members should ensure that the Chair is provided with a completed 'request to be discharged' form. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 19 November 2010. This year the *Hansard* supplement, which contains all estimate committee responses, will be finalised on Friday 3 December 2010.

I propose to allow both the Premier and the leader to make opening statements of up to 10 minutes each, which, of course, allows for a shorter amount of time should they wish. There will be a flexible approach to giving the call for asking questions based on about three questions per member alternating each side. Supplementary questions will be the exception rather than the rule. A member who is not part of the committee may, at the discretion of the Chair, ask a question.

Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the House of Assembly *Notice Paper*. There is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the Chair for distribution to the committee. The incorporation of material in *Hansard* is

permitted on the same basis as applies in the house, that is, that it is purely statistical and limited to one page in length.

All questions are to be directed to the minister, or the Premier in this instance, and not his advisers. The Premier may refer questions to advisers for a response. I also advise that, for the purposes of committees, 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, Appendix C, and Budget Measures Statement, pages 14 and 15. Premier, would you care to make an opening statement?

**The Hon. M.D. RANN:** Thank you very much ma'am. The global financial climate that has prevailed over recent years has delivered an undoubted impact on South Australia. The global financial crisis, I am told, saw a drop of around \$1.4 billion in state revenue.

The need to reassess and restructure our financial position was reflected in the most recent budget delivered last month, and that budget strikes a balance between savings measures to strengthen South Australia's finances and continued investment in infrastructure and service delivery. It honours our election commitments and ensures our state remains in the best position to maximise the economic opportunities that continue to unfold. It also maintains our commitment to building the state's infrastructure with record investment.

In the wake of the budget, some bizarre claims were made comparing current debt levels to those incurred by the State Bank, so I thought it was important to set the record straight. The general government sector debt is estimated to peak at \$3.86 billion at the end of the 2012-13 fiscal year. That is around 4 per cent of GSP and is estimated to decline to 3.8 per cent the following year. This compares to a peak debt of \$7.88 billion at 30 June 1993, which equated to 22.6 per cent of GSP. So the difference is 3.8 per cent compared to 22.6 per cent of GSP.

In addition, non-financial public sector debt is estimated to peak at \$7.54 billion in 2014 or 7.5 per cent of GSP. That compares to a peak of \$11.61 billion in June 1993, which was 33.3 per cent of GSP. So again, the comparisons are 3.8 per cent compared to 22.6 per cent at the timing of the State Bank, or 7.5 per cent for non-financial public sector debt compared to 33.3 per cent.

The current level of government debt is now not only prudent—and, of course, that has been demonstrated by the retention of the state's AAA credit rating—but it also constitutes a sound investment in vital infrastructure that will benefit current as well as future generations of South Australians, and that program includes: the electrification and upgrade of our metropolitan rail network; major road projects, including duplication of the Southern Expressway and the South Road Superway; the extension of the tramline; the expansion of the Adelaide Convention Centre and upgrade of the Riverbank precinct; the construction of a new international standard state aquatic centre at Marion; the upgrade and redevelopment of our major hospitals, including the Lyell McEwin and QEH and others, including, of course, work that is now going on at the Adelaide Women's and Children's Hospital, Modbury, Flinders and elsewhere; and also completion of the Port Stanvac desalination plant.

So, I think that it is very important to recognise that we have seen in this budget record expenditure on health. We have seen record expenditure on education. In fact, in health we have seen a more than doubling of expenditure since we came to power in 2002. I mentioned before the completion of the Port Stanvac desalination plant, and I thought it was important to inform the house of some recent developments.

People will be aware that we have already announced that level 3 water restrictions will end on 30 November and new waterwise measures will remain in place in South Australia from 1 December, in recognition of the fact that water will always be a valuable resource that should never be taken for granted or squandered. So, I am delighted to inform the estimates committee today that our improved water situation means that we are in a position to be able to lift the tight restrictions currently in place and give the community more choices as to how to use their water.

The new system that will come into place on 1 December will mean that there will no longer be set watering times for using a handheld hose or drip irrigation system and householders will again be able to use sprinklers to water their gardens. So, the current restricted hours will be removed and gardeners will be able to use sprinklers after 5pm and before 10am on any day. However, this is not a licence to waste water.

I will repeat that. We have had a very severe drought. I remember going to a meeting with John Howard some years back—about four years ago—and being told at a briefing by the Murray-Darling authority that we were facing a 1,000-year record low inflow into the River Murray.

South Australians have done the right thing and have shown a commitment to conserving water. South Australians should be rewarded now we are in a different situation with relatively full reservoirs plus, of course, the desal plant coming into play next year, which is capable of providing up to 50 per cent of our water needs for Adelaide.

So, watering will be permitted for domestic gardens and lawns. Watering will be permitted at any time by hand through a handheld hose fitted with a trigger nozzle, from a watering can or bucket or through a drip feed irrigation system, and sprinklers can be used on any day after 5pm and before 10am. This is simply our way of saying thank you to the people of South Australia for doing the right thing by water. We are confident they will continue to do the right thing but, whilst we are allowing sprinklers to be used, what we are saying is they can only be used after 5pm and before 10am on any day.

**Mrs REDMOND:** Usually I do not make much in the way of an introductory statement but, given the rubbish that has just come out of the Premier's mouth, to use this time so inappropriately is a disgrace. There was no need for the Premier to inform us of what we have already been informed this morning in a press release. The government has finally come to its senses and decided on some more sensible restrictions. Changing the name to WaterWise hardly makes any difference, in any event.

Madam Chair, every year I make the same comment about estimates, in various ways, but the fact is that the opposition recognises the right of the government to have its budget and, except in the most extraordinary circumstances, therefore, the budget will go through. Estimates is the only opportunity we get to really question the government about its budget and, for the suggestion to even be made in the Premier's opening this morning that there is some sort of agreement—when I know that one of my shadow ministers, whose budget line covers about a quarter or more of the state's finances, asked for several more hours but was denied several more hours—illustrates once again what a nonsense it is.

We recognise the right of the government to have its budget but we certainly should be entitled to have sensible times for sensible questions about the budget and expect answers. The amount of time taken up within departments for people to be ready in case a question is answered is an extraordinary waste of public sector time and money and, every year, I make the same complaint that we should be able to come to a more sensible arrangement so that there can be a genuine examination of the budget.

That said, I cannot help but reflect on the Premier's comments about the debt level of this state. Of course, he is trying to excuse in one breath both the dreadful situation that the Labor government got us into over the State Bank and the dreadful situation it has got us back into, as is typical of Labor governments in this state—and, indeed, generally. We are now back in a situation where we are paying \$2 million a day in interest.

If anyone thinks about their communities around this state and what can be done with \$2 million, each and every day, not just for a year, but going on year after year, when this government is in the disgraceful situation of having had its income increased over the time I have been here from about \$8 billion to \$16 billion—to be in this situation at all is just disgraceful. I think the Premier should hang his head in shame. Perhaps I should ask some questions, Madam Chair.

**The CHAIR:** Do.

**Mrs REDMOND:** Can I first of all clarify that the section we are dealing with now—that is, the Legislative Council, House of Assembly and Joint Parliamentary Services, then State Governor's Establishment, then Premier in Cabinet, Sustainability and Climate Change, Social Inclusion—will only need the omnibus questions inserted once?

**The CHAIR:** I understand that if the Premier agrees, they can be taken over his whole portfolio.

**Mrs REDMOND:** Sorry? If the Premier agrees?

**The CHAIR:** I understand that if the Premier agrees to what you are proposing, the question can be asked once.

**Mrs REDMOND:** Then can I ask the Premier: will he agree to us putting the estimates omnibus questions in once for the lines which are to be dealt with between now and 11am, or does the Premier require that we do them three separate times?

**The Hon. M.D. RANN:** No, I think that it would be sensible, leader, to only do that once. I cannot see the point of you repeating the same question three times. I guess that, in reply to you, if you want sensible questions to be asked, then please ask them. There was a week of parliamentary questions following the state budget, and it seemed each day that the opposition was incapable of doing so.

**Mrs REDMOND:** Madam Chair, can I interrupt the Premier at the moment? I have asked a question, he has given the answer, and he is now seeking to attack me because I dared to disagree and attack him over his opening statement. I want to get on with the questions and not waste any further time.

**The Hon. M.D. RANN:** I think the fake aggression is coming from one quarter.

**The CHAIR:** Would you like to begin with your questions?

**Mrs REDMOND:** I will thank you, Madam Chair. Firstly, I refer to the House of Assembly—and indeed the Legislative Council, but perhaps we will start with the House of Assembly. In Budget Paper 3, Appendix C, Table C.2 on page C.3 it is seen that the House of Assembly expenditure is increasing in the budget from \$7.856 million to \$8.034 million. Can the Premier please advise how many staff are in the House of Assembly budget, and how does the number of staff employed in the House of Assembly in the 2010-11 year compare with the number in the 2009-10 year?

**The Hon. M.D. RANN:** I had forgotten to introduce members of the table. Malcolm Lehman is, of course, the Clerk of the House of Assembly; Kent Nelson, Chief Financial Officer; Philip Spencer, Leader of Hansard; Coral Stanley, Parliamentary Librarian; and Creon Grantham, Catering Manager.

I have been informed, and Malcolm can clarify this if I have made a mistake, that currently we have 29 FTEs within the House of Assembly. We also have 19 in the Legislative Council. There are 15.4 FTEs in catering, 25.3 in reporting—that is Parliamentary Hansard—14.5 in joint services, library, 9.9; House of Assembly, 29; Legislative Council, 19, for a total of 113.1 FTEs. Those are the FTEs within the legislature for 2009-10. Malcolm, can you clarify how that compares with the past?

**Mr LEHMAN:** The FTE numbers remained fairly consistent over the life of the last parliament. I think there was a slight variation in the year before last when it reduced. For a while there, we were running with 27 FTEs, but 29 has been the usual establishment for the House of Assembly.

**Mrs REDMOND:** When you say 'fairly consistent'—is the end of the clerk's answer, Premier, that it was 29 last year and it is 29 for the coming year?

**The Hon. M.D. RANN:** Yes, that is what I have just been advised.

**Mrs REDMOND:** In that case, what is the explanation for the increase in the budget from \$7.856 million to \$8.034 million?

**The Hon. M.D. RANN:** The change is due, I am advised, by the EB agreement that came into place and also general inflation.

**Mrs REDMOND:** So, what was the increase via the EB agreement for those working in the House of Assembly—and the Legislative Council, I presume?

**The Hon. M.D. RANN:** I will ask Kent Nelson, the Chief Financial Officer, to respond.

**Mr NELSON:** It's the same as the Public Service: 2.5 per cent on 1 October and 2.5 per cent. Because the Legislature waits for the Public Service to agree, ours is always later, so there was a substantial backpay.

**Mrs REDMOND:** Can we then go on to the Legislative Council. What were the numbers for the Legislative Council in terms of the employees?

**The Hon. M.D. RANN:** I think the number I read out was 19. Yes, it is 19 FTEs.

**Mrs REDMOND:** What was the number last year?

**The Hon. M.D. RANN:** Mr Lehman has just advised me, and so has Mr Nelson, that it was the same last year.

**Mrs REDMOND:** I take it then that the increase is because of the EB but why is it that there has been an increase at all, given that last year the Legislative Council underspent its budget? Is there an explanation for why it underspent its budget but it is going up? Last year the budget was \$5,114,000 and it spent just under \$5,100,000, and yet it is increasing to \$5,134,000.

**The Hon. M.D. RANN:** I will ask Mr Nelson to respond.

**Mr NELSON:** It spent its \$5.1 million last year.

**Mrs REDMOND:** It says in the budget papers that it was \$5,097,000 and the budget was \$5,114,000. That is a difference of \$17,000, isn't it?

**Mr NELSON:** Yes, that was part of the efficiency dividend. There was an efficiency dividend put across the Legislature. The efficiency dividend was \$25,000 for the House of Assembly, \$17,000 for the Legislative Council and \$27,000 for Joint Parliamentary Services. That was introduced in September of that year after the budget had already been set and the efficiency dividend was set across the different agencies, and that was their efficiency dividend.

**Mrs REDMOND:** What was that percentage? It seems a very small amount on a budget of \$5 million, in the case of the Legislative Council.

**Mr NELSON:** It was set by Treasury and Finance. They put it through and we were hit for 25, 17 and 27, which I was happy about—but it is a small efficiency dividend.

**Mrs REDMOND:** Will the Premier please explain why there is such a marked increase in the funding for Joint Parliamentary Services, which went from a budget last year of \$9,894,000 to an estimated result slightly lower than that of \$9,867,000, but to a budget for the next year of \$14,402,000.

**The Hon. M.D. RANN:** I understand that it is the budget for the redevelopment of Old Parliament House, which I know that all members are aware of. However, I will ask Mr Nelson to respond.

**Mr NELSON:** This year we get \$4.395 million for the redevelopment of Old Parliament House. The next year we get \$9.059 million and then in 2012-13 we get \$0.546 million for the redevelopment of Old Parliament House, which has been vacated.

**Mrs REDMOND:** Those figures appear on pages 14 and 15 of Budget Paper 6. What is it that we get for that money? Could I have some detail, please, because I am puzzled that a building that is in existence and still in use, at least upstairs, requires \$14 million.

**The Hon. M.D. RANN:** Mr Lehman?

**Mr LEHMAN:** Thank you, Premier and Madam Chair. Old Parliament House has not had any meaningful maintenance or development work done on it since the parliament took possession of it back in the late 1980s. There were originally identified some structural problems with some of the older parts of the building so we undertook an engineering survey.

The result of the engineering survey was that many of the services that were installed in Old Parliament House for the purpose of the Constitutional Museum back in the 1970s were well past their useful life. So the building is going to be almost entirely redeveloped in terms of electrical and IT cabling, air conditioning and mechanical services.

We are also proposing to address the issue of another entrance for public and member access to both buildings and deal with the issue of access for people with a disability with the installation of a new lift that will service, actually, all levels of Old Parliament House and the ground floor and first floor level of Parliament House.

**Mrs REDMOND:** Well, thank you for the explanation, but I am still puzzled as to how on earth it could cost \$14 million. You could tear the whole building down brick by brick, surely, and rebuild a brand-new building brick by brick in the same way for \$14 million.

**The Hon. M.D. RANN:** I think you will find that it is heritage listed, Leader, but I will ask Malcolm to respond.

**Mrs REDMOND:** Well, so is Union Hall at the university, Premier.

**Mr LEHMAN:** Yes, the Premier is right, the building is listed both on the state heritage list and the national heritage list. It was never part of our considerations to demolish the building for that reason and others. The cost of work on heritage listed buildings, trying to install things like modern IT services and air conditioning, comes at a considerable cost.

**Mrs REDMOND:** Can I then ask the Premier why is it all right to tear down Union Hall which is heritage listed but not this building?

**The CHAIR:** I do not think we are really talking about Union Hall.

**The Hon. M.D. RANN:** Which is the line on Union Hall and also do you honestly believe that Union Hall is nationally heritage listed, because I think you'll find that it is not?

**The CHAIR:** This is not a discussion about Union Hall and I would just like to remind you, leader, of the time. It is 9.30.

**Mrs REDMOND:** So, Madam Speaker, are you suggesting that you would like me to go on to the state Governor's establishment?

**The CHAIR:** I think I am suggesting that, yes. Are there any further questions?

**Mrs REDMOND:** I do have one other question. In relation to the Joint Parliamentary Service, actually to clarify, I understand the answer in terms of the increase generally, but I would like to have confirmation as to what was the number of employees in the Joint Parliamentary Service in 2009-10 compared to 2010-11?

**The Hon. M.D. RANN:** Mr Lehman. I think I mentioned it before, I read it out at the start.

**Mrs REDMOND:** Yes, but I was after the answer to another question.

**The Hon. M.D. RANN:** Joint Services is 14.5 FTEs, but Malcolm, would you like to respond further?

**Mr LEHMAN:** Thank you, Premier. Joint Services, as a division of the Joint Parliamentary Service, is 14.5, yes.

**Mrs REDMOND:** But what I'm trying to get at is: has there been any change and will there be any change in the number of employees?

**Mr LEHMAN:** No, that number has been fairly consistent over the last couple of financial years.

**Mrs REDMOND:** Thank you.

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

## **STATE GOVERNOR'S ESTABLISHMENT \$2,882,000**

### **Membership:**

Mr Venning substituted for Mr Griffiths.

### **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 J. Loulas, Manager Financial Performance and Strategy, Corporate Affairs Branch, Department of the Premier and Cabinet.

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

**The CHAIR:** I declare the proposed payments open for examination and refer members to the Budget Statement, Appendix C, and Budget Measures Statement, page 23.

**The Hon. M.D. RANN:** Can I say a few words about the Governor's role, as has been the tradition for 100 years? I would just like to say—and hope I speak for all members of parliament—that his Excellency, Rear Admiral Kevin Scarce AC, and Mrs Liz Scarce continue to do an outstanding job for our state.

This year His Excellency has maintained another significant program of engagements. These include two international trips at the government's request to the United States and Canada for the G'day USA project, which was set up by John Olsen, and to support defence and trade projects and to China to promote trade, investment and education opportunities. He has also maintained an extensive program of industry and community visits.

Other key areas of focus in His Excellency's diverse program have been the promotion of maths and science education and support for young leaders and Indigenous young people's employment, support for the state's defence industries and trade opportunities, and Government House visitor numbers increased by more than 20 per cent from the previous year, due largely to an extension of school visits, facilitated by a small group of volunteer guides, and to a lift in the numbers attending outdoor functions.

Government House continues to be maintained as the premier location at which His Excellency can acknowledge community achievements and host influential visitors. A large proportion of the annual appropriation is spent on operational projects and maintenance activities, and much of the work carried out in 2009-10 addresses the effects of successive years of below-average rainfall. These include the removal and replacement of trees, new plantings and the limited implementation of the house's landscape masterplan. Repairs to non-structural cracking of the house's internal walls and to external walls of an outbuilding were also carried out.

Also, I think members will be pleased to know that the Glenelg-Adelaide Parklands mainly recycled water has been installed in the domain to provide sustainable irrigation of the Government House lawns and planted beds. A substantial air conditioning system was replaced this year due to its age, relative inefficiency and decreasing operational effectiveness.

Proposed minor works to be funded through the 2010-11 appropriation include the modest implementation of stage 4 of the landscape master plan, redevelopment and enhancement of Government House information management systems, implementation of electronic data capture technologies, construction of a sealed footpath to the east entrance to replace the existing gravel path, essential works to address rising damp in the wall on the northern face of Government House (this has been a problem over many years that many governments have had to face, given that Government House is built, I am told, over an underground stream) and the scoping of works required to address structural workplace safety matters.

**Mrs REDMOND:** Can I open by saying that for once the Premier and I are in agreement, and I too would like to express my thanks for the excellent work done by the Governor and his wife, who work tirelessly for this state. Can I comment, in addition, on the excellent work done by the Lieutenant Governor Hieu Van Le and his wife. They are both excellent couples. They represent us all very well, both here and overseas, and we should all be very proud and thankful for the work that they do.

I refer to Budget Paper 3, Appendix C, page C.2. Therein is the line for the state Governor's establishment. That line, for the Chair's records, is the fourth line in the Premier and Cabinet section at the top of the page. Last year there was a budget of \$146,655,000 million, and last year about \$15 million less than that was spent—about \$131 million. First of all, can I have an explanation as to why \$15 million less was spent than anticipated and, if less was spent, why is there an increase in the budget, from \$131 million to \$139 million this year?

**The Hon. M.D. RANN:** Can I just explain that never in Australian history would \$139 million be spent on the Governor's Establishment. I think you are reading from the wrong thing. The \$139 million is for Arts SA.

**Mrs REDMOND:** Sorry. Yes, you are right—\$2.882 million.

**The Hon. M.D. RANN:** There is a big difference between \$2 million and \$139 million.

**Mrs REDMOND:** Yes, you are right, but I still ask the same question. Since less was spent last year—well, it has not gone up again this year—what is the explanation for it not coming up? Is that, again, the efficiency dividends that were referred to earlier?

**The Hon. M.D. RANN:** The minor decrease in the appropriation of \$0.014 million between the 2010-11 budget and the 2009-10 estimated result primarily reflects administrative efficiencies

approved as part of the Sustainable Budget Commission process, partly offset by indexation. The minor variation between the 2009-10 estimated result and the 2009-10 budget primarily reflects an adjustment to reflect a lower rate of indexation as per the commonwealth estimates.

**Mrs REDMOND:** Can the Premier confirm whether that figure represents the whole of the cost to government for services provided to the Governor, including the costs of running and maintaining Government House?

**The Hon. M.D. RANN:** It does not include the Governor's salary.

**Mrs REDMOND:** And what's that, including his pension plan?

**The Hon. M.D. RANN:** The salary of the Governor is based on 75 per cent of the salary payable to a judge of the Supreme Court of South Australia, as per section 73 of the Constitution Act 1934, and no other allowances are paid. Details of the state Governor's salary and on costs are as follows: for the 2010-11 budget, salaries and wages, \$262,000, and payroll tax, \$14,000, so a total expenditure of \$276,000. That salary and wages of \$262,000 basically compares to the 2009-10 estimated result of \$254,000, with payroll tax of \$13,000, rising; so, therefore, the total expenditure of \$267,000. So, it has gone from \$267,000 to \$276,000. As to superannuation arrangements, that is wrapped in.

**Mrs REDMOND:** I refer to Budget Paper 6, page 17, which at the very top of the page has State Governor's Establishment. Savings initiatives are indicated for the whole of the forward estimates period, rising from \$65,000 to \$124,000, \$126,000 and \$132,000 in 2013-14. Can the Premier advise how the efficiencies are being achieved, and will there be any decrease in staffing levels as a result of those efficiencies?

**The Hon. M.D. RANN:** As to the administrative efficiencies that you are talking about, this initiative provides savings of \$447,000 over four years from a reduction of resources within Government House. I understand that support roles for the Governor will be reviewed with the aim of absorbing these functions within the remaining workforce, and no impact on the Governor's activities is anticipated.

**Mrs REDMOND:** From that answer, I take it there will be a decrease in staffing?

**The Hon. M.D. RANN:** What we are trying to do across the board (and I am sure that the leader would be supportive of this) is to achieve efficiencies and reduce costs and, obviously, work will be done within Government House to achieve that. I understand that 1.5 FTEs is the target reduction.

**Mrs REDMOND:** Budget Paper 5, page 8 (and the only item on that page, for the Chair's information, is the State Governor's Establishment) refers to an annual program which has a proposed expenditure of \$101,000. Will the Premier explain what that annual program is and what that \$101,000 is spent on?

**The Hon. M.D. RANN:** I think the leader will find that, at the very start in my opening address, I went through a number of infrastructure issues, but it is basically things such as salt damp and others. I have just been advised by Mr Morris that what the leader is referring to covers those areas of maintenance and repair.

**Mrs REDMOND:** Why is it called an annual program, and why is there no estimated total cost or expected completion?

**The CHAIR:** Leader, again, I draw your attention, first, to the time; and, secondly, to the fact that you have had four questions.

**Mrs REDMOND:** Well, if you have some questions on the other side—

**The CHAIR:** I am sure there are some questions on the other side.

**Mrs REDMOND:** Can I get an answer to that question before we move on, as I have already asked it?

**The CHAIR:** Absolutely, and after that we will go to members on my right, should they have any questions.

**The Hon. M.D. RANN:** I will ask Mr Morris to respond.

**Mr MORRIS:** It is an annual program. No annual programs have ongoing funds allocated to them. It is \$101,000 for the annual program for the State Governor's Establishment for minor projects and minor works.



**The CHAIR:** Leader, does that answer your question?

**Mrs REDMOND:** I am still curious as to what it is being spent on.

**The Hon. M.D. RANN:** We will report back on the details. We will contact the Governor to make sure that the leader is fully apprised.

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

**DEPARTMENT OF THE PREMIER AND CABINET, \$132,619,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,**  
**\$11,541,000**

**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 J. Loulas, Manager Financial Performance and Strategy, Corporate Affairs Branch, Department of the Premier and Cabinet.

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

Mr G. Mackie, Deputy Chief Executive, Cultural Development and Corporate, Department of the Premier and Cabinet.

Ms P. Peel, Deputy Chief Executive, Sustainability, Aboriginal Affairs and Reconciliation, Department of the Premier and Cabinet.

Ms S. Pitcher, Acting Deputy Chief Executive, Cabinet and Policy Coordination, Department of the Premier and Cabinet.

Mr T. O'Loughlin, Commissioner for Renewable Energy.

**The CHAIR:** Premier, obviously you are here not only as the Premier but also as the Minister for Sustainability and Climate Change and the Minister for Social Inclusion. I declare the proposed payments open for examination and refer members to the Portfolio Statements Volume 1, Part 1. Premier, would you care to make an opening statement, or would you like to go straight to questions?

**The Hon. M.D. RANN:** The Cabinet Office has played a significant role in developing, coordinating and negotiating state government policy priorities in national and interjurisdictional forums. It helped negotiate strong outcomes at COAG meetings, including, of course, the big reform to Australia's health care system by creating a national health and hospitals network. This delivers an additional \$1.35 billion in commonwealth money to our hospitals and health care system over the next 10 years.

The department also continues to lead the work on the preparation of a High Court challenge against Victoria's restrictive water trading practices. They have helped develop policy ideas and facilitate policy through the state reform agenda by driving outcomes under South Australia's Strategic Plan and also by complementing work undertaken by bodies such as the Social Inclusion Board and the Economic Development Board, improving public sector productivity, ensuring that we achieve more with less, and the office continues to engage in the widespread consultation process that underpins South Australia's Strategic Plan.

At the launch of the plan's latest update, I indicated that we are looking to consult with up to 10,000 South Australians—delighted that the leader contributed to the video; it is great to see bipartisanship. The plan, I should say, recently won the US-based Community Indicators Consortium Award. So just to explain that: it has won a world award. It was cited as a world's best example of integrating community indicators with a range of performance measures.

The government also staged six community cabinets during 2009-10, five in metropolitan Adelaide and one in regional South Australia, and this included the 50<sup>th</sup> community cabinet event

held in the electorate of Light in Gawler on 9 and 10 November. These events feature community forums and receptions to acknowledge the contributions of volunteers. We also meet with councils. Councils make submissions to us. In recent months, they have also been expanded to incorporate doorknocking of households to broaden the consultation process. Since 2002, we have held a total 53 community cabinets.

**The CHAIR:** Leader, would you wish to make a statement or will you go straight to questions?

**Mrs REDMOND:** No, I will go straight to questions. I start with a few questions about the cabinet office. I refer to Budget Paper 4, Volume 1, pages 1.7 and 1.9, and perhaps if we start at page 1.7. The cabinet office in 2008-09 had an expenditure of \$5,836,000 and an estimated result in 2009-10 of \$7,100,000. What is it that justifies an increase just in the current year from \$7,100,000 in 2009-10 to \$8,431,000 for the 2010-11 year?

**The CHAIR:** Did you refer to the budget for 2008-09?

**Mrs REDMOND:** That is what it says as the actual in that line of the cabinet office on page 1.9.

**The CHAIR:** Initially, you referred to page 1.7.

**Mrs REDMOND:** Yes, then I said if we could start with page 1.9. I looked through the highlights to see what they had achieved. They said they had aligned state interests to the national reform agenda and national inquiries such as the water management partnership agreement and the review of ministerial councils; implemented a reporting and evaluation framework for both COAG and South Australia's Strategic Plan; and provided advice on the implications of the Henry tax review—and I noted that the Premier was very keen to accept the recommendations of the commonwealth government and impose the 40 per cent tax on mining and so on. All those things, last year, cost \$7,100,000.

That was significantly up from the 2008-09 year of \$5,836,000. What I am looking for in the first instance is an explanation as to why. What is happening in the current year that justifies that particular office getting such an increase in view of the cuts that are being made across other parts of the budget?

**The Hon. M.D. RANN:** We will deal with the lame political rhetoric about the Henry tax review. I think that, just as the leader got it wrong on Government House funding and got it wrong over the State Bank equivalent debt levels compared to today, she will find that we advocated very strongly, if she talks to the mining industry, to have South Australia's interests looked after, which they were. You may recall that uranium and copper were exempt, and also the take-up rate. So it is important to tell the truth, even though it is early in the morning.

In terms of the area that the member mentioned, the increase in the net cost of service from the 2009-10 estimated result to the 2010-11 budget reflects a transfer of appropriation from the respective agencies for the secondee arrangement, and a carryover from 2009-10 for the South Australian Strategic Plan communication strategy, partly offset by decreased funding in 2010-11 associated with the Lower Lakes High Court challenge and budget improvement measures arising from the Sustainable Budget Commission.

**Mrs REDMOND:** So, is the Premier saying that the increase from \$7,100,000 to \$8,431,000 is because of secondments from other offices?

**The Hon. M.D. RANN:** Yes, that is what I have just been advised.

**Mrs REDMOND:** By the way, the government did not bother to tell anyone about its proposed increase in royalties, and that was really what I was getting at in earlier comments.

**The Hon. M.D. RANN:** You referred to our support in totality for the Henry tax review recommendations, and that clearly was not true. I just thought it needed to be corrected.

**Mrs REDMOND:** Well, I think that you were very ambitious in wanting to get on board with all of those recommendations of the commonwealth government.

**The Hon. M.D. RANN:** That is why we sought and had negotiations to change them, reduce them and to exempt, and we were very successful in doing so. Just go and ask the mining community. I actually meet with them.

**Mrs REDMOND:** I meet with them, too, Premier. Can the Premier then detail precisely who and how many, and what they were doing and why they had to go from any other area into the

Cabinet Office? I am still very curious about why, in light of all the cuts in all the other areas, the Cabinet Office gets such a significant increase next year—or this year, now that we are so late with our budget?

**The Hon. M.D. RANN:** I will ask Mr Morris to respond.

**Mr MORRIS:** Those people have always been there. They are secondees from other agencies. We would be getting income. If you look at the income line, grants and subsidies, you will notice that there has been a decrease in the grants and subsidies of \$1.5 million. That is related to the secondees, so they balance out.

**The Hon. M.D. RANN:** To clarify the last point that the leader made about cuts elsewhere, if you look at Budget Paper 6, it says that the savings initiative provides savings of \$3.4 million in cuts over four years resulting from a rationalisation of the Cabinet Office.

The Cabinet Office has a challenging savings task ahead that will result in the reduction of staff. The task represents around a 15 per cent cut to the budget of the Cabinet Office. However, the challenge is proportionate to the extent of the savings task across government.

So it is proportionate to the savings task against government. We thought it was very important for the Premier's department, as well as the Premier's office, to show leadership in this area. Savings strategies will include rationalisation of the staffing numbers, and some projects will be wound back or cancelled. A related budget decision is the overhaul of the secondee program, with funding for a number of Cabinet Office staff shifting from line agencies to the Cabinet Office budget. This change is reflected in the budget numbers for future budget years.

**Mrs REDMOND:** So, am I right in my understanding from those answers that these people have always been in the Cabinet Office but they have been hidden from us in the budget because they have not been paid via the Cabinet Office until now? Now we will correct that and show them as being in the Cabinet Office and that is why the budget has gone up so much for the current year?

**The Hon. M.D. RANN:** 'Hidden' is—

**The CHAIR:** I do not think we need to say that there have been people hidden in the Cabinet Office.

**The Hon. M.D. RANN:** They are secondees.

**Mrs REDMOND:** Their salaries were not obvious. They were working in the Cabinet Office, according to—

**The CHAIR:** Perhaps their salaries, that is fine, but you need to make it very clear what you are actually talking about. You referred to people who were hidden; you did not refer to salaries that were hidden. For my sake, and my sake alone, please make it clear, thank you.

**Mrs REDMOND:** I will make it very clear, Madam Chair. The statement was made that these people have always been there. If they have always been there, the cost should have always been there. The costs have not always been there, as I understand the answers that I have been given, because they have been on secondment from other areas.

So in other words, the Cabinet Office has been larger, in terms of the actual numbers of the workforce there, than it appeared until this budget. This budget, as I understand what I have been told, now shows that the Cabinet Office is correctly reflecting the number of people there with the amount that is shown for the Cabinet Office line in the program net cost of services summary. I seek clarification as to whether my understanding of that is correct.

**The Hon. M.D. RANN:** I think if you look at 1.11, and you look at Employee Benefits and Costs, you will see the point where the secondees—I mean, secondees would be located from other areas where they would still be on the budgets. People are still being accountable, still being transparent, but what we are doing is simply acknowledging the fact, and actually being transparent, by acknowledging the secondees by shifting their funding base. I know this is exciting. It is in our income line in the annual report.

**Mrs REDMOND:** Two lines further down on the same page—Strategic Policy Initiatives. Can the Premier provide an explanation as to why the estimated cost of \$26,459,000 last year is being increased to \$41,699,000—a \$15 million increase in Strategic Policy Initiatives over the 12 months?

**The Hon. M.D. RANN:** I can give some details here and anymore we can get and report back. For social inclusion, the increase in the net cost of services between the 2008-09 actual and the 2009-10 budget reflects the provision of funding in 2009-10 for the integrated economic disadvantage and disability program, which is \$4.5 million. So, it is a disability program under social inclusion.

The decrease in the net cost of services between the 2009-10 budget and the 2009-10 estimated result primarily reflects a carryover of the integrated economic disadvantage and disability program from 2009-10 to the out years. The increase between the 2009-10 estimated result and the 2010-11 budget reflects a carryover of the integrated economic disadvantage and disability program from 2009-10 to the out years. So, that is on program 3.1.

On program 3.2, the increase in the net cost of services between the 2008-09 actual and the 2009-10 budget reflects funding approval through the 2009-10 budget for the Renewable Energy Fund, RenewablesSA. You remember we announced that fund of \$20 million over some years. Goodness, I think even the opposition would have to reflect how well this state has done on renewable energy compared to the rest of the nation—a couple of billion dollars in wind power alone.

The decrease in the net cost of services between the 2009-10 budget and the 2009-10 estimated result reflects a carryover associated with the Renewable Energy Fund. The increase in the net cost of services between the 2009-10 estimated result and the 2010 budget reflects a carryover associated with the Renewable Energy Fund.

At 3.3: University City—the decrease in the net cost of services between the 2008-09 actual and the 2009-10 budget primarily reflects funding provided in 2008-09 for the creation of an international precinct in Victoria Square which includes relocation and refurbishment costs for the Torrens Building.

The increase in the net cost of services between the 2009-10 budget and the 2009-10 estimated result reflects funding provided from DTF contingencies for the establishment of University College London and funding support to CMU. The increase in the net costs of services between the 2009-10 estimated result and the 2010-11 budget reflects carryovers from 2009-10 to 2010-11 associated with CMU and the East Timor Initiative.

Program 3.4: Policy Initiatives; the increased net cost of services between the 2008-09 actual and the 2009-10 budget reflects funding provided for the Australian Centre for Social Innovation. The minor decrease in net cost of services between the 2009-10 budget and the 2009-10 estimated result reflects partnership funding provided in 2009-10 for the Adelaide Thinkers in Residence program which will be expended in 2010-11.

The minor decrease in the net cost of services between the 2009-10 estimated result and the 2009-10 budget reflects decreased funding provided in 2010-11 to the Australian Centre for Social Innovation, partly offset by partnership funding provided in 2009-10 but to be expended in 2010-11, associated with the Adelaide Thinkers in Residence program. In other areas, the decrease in the net cost of support services between the 2008-09 actuals and the 2009-10 budget is due to a payment to SAFA in 2008-09 reflecting the premier's guarantee for the Adelaide-Darwin railway.

**Mrs REDMOND:** Will the Premier explain that last bit? What is the payment to SAFA?

**The Hon. M.D. RANN:** Sorry; that was my mistake. That was a different line. It was the agreement I think John Olsen signed.

**Mrs REDMOND:** No; I want to know what the payment is. I just want to hear that again.

**The Hon. M.D. RANN:** It is a different line, but I can get you a report on that.

**Mrs REDMOND:** Surely I am entitled to a report now. That is the whole point of having all these public servants sitting here.

**The Hon. M.D. RANN:** The Adelaide-Darwin railway was a project initiated by the former Liberal government in association with John Howard and the Northern Territory. Certain commitments were made by premier Olsen reflecting the state's guarantee for the Adelaide-Darwin railway. As I understand it, the decrease in the net cost of services between the 2008 actuals and the 2009-10 budget is due to a payment to SAFA in 2008-09 reflecting the government's guarantee for the Adelaide-Darwin railway.

I do have some more, and this is exciting stuff, and I think this is very newsworthy. The South Australian government invested a total of \$176.4 million in the Alice Springs-Darwin railway. I want to go on record today to say thank you to John Olsen for that commitment.

The breakdown in that was a \$125 million grant, a \$25 million loan, and \$26.4 million in mezzanine loans. The total government funding for the Alice Springs-Darwin railway—that is the federal, South Australian and Northern Territory contribution—was \$563.7 million. The total cost of the project, because there was private sector input, was \$1.2 billion.

The AustralAsia Railway Corporation (the AARC) is the joint South Australian and Northern Territory government body that protects the two governments' investments in the railway and monitors the performance of the railway operators for the duration of the 50-year concession deed. The two governments guarantee the obligations of the AARC, and I am sure that there will be no criticism of premier Olsen for undertaking this agreement.

The business has made good operational profits but could not service the very high level of construction debt, as was featured massively in the newspapers at the time. Receiver managers and administrators were appointed in November 2008 and the business has been operating under a deed of company arrangements since April 2009.

In June 2010, as a consequence of the latest sale process, Genesee & Wyoming Inc. announced that it had signed an agreement to acquire the assets of the railway business for \$A334 million. Genesee & Wyoming, through its Adelaide-based Australian subsidiary, already operates South Australian intrastate rail track and freight haulage and has managed above-rail services on the Tarcoola-Darwin railway since its inception in 2004.

The contingent liability described in attachment A in relation to the government's guarantee of the AARC's obligations is unquantifiable but is considered extremely unlikely to occur and potential triggers are very closely monitored by the AARC board. Again, I make no criticism of John Olsen for the guarantees that he entered into.

Any changes as a result of the sale of the railway are being closely scrutinised in order to ensure there is no increase in risk to the two governments. In April 2001, the then premier John Olsen guaranteed SAFA's investment in mezzanine loans for the railway project, pursuant to the Alice Springs to Darwin Railway Act 1997.

SAFA called on the Premier's guarantee in late 2008 and the guarantee was fulfilled by the payment of \$42.5 million. SAFA now holds and manages this contingent asset on behalf of the government. The residual funds from the sale, if any, after payment of senior debt, will be applied to repayment of mezzanine loans. The South Australian and Northern Territory governments each pay one half of the AARC's jointly-agreed annual operating budget.

DPC's contribution in 2010-11 is \$0.1 million. That is 0.1 of a million dollars and that, I am pleased to say, is matched by the Northern Territory government. So, that is \$0.1 million; that's DPC's contribution that we are talking about.

Current status: detailed negotiations are underway between the AARC and Genesee & Wyoming, Inc. regarding changes required to documentation as a result of the sale. AARC's key aim during the negotiations is to facilitate the healthy operation of the railway without increased risk to the South Australian and Northern Territory governments. All reasonable costs associated with the sale are required to be paid by the purchaser. Genesee & Wyoming has confirmed its agreement to pay these costs.

AARC will therefore not require—not require—any increase in contributions from either the South Australian government or the Northern Territory government in this financial year. The AARC board is continuing to pursue additional budget savings and no liability issues have arisen. Again, in the spirit of bipartisanship in which the estimates committee is held, let's pay tribute to John Olsen for his role.

**The CHAIR:** Leader, you have had some five questions, I believe, so if I may, I will ask the other side if they have any. Are there any questions to my right?

**Ms THOMPSON:** Yes, ma'am. I am very eager to ask the Premier a question in relation to the impact of wind energy on South Australia's electricity price. Premier, I refer to Budget Paper 4, Volume 1, page 1.7. Can the Premier please advise the progress of the government's RenewablesSA initiative and particularly its impact on South Australian families?

**The Hon. M.D. RANN:** This is something that I think all South Australians can be proud of. We are acknowledged leaders in the area of wind power, not just in terms of Australia but also

internationally. In fact, I was advised just a few months ago that, if South Australia was a nation and not a state, we would be second only to Denmark in terms of the proportion of wind power electricity. If that is the case, I think that is something that all South Australians can be proud of.

Our renewable energy industry continues to boom, to the point that it has the potential to rank with agriculture, manufacturing, defence and mining as one of the state's great foundation industries. In October this year South Australia will pass the 1,000 megawatt threshold of installed wind power capacity—billions of dollars of investment.

The parliament is well aware of our leadership achievements in geothermal development and solar as well. What is not as well known—and this is the thing that I am announcing today—is the impact that our success in attracting wind power investment is having on current and forecast future power prices. Remember all the predictions that embracing renewable energy would be somehow detrimental to electricity prices.

A report received from the national energy modelling company, ROAM Consulting, has concluded that South Australian wholesale electricity prices will rise relatively less than prices in other states on the National Electricity Market. Based on their analysis, South Australia is forecast to move from having the highest-cost power in the market to being equal to New South Wales as having the least-cost wholesale electricity by 2013. The subsequent advent of a carbon price is forecast to result in South Australia having the cheapest power of all the states in the National Electricity Market by 2015. While these are forecasts, it is extremely encouraging. Some of the benefits are being enjoyed right now.

A detailed study by the Centre for Energy and Environmental Markets at the University of New South Wales has compared power prices in South Australia on low and high-wind days across all four seasons. The study concluded that, in summer, the daily price peaked at an average of \$100 per megawatt hour at 4pm on low-wind days. On high-wind days, that price fell to \$25 per megawatt hour—a \$75 price difference. So, when the wind was not blowing, power peaked at an average of \$100 per megawatt hour; when the wind was blowing and the wind power kicked in, it fell to \$25 per megawatt hour—a \$75 price difference.

In winter, the price fell from \$100 per megawatt hour on low-wind days to \$50 per megawatt hour on high-wind days. So South Australians are already harvesting a significant benefit from having almost half of Australia's wind power in our state—8 per cent of the population, almost half Australia's wind power.

Perhaps more importantly, independent forecasts suggest that the historic disadvantage that South Australians have suffered with relatively high prices are set to be reversed. If that happens, renewables will have not only reduced our cost of living but given us a formidable economic advantage in the form of lower-cost clean power. The government will keep working at cementing South Australia's position as the best place in Australia for renewable energy investors to do business.

I should also note that the Sustainability and Climate Change budget line includes a \$7.49 million carryover of surplus 2009-10 funds from the Renewable Energy Fund. These funds will be applied to a series of projects that will further our efforts to increase renewable energy investment in our state, and obviously will be advised in due course.

To put that into context, I am advised that, if you look at the proportion of our power coming from renewables, if we were a nation we would be second only to Denmark. Of course, by 2020, we anticipate that 33 per cent of South Australia's electricity will come from renewables, which will put us, again, into an international leading position.

**The CHAIR:** Just out of courtesy, before we move to another question on my right, leader, do you have any questions that you would like to ask in relation to that subject?

**Mrs REDMOND:** Several. Premier, you mentioned the price of electricity per megawatt hour on low wind days and then high wind days—and I appreciate that difference—but then you went on to say, 'when the wind is not blowing'. My understanding—and I have read a fair bit about it—is that low wind days means that there is some wind and thereby some generation.

However, from my reading, it is also apparent that there are, indeed, days—to quote the articles that I have read—'When the wind don't blow, it don't blow everywhere.' What I want to know is: what is the cost of our electricity on the days when the wind is not blowing at all?

**The Hon. M.D. RANN:** As the leader just quoted something that I did not say, I will read exactly what I said:

The study concluded that, in summer, the daily price peaked at an average of \$100 per megawatt hour at 4pm on low wind days. On high wind days, that price fell to \$25 per megawatt hour, a \$75 price difference. In winter, the price fell from \$100 per megawatt hour on low wind days to \$50 per megawatt hour on high wind days.

**Mrs REDMOND:** Yes, and I am sure that, if you go back into the *Hansard*, Premier, you will see that you then went off the written page for a moment and referred to it as 'the wind not blowing' when, in fact—

**The Hon. M.D. RANN:** Anyway, we will check the *Hansard*, and I will ask Tim O'Loughlin to elaborate further.

**Mr O'LOUGHLIN:** The study the Premier is referring to is the study from the University of New South Wales Energy Markets Unit. What they did for that study—because of the various spikes—is remove the top 25 per cent and the bottom 25 per cent. That is why the phrases 'low wind' rather than 'no wind' and 'high wind' rather than 'highest wind' are used. So, it is just that band in between.

**Mrs REDMOND:** Which is what I understood from what the Premier read, but he definitely referred to 'when the wind is not blowing'. My understanding is that you do not generate wind energy if the wind is not blowing.

**The Hon. M.D. RANN:** Quite so. That is actually very prescient and profound.

**Mrs REDMOND:** Profound, I know.

**The CHAIR:** That was your third question, leader?

**Mrs REDMOND:** No; I have another question in relation to the sustainability and climate change section. In fact, I have several questions on that.

**The CHAIR:** In that case, if you do not have any questions that relate directly to the line we were just discussing, perhaps I might ask someone on my right to ask a question and then we will come back to you.

**The Hon. M.D. RANN:** I think even the opposition would acknowledge that we have been doing our best to give the opposition more questions than the government. That did not happen to me when I was the leader of the opposition.

**The CHAIR:** The member for Little Para.

**Mr ODENWALDER:** Thank you, Madam Chair, and good morning, Premier. I refer to Budget Paper 4, Volume 1, page 1.7. Can the Premier please expand on the community engagement process being undertaken for the update of the State's Strategic Plan?

**The Hon. M.D. RANN:** South Australia's Strategic Plan draws together the hopes and aspirations of South Australians. People remember the process. Robert de Crespigny and others thought it was very important for us to have a plan of where we would be in 10 years' time and targets and how we were going to get there. We went out to the community—

**Mrs REDMOND:** What budget line was that?

**The Hon. M.D. RANN:** Budget Paper 4, Volume 1, page 1.7.

**The CHAIR:** I think that the honourable member did refer to it.

**Mr ODENWALDER:** I did.

**The CHAIR:** Carry on, Premier.

**The Hon. M.D. RANN:** The plan maps out clear targets to assist us as a state—not just as a government—on what is critical and what is important. They go across a wide range of areas from renewable energy, where we have smashed the targets that we set (targets which, by the way, were described as too ambitious), and we have smashed the mining exploration and mining targets ahead of time; and, again, they were described as being too ambitious.

There are areas where we have fallen short, areas where we have exceeded and areas where we are on track. I can advise the committee that 98 targets are in place to focus our effort in changing South Australia for the better in giving us timelines in which to deliver.

The plan sets the framework for government investment and policy decision making. Business, the wider community and local government play an integral part in shaping the plan and ensuring that it reflects their needs and aspirations.

The plan has recently (and I mentioned this before) received international recognition. It has been recognised by the US-based Community Indicators Consortium as a world-best example of integrating community indicators, with a range of performance measures in order to drive sustainable change. It was judged ahead of rival projects implemented in places such as Florida, the State of Virginia and Calgary, Canada.

The inaugural plan was launched in March 2004. In 2006 South Australians from all walks of life and in communities right across the state had their say about the plan. We made a commitment to revisit the plan to make sure that it still reflects where we want to go every four years. Hence, four years down the track, it is now time to revisit the plan and strive to have a broad consultation process that will enable more South Australians than ever before to take part in the conversation about the plan.

This will ensure that the plan still reflects the community's aspirations and looks to the next decade and beyond. Thousands of South Australians will have the opportunity to share their views on their vision for South Australia in 2020 and beyond via face-to-face meetings across the state and a series of new initiatives. We are engaging the community online in new and innovative ways, seeking to have conversations with those unable to make face-to-face consultation sessions or with those who would, perhaps, prefer to engage online.

To this end, we have established a variety of formats for engaging with the public, including on the Strategic Plan website and through Facebook and Twitter, as well as community meetings. The consultation process took place throughout August and September and will continue through to November 2010.

Another strength of South Australia's strategic plan is that it is independently audited. The audit committee, chaired by Bill Cossey, analyses the data and provides an independent report on the state's progress in achieving the targets. This report is transparent, allowing everyone to see where we are going well and where more effort is needed.

While similar plans may exist elsewhere in the world, few governments have held themselves to this level of accountability in such a robust and transparent way. Having looked at some places elsewhere, they have strategic plans not dissimilar to ours but they make their own judgments on the performance of their jurisdiction.

**Mrs REDMOND:** I go back to the Strategic Policy Initiatives. I have already tried to ask about why there is such a massive increase of \$15 million in the budget of the Strategic Policy Initiatives. However, I noticed in the 'Highlights' for 2009-10, under Program 3 (which is the Strategic Policy Initiatives on page 1.7 of Budget Paper 4, Volume 1), the second dot point of Strategic Policy Initiatives states:

Progressed to Break the Cycle report recommendations to reduce serious and repeat offending of young people through:

—Spirit Festival and the Binnanendi initiatives; and

—the expansion of the South Australian Aboriginal Sports Training Academy.

I was wondering whether the Premier could explain in what way that progresses the To Break the Cycle report, because I have a copy of the report and I have read through the recommendations of the report again (as I did when it first came out) and I am still puzzled as to what the strategic policy initiative is and how it progresses any of the recommendations of that report.

**The Hon. M.D. RANN:** In February 2007, I asked the Commissioner for Social Inclusion, Monsignor David Cappo AO, to undertake an investigation into the issue of serious repeat offending by young people in response to an escalation in offending by a group of young people identified through the South Australian police force's Operation Mandrake.

**Mrs REDMOND:** Yes, I do know all that. Again what I want to know, Premier, is: how does this statement in your budget papers on page 1.7 about the Spirit Festival, the Binnanendi initiative and the expansion of the South Australian Aboriginal Sports Training Academy address or progress any of the recommendations of that report?

**The CHAIR:** May I just say that the Premier has had very little time in which to answer that and I am sure that—

**Mrs REDMOND:** He was reading the beginning of the report again.

**The CHAIR:** Excuse me, I haven't finished speaking and I don't like being interrupted. When the Premier has had a chance to adequately answer the question, I think then might be a



better time for that kind of interjection, but for this point in time we will give the Premier time in which to answer the question.

**The Hon. M.D. RANN:** The commission responded with the To Break the Cycle report, comprising 46 recommendations, all of which were accepted by the government. The report provided a comprehensive framework to tackle youth offending, spanning prevention and early intervention through to secure care: \$11.5 million was provided to fund the implementation of these recommendations and today all have been implemented or are in the process of being implemented. The work has a strong emphasis on culturally appropriate responses to address the needs of Aboriginal young people who are significantly overestimated in our youth justice system.

The key element of the reforms was the establishment of the Community Protection Panel in early 2009. The Community Protection Panel comprises all relevant agencies identified in the To Break the Cycle recommendation. The aim of the Community Protection Panel was to reduce the seriousness and frequency of re-offending by repeat offenders and to enhance community safety. It does this by examining all aspects of—this is a key bit here—a young person's life and offending behaviour and develops a multiagency case plan to help address offending patterns, while maintaining a commitment to preserving community safety.

In addition, the Young Offenders Act has been amended to strengthen the requirement to take account of community safety when sentencing serious repeat young offenders. In recent times, we have seen some of these prolific young offenders sentenced more harshly.

The commissioner's report also included recommendations about increasing positive exposure of Aboriginal culture—so it is about things that are culturally appropriate, leader—and also recommended about the need to have a much more positive exposure of Aboriginal culture.

In December 2008, we hosted the state's first Aboriginal sports and cultural festival, the Spirit Festival in Elder Park, attended by an estimated 10,000 people. That was in 2008. It is about increasing young people's self-esteem and cultural awareness. It is about connecting with them in a positive way through culture. In 2009, the festival attracted around 15,000 attendees, a 50 per cent increase on the previous year. The festival contributes significantly to building pride and promoting positive visibility of South Australia's Aboriginal people and their culture to the broader community. Plans for the next Spirit Festival are well under way.

There are some other areas. The government has also established the Aboriginal Power Cup, a joint Attorney-General's Department and Port Adelaide Football Club initiative. It is a football carnival for Aboriginal students, promoting healthy lifestyles, teamwork, responsibility and positive choices. School attendance is a core requirement. The 2010 Aboriginal Power Cup will include curriculum material, information packages for schools and a leadership training and development program.

I should talk about some of the other areas that were mentioned. The sports academy was very much a key recommendation to try to get young Aboriginal people into more positive education and social outcomes by engaging them in sport. I commend some of the work being done by Gavin Wanganeen in connecting with young Aboriginal people, and other young people at risk, through sport.

**Mrs REDMOND:** I have a supplementary question, Madam Chair. It is very much a supplementary to that answer. What I want to find out is—

**The CHAIR:** Yes, well, all right; that can be your third question.

**Mrs REDMOND:** Which of the 46 recommendations of the report does the Premier say is relevant to the dot point 'progressed To Break the Cycle Report recommendations' with those festivals? For instance, recommendation 41 says, and this is referred to by the Premier partly in his answer, that the government's cultural inclusion framework is used as a basis for ensuring cultural competence of staff within Families SA, courts administration, police, Department of Education and Children's Services and Department of Health.

It goes on with some further stuff, but the thrust of that recommendation is not focused on the young people but is focused on the people dealing with those young people to ensure that they understand and have a good cultural competence throughout all government departments. So can the Premier explain, which is really the thrust of my first question, what recommendations of that report he says were being progressed via the Spirit Festival and those other things listed in the highlights?

**The Hon. M.D. RANN:** The Commissioner for Social Inclusion (Monsignor David Cappo) recommended that we should boost the positive exposure of Aboriginal culture, both through arts and also sport. That is why in December 2008 we hosted the state's first Aboriginal sports and cultural festival, bringing both together in Elder Park, and it was called the Spirit Festival. It was attended by about 10,000 people. As I mentioned before, in 2009 the festival attracted about 15,000 attendees, a 50 per cent increase on the previous year. The festival, we believe, is a positive way of contributing significantly to building pride.

It is about getting in first, leader. It is about making sure that we encourage young people to have more positive outcomes and that young Aboriginal people are proud of their culture and proud of their opportunities to advance through sport. It uses culture and sport. The leader would be very well aware of the strong success in the ICAN networks in improving educational outcomes for kids who would otherwise drop out of school, and that is why there has been a fantastic improvement in the school retention rate in this state.

**Mrs VLAHOS:** I refer to Budget Paper 4, Volume 1, page 1.7. Could the Premier outline why he has asked the Social Inclusion Board to develop a long-term reform plan and disability blueprint for South Australia?

**The Hon. M.D. RANN:** In December 2009 I referred the issue of disability reform to the Commissioner for Social Inclusion and the Social Inclusion Board. Improving the dignity, inclusion and independence for people with disability is a strong priority for this government. Despite our record of almost doubling funding for disability services since coming into office and providing assistance to an additional 4,000 families, the growth in future demand means South Australia needs a new long-term direction in this area.

It is a complex social issue requiring a whole of government and a whole of community response. This is why I have asked the Commissioner for Social Inclusion, Monsignor David Cappo, and the Social Inclusion Board to provide me with advice on an approach towards long-term reform.

The growth in the demand for disability services is not only an issue for this state. Every jurisdiction in Australia is facing similar problems. This is why the federal government has asked the Productivity Commission to investigate a new national and sustainable way to fund disability services.

Perhaps just to give an example, the latest data from 2003 shows that there are currently 362,000 South Australians living with a disability. We estimate that in June 2009, there were 61,178 people who were living with a severe and profound disability. This number is expected to grow by 10 per cent over the next 20 years.

The work the Social Inclusion Board is undertaking will do more than come up with solutions to meet demand pressures. The Disability Blueprint will have a focus to place people with disability, their families and carers, at the centre of the service system and join up services on the ground. It will provide the government with options to build flexibility in the way services are delivered and to give greater control to people with disability to choose the services that they need. It is about bringing dignity back into the lives of people with disabilities.

The blueprint will also have a focus to better support the needs of families and carers of people with disability. The significant financial and social cost in taking on this caring responsibility is still largely unrecognised in our community. Carers of people with disability need more support and recognition.

The Disability Blueprint will also look at the fundamental issues which exclude people with disability from participating in our broader community. It will have a focus on the issue of building rights, improving care and protection, and reducing stigma and discrimination.

The Social Inclusion Board has released a discussion paper and is currently undertaking a statewide community engagement process. It will be holding a series of community meetings to meet and consult with people with disability, their families and their carers. I anticipate receiving a final report with recommended actions from the Commissioner for Social Inclusion sometime around July, or a little bit later, in 2011.

**Mrs REDMOND:** I refer to Budget Paper 4, Volume 1, page 1.18 and the office of sustainability and climate change, and also to Budget Paper 6, page 16, and perhaps I can go to that one first. On page 16 it says under Sustainability and Climate Change Division 'rationalise', and then over the next four years there is \$363,000, \$356,000, \$369,000 and \$956,000 in what is called 'rationalise', towards the bottom of that page.

My question is: you say in that paper that you are rationalising the Sustainability and Climate Change Division under a savings measure, but in the reference on page 1.18 of Budget Paper 4, Volume 1 there is a dramatic increase in the Sustainability and Climate Change Office. It has gone from \$3,666,000 in 2008-09, to more than double that as its estimated result for 2009-10. There is then an almost trebling of that doubled amount for 2010-11. What is the purpose of that increase and how is it you say that you are rationalising by taking a few thousand out, when you actually increasing the overall budget to nearly \$21 million?

**The Hon. M.D. RANN:** Leader, I do not think you listened. You asked me a similar question before and I replied to it. Do you remember when I mentioned that we had set up a Renewable Energy Fund—

**Mrs REDMOND:** Yes.

**The Hon. M.D. RANN:** —of \$20 million? That was a special fund for renewable energy projects because we had been doing so well both nationally and internationally. The money that you think has been a big increase in funding is the carryover of that fund, of what has not been spent. So, I did answer this before but I will go back to it—program 3.2. The increase in the net cost of services between the 2008-09 actual and the 2009-10 budget reflects funding approved through the 2009-10 state budget for the Renewable Energy Fund.

The decrease in the net cost of services between the 2009-10 budget and the 2009-10 estimated result reflects a carryover associated with the Renewable Energy Fund. So, the increase in the net cost of services between the 2009-10 estimated result and the 2010-11 budget reflects a carryover associated with the Renewable Energy Fund. So, that explains what appears to be this magic increase.

In terms of other areas, we have announced some strategies to achieve the savings measures required, including the cessation of funding in one area to a university. I should point out that that is because we are also putting quite a bit of effort into the Goyder Institute which is about mitigating the effects of climate change, so that is a rearrangement.

There will be a reduction in one full-time equivalent at the senior management level which will result in a savings of \$110,000, and savings associated with 2010-12 and beyond will be achieved via a refocus of priorities in seeking alternative sources of funding for programs.

**Mrs REDMOND:** What is being done with that fund; and who is the Commissioner for Renewable Energy and who is on the board?

**The Hon. M.D. RANN:** The Commissioner for Renewable Energy I introduced before.

**Mrs REDMOND:** Yes, who is it?

**The Hon. M.D. RANN:** It is Tim O'Loughlin. There is a RenewablesSA Board which is chaired by Bruce Carter, who is also chair of the Economic Development Board. Again, this is an area of spectacular success. There is \$2 billion worth of investment in wind energy by the private sector. I can see that does not please the leader but it is very good—

**Mrs REDMOND:** I am waiting for an answer about who is on the board. That was the question.

**The Hon. M.D. RANN:** I have just told you. You asked me who the Commissioner for Renewable Energy was—

**Mrs REDMOND:** Yes, Tim O'Loughlin.

**The Hon. M.D. RANN:** —even though I introduced him to you earlier and announced his presence. The chair of the RenewablesSA Board is Bruce Carter.

**Mrs REDMOND:** Who else is on the board?

**Mr O'LOUGHLIN:** The board consists of Barbara Rajkowski, an energy expert from South Australia; David Klingberg; three people from Melbourne—Amy Kean who works in the energy efficiency sustainability area, Fiona O'Hehir who has a major carbon trading business, and Tom Roper, who is an international consultant on climate change; Ian Chessell, the chief scientist; and Mohan Kolhe, a lecturer in energy at UCL.

**The Hon. M.D. RANN:** I can fill in some more details, leader, because you wanted some more. In terms of the RenewablesSA Board, in June 2009 the South Australian government announced the creation of a \$20 million Renewables Energy Fund and a new renewable electricity

generation target of 33 per cent by 2020. It is against this background that, in June 2009, a new board to advise and oversee the implementation of the strategic framework for attracting further investment in renewable energy to South Australia was created.

In addition to its primary role in reviewing and recommending grant allocations—that is that \$20 million which, I think, has caused confusion because of the carryover of what remains—the board has taken a strategic approach to the generation of information and policy advice to support the broader environment for renewable energy investment. On the former, the board has commissioned and made publicly available information required by potential investors such as solar resource mapping and detailed solar data modelling at four key sites in the state.

In April 2010, a new website was launched and communication materials have been procured to provide a dedicated point of contact for investors. As part of a planned series of public lectures in August 2010, the board hosted its inaugural public lecture from Peter Jørgensen, vice president of Denmark's electricity division Energinet.dk, a highly acclaimed national expert in managing the integration of high levels of renewable energy in the transmission networks.

On the latter, the board has commissioned a strategy for sustainable biofuels industry in the state and a comparative study of land use planning regimes and worked to support the development of South Australian-based solar project proposals for the commonwealth's 1.5 billion Solar Flagships Program. A key aspect of the board's charter is to oversee its finalisation of the renewable energy industry development plan pursuant to section 14.1(b) of the Climate Change and Greenhouse Gas Emissions Reduction Act 2007.

The statutory requirement for the board to prepare the renewable energy industry development plan is outstanding. A draft plan has been completed, but the board agreed the release of the plan would be deferred while new policy initiatives, currently subject to deliberations with the government, are being progressed.

This is really important. In terms of what has happened so far, you would be aware of the proposal for the Green Grid. We have \$2 billion worth of investment in wind energy, but this is a report provided in August 2009. A consortium of Macquarie Capital, WorleyParsons and Baker & McKenzie were awarded \$1 million by the South Australian government through this fund to conduct a feasibility study into unlocking renewable energy resources in South Australia's Eyre Peninsula. The grant was the first allocation from the \$20 million fund recommended by the board to me.

The renewable energy fund has a two-year life and was established as a part of the 2009-10 budget. The study was completed in July of this year. A public report, establishing a viable business case to support 2,000 megawatts of extra new wind generation valued at \$4.5 billion on Eyre Peninsula, was released on 16 July.

We currently have 1,000 megawatts which will be achieved later this month, and this is about getting another 2,000 megawatts worth \$4.5 billion. Under the funding agreement, the administration of the grant is in three equal instalments coinciding with meetings of the steering committee in November 2009, January 2010 and June 2010 comprised of the grantee and the state government officials.

During 2009-10, two payments of \$666,666 were made to the grantee. On 25 August, the next steps for the investment are being progressed by the Four Winds energy developers, Macquarie Capital and state transmission network service provider ElectraNet. The South Australian government is engaging with relevant energy market institutions to influence the timing and direction of draft regulatory changes needed to facilitate the commercial case for the project.

Some other grants were made. We have established the South Australian Centre for Geothermal Energy Research at the University of Adelaide at \$1.6 million. I have mentioned the Green Grid on the Eyre Peninsula at \$1 million. We have assessed the feasibility of large scale solar thermal and solar photovoltaic projects as part of the commonwealth Solar Flagships Program.

The board that we mentioned before has further approved the award of funds of \$700,000 to Heliotherm for the development of a solar hybrid prototype conditional on award of funding from the commonwealth Australian Solar Institute; \$300,000 to a joint application by Syngas and the Yorke Peninsula Alkaline Soils Group for field trials of non-food biomass collection, storage and transportation conditional on the application of the results of the trial to a biomass project; and \$200,000 to the University of South Australia for the research, development and

demonstration of a solar air conditioning, hot water and space heating prototype for residential application. A total of \$2.69 million was disbursed from the fund in 2009-10. Of this, \$1.61 million was used for grants and \$1.08 million on operating expenses and commissioned work. So, that money that you have referred to several times is a carryover of the unspent \$7.4 million to 2010-11, which was approved by the Department of Treasury and Finance in June.

**The CHAIR:** One more question, Leader.

**Mrs REDMOND:** I hope to have more than one more question, Madam Chair. We are due to finish this line at 11 o'clock, I thought.

**The CHAIR:** Indeed; but, in all fairness, this side—

**Mrs REDMOND:** The Premier has spoken at some length about the percentage of renewable electricity generated in this state. Does the Premier have figures on the cost-benefit analysis and the payback times for renewable energy production in this state?

**The Hon. M.D. RANN:** I think we have really covered that. Given that nearly all of the investment is from the private sector—

**Mrs REDMOND:** Then why do you keep blowing your trumpet about it?

**The Hon. M.D. RANN:** Why do you think they come here? Do you think it is just because we are the only state with wind? No, we changed the regulatory framework when we first came in. There was not one single wind turbine that we could find operating when the Liberals were last in government. We got off our backside. We are now an international leader, as well as a national leader. We did that by changing the rules, and we went out very hungrily to get investment so that we could see companies come here, because we made it easier for them, and then they could access funding supports from the federal government. This is something that would be very, very difficult to knock, even for the opposition. Mr O'Loughlin, do you want to comment further?

**Mr O'LOUGHLIN:** Obviously the issue of payback is a matter for the commercial interests. The area where the government does intervene, of course, is in solar PV by way of the feed-in tariff. The government has announced the parameters for its revised scheme, which will see the payback period for people investing in domestic solar PV come in in about three years.

**The Hon. M.D. RANN:** I should say, that is a very important thing, in a whole series of areas. Why here? Because we got off our backsides and acted quickly. Why do we lead in wind? Because we acted quickly to change the rules. Why do we lead in geothermal when it is right on the border of other states and territories? Why is 94 per cent happening here? Because we got off our backside. Why do we lead in solar power? Because we were the first to do what we did. This is something I would hope that all sides of politics could feel good about.

On the solar feed-in law, you were talking about the payback period. The feed-in scheme was introduced on 1 July 2008. It pays 44¢ per kilowatt hour for every unit of electricity that a solar system feeds into the electricity grid. A review of the scheme was due when 10 megawatts of installed capacity was reached. This review commenced on 31 October and was carried out by an independent consultant, Paul Miley, of Consulting Partners.

The review process sought submissions from interested parties and included discussions with major stakeholders, including select retailers, ETSA, industry representatives, and customer and environmental advocates. A total of 175 submissions to the review were received. The review is now finalised and I have recently announced the government's intention to implement a number of changes to the scheme in response to the review. These include increasing the tariff to 54¢ per kilowatt hour and obligating retailers to pay a minimum rate, determined by the Essential Services Commission of SA, for the power that they receive from solar customers.

It is intended that the cost impact of larger systems will be limited through the introduction of a cap on the daily eligible export set at 45 kilowatt hours per day by specifically excluding dedicated generators from the scheme and preventing multiple connections by limiting eligibility to one eligible generator per person or entity.

On financial issues, a total of \$51,250 was spent on consultancy fees for the review. The intended change to the scheme does not have any financial impact on government. The cost of the scheme is recovered by ETSA Utilities from all electricity customers in the state. As part of its response to the review, the government intends to introduce a scheme capacity cap set at 60 megawatts, after which the scheme will be closed to new connections. This will ensure that the cost of the scheme to customers is limited. As of 16 September 2010, the bill is currently being

drafted to amend the Electricity Act 1996 to make provision for the government's intended changes to the feed-in schemes. It is expected that this will be tabled in coming weeks.

**Mrs VLAHOS:** I refer to Budget Paper 4, Volume 1, page 1.18. Can the Minister for Sustainability and Climate Change please provide an update on the Building Innovation Fund grant initiative and the commencement of round three of this program?

**The Hon. M.D. RANN:** The details of the state government's Building Innovation Fund were announced in March by the Minister for Energy, Pat Conlon, who is also the Minister for Infrastructure. The \$2 million four-year initiative aims to establish South Australia as the nation's leader in demonstrating innovative ways to reduce greenhouse gas emissions from existing commercial buildings.

Two rounds of the Building Innovation Fund have now closed, with \$1 million for further funding rounds remaining available. In total, seven projects demonstrating innovative ways to reduce greenhouse gas emissions from existing commercial office buildings have received funding. From these, four are capital works projects and three are feasibility studies.

The funded capital works include such innovative projects as the installation of a green wall and a green roof in the Adelaide CBD, the development of a solar facade consisting of solar panels and translucent photovoltaic cells that will reduce the building's overall energy consumption by approximately 25 per cent, and the installation of air engines for energy generation in an office building. An added advantage of these innovations is that they not only work to reduce carbon emissions, they can also reduce the operating cost of commercial office buildings by improving energy performance.

Feasibility studies into green walls and an evaluation of emission reduction technologies for commercial buildings have also been completed with funding from the Building Innovation Fund. The results have been made publicly available via the state government's climate change website so that the entire property sector can benefit from the lessons learned from these studies. Round three of the program is expected to open later this year.

**Mrs REDMOND:** I think I had better read the omnibus questions into the record and then, perhaps, if I get a chance, ask one more question. The omnibus questions are, of course, on notice.

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 above \$10,000 in 2008-09 for all departments and agencies reporting to the minister, listing the name of the consultant, contractor or service supplier, 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 of the employee?

4. In 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; and how much was approved by cabinet?

5. 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 year 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 grants, and whether the grant was subject to a grant agreement as required by Treasurer's Instruction No. 15?

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

8. For each department or agency reporting to the minister, how many targeted voluntary separation packages (TVSPs) will be offered for the financial years 2010-11, 2011-12, 2012-13 and 2013-14 Since I think I still have a few seconds left, I would like to ask the—

**The CHAIR:** By my reading of the clock, no you do not. I am sorry about that. The time agreed for consideration of these portfolio areas having expired, I declare the examination of the proposed payments adjourned until later today.

*[Sitting suspended from 11:00 to 11:16]*

**DEPARTMENT OF TRADE AND ECONOMIC DEVELOPMENT, \$61,378,000**

**Membership:**

Mr Griffiths substituted for Mrs Redmond.

Mr van Holst Pellekaan substituted for Mr Venning.

**Departmental Advisers:**

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

Ms A. Allison, Director, Corporate Services, Department of Trade and Economic Development.

Mr P. Robinson, Director, Office of the Economic Development.

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

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

**The CHAIR:** I declare the proposed payments open for examination and refer members to the Portfolio Statements, Volume 1, Part 2. Premier, did you wish to make a statement?

**The Hon. M.D. RANN:** Thank you, ma'am, I would like to do that. With respect to the economic outlook, over the past 8½ years the government has laid the foundations for strong economic growth. As I outlined earlier today, external factors—including the global financial crisis (GFC)—have delivered the need to undertake budget repair, but analysts forecast sustained growth for our state and also predict that other key economic indicators will remain at or above the national average over the coming decade.

Forecasters, including Access Economics and the Department of Treasury and Finance, predict gross state product (GSP) growth ranging from 2.5 per cent to 2.7 per cent in 2010-11. Modelling undertaken by the Economic Development Board is even more upbeat—it forecasts that the six-year period to 2015-16 will realise annual GSP growth of 3.4 per cent (an annual employment growth of 1.7 per cent).

In June 2010, Access Economics reported that the recovery from the GFC is well advanced across Australia, and that South Australia has performed particularly well. The recovery has been characterised by return to a low unemployment rate, near record high business investment, strong demand growth and an anticipated acceleration of GSP growth.

Access Economics noted that rising resources investment is a major factor in the state's growth outlook. This reflects the government's focus on creating a climate of certainty for long-term investors in the resources sector. Also, over the past seven years, South Australia has secured around \$40 billion worth of defence contracts and projects, making us the nation's undisputed defence industry capital.

In addition, education is now our top services export and is forecast to grow from \$892 million in 2008-09 to \$1.59 billion in 2014-15. Manufacturing contributes about \$9 billion a year to our GSP. Our support for this vital sector was outlined in our election commitments, including:

- a small and medium enterprise development program (\$4 million over four years);
- manufacturing;
- Thinker in Residence; and

- establishment and development of the Tonsley Park sustainable technologies precinct on the former Mitsubishi site.

Economic growth: in 2008-09, at the height of the GFC, South Australia's GSP grew by 1.4 per cent, while Australia's GDP grew by 1.1 per cent. South Australia's recorded annual growth of 5.4 per cent for state final demand in the previous fiscal year, above the national average growth rate of 5.3 per cent.

We have retained our AAA credit rating through our preparedness to take the tough decisions to repair the budget. We are also investing over \$11 billion in infrastructure that will underpin the medium and long-term growth capacity of our economy. This is a record level of infrastructure spending, around five times higher than at the start of the decade.

Confidence in our state's future prosperity is, in large part, due to the strength of the major investment projects in the pipeline. There are \$71.5 billion worth of major projects either underway or on the horizon in South Australia, an all time record high. The Independent Audit Committee of South Australia's Strategic Plan identified some areas such as our \$25 billion export target where the economy is falling short. Factors such as the GFC causing slow growth in traditional markets (that is, the UK and US), the drought, our high Australian dollar and the fact that we are yet to see the full effect of the mining expansion on our exports, have all had negative effects. The drought, of course, has been particularly savage and prolonged until recently.

All these are factors beyond the control of a single state. Nevertheless, it remains important to set goals and targets that we can all work towards cooperatively. The prospects for improvement in the export performance are strong as our mining exploration translates to a mining development, construction and export boom.

Investment: business investment reached \$10.8 billion in the year to the June quarter 2010, a near record high, which, given the global financial crisis, is quite extraordinary. In KPMG's 2010 report, Adelaide was again one of the most cost competitive locations in Australia in which to do business, ahead of Sydney and Brisbane and marginally behind Melbourne. In 2010, Adelaide remained the most affordable city in Australia and one of the most affordable cities in the Asia Pacific region, according to the Mercer cost of living survey.

Employment: in August 2010, trend total employment was 811,500 (that is, 811,500 people in jobs), the highest level on record, and full-time jobs are at a near record 548,000. Labour force participation is also at a near record high: 63.4 per cent in August 2010. Since March 2002, annual average jobs growth in our state has more than doubled to 1.9 per cent. In the 8½ years since then, we have added 120,400 jobs to the economy. In the eight years prior to that period, a mere 50,800 jobs were added. We have added more than 75,000 full-time jobs, whereas in the previous eight years fewer than 5,000 were added.

The trend unemployment rate was 5.3 per cent in August 2010, compared to the national trend unemployment rate of 5.2 per cent. As I announced during the March election campaign, given the state's future prosperity, we are confident of achieving the target of creating an additional 100,000 jobs over the next six years and our population growth of 1.3 per cent in 2009 is the highest recorded since 1975. Thank you and I apologise for the length.

**Mr GRIFFITHS:** I do not have an introductory statement; I will lead straight into questions. The budget papers are rather interesting when trying to find specific areas which you have direct responsibility for in the ways things are structured, so most of my questions will probably be targeted around the Economic Development Board and its economic statement from March 2009.

**The CHAIR:** And what is the budget line specifically that you refer to?

**Mr GRIFFITHS:** Budget Paper 4, Volume 1, page 1.7 where, under targets for 2010-11, it refers to progress recommendations for the economic statement in 2009. Premier, you have referred to the workforce participation rate, and it is interesting that the report of the EDB of 2009 talks about an employment participation rate of 73.8 per cent. Could you provide a brief explanation as to the distinction between what they define as a participation rate of 73 per cent and the figure you quoted, which I understand to be correct, of 63.4 per cent?

**The Hon. M.D. RANN:** I will ask Mr Worrall to comment on that.

**Mr WORRALL:** We will come back to you with a full comprehensive answer, but my understanding is the Economic Development Board report relates to a broader base for participation than the official ABS data. I would need to give you a more detailed explanation of that, but it is a different definition proposition.



**Mr GRIFFITHS:** I appreciate the fact that an answer will be provided at a later date, but I will ask a specific question. Given that the EDB report talks about an increase in the employment participation rate to 78 per cent, can the Premier confirm how, over the coming financial year that this budget relates to, the state intends to increase the workforce participation rate above the 63.4 per cent he has quoted?

**The Hon. M.D. RANN:** You can see from the figures that the things we are involved in are five times the funding for infrastructure. It is about creating jobs and creating enhanced participation. We have near-record business investment. I mentioned the employment figures, and I think this is really interesting.

If you look at the time that we have been in government, 120,400 extra jobs have been created. During the eight year period under the Liberals, it was less than half of that. But I think the important area for me is full-time jobs, and we have seen 75,000 extra full-time jobs in our eight years compared to fewer than 5,000 full-time jobs under the Liberals. That is why we go out to try to win projects such as defence projects and others.

I have just got some news of today's figures. The state labour market has improved. This is the figures that have just come out minutes ago. Total employment rose by another 1,600 (0.2 per cent) to 813,400. The number of unemployed fell by 100 to 46,000. The unemployment rate remained unchanged at 5.4 per cent; and the participation rate rose 0.1 per cent to 63.5 per cent. That is good news.

**Mr GRIFFITHS:** I agree that any new position is good news for the family of that person. Premier, part of your answer referred to comparing job growth in the last eight years with the period prior to 2002. Can you confirm—I am trying to put some balance into this for the benefit of history—if the rate of job growth in South Australia compared to the average rate of job growth in the nation over that same period had kept up with the national figure, that that would have resulted in additional job numbers?

**The Hon. M.D. RANN:** I can give you some figures. For example, from July 1994 to February 2002, jobs grew by an annual average rate of just 0.9 per cent, while for Australia as a whole the corresponding figure was 2 per cent. Whilst full-time jobs grew by 1.3 per cent per annum nationally under the Liberals, South Australia's full-time growth rate was flat at a mere 0.2 per cent. That 0.2 per cent is not just over a month like the figures we have seen; this is over the whole period of government.

Since March 2002, South Australia's annual average jobs growth has more than doubled to 1.9 per cent—much more in touch with the national rate of 2.4 per cent. Full-time employment has grown by 1.9 per cent, compared to 2.2 per cent nationally. So, because you wanted the historical record put in place, we are growing full-time jobs almost 10 times faster than during the time of the Liberals and, at the same time, closing the gap on Australia.

**Mr GRIFFITHS:** I thank the Premier for that information, but I suppose my question specifically related to our level of growth from the post-2002 year, which you identified at 1.9 per cent compared to the national average of 2.4 per cent. If indeed South Australia had met that national average of 2.4 per cent, how many additional jobs would have been created?

**The Hon. M.D. RANN:** I guess the point is that under us we have been closing the gap, while under the Liberals they were going backwards.

**Mr GRIFFITHS:** We could have somewhat of a debate about a lot of things on that, but I think I will move on.

**The Hon. M.D. RANN:** No; the figures are quite clear. You wanted to compare it. Full-time jobs during the Liberals' time grew by 1.3 per cent per annum nationally, while South Australia was at 0.2 per cent. There is a massive difference compared to what happened since we have been in government. I would have thought that was the opposition leading with its chin, but keep going.

**Mr GRIFFITHS:** No; I was actually attempting to ascertain what the missed opportunity might have actually been, Premier?

**The Hon. M.D. RANN:** Well, I guess the missed opportunity was during those eight years—at least we are gaining.

**Mr GRIFFITHS:** And indeed our state was a different place for different purposes at that time.

**The Hon. M.D. RANN:** Fewer than 5,000 full-time jobs under your time in government; 75,000 under us. I know which I would prefer.

**Mr GRIFFITHS:** Madam Chair, if I may move forward a little bit. I refer again to the economic statement from March 2009. I have asked a question of the Premier about the employment participation rate, but there are a variety of recommendations included in that report. Can the Premier please provide an update for the 2010-11 financial year, because he has identified this as one of the target areas, about progressing those recommendations? Indeed, what is intended to be undertaken?

**The Hon. M.D. RANN:** Well, I can tell you just one thing: we are currently working on another major defence project. I am not going to give all the details now, because I do not want other states to know what we are up to, but we are working on another major defence project. We are also working on a couple of other projects, some of which I will be working on over the next week. I will ask Mr Worrall to comment further.

**Mr WORRALL:** In March 2009 the Economic Development Board issued its economic statement, including a coordinated action plan for water security, positioning SA as a leader in renewable energies, the education and training system for the 21<sup>st</sup> century, raising workforce participation, spreading social and regional benefits from economic growth, planning for population growth, productivity gains through innovation and value chain linkages, a robust program of infrastructure and investment, and an efficient and effective public sector.

The state government is continuing to roll out a range of initiatives in these areas, including in water security. You have heard earlier in the day about the plan for development in renewable energies. The education and training system has been the subject of an announcement under the issue of Skills for All, and a range of other activities are occurring in support of the Economic Development Board's report and were announced to parliament last year. I can provide further detail at a later time.

**Mr GRIFFITHS:** I just had to complete some minor business. If you do have some detail, Mr Worrall, that will be good; thank you.

**Mr WORRALL:** Yes; happy to do it.

**Mr GRIFFITHS:** At a later date?

**Mr WORRALL:** Yes.

**Mr GRIFFITHS:** That is okay. Given that we are somewhat short of time in our opportunity to question the Premier, I might move forward. Again, I refer to Budget Paper 4, Volume 1: Portfolio Statements and specifically page 2.10. The Premier referred in his opening remarks to the election commitment of 100,000 new jobs over the next six years. Is the Premier able to indicate what industry and skill areas he anticipates those jobs coming from?

**The Hon. M.D. RANN:** As you have seen in the past eight years, first of all, we had to really concentrate and rapidly diversify the economy. Basically, we had too many eggs in too few baskets. We had a situation, for instance, where the car industry, components industry and more traditional manufacturing was under considerable pressure, particularly from places like China.

So, Robert de Crespigny and I and others met and asked: what can we do in terms of the manufacturing sector to move very quickly, not just to diversify but into areas where it was advanced manufacturing, where we saw IT and manufacturing combine? We decided to go really hell for leather in the area of defence. As you have heard, \$44 billion worth of defence projects were secured and there is more coming, we hope.

However, we also wanted to do something about our regions because they were diminishing and dying. Robert de Crespigny came to see me and said, 'Look, we've got the most underexplored place outside of Siberia and we really need to have a big mineral exploration initiative.' I think we had a target, at one stage, from memory—and my memory is not always exact—from a three-fold increase in mining exploration to achieving a tenfold increase in mining exploration.

As a result of that, we have gone from four mines to 12 mines. Because there is a lead-time between exploration and approvals and environmental impact, then development and then mine opening, that is an extraordinary achievement and represents world's best practice in terms of getting mines off the ground and opened quickly. I hope that in the next few months there will be another four mines opened so we will see a quadrupling in the number of mines, and then there are another 20 in various stages of application.

However, we have also gone into other areas. Because people have focused on project-related things like defence and mining, the other area was, of course, international education. We have put in a huge amount of investment, in terms of energy, and we have seen colossal improvements. I think at the turn of the decade there were about 6,000 or 7,000 international students and now there are about 34,000. That is spending money in the town; it is rentals and people buying goods and services and it is also generating airfares backwards and forwards. What we are seeing is that international education is now our third-biggest export industry.

Another area that was mentioned this morning, which I think is also gaining ground considerably to become another of our major new industries, is renewable energy and billions of dollars of investment in renewables. There are also other areas, and I want to praise former premier Rob Kerin who started the Bioscience Precinct at Thebarton. We had a Thinker in Residence, Moira Smith, who came here and made recommendations to set up a bioscience incubator on site. As a result of that, we have built on what Rob Kerin did and we are seeing this as a new growth area, particularly for smaller start-up companies coming out of our universities.

In February, the South Australian government, through the Land Management Corporation, purchased 61 hectares of the former Mitsubishi site at Tonsley Park. The South Australian government intends to establish an integrated mixed-use employment precinct that will significantly grow the industrial and economic base of southern Adelaide. The site offers a unique opportunity to create a hub for innovative companies and sustainable technologies, including cleantech, water and environmental services, health and medical technologies and associated advanced manufacturing.

The development will integrate industry, education, training, research and community amenities. It will also demonstrate world's best practice in green building, showcasing recycling and low carbon footprint principles, state of the art technology and design for energy efficiency, water recycling and innovative building design.

A new \$125 million sustainable industries education centre will be a cornerstone development on the site. This new TAFE SA centre will specialise in training more than 8,000 people a year in new green technologies associated with the building and construction industry and offer new training in renewable energy and water operations.

I am really very excited about this. What we are trying to do is keep the diversification on new advanced manufacturing and encouraging electronics industry by what we are doing in terms of the flagships in defence and other areas. Also, of course, because of infrastructure expenditure in mining, we are seeing a lot more spin-off industries happen. It has been terrific to go out and open facilities where they are producing the accommodation for the mining industry, not just in this state but around the country.

**Mr GRIFFITHS:** Premier, I refer to Budget Paper 6, Budget Measures Statement, and specifically page 32. Economic growth occurs on many levels within communities and our ability to export products. I am rather intrigued by significant cuts in the budget to the trade programs which include our overseas trade offices. My fear is that, by taking this approach, it jeopardises the strategic plan target of \$25 billion in export income by 2014. Can the Premier detail to the committee how the removal of these overseas trade offices helps the situation? I cannot see it.

**The Hon. M.D. RANN:** When we first got in, we found that there was a trade office in the United States that cost a fortune. I think there was an office with the same person in both New York and Washington, from memory, and if my memory is wrong I apologise in advance. It was really achieving three shades of nothing, so we closed it.

We had a look at what was working and what was not. There were trade offices in Indonesia that were, quite frankly in my view, total wastes of space and we closed those. Then what we have been doing is asking business, the universities and other people, 'Which of our trade offices overseas are really doing the hard yards for you?'

I have to say that we get fantastic reports back on the work being done in our India office in Chennai. I really get my feedback from industry people. They say that Mr A.K. Tareen is doing a wonderful job there and has extraordinary credentials. There is also our Special Envoy, Brian Hayes QC, who can pick up the phone and talk to the heads of companies and also ministers because he has relationships built over many decades.

We get a report card that our office in India is fantastic. We have also received very good feedback from the office in China. Patrick Conlon is going to China next week. He and I were both

going, but he is now deputising for me because I have some other things to do at home. Again, we get a very good response for what is happening in China.

Also, of course, we have an agent-general's office in London which services Europe and, I think, with both the late Maurice de Rohan, who tragically died before he was able to take up the position of state governor and then under Bill Muirhead with a completely different style, both of them have extraordinary contracts. It is quite interesting, actually: an added benefit of Bill Muirhead having worked for the Conservative Party in his role as managing director of Saatchi is that, whilst some of us have fantastic relations with the former British Labour government at the very highest level, Bill Muirhead has fantastic connections with the conservative government.

We constantly look to see where there is value for money. Also, we have decided to embrace more co-location with Austrade and so we have an officer who is co-located with Austrade in Vietnam and one in Chile, from memory. The savings related to moving the offices in Dubai and Singapore to the Austrade model, plus a reduction of program funds across all countries. FTE savings within DTED are reflected in the savings initiatives entitled 'international market development'.

This will be phased in gradually as existing contracts expire and only impacts on Singapore and Dubai. The expertise of the Singapore and Dubai offices will be migrated to Austrade, ensuring low or no impact on exporting businesses. Essentially, take a look at how things are working and adjust. We recognise areas that are performing well and we have closed areas which have not performed well, and others, because of changing circumstances, we are doing more of a team Australia process with designated South Australian officers working within the Austrade umbrella.

**Mr GRIFFITHS:** I have a supplementary question to the answer provided by the Premier. I take it from your answer, then, that the only dedicated offices that South Australia maintains are India and China, or are there others?

**The Hon. M.D. RANN:** India, China and the United Kingdom, and we have had Dubai and Singapore. We closed the offices in Indonesia; I think there was Jakarta and one in Bandung. There were stories around that the person appointed by the former government used to wear a knife or a gun in his sock, with an ankle holster, and we thought this was not quite the image that South Australia wanted to project overseas.

**Mr GRIFFITHS:** Again referring to Budget Paper 6, Budget Measures Statement, page 32, as I alluded to in my previous question, Premier, economic development occurs at many levels: overseas opportunities for us to export our goods, but also opportunities to grow our existing businesses. That is why I am wondering if you can provide an overview, from your perspective, of the proposal at this stage to reduce funding to the Business Enterprise Centres that operate within the metropolitan area as at June 2011, and the Regional Development Australia organisations that operate in regional South Australia from June of 2013.

**The Hon. M.D. RANN:** I think that comes under industry and trade in terms of the lines, unless you can show me a line there. I am happy to—

**Mr GRIFFITHS:** I am probably stretching it a bit, Madam Chair and Premier; I understand that. However, given your obvious influence on economic policy and that you referred in a previous answer to ensuring that there is opportunity for regional South Australia to grow too, if I may seek your indulgence to have some comments from you on the cut.

**The Hon. M.D. RANN:** I am trying to be helpful, so I will ask Lance Worrall to respond, given that he is the head of DTED and it is a question relating to another minister's line. That way I am showing courtesy to the house and to the opposition.

**Mr WORRALL:** At this stage what I would say is that the leadership of DTED has met with various representatives of the Business Enterprise Centres to explain the situation to them. We have agreed to work together to identify ways in which the Business Enterprise Centres can continue to function in the new environment, and that is a work in progress.

**Mr GRIFFITHS:** Madam Chair, I also referred to Regional Development Australia—Mr Worrall?

**The CHAIRMAN:** You actually cannot ask Mr Worrall a direct question. You need to ask through the Premier.

**Mr GRIFFITHS:** Sorry; Premier.

**The Hon. M.D. RANN:** Again, this is for another minister, but if you ask me and then I will pass it on to Lance, in order to be helpful.

**Mr GRIFFITHS:** I am just seeking clarification on my question in regard to RDA funding finishing, at this stage, June 2013.

**Mr WORRALL:** The funding for Regional Development Australia, as you indicate, concludes at the commencement of 2013-14. There have been discussions with the Regional Development Australia network within South Australia. They are led by the Hon. Rob Kerin, who is playing an important leadership role in liaising between the Department of Trade and Economic Development and Regional Development Australia. We have agreed to work together in partnership to both manage the transition and also work together to leverage, to the maximum extent possible, what we anticipate will be a range of opportunities arising from the renewed focus on regional development matters at the Commonwealth government level.

**Ms THOMPSON:** Unsurprisingly, Premier, my question relates to the southern suburbs. I know you have touched on this, but in referring to Budget Paper 4, Volume 1, page 2.7, I ask if you can provide a little more detail on some of the key initiatives the government is involved in to further the economic development of the southern suburbs and increasing employment in this very important area.

**The Hon. M.D. RANN:** I want to acknowledge the honourable member's advocacy and passion for her electorate and for the southern suburbs. Whilst I represent a seat in the northern suburbs, I think the honourable member knows that, through my involvement with the mighty South Adelaide Football Club over many years, I always have the south at heart.

In February 2008, Mitsubishi Motors Australia Limited announced the closure of its Tonsley Park manufacturing facility and the subsequent loss of 930 direct jobs and a number of indirect jobs in supply companies. This closure followed the closure of Mitsubishi's engine plant in Lonsdale and Mobil's Port Stanvac oil refinery. I think people would remember that I was extremely critical of Mitsubishi's lack of frankness—I had been over many years, actually. There was an extraordinary lack of frankness from its Japan head office.

The state government has acted decisively to support the economy of the southern suburbs. In February 2008, I, as the Premier, together with the Prime Minister, announced an extensive package of support totalling \$80 million, covering labour market adjustment for displaced workers, new investment attraction, support for small business in the south, and infrastructure funding with a focus on the future use of the Tonsley Park site.

As at May 2010, some 805 Mitsubishi workers, and an additional 144 workers from supply companies, registered for employment advisory services, of which 781 (82 per cent) have been placed in employment, according to my advice, which is quite extraordinary—82 per cent have been placed into employment.

A \$5 million Small Business Development Fund was established in June 2008 to provide matching funds to support the expansion of small business in the south. This fund has now been fully committed, approving 23 projects and leveraging \$15.69 million of new investment and 2.15 new jobs in Adelaide. Two examples are:

- Copeland Industries was granted \$500,000 to enable it to undertake a proposed PE and PVC extruded pipe manufacturing technology and polymer research laboratory. The proposed related diversification investment by Copeland will differentiate the business both within South Australia and nationally. The project has a total investment of \$4.325 million and will result in the creation of an additional 30 FTE jobs.
- Kym Freebairn Construction Pty Ltd (as trustee for Kym Freebairn Settlement Trust) was granted \$500,000 to enable the company to provide services for pressing of heavy plate and fabrication of plate to the fabrication industries. Currently, this is only available interstate. The project has a total investment of \$1.570 million and will result in the creation of an additional 20 FTE jobs.

The South Australian government also partnered with the commonwealth in launching a \$30 million South Australian Innovation and Investment Fund to support larger investment projects. To date, some four projects have been approved in the south, with total funding of \$4.9 million, leading to a commitment to create 164 new jobs and \$26.8 million in new investment in the region.

An example here is Boart Longyear, which was granted \$2 million to develop an integrated R&D engineering, testing and manufacturing facility for a new range of drill rigs and a depot level

service centre for existing drill rigs in the southern suburbs of Adelaide. The project has a total investment of \$12.4 million and will result in the creation of an additional 67 FTE jobs.

Importantly, as mentioned, the South Australian government has also acted to secure the future of the Tonsley Park site as a strategic piece of infrastructure in the south. On 1 February 2010, the government purchased 61 hectares of the former Mitsubishi site to establish a sustainable industries precinct.

This precinct will be a mixed use employment precinct that will drive the future economic development of southern Adelaide, providing a hub for innovative companies in growth sectors such as cleantech, health and medical devices, water and environmental industries and advanced manufacturing. The development will integrate industry, education, training, research and community amenities. In discussion with TAFE and private education providers, a new \$1.25 million sustainable industries education centre will be a cornerstone development on the site.

The new TAFE SA centre will specialise in training more than 8,000 people a year in new green technologies associated with the building and construction industry and offer new training and renewable energy and water operations. The site will be a flagship for the demonstration of best practice in green buildings, recycling and low carbon footprint activities. It will bring together industry, research and educational activities and community facilities, including a possible transit-oriented development.

The government is in the process of master planning the future redevelopment of the site, which will provide a major impetus to jobs and investment in the south in new industries. In addition to the above initiatives, my colleague the Minister for Industry and Trade (Hon. Tom Koutsantonis) has been chairing the Southern Suburbs Coordination Group, a group of regional stakeholders and government agencies whose objectives include identifying and acting upon regional issues.

**Mr GRIFFITHS:** As a point of clarification, Premier, during your statement when you were talking about Tonsley Park and the TAFE centre, I think you said '\$1.25 million'.

**The Hon. M.D. RANN:** It is \$125 million.

**Mr GRIFFITHS:** I understood that to be the case; I just wanted to make sure that that was understood. I refer to Portfolio Statements, Budget Paper 4, Volume 1, page 2.13. Will the Premier advise what the government is doing to 'increase the state's competitive edge in commonwealth/state negotiations with regard to migration'?

**The Hon. M.D. RANN:** That is under the responsibility of the Minister for Industry and Trade. However, I salute Amanda Vanstone; in fact, I would salute her in Italian. When Amanda Vanstone was minister for migration we negotiated a special status for South Australia which allowed us to see immigration increase by making it easier for people to migrate to South Australia compared to some other parts of Australia, which were chock-a-block. We are very grateful to Amanda Vanstone. There were a number of areas where we worked very cooperatively with her and, as a result, as I understand it, migration is at its highest level since 1975.

**Mr GRIFFITHS:** I thank the Premier for those comments, because they link into his opening remarks in regard to the population of our state moving forward. The workforce needs to align with that, given that we do have a significant number of older workers as part of that baby boomer generation, and therefore we need to replenish and reinforce our work opportunities, and migration will be an important part of that. The reason I asked is that, clearly, there is an economic development factor in this. Premier, I apologise if this question is outside your particular portfolio area, but what is the target for migrant movement into our state for 2010-11?

**The Hon. M.D. RANN:** It is covered in South Australia's Strategic Plan. I will give the honourable member a brief here and then if there is anything more he needs we will get it by way of follow-up. South Australia is a participant in the state's pacific and regional migration mechanisms provided by the Department of Immigration and Citizenship to allow states and territories to sponsor migrants.

Immigration SA exceeded the overall 2009-10 sponsorship certification target of 3,500, with a total of 3,922 state sponsorship certifications provided, including employer-sponsored certifications representing 9,580 people. Immigration SA is gazetted by the Minister for Immigration and Citizenship as the regional certifying body for employer-sponsored nominations under the Regional Sponsored Migration Scheme, and this work is undertaken by the employer-sponsored Business Unit of Immigration SA.

In 2009-10, the employer sponsored Business Unit certified 1,281 applications from SA employers. This is a 30.45 per cent increase in certifications from 2008-09 to 2009-10. So from 982 certifications to 1,281.

South Australia remains the highest user of the RSMS visa category in Australia. Registered nurses remain the highest nominated occupation for employer sponsorship under the RSMS. The highest occupation increases were in cook certifications for cooks, chefs. In 2009-10, the General Skilled Migration Business Unit within Immigration SA processed 3,050 state sponsorship applications, 2,162 of which were approved. This figure was down 55 per cent on the 5,510 applications that were processed during 2008-09 for a number of reasons.

During 2009-10, the criteria for state sponsorships were more difficult to satisfy, as the English language requirements were higher for certain generalist occupations and DIAC suspended offshore visa applications on 8 May 2010. Eighteen applications were approved for off-list permanent state sponsorship. These applicants were of high calibre and excellent employment outcomes ensued from the state sponsorship option. The top source countries granted sponsorship were India, the United Kingdom and China.

I realise that I made a slight error. I said that the Hon. Tom Koutsantonis chairs the Southern Suburbs Coordination Group, but in fact the Minister for the Southern Suburbs chairs that group. My mistake was made because Tom Koutsantonis chairs the group that is looking into the Mitsubishi site.

**The CHAIR:** There being no further questions, I declare the examination of the proposed payments adjourned and transferred to committee B.

### **ARTS SA, \$139,101,000**

#### **Membership:**

Ms Redmond substituted for Mr Griffiths.

Mr Venning substituted for Mr Pederick.

#### **Witnesses:**

Hon. M.D. Rann, 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 Mental Health and Substance Abuse, 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, Deputy Chief Executive, Cultural Development and Corporate, Department of the Premier and Cabinet.

Ms A. Reid, Executive Director, Arts SA.

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

Ms H. Schultz, Director, Cultural Heritage and Assets, Arts SA.

Ms J. Layther, Director, Presenting Organisations and Initiatives, Arts SA.

Ms I. Pirrotta, 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 and Budget Measures Statement, pages 18 to 26. Premier, do you have an opening statement?

**The Hon. M.D. RANN:** Yes, I will make an opening statement. Despite the challenges imposed by the global financial crisis and its impact on the state's budgetary position, the government continues its support for our arts and cultural sector. In the lead-up to the election, the government announced a range of new initiatives that will benefit the arts sector and enhance our

reputation as an arts destination. Among them is the Festivals Commissioning Fund, a competitive fund that will support significant investment in major new South Australian works. It will reward innovation and artistic risk-taking across art forms through the creation of work by local artists and companies for premiere at our signature festivals. \$250,000 has been made available for the 2011-12 financial year for this new initiative, and \$500,000 for 2012-13 ongoing.

On funding, the state's Sustainable Budget Commission recommended measures to restore the state's budget to surplus following the global economic downturn. Its report included recommendations for savings to be implemented through the 2010-11 budget. News of reductions is never welcomed, but the arts portfolio is not immune from shouldering some of the pain in the state budget. This has always been the case. I think the Sustainable Budget Commission, from memory, recommended budget cuts of about \$66 million—which, of course, were vetoed because that would have been, in my view, devastating for the arts.

So, while every effort has been made to minimise the impact of these savings on the arts, there will be savings contributions required from major arts organisations as well as from the small to medium sector over the next four years. All things considered, the arts and culture sector has emerged far better than was first speculated, with 2.8 per cent of the budget over the forward estimates period being surrendered as savings. That represents a total of \$14.3 million out of an arts operating funding total of around \$500 million. In 2010-11, Arts SA's total budgeted operating expenditure is \$126.2 million. That incorporates major attractions as well as new initiatives.

On the opening night of the 50<sup>th</sup> anniversary of the Adelaide Festival, I announced that the biennial festival would become an annual event from 2012. The response was resoundingly enthusiastic. Similarly, the 2010 festival, with Paul Grabowski as artistic director, went on to attract huge audiences, with an impressive line-up of opera, theatre, music, dance, literature and visual arts. The economic impact survey of the 2010 Adelaide Festival conducted by McGregor Tan Research estimated 66,000 ticketed attendances and 600,000 attendances at non-ticketed events. The survey indicated that the overall economic impact of the Adelaide Festival was \$14.6 million.

I am confident that the transition from biennial to annual will be as successful for the Adelaide Festival as it has been for the Fringe and WOMADelaide—and we all remember the people who came out and said that WOMAD and the Fringe would not work as annual festivals and, of course, they were spectacularly successful. I know the Fringe going annual was a particular bee in the bonnet of the Minister for Health (the minister assisting in the arts), as was the Adelaide Festival going annual.

Also in 2010, with the help of additional government funding, the Adelaide Fringe celebrated its 50<sup>th</sup> anniversary by breaking all previous attendance records. A total of 245,865 tickets were sold through box offices, with an estimated additional 55,966 tickets sold at venues. Fifty eight per cent of all Adelaide Fringe shows were Australian premieres, with a total of 593 Australian shows and 112 international shows on offer.

The 10<sup>th</sup> Adelaide Cabaret Festival was also the most popular to date. Let us today pay tribute to a former Liberal minister for the arts, Di Laidlaw, for starting the Adelaide Cabaret Festival. Those who go to the well must always remember those who dug the well. It broke all previous box office records, achieving a 26 per cent increase in net box office income compared with the 2009 festival. A total of 225 South Australian performers were involved in the 2009 and 2010 Adelaide Cabaret Festival programs.

The South Australian Living Artists Festival (SALA) held its biggest event in its 13-year history, with more than 3,000 artists taking part across 518 venues. SA History Week also proved to be another important event, providing an opportunity for people to share South Australian stories and learn about our heritage. I understand an estimated 60,000 to 65,000 people attended SA History Week, which included 405 events offered by 295 organisations. Despite the impact of the global downturn, people are still engaging with the arts.

In regional South Australia, Murray Bridge was named as the designated Regional Centre of Culture. Country Arts SA has also been delivering a year-long program of arts and cultural activities that have involved most of South Australia's key arts and cultural organisations. The state government provided a further \$750,000 towards these activities.

In Murray Bridge, a new performing arts space and regional art gallery was opened in June. These are outstanding new facilities for Murray Bridge, and the combined state and local government investment represents the largest performing and visual arts infrastructure project undertaken in regional South Australia over the past decades. The state government contributed \$250,000 through Arts SA and \$500,000 through the Rural Town Development Fund towards the



project. I was also delighted to announce earlier this year that Goolwa will be the next recipient of the Regional Centre of Culture initiative.

As we look ahead to 2011, we anticipate the return of the Big Pond Adelaide Film Festival in February, as well as Come Out, the nation's premier youth arts festival, widely recognised throughout the world for its unique blend of arts and education. The year 2011 is also the 130<sup>th</sup> anniversary of the Art Gallery of South Australia, and Nick Mitzevich, the gallery's new director, is planning a dynamic exhibition program.

Of course, we look forward to the opening of the Adelaide Film and Screen Centre at Glenside which is expected to be opened in mid-2011. Can I just today record our sorrow at the very sad and untimely passing of John Chataway, who has played a major role in the development of the film industry in South Australia as the head of Kojo, as a key member of the South Australian Film Corporation Board and also in so many other areas of the arts. He was a really generous spirit who had a very positive energy that infected everybody who met and worked with him.

There will be a New Exhibitions Fund to support new and innovative arts practices by South Australian artists and curators for exhibitions in our state. A major exhibitions fund will support the presentation of major national and international exhibitions in South Australia. This will bring the best the world has to offer to Adelaide, and exhibitions funded through this initiative are expected to attract significant attendances while further enhancing our state's cultural profile.

**Mrs REDMOND:** I will not make an opening statement, other than to say that I find it incredible that the Premier would dare to talk about a commitment to the arts when he is reducing the arts funding by \$13.3 million over four years. I refer first of all to Budget Paper 4, Volume 1 at page 1.7. Under Program 5—Access to Arts, Museums and Heritage Services and Preservation of State Collections is the only dot point which completed the biodiversity gallery and air conditioning upgrade of the Art Gallery of South Australia.

So, it is listed as a completion in the highlights for 2009-10. I was then a bit puzzled to find that when I opened Budget Paper 5 at page 7, under Existing Projects we had Art Gallery lighting and air conditioning upgrade. Can I please get an explanation of whether or not the Art Gallery does have its air conditioning upgrade completed and belongs in the 2009-10 highlights, or is it an existing project and belongs on page 7 of Budget Paper 5?

**The Hon. M.D. RANN:** I think you will find they are in two phases—not two-phase air conditioning. If the honourable leader goes to the Art Gallery, she will see—

**Mrs REDMOND:** I have been there recently, thank you, Premier.

**The Hon. M.D. RANN:** —the work that is being done on the ground floor where the paintings in the colonial galleries are off the walls and there is considerable work being undertaken, but I can answer that.

A commitment of \$2.5 million over three years was 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 or 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 gallery.

Greening of the gallery is part of the government's ongoing commitment to the South Australian Strategic Plan target 3.13: Improve the Energy Efficiency of Government Buildings by 25 per cent from 2001 levels by 2014. The leader would remember when we put the solar panels on the roof of the museum, art gallery, library and, of course, the airport and so on.

Financial issues: of the \$2.5 million funding, \$1.234 million was allocated to the airconditioning, and \$1.266 million to the lighting. In addition, the Art Gallery of South Australia has received funding from the Ian Potter Foundation of \$140,000 to complete the lighting upgrade to Gallery 1. The current status then is that the project to install the Shaw Method of Air Conditioning to the Elder and Melrose wings was completed in February 2010. This leading South Australian developed technology has improved the environmental conditions for the collections and reduced energy consumption and greenhouse gas emissions.

George Sexton and Associates, a leading international lighting designer for art museums, has designed the new lighting for the Elder and Melrose wings. Minuzzo Project Management has been engaged to deliver the lighting in galleries 3A, B and C, and galleries 1 and 2, and

construction on this second phase commenced on 20 September. I think the confusion is caused by two stages.

**Mrs REDMOND:** I am still confused, Premier, because I heard you clearly say that the airconditioning is in need of replacement—as in the present tense—but I take it, from the end of what you said, that the airconditioning replacement is completed and, therefore, it does not belong under the heading of Existing Projects in Volume 5; is that correct?

**The Hon. M.D. RANN:** I think that is correct, and I can understand your excitement.

**Mrs REDMOND:** Still staying on Volume 5, page 7, can the Premier indicate—I think he mentioned 25 per cent when he was reading the answer provided to him but, in fact, it shows a program to reduce energy use and greenhouse gas emissions by 20 per cent. Can I ask the Premier whether the energy use and the greenhouse gas emissions are measured separately, and what is the baseline from which they are measured?

**The Hon. M.D. RANN:** In order to get the definitive answer that the leader requires I will get information and bring it back.

**Mrs REDMOND:** Premier, the whole point of having all these public servants here during estimates and taking the inordinate amount of time—

**The Hon. J.D. HILL:** You're wasting time at estimates by making these comments, leader.

**Mrs REDMOND:** I am entitled to ask questions and to expect an answer. It is in the budget documents and you have all these public servant sitting here, wasting time.

**The Hon. J.D. HILL:** You're wasting everybody's time—everybody's.

**Mrs REDMOND:** Madam Chair!

**The Hon. M.D. RANN:** We will get the definitive report—because when I have given expansive reports you have criticised me for the length and when I have given short reports you have criticised me for the length. I will get you a definitive report, which will not waste the time of the house.

**Mrs REDMOND:** It is a straightforward question, Premier.

**The Hon. M.D. RANN:** And you will get a straightforward answer.

**Mrs REDMOND:** I want a straightforward answer now.

**The Hon. M.D. RANN:** Okay.

**The CHAIR:** Leader, I think that the Premier has tried to explain that it is an answer that cannot be given immediately, in detail.

**Mrs REDMOND:** Well, what is the point of having all these poor public servants having to spend hours and hours preparing for budget estimates and hours and hours sitting here?

**The Hon. J.D. HILL:** Tell us the questions in advance and we will give you the answers on the day.

**Mrs REDMOND:** Well, we would love to do a more sensible system.

**The Hon. M.D. RANN:** I guess it is important during the arts section that we get a bit of street theatre.

**The Hon. J.D. HILL:** Tell us all the questions you want during the week and we will have all the answers on the day. I have Health on Monday so tell me everything you want and I will have all the answers on Monday.

**Mrs REDMOND:** The shadow for health asked for more time to ask questions and you would not give it to him.

**The CHAIR:** Leader, do you have another question you would like to ask?

**Mrs REDMOND:** Yes, I have quite a number of other questions, thank you. Could I at least get an answer to the question of whether it is energy use separately to greenhouse gas emissions, or whether they are a combined measure?

**The Hon. M.D. RANN:** We believe it would be measured separately. Can I just say that the more efficient airconditioning uses less energy and, therefore, produces less greenhouse gas emissions. The solar panels on the roof, of course, produce emission-free energy, and so I am very

pleased that various agencies—we do not have the Art Gallery director with us—have embraced renewable energy and improving energy efficiency and, at the same time, of course, saving costs.

**Mrs REDMOND:** I refer to Budget Paper 4, Volume 1. In the performance commentary on page 1.23, it states:

The Art Gallery of SA, Carrick Hill, the SA Museum, Artlab and History SA were funded to provide a range of museum, visual arts and preservation services across the state.

Now, I note in other references it just says 'for the community'. Can you give me some indication of what specific services are provided outside metropolitan Adelaide by the Art Gallery, Carrick Hill, the Museum, Artlab and History SA?

**The Hon. M.D. RANN:** As you would know, there has been a regional presence by the Museum. I remember when they went to Coober Pedy and when they went to the South-East of the state.

**Mrs REDMOND:** Was that in the last year?

**The Hon. M.D. RANN:** Oh, APY lands, I can get you a report on all of them and the actual dates on which they occurred.

**Mrs REDMOND:** So, again, I cannot have an answer to the question.

**The Hon. M.D. RANN:** Well, they do participate. Before, we mentioned the South Australian Regional Centre for Culture in my opening statement and it has been to Port Augusta, you would remember, and it has also been at Murray Bridge and it has now been selected for a new location at Goolwa. It happens every couple of years and it is a focus for bringing things that are available in the city to regional centres.

**Mrs REDMOND:** I refer to Budget Paper 6, page 19, which details the reduction in funding for the Arts portfolio 'totalling \$13.3 million over four years'. What specific grants, subsidies and programs will be cut in order to achieve the \$13.3 million in savings?

**The Hon. M.D. RANN:** As I said before, there were cuts of \$66 million recommended by the Sustainable Budget Commission, which I rejected. The initiatives provide savings across the Arts portfolio totalling \$13.3 million over four years through targeted reductions in grants and subsidies programs and the conclusion of some strategic initiatives.

In addition, Budget Paper 4, Volume 1 (pages 1.21-1.22) refers to a saving of \$1 million that will be realised in 2013-14 through an adjustment in funding to the Local Government Association for public library services. This brings the total savings in the Arts portfolio to \$14.3 million over four years.

These savings represent 2.8 per cent of Arts SA's total operating budget of \$523.501 million over the four years to 2013-14. We have had big increases in funding for the arts over the years and there are going to be savings of 2.8 per cent. The savings required of the Arts portfolio comprise grant reductions to major art organisations and some arts funding programs, the conclusion of a number of arts assistance programs and initiatives, service delivery efficiencies and reductions in operating and strategic funding for Arts SA, and changes to the rates of remuneration for boards of arts organisations.

The processes for implementing these savings will vary, but the government-appointed boards of art organisations are responsible for determining how their respective organisations will achieve their required savings targets. Arts SA will manage the termination of arts assistance programs initiatives and how savings from specific arts grant funding programs will be achieved as well as identify opportunities for savings from its own operating budget.

**Mrs REDMOND:** I refer again to Budget Paper 4, Volume 1, at page 1.23. Under the performance indicators there is a series of dot points, and above the last set is: 'the amount of external revenue received and the percentage this represents of total revenue.' Can the Premier explain what the sources are of that external revenue? I assume they are largely not entry fees since most of those places, like the Museum and so on, do not require an entry fee for general admission except for the special exhibits.

**The Hon. M.D. RANN:** Sponsorships. Quite a few art organisations have sponsors. In addition to the government sponsoring, you have companies like Santos, BHP Billiton and many other smaller companies that are actually big sponsors of the arts, and we are very grateful for their participation. There would be a tiny proportion of entrance fees, but it would largely be sponsorships, but also revenue that they have earned from book sales. There are book shops in

the Library, Art Gallery and the Museum. There are also philanthropic people leaving bequests. The Art Gallery has been a substantial recipient of not only money in bequests but also major artworks, and even sales of artworks like the Turner which was sold for a small amount to the Art Gallery and which is worth many, many millions of dollars.

There are also grants from other organisations, such as grants from other government departments and the Australia Council. In addition to state funding, arts organisations receive funding from the private sector, other governments, the Australia Council, sometimes from the British Council, sometimes from German funding organisations. There was assistance recently in OzAsia from the Korean government, and also from the Italian government, so it is kind of a nice mix.

**Mrs REDMOND:** So is the external revenue all non-state government money, or is there any government department or agency of the state that is contributing to that external revenue?

**The Hon. M.D. RANN:** I am advised that what you are referring to is all non state government. It is great that other people want to kick into the tin.

**Mrs REDMOND:** It is indeed. Could I then get some clarification on the SA Museum, and there is a footnote for item C saying that the decrease in the 2010-11 target for external revenue is due to the level of sponsorship received by the SA Museum in 2009-10 for the biodiversity gallery. Is that indicating that the level of sponsorship has then dropped?

**The Hon. M.D. RANN:** I am going to clarify this.

**Mrs REDMOND:** That is what I am asking for.

**The Hon. M.D. RANN:** That is what I am trying to do. I know you are angry with your staff for confusing the Government House grant with the \$130 million, but you don't have to be rude.

**Mrs REDMOND:** Premier, it was me who confused it, not my staff.

**The Hon. M.D. RANN:** Okay. Di Laidlaw is chair of the foundation—

**Mrs REDMOND:** I try not to blame other people for my mistakes.

**The Hon. M.D. RANN:** That is not what I am told, by the way you treated your whip the other day, but anyway.

**Mrs REDMOND:** Madam Chair—

**The Hon. M.D. RANN:** We all saw it. But, anyway, let's get onto—

**Mrs REDMOND:** The Premier is just throwing gratuitous insults across the chamber and you are taking no action to stop him.

**The CHAIR:** I suspect, if I may be so bold, that the Premier is responding in kind to comments that are being made by you.

**Mrs REDMOND:** No, Madam Chair; he insulted me, I responded and he insulted me again.

**The Hon. M.D. RANN:** I am trying to respond and you keep interrupting. That's okay.

**The CHAIR:** I think we should just move onto the next question, and that will make 12 questions for you.

**The Hon. M.D. RANN:** What happens at the Museum—

**Mrs REDMOND:** The Premier lied about having seen me; he was not in the chamber.

**The Hon. M.D. RANN:** We saw the response. So you now confirm that something did happen?

**The CHAIR:** Excuse me, Premier. Leader—

**Mrs REDMOND:** I did no such thing, but—

**The CHAIR:** You know full well that that kind of comment cannot go—

**Mrs REDMOND:** How come his comments go uncontested?

**The CHAIR:** You cannot accuse a person in this place of lying, as well you know.

**Mrs REDMOND:** He did this morning in the first session, Madam Chair, and you did not pick him up on it.

**The CHAIR:** He used a word which was, I believe, 'untruth'.

**Mrs REDMOND:** No; he said 'lie'.

**The CHAIR:** We will return to the *Hansard* and we can revisit that. In this instance you have referred to lying. I would ask you to withdraw that.

**Mrs REDMOND:** No, Madam Chair. I did not call him a liar; I referred to lying.

**The Hon. M.D. RANN:** I will just try to answer—

**The CHAIR:** No. Sorry, Premier, I think that we should all take a moment. You are obviously not going to get the apology you wish for; I suspect the Premier is not going to get an apology that he might wish for, and I think we should move on. If, however, you wish to discuss what he may or may not have said, the *Hansard*, I think, will bear him out from this morning.

**Mrs REDMOND:** I think it will.

**The CHAIR:** We can check that at lunch time.

**The Hon. M.D. RANN:** I can answer on the museum—

**The CHAIR:** No, Premier, thank you. I think that the leader has had 12 questions now, compared to zero from the members on my right. We might like to hear from the members on my right. The member for Reynell.

**Ms THOMPSON:** Thank you, Madam Chair. In fact, I am very eager to hear about some of the programs and events referred to in Budget Paper 4, Volume 1, Portfolio Statement, page 1.24. Can the Premier inform the committee about the outcomes of the 2010 Adelaide Fringe, please?

**The Hon. M.D. RANN:** I might just pass this over to minister Hill. Whilst he is called the minister assisting, he is co-minister and we work *ad idem*. The Fringe reports directly to minister Hill.

**The Hon. J.D. HILL:** Thanks, Premier. I thank the member for Reynell for her question and acknowledge her great interest in trying to encourage the Fringe and past festivals to head south. The Adelaide Fringe's economic evaluation, which was undertaken by Economic Research Consultants and released on 15 July this year, confirmed that the Fringe, once again, continues to grow and it also provides a huge financial benefit to our state.

The total ticket, entertainment and accommodation expenditure of the Fringe this year is estimated to be \$35.1 million. This year there were 705 Fringe events, an increase of more than a third on the previous year's Fringe. The economic evaluation report also estimates that there were 1.1 million attendances at performances and events at the 2010 Fringe. It also found that an estimated one in five South Australians attended a Fringe event, and 8,900 new visitors came to South Australia as a consequence of the festival.

We all know that artists are the lifeblood of the Fringe and, in 2010, there are over 3,000 participating artists involved in the festival. It is estimated that 80,000 people celebrated the opening night parade and the party; 30,000 people went to the Amococo Luminarium, which is a great inflated arts space that was created in the Parklands; and 50,000 people experienced the Street Theatre Festival in the Rundle Mall and the East End.

In a survey undertaken as part of the report, 98 per cent of people rated the Fringe as either 'very important' or 'important', 99 per cent planned to experience the Fringe in future years, and 92 per cent of the Fringe's audiences come from South Australia. So, we instinctively know that the Fringe is good for our state. We now know for a fact that it is also good for our state's economy and well worth the investment that the government makes each year on behalf of the public of South Australia.

I had a briefing yesterday with the Fringe management and the chairman of the board in relation to next year's Fringe, and that looks like it is going to be an absolute doozy. I have been briefed on the poster and the approach that is going to be taken. I think people will be really thrilled by what is happening.

I also take this opportunity to express my sadness at the passing of John Chataway. The Premier referred to him before as a member of the film board. John was also a member of the

Festival Fringe board, as well as the Australian Dance Theatre Company board, and he will be sadly missed by many people in the arts, as well as, of course, his family and friends.

**Mr ODENWALDER:** Can the minister or the Premier inform the committee of the outcomes of the 2010 Adelaide Cabaret Festival? I refer to Budget Paper 4, Volume 1, Portfolio Statement, pages 1.24 and 1.25.

**The Hon. J.D. HILL:** The 10<sup>th</sup> annual Adelaide Cabaret Festival ran from 11 to 26 June 2010; and the Premier has already acknowledged the work of the former arts minister, the Hon. Diana Laidlaw, in approving the funding for this festival and seeing it established. It really has gone from strength to strength. It has become the biggest festival program in the world dedicated to the cabaret genre, which is a remarkable thing—all held under one roof, of course.

It has been warmly embraced by South Australian cabaret devotees from around the world, and international artists who clamour to be part of the program. It has been one of the great successes. The artists love coming here and love being part of this superb festival. We, as a government, were able to provide an extra \$500,000 for this significant 10-year milestone specifically to support the programming and building of the international reputation of the event and to secure the highest level of local and worldwide artists, including Natalie Cole, who was the headline act this time. The extra funding helped to attract the very best artists from around the world.

The program of the Artistic Director, David Campbell, offered more than 124 performances of some 46 different shows across 16 nights, and I can advise that 44 per cent of the artists involved in this year's cabaret festival, including the musicians, were South Australian. So, it does generate employment for local artists as well as bringing in people from other places. The 10<sup>th</sup> Adelaide Cabaret Festival was the most popular to date. It broke, I am pleased to say, all previous box office records, achieving a 26 per cent increase in net box office income compared with the 2009 festival.

It really does reinforce our state's position as the premier festival state. It is not just an empty boast that we have on our numberplates—it is the real thing. This is the festival state. Sponsorship support also increased for this event. The results of an economic impact study of the 2010 cabaret festival are not yet available. On 1 September it was announced that the additional \$500,000 allocated to the Adelaide Cabaret Festival in 2009-10 is now going to be an ongoing annual funding. So, we will see a further development of the festival as a result of that commitment.

Planning is already well underway for the 2011 festival which, once again, will be directed by David Campbell. The festival board recently announced that Kate Ceberano, who is obviously a well-known Australian singer and arts person generally, will be the Artistic Director for the 2012 and 2013 Adelaide cabaret festivals. It will be interesting to see the direction in which she takes this festival.

**Mrs VLAHOS:** Will the Minister Assisting the Premier in the Arts inform the committee on the 2009-10 outcomes, with reference to Budget Paper 4, Volume 1, Portfolio Statements, pages 1.24 and 1.25, on the 'Arts Industry Development and Access to Artistic Products'?

**The Hon. J.D. HILL:** The Adelaide Festival Central Trust aspires to be the creative centre of the city and the state and the major hub for the performing arts. I have to say that it is incredibly pleasing that the centre has been reinvigorated under the leadership of Douglas Gautier as the Artistic Director and Manager, as well as Barry Fitzpatrick and his board. It is once again a hub of activity in Adelaide (which was the original intent if you go back to the 1970s), and that is in large part thanks to the introduction of new audience development strategies.

Over the past four years, trends in ticket sales have been very pleasing. Total visitor numbers for all ticketed and non-ticketed activities for the last financial year reached 753,281 by the end of June compared to approximately 728,000 in the previous year, so growth is still going up.

This improvement in visitation was achieved despite the total utilisation for all Festival Centre venues, including Her Majesty's Theatre reaching only 70 per cent at the end of the financial year compared with 82 per cent in 2008-09. This reflects a downturn in commercial bookings following the global financial crisis, with producers taking far fewer risks. The outcome under those circumstances was particularly splendid.

In February and March this year the Festival Centre hosted Adelaide festival performances, and in June it staged the very popular Adelaide Cabaret Festival (as I discussed earlier), which, as I have said, drew huge crowds and again earned positive reviews from the critics. The government

has provided additional annual funding to the Adelaide Festival Centre to support these audience development strategies, beginning in 2007-08 with an amount of \$2.3 million. This has risen to \$2.5 million in the 2010-11 financial year.

On 1 September it was announced that the Festival Centre would receive additional annual funding of \$500,000 (which I have already referred to) for the Adelaide Cabaret Festival, and \$250,000 for the OzAsia Festival, which is also going from strength to strength. To mid-September this year, the Festival Centre has itself presented 82 out of its 225 performances, including theatre, international dance and world music subscription performances, which represents 36 per cent of the total.

In September, the centre hosted the annual OzAsia Festival, one of the many successful audience development initiatives under its policy of invigoration and renewal. Strengthening the involvement of young people in the Festival Centre's activities will continue to be a focus. In March, again it will host the biennial Come Out Festival for young people.

The Festival Foundation will continue its efforts to increase financial and in kind support from sponsors, and I thank them very much indeed—picking up a question that was asked of the Premier earlier about where does extra money come from, that is one of the places in relation to the festival. The Adelaide Festival Centre's ongoing program of activities reflects this renewed vision and vigour.

**Mrs REDMOND:** I refer to Budget Paper 4, Volume 1, page 124. There is an anticipated reduction in grants and subsidies of about \$4.6 million in the coming year. Is this included in the \$13.3 million reduction in the arts funding that appears on Budget Paper 6, page 19?

**The Hon. M.D. RANN:** No, it is to do with the non-festival year.

**Mrs REDMOND:** So, the overall reduction of \$13.3 million needs to be seen as in addition?

**The Hon. M.D. RANN:** No, it is about not having a festival. You do not get outside sponsorship for a festival that does not exist in that year.

**Mrs REDMOND:** But this is expenses paid by the government, I thought.

**The Hon. M.D. RANN:** In 2010-11, Arts SA's total budget operating expenditure is \$126.191 million. This compares with a total budgeted operating expenditure of \$126.689 million in 2009-10. Budget operating expenditure for 2010-11 and 2009-10 by program is as follows: library and information services, \$32.188 million compared to \$31.623; access to arts, museum and heritage services and preservation of state collections, \$29.305 compared to \$27.564 in 2009-10; and arts industry development and access to artistic product, \$64.698 compared to \$67.502 in 2009-10. That means total expenditure of \$126.191 this year compared to \$126.689 last year.

The reduction in funding for program 6 largely reflects the reduced funding provided to the Adelaide Festival on a year that it does not produce the festival (which is obvious) for a non-festival year in order to match revenues with expenditures across the festival biennial.

**Mrs REDMOND:** Does that also explain why the income estimated result on that same page from the commonwealth revenue goes down from 505 to 250?

**The Hon. M.D. RANN:** That is the Australian Performing Arts Market and the funding from the feds does not occur when we do not have a festival. The festival has permanent funding because it employs people like Paul Grabowsky and Kate Gould and their support staff continuously in the festival year and the non-festival year, but obviously the expenditure on a festival is much higher in the year that the festival is put on because of the airfares, stage sets and so on compared to the year when it isn't. It just reflects the fact that we spend more money on the film festival and the Adelaide Festival in the year that it is put on.

**Mrs REDMOND:** Yes, I understood that from your previous answer, Premier. What I wanted to know was: was that the explanation for why the income is down from commonwealth revenue estimated result this year of \$505,000 down to estimated result for 2010-11 of \$250,000?

**The Hon. M.D. RANN:** I explained that. I do not think even we could convince the commonwealth to fund a full festival in a year it does not occur. Also, it put money into the Performing Arts Market, which is a national thing that is held every two years. I can ask Ms Reid to give more details.

**Ms REID:** In the \$250,000 referred to in the 2010 year, it is specifically for an initiative that the Australia Council funds—an arts and education initiative and artists-in-residence program. They

give the state \$250,000 and Arts SA works with the Department of Education and Children's Services to run that program. That is the \$250,000 that is referred to there, but that is a new program so you do not see that in the earlier years. That is the explanation for that particular \$250,000. But the Premier is correct, that those revenues vary (go up and down) depending on on and off years, for a number of events—primarily the Adelaide Festival, but the Australian Performing Arts Market is another one that occurs biennially.

**Mrs REDMOND:** So, is that also the explanation for why the depreciation and amortisation seems to go up and down in the expenses column?

**Ms REID:** I am advised that that relates to a different methodology used to calculate depreciation and amortisation this year, but we can certainly get a more detailed answer.

**Mrs REDMOND:** On the following page there is a number of things that I am curious about. In the performance indicators, the average size of independent makers' and presenters' grants has gone down from just shy of \$10,000 to \$8,320, whilst there has been an increase in the number of people getting grants. What is the largest grant and the smallest grant, rather than just the average?

**The Hon. M.D. RANN:** In terms of the dissection of that \$10,000, we can provide that. I understand there is \$100,000 for a major commission. We will get details of that.

**Mrs REDMOND:** So, even though the average is \$8,320, an individual or group could get up to \$100,000?

**The Hon. M.D. RANN:** One—just one major commission per year, and the others is an average. Quite often there are small grants or bigger grants, but that is the average.

**Mrs REDMOND:** I refer to a few lines further down: Country Arts SA, unpaid attendances. I am curious as to why the actual result in 2008-09 was 130,000 yet the target for the next year was only 85,000, and the actual result for the next year was again up in the 130,000 area. Why was there a target so low? Again, this year, although it has increased, it is 100,000, and it still seems to be low compared to what you are anticipating would occur.

**The Hon. M.D. RANN:** I think some of the problems we are finding this morning is the understanding that some things are biennial. When there is a regional centre for the arts which is a big event like the one we had in Port Augusta or Murray Bridge, it is every two years. That is why we would not expect to get attendances for things that do not occur in the interim year.

**Mrs REDMOND:** But 2008-09 and 2009-10 follow on from each other and both achieved attendances of over 130,000, yet the target for the 2009-10 year was significantly lower, as well as the target for 2010-11.

**The Hon. M.D. RANN:** The festival year covers two budget years. I will ask Ms Reid to explain how it impacted on Port Augusta.

**Ms REID:** The Regional Centre of Culture occurred in Port Augusta in 2008, so that 131,769 reflects, to some degree, the activity in and around Port Augusta in that year. 2009 was an off year for that program. 2010 is again an on year for that program in Murray Bridge, so the estimated result for 2009-10 of 130,551 largely reflects that activity. Again, 2011 is an off year, but of course you are splitting over those two financial years. It is the difference between the calendar year activity of the Regional Centre of Culture and the financial year activity of the Portfolio Statements.

**The Hon. J.D. HILL:** If I could add: it will depend a bit on the programming of the individual festivals. So, just from memory I think, in the Murray Bridge case the orchestra, which would have been a very big audience attractor, was held in March this year, whereas in Port Augusta it was probably held in the second half of the year. So, that would have kind of changed the figures for that somewhat.

**Mrs REDMOND:** I refer to Budget Paper 4, Sub-program 4.2, page 1.21—support for public libraries and community information centres of \$17.773 million, which is, I understand, as agreed in the current five-year funding agreement with the president of the Local Government Association. Will the full amount be provided to the Libraries Board of SA for the purposes of public library funding? In particular, can you assure the public that Arts SA bureaucrats are making no attempt here to double-dip by skimming the funds for grant administration when the administration is already undertaken by public library services on behalf of the Libraries Board of South Australia?



**The Hon. J.D. HILL:** I thank the member for the question; let me give her the information I have and try to cover any of the issues that she has raised. The notion that public service bureaucrats are skimming funds is such a pejorative way of expressing the question, that it really does excite a political response.

Let me assure the member that public servants do not go around skimming funds. They apply government policy in the most appropriate way, and I can assure you that is the case in relation to the way the public libraries are run. Under the current agreement, funding for public libraries is provided through the PLS for the purposes of public libraries funding, and that covers material purchases—book and non-book, including access to electronic databases and services—and operating costs of both PLS and public libraries, including the provision of an IT network that supports free access to internet services. So, they are very good programs and funding for 2009-10 was \$17 million plus.

State and local governments share a commitment to address the information needs of the people of South Australia through an effective and responsive library network, and this has been formally addressed in an agreement with the LGA. We had very good discussions and arrangements with the LGA over these commitments.

The current agreement expires on 30 June next year, and the 2010-11 budget has provided for funding of \$17,359,500, which will be maintained with indexation for 2011-12 and 2012-13. In 2013-14, funding will be reduced by \$1 million. I have had meetings with the LGA and told them that they could expect that this part of the budget would not be exempt from savings pressures, so they have certainly been advised about this.

Funding for the first three years of the four-year budget cycle, which includes the last year of the current arrangement, has been maintained and we have begun the process to negotiate a new agreement. I am not aware whether there is any skimming, as you have put it. Maybe I will ask Ms Reid to answer that part.

**Ms REID:** The difference you refer to, leader, is the difference between the cost of programs as presented in the Portfolio Statements. The cost of agencies delivering on those programs is built into those programs, so there is not, as you can see, a separate line in the Portfolio Statements for Arts SA's central office. The cost of Arts SA's central office is spread over those three programs. So, the difference between \$17,773,000 and \$17,359,000 is the cost of Arts SA central servicing those programs.

**Mrs REDMOND:** I go back to page 1.23 of the same volume. Footnote (b) mentions Arts SA assuming management of the Queen's Theatre from 1 July 2010. Can you provide an explanation as to what motivated that, what was involved in the transfer of management, what was its reason and what was its cost?

**The Hon. J.D. HILL:** The Queen's Theatre, as I guess everybody knows, is the oldest purpose-built theatre in mainland Australia. It was built in the late 1840s, is of national heritage significance, and the title is held by the Premier as Minister for the Arts.

A number of years ago, after it had been kind of protected to the extent that it could be without completely altering its fabric and the building, we were working out what to do with it and there was a range of options that we looked at.

Initially, I thought the History Trust was the logical body to look after it, and that was done for some time, but I think the decision was made that it was really outside the scope of the History Trust. The History Trust is not a building operator, and it is not a manager of heritage buildings even though it has a strong interest in heritage issues. So, it was decided to transfer the management of it to Arts SA, which is responsible for managing a whole range of buildings, including a range of heritage buildings, so they have the expertise to do it. I think that reflects the circumstances.

**Mrs REDMOND:** Did they ever open that building as part of their function? I am puzzled about why it is part of the explanation for the reduction in the visitor numbers for History SA. I had not understood that they had actually opened.

**The Hon. J.D. HILL:** No; History SA managed the building as a hall for hire, if you like, so a range of arts events and non-arts events would have been held in there from time to time. State Theatre has put on shows in there, so there is a range of performances that have occurred in that venue. We can drill down as to how many were there as a result of the History Trust's management of it, but it certainly produced a small income as a result of its commercial hiring.

**Mrs REDMOND:** So the numbers for the visitors to History SA includes the hiring of the venue that was under their management?

**The Hon. J.D. HILL:** I assume so.

**Mrs REDMOND:** I take it from the nods that that is the case.

**The Hon. J.D. HILL:** I do not think they were specifically History SA events; they were just events that occurred in buildings run by History SA.

**The CHAIR:** Thank you, minister.

**Mr ODENWALDER:** I refer to Budget Paper 4, Volume 1, Portfolio Statements pages 1.24 and 1.25. Can the Premier outline new funding initiatives aimed at supporting local artists, strengthening South Australia's status as the Festival State and how it bolsters a range of exhibitions?

**The Hon. J.D. HILL:** Thank you very much for that question. As well as providing the additional funding that you mentioned, the government is establishing a festival commissioning fund program for local artists and companies, so there is additional support and extra funding for the Adelaide Festival to become an annual event.

As well as providing this additional funding, the state government is establishing a festival commissioning fund, a program for local artists and companies. This will support significant investment in major new works and provide local artists and organisations with new and significant opportunities to partner and collaborate with our world-renowned festivals throughout the year.

Operating as a competitive fund—we did not have to bid to get this money—it will reward innovation and artistic risk-taking through the creation of works for premiere at our signature festivals. These include the Adelaide Festival, Fringe Festival, Cabaret Festival, Come Out Festival, OzAsia Festival, the South Australian Living Artists Festival, Feast Festival and WOMADelaide. This cross art form initiative will support organisations and independent artists at emerging and professional levels by raising awareness of these artists, enhancing their national and international reputations and supporting further opportunities such as touring or presenting in other festivals.

The Festivals Commissioning Fund will support projects from 1 July 2011 through an initial allocation of \$250,000. From 2012 this funding allocation will grow to half a million dollars per annum. Two other strategically targeted funding programs will support the presentation of major exhibitions and the creation of new, innovative practice for exhibitions in South Australia.

**The CHAIR:** There being no further questions, I declare the examination of the proposed payment completed. I would like to take this time to make a brief statement. This morning the leader made an allegation that the Premier called her a liar, or that she had lied. I have read the *Hansard* carefully and I note that the Premier did not call the leader a liar but referred to the statement made by the leader, concerning support for the Henry tax review, as 'not true'. This does not reflect on the integrity of the leader, only on the accuracy of her statement.

*[Sitting suspended from 12:59 to 13:45]*

**DEPARTMENT OF THE PREMIER AND CABINET, \$132,619,000**

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,  
\$11,541,000**

**Membership:**

Mr Evans substituted for Mr Venning.

Mr Pederick substituted for Mr van Holst Pellekaan.

**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. P. Holloway, Minister for Mineral Resources Development, Minister for Urban Development and Planning, Minister for Industrial Relations, Minister Assisting the Premier in Public Sector Management.

**Departmental Advisers:**

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

Mr B. Cinnamond, Director, Public Sector Performance Commission.

Mr W. McCann, Commissioner for Public Sector Employment.

Ms J. Ellis, Director, Office for Ethical Standards and Professional Integrity, DPC.

Mr T. Ryan, Director, State Records, DPC.

Mr B. Morris, Executive Director, Services Division, DPC.

Mr J. Loulas, Manager, Financial Performance and Strategy, Corporate Affairs Branch, Services Division, DPC.

Ms M. Evans, Manager, Strategic and Support Services, DPC.

**The CHAIR:** I declare the proposed payments re-opened for examination and refer members to the Portfolio Statements Volume 1, Part 1 and Budget Measures Statements, pages 18 to 26. Minister Holloway, would you care to make an opening statement?

**The Hon. P. HOLLOWAY:** Yes, just briefly, Madam Chair. I think it is appropriate that I recognise the invaluable service provided by the South Australian public sector. The public sector employs more than 100,000 people, making it the largest employer in the state in key jobs, including, of course, nursing, teaching, policing and emergency services.

As a major employer facing increasing demands on our resources, it is only prudent that we ensure we have an efficient and effective public sector, providing the high standards of service delivery and outcomes expected by South Australian taxpayers.

In the past year, the government has begun to implement the reforms provided by changes to the Public Sector Management Act to create the Public Sector Honesty and Accountability Act and the Public Sector Act.

Since being appointed Minister Assisting the Premier on Public Sector Management in March, I have been working with the Public Sector Performance Commission and the Office of Ethical Standards and Professional Integrity to strive to meet our goals of providing a more effective and efficient public sector to meet the needs of South Australians.

In the past year, the Commissioner for Public Employment's Office has been refocused in a way that reflects its new title as Office for Ethical Standards and Professional Integrity and, just briefly, some of the highlights of the past year at the office have been the development and implementation of a code of ethics for the public sector.

The code strengthens public confidence in the public sector and sets out the standards of professional conduct expected of every public sector employee. The government is also supporting a modern, streamlined and high performing public sector through the development of draft determinations and guidelines to promote the objects and principles of the Public Sector Act 2009.

We have also reviewed the data collected on the characteristics of the South Australian public sector in the Workforce Information Collection, to enable accountability, performance measurement and evidence-based decision-making in the public sector and to make that collection consistent with the new Public Sector Act. An overview of the state of the South Australian Public Service is provided through the Commissioner for Public Sector Employment's State of the Service Report.

The Premier's Award scheme and ceremony has been held for a third year with increased participation and interest, and high standard South Australia Strategic Plan work initiatives are recognised and rewarded through the award. Future leadership and management capability of the public sector workforce has been supported by a coordination of the Public Sector Management Program. Public sector recruitment has been supported through the *Notice of Vacancies* and through the South Australian Graduate Register.

I think it is important to note that South Australia now leads all Australian jurisdictions, with 38.7 per cent of executives being women. Madam chair, the Public Sector's Performance Commission managed the carriage, through both houses of parliament, of the Public Sector Act 2009 and its regulations.

The commission has designed and begun trialling the High-Performance Framework in public sector agencies as a continuous improvement and performance management tool. The framework helps set clear performance expectations and measures across the public sector with respect to key performance issues. It builds on the present annual chief executive's performance appraisals and provides greater accountability for achieving strong results and to measure performance over time. It helps our public sector agencies to measure their performance and identify the best opportunities to improve it.

Since the commission took on the responsibility for the South Australian Executive Service on 1 July 2008, there has been a 79 per cent increase in membership, with 509 eligible executives now members of the South Australian Executive Service. The commission has driven and coordinated investment in the South Australian Executive Service, including a program of sponsored and cost-recovery professional development delivered in partnership with other government departments, Carnegie Mellon University, the Institute of Public Administration Australia (SA Division), the Australia and New Zealand School of Government, senior commonwealth government guests and the Deloitte Leadership Academy.

This program of events has benefited more than 300 South Australian Executive Service members and includes the inaugural South Australian Executive Service induction program. The Public Sector Performance Commission has further developed executive leaders through cross-agency action teams undertaking practical problem-solving projects, including improving ambulatory care, reducing the call of high-user groups on child protection and related services, developing executive leaders and improving how government engages with the community.

Finally, some comments about State Records: key achievements for State Records in the past financial year include the completion of the survey of the record management practices of state and local government agencies to establish a performance benchmark and identify areas for improvement in the future. The agency also promulgated the improved freedom of information training program for accredited FOI officers, to ensure they have the skills, knowledge and tools to process FOI applications with increased efficiency and effectiveness.

State Records also developed and implemented the government's 10-year policy change that halved the cabinet submission exemption under the FOI Act from 20 years. The agency also collaborated with staff of the National Archives of Australia to determine options to enable access to commonwealth archival records to continue in South Australia following the closure of their Adelaide office next year.

**Mrs REDMOND:** I will make a very brief comment at the outset that I find it extraordinary that this government, which made promises going into the election regarding no forced redundancies, and, indeed, entered into and finalised arbitration and enterprise bargaining agreements on the basis of no loss of existing entitlements for our public servants, then brings down a budget which specifically says, 'The government will reconsider its no forced redundancy policy'—underlined by the government itself—'and which removes and reduces entitlements to long service leave and leave loading,' and then expects the Public Service and the public sector to behave honourably and accountably.

I am sure the public sector always will, but I am astonished that this government has the gall to even talk about issues of honesty and accountability after treating their public servants in the way that they have. In that regard, I would like to ask some questions about page 115 of Budget Paper 4, Volume 1. Can I ask, first of all, how many staff there are in the Office for Ethical Standards and Professional Integrity, and how many have been deemed surplus to requirements and will they get TVSPs offered?

**The Hon. M.D. RANN:** Seventeen and nil.

**Mrs REDMOND:** Thank you. In relation to that office, is that the office that develops the Code of Ethics? If it is, is it correct that the Code of Ethics was developed in 2009-10 but is not going to be actually sent out to people until the current year of 2010-11?

**The Hon. M.D. RANN:** That is not correct, but I invite Warren McCann to correct that statement.

**Mr McCANN:** The first part of the question is correct; it was developed in 2009-10. However, it was widely promulgated and circulated throughout the public sector earlier this year and is being followed up by a number of training seminars and other similar events to publicise as widely as we can the contents of the code.

**Mrs REDMOND:** Can I then ask the Premier: is it still necessary, in terms of the third dot point of targets on that page, to drive cultural and behavioural change through further work with the code of ethics?

**The Hon. M.D. RANN:** I think that the honourable member would realise that you do not just promulgate a booklet or a code; what you do is encourage people to embrace it and to know it. Obviously, the objectives of the code are very important in terms of the integrity of the public sector, but I will again ask Mr McCann to comment.

**Mr McCANN:** I don't know that I can add too much more, Premier. That is the fact of the matter. The code is quite a new document. It contains new ideas for the public sector in South Australia. In the past, we have really relied on documents called codes of conduct but, for the first time, this code gives emphasis to a number of behavioural principles, such as collaboration and respect for human dignity, all designed to lift the sense of professionalism in the public sector. That will require quite a significant cultural change—100,000 people, a very diverse organisation—and it will take quite some time before we manage to get traction right across the system with some of the new ideas that are in the code of ethics.

**Mrs REDMOND:** That is what I was driving at. What is the mechanism by which the cultural and behavioural change is to be achieved?

**The Hon. M.D. RANN:** Mr McCann.

**Mr McCANN:** We want to approach this in two ways: firstly, by using the new electronic systems of communication now available to us to reach as many people as we can, backed up by a range of seminars and training sessions but, very importantly, by instituting in each department and agency new arrangements for advancing the code of ethics within the agencies, because, no matter how much we strive with 17 people from the centre to change behaviour the way we want to, we will not succeed with a document of this kind unless the leaders of the agencies themselves embrace it and establish arrangements within their department.

As part of introducing the code, I have addressed all of the leaders of the Senior Management Council on a number of occasions about the new arrangements, the new way forward. They need to establish within their own organisations structures that will enable the code to be kept alive.

For example, most hospitals have an ethics committee; there is no reason why a department or an agency cannot have a similar ethics committee. So, we are very much encouraging departments to move in that direction to establish their own structure. We do not want to lay down the law on how they do it, but they need to take responsibility for it. So, that work will proceed over the course of the next year and, to the extent that our resources will allow, we will use whatever techniques are available to us to reach as many people as we can.

**Mrs REDMOND:** In the 'Achievements' for 2009-10, up on a higher part of the page, the third dot point down states:

Develop draft determinations and guidelines to promote a modern, streamlined and high-performing public sector.

I take it that they are different from the code of ethics, so where do they fit in and how does one have a draft determination? I can understand draft guidelines but, surely, a determination is a determination?

**Mr McCANN:** I think that is correct, Mrs Redmond. Perhaps on reflection I would not use the language 'draft', and perhaps that reflects the fact that the process that we have adopted is to develop drafts and then circulate them to interested parties, such as the various unions, departments and so on for comment before we issue the final determination. But, you are quite right: the end objective is to issue determinations covering a whole range of employment practices from specifying leave requirements and so on across a whole range of topics.

Most of that work has been completed. It is not yet complete, but we are well advanced with the process of issuing those new determinations which follow the new act and which require a different set of determinations than existed in the past.

**Mrs REDMOND:** The first dot point in 'Targets' on that page, states:

Further support and reinforce the statutory role of the Commissioner for Public Sector Employment.

I was a little puzzled to see that that was the target when, back on page 1.9, the Public Sector Performance Commission had an estimated result of expenditure of just over \$3 million last year but it is going down to less than \$1 million in the current year. Is there an explanation for why that is happening and how that further supports and reinforces the statutory role of the commissioner?

**The Hon. P. HOLLOWAY:** Yes, there is. I am not sure whether or not the leader is aware, but there has been a review by the Advisory Board of the Public Sector Performance Commission (we are expecting that review fairly soon) as to what the future role should be.

The Public Sector Performance Commission has played a very important role over the last three years in lifting the performance of government and putting the focus on that. The way forward is something that we will be determining in government when we have the report from the Advisory Board fairly soon. The budget is there to provide sufficient resources until the end of this financial year. As I said, we will be assessing the path forward when we have the advantage of that report, but there have been many achievements by the Public Sector Performance Commission.

Remember that part of the Public Sector Performance Commission's role, as I mentioned earlier, was to bring about the introduction of the new Public Sector Act. That has been completed, and Mr McCann has just been talking about some of the work that needs to be done in relation to that. That work will be substantially completed, but where we go forward into the future in relation to focusing on high performance is something the government will be addressing before the end of this financial year.

**Mrs REDMOND:** I am still puzzled as to why that could possibly be described as 'further support and reinforce the statutory role of the Commissioner for Public Sector Employment'. How do you further support and reinforce a statutory role when you are removing it?

**The Hon. P. HOLLOWAY:** Is the leader is talking about the comment on page 1.15?

**Mrs REDMOND:** Yes; the target, 'Further support and reinforce the statutory role...' is your first target for this year.

**The Hon. P. HOLLOWAY:** The answer is, of course, that that program on page 1.15 is the Ethical Standards and Professional Integrity Office, and it is the role of that office, perhaps, rather than the Public Sector Performance Commission to undertake that. I think that if the leader looks at its resources she will see that that has not had that sort of change.

**Mrs REDMOND:** But it says that it is going to reinforce the statutory role of the Commissioner for Public Sector Employment.

**Mr McCANN:** Can I answer that? I can help with the explanation, I hope. There are two separate bodies. The Office for Ethical Standards and Professional Integrity is quite separate from the Public Sector Performance Commission, and that target ascribes that responsibility on page 1.15 to the Office for Ethical Standards and Professional Integrity, and the fundamental reason for its existence is to support the commissioner and the commissioner's statutory role. It is not the Public Sector Performance Commission that is given that task, it is the Office for Ethical Standards and Professional Integrity.

**Mrs REDMOND:** But the Commissioner for Public Employment is being abolished.

**Mr McCANN:** No, what is proposed in the budget papers is that, in October next year, the role of Commissioner for Public Sector Employment will be assumed by the chief executive of the Department of the Premier and Cabinet. The office is a statutory office under the act and, unless the act was changed, you could not abolish the office. The chief executive of the Department of the Premier and Cabinet will assume the duties of the commissioner and be appointed as commissioner from that time.

**Mrs REDMOND:** Through the Premier or the minister, will the Office of Ethical Standards and Professional Integrity have increased responsibility as a result of that morphing from a separate office into the chief executive's office?

**Mr McCANN:** The statutory responsibilities of the commission are set out under the act and will not change. However, as a result of the new act being enacted earlier this year, there is a short-term workload—and we spoke earlier about the code of ethics, but it is not just limited to that. That will mean that, after about the next year, the work burden of the office will fall away a little bit. So, there will not be additional responsibility for the office. It will be the same level of responsibility

for the commissioner, but the workload of the office, as the budget papers provide, will at that time decline a little once all the planning work that goes with a new act has been completed.

**Mrs REDMOND:** In reading page 1.15, I get the impression that the Public Service will be subject to a couple of pieces of significant legislation; that is, the Public Sector Honesty and Accountability Act (which used to be the Public Sector Management Act) and the Public Sector Act. In addition, they will have a code of ethics. In addition to that, draft determinations and guidelines, and I have already asked a couple of questions about those. What then, on top of that, is further defined 'the public sector principles'? What are the public sector principles as opposed to those things which I have already mentioned?

**The Hon. P. HOLLOWAY:** I will let Mr McCann answer that, but I think I referred to that in my earlier address in relation to the work we were doing for the act.

**Mr McCANN:** The Public Sector Act breaks new grounds not only for us but for Australia, and it departs from tradition that is about 100 years old, in the sense that it moves the controlling authority for the public sector in South Australia from a set of bureaucratic rules to a question of principles. An example of those principles: citizen responsiveness, collaboration, ethical behaviour, abiding by the rule of law and so on. That even more than the code of ethics presents a very considerable challenge to the Public Service.

It is very important that it happen, because we are so rule bound the price has been a lack of creativity and innovation in the public sector. By operating within a set of principles, it frees us to use a greater level of creativity. That is a huge leap for our public sector and, to make that happen and to have the 100,000 people that constitute it see it as something worth doing, is going to require enormous effort.

**Ms THOMPSON:** I refer to the closure of the National Archives in Adelaide, minister, and refer to Budget Paper 4, Volume 1, page 1.35. He mentioned this in his opening statement, but can the minister give us more information about the actions of the government to ensure that South Australians are not adversely affected by the closure of the National Archives of Australia office in Adelaide?

**The Hon. P. HOLLOWAY:** In November 2009 the National Archives of Australia announced plans to close its offices in Adelaide, Hobart and Darwin as a cost-saving measure. The research, history and academic communities then expressed concern about the alleged failure of the commonwealth to fulfil its responsibilities to its citizens—citing unconstitutional inequities, a lack of consultation, increased costs to South Australian researchers and cost-shifting to state governments. The anxiety in the community manifested into a national campaign opposing the plans. The National Archives of Australia had suggested that services could be delivered online. However, researchers rejected this as a substitute, as it would only suit particular types of research.

In January this year, the Premier wrote to the commonwealth supporting those concerns that were expressed by stakeholders and in February this year the commonwealth revised its plans. It announced its intention to maintain services by co-locating with similar institutions in each of the jurisdictions. Since that time the government has been working with the commonwealth on co-location options to ensure services to South Australian citizens are maintained.

In recent months I have endorsed officers from State Records of South Australia working with the National Archives staff to deliver co-location options that ensure continued provision of public access to national archival records, the retention of archives of significance to South Australia—in South Australia, not interstate—and sharing facilities to achieve these objectives that deliver cost efficiencies to the public and state government. The government anticipates an eventual agreement that will result in improved services for South Australians in accessing archival records. Discussions are well advanced, and I am hopeful of making an announcement on that agreed solution in the very near future.

**Mr ODENWALDER:** I refer to Budget Paper 4, Volume 1, page 1.15, and to the Public Sector Act 2009. Can the minister explain how the act promotes a high-performing public sector that focuses on the delivery of services to the public and is also responsive to government priorities?

**The Hon. P. HOLLOWAY:** We have covered some of this ground. The Public Sector Act provides a modern and streamlined employment framework to support a public sector that is positioned to capitalise on the state's prospect for strong economy recovery and growth. Under the act, agencies and employees across the whole of the public sector are governed by a

comprehensive set of principles with greater emphasis on one government, responsiveness to government priorities and the delivery of services to the public.

The act seeks to move the public sector from an employment framework based on rules, regulations and procedures to one that is defined on employment principles—and I think Mr McCann referred to that point earlier. Those employment principles are: public focus, responsiveness, collaboration, excellence, employer of choice, ethical behaviour, professional integrity and local requirements. Chief executives are required to advance the public sector principles, and the act provides them with greater authority and flexibility to enable them to manage employees in their agencies.

The principles-based approach provides a guide for public sector operations. It facilitates the integration of employment and management practices, makes performance management and development a priority, and promotes uniformity and transparency in governance arrangements. The South Australian public sector is the state's largest employer and we should strive for it to be the best and most effective organisation in the state. The act provides an opportunity to derive change and to create a public sector for the future—one that is high-performing, values-based and accountable.

**Mrs VLAHOS:** I would like to ask a question with regard to Budget Paper 4, Volume 1, page 1.15. What is the government doing to encourage women to pursue leadership roles in the public sector?

**The Hon. P. HOLLOWAY:** The government is committed to ensuring gender equity at the leadership level in the public sector. South Australia is already one of the leading jurisdictions with respect to gender diversity at executive level and at 38.7 per cent—

**Mr McCANN:** The leading.

**The Hon. P. HOLLOWAY:** Yes, as Mr McCann correctly points out, it is the leading jurisdiction in the country with 38.7 per cent, the highest percentage of women in executive positions, as of June 2009. The South Australian government is indeed the only jurisdiction in Australia to have a target to have women in 50 per cent of executive positions as part of its State's Strategic Plan.

A high level group, Women in Leadership South Australia, was convened in 2008 to assist in achieving this target by championing change across the public sector in order to increase women's representation at the executive level. The group is chaired by the Commissioner for Public Sector Employment and includes a number of chief executives from across the public sector and representatives from Cabinet Office and the Office for Women.

In October 2009, a group of representatives from the senior management of each department were brought together to form the Champions Group, which was tasked by Women in Leadership South Australia to drive the development and implementation of strategies at the agency and whole of government level on an ongoing basis. Actions led by the Office for Ethical Standards and Professional Integrity solely, and in conjunction with the agencies, include:

- the establishment of a business case to the South Australian public sector which was presented to agency senior management groups;
- the establishment of a website as a means of communicating strategies to achieve the target, case studies of women who have advanced to executive level, and providing resources on such matters as work-life balance and development;
- the establishment of methods for better understanding reasons for women not applying for executive positions in the same numbers as men through two across-government online surveys, as well as a monitoring tool to gain information on applicants and the application process; and
- the promotion of the use of flexible working arrangements at the executive level through presentations on the benefits and provision of resources on methods of implementing these arrangements.

The Commissioner for Public Sector Employment will shortly issue a commissioner's guideline on the recruitment of women to executive positions covering attraction, selection and retention. The representation of women at the executive level in administrative units has, as I said, increased by 6.7 percentage points from 32 per cent as at June 2003 to 38.7 per cent as at June 2009. The actions undertaken by the government through Women in Leadership South Australia and the



Office for Ethical Standards and Professional Integrity will ensure that South Australia remains at the forefront of achieving equal representation of women at the executive level.

**Mrs REDMOND:** Perhaps I could ask the minister a question on that issue of gender equity. Does the minister agree that, if it is not necessary to be of a particular gender to perform the tasks of a particular position, then gender equity is achieved when the appointment makers are, if I may use the expression, 'blind' to the gender of the applicant?

**The Hon. P. HOLLOWAY:** Let me answer it this way: I think if one has a look at some of the agencies of government where there is a high proportion of women, in fact there is clearly a lower proportion of women in executive positions in those areas than the overall employment in that agency would determine. So, clearly, if blindness has been shown, it has not been in terms of getting an appropriate outcome. Obviously, what the government is doing is ensuring that the artificial barriers that are put in the way are not there.

**Mrs REDMOND:** So, you don't agree with the proposition?

**The Hon. P. HOLLOWAY:** Well, I choose to word it differently than the leader does, perhaps.

**Mrs REDMOND:** Okay.

**The Hon. P. HOLLOWAY:** I don't like words being put in my mouth.

**Mrs REDMOND:** Regarding the Premier's Award scheme, which is the third bottom dot point in the Achievements for 2009-10 on page 1.15, could the minister provide some information on what that costs and what sort of recognitions and rewards are made through the Premier's Award scheme?

**The Hon. M.D. RANN:** Perhaps I should start the process by saying that, when Wayne Goss was asked to have a look at what we could do in terms of improving the public sector in this state, he recommended a senior executive service. He recommended a number of things, one of which was that we really should try to highlight the outstanding achievements of our public sector.

There are so many areas where we are national leaders, whether it is social inclusion, climate change, zero waste or container deposit. There is a whole range of areas where we lead the nation. In some areas, we have been regarded as international leaders.

The ICAN program, for instance, was run through Social Inclusion and education and it has seen a big improvement in school retention, particularly amongst those who are most disadvantaged. It really is an example of an area where people are looking at it from other states as well as from overseas. We think that the process that is undertaken to select those who win the awards is one which recognises outstanding achievements by the public sector. I will ask Mr McCann to comment further.

**Mr McCANN:** I think, Premier, you have set out the purposes of the scheme. I will perhaps add the question of the cost. It is approximately \$100,000 per annum and a large component of that is for the prizes, the awards for each of the categories that are awarded on the night. The money is not a personal award—it does not go to the people themselves—but it is awarded to the programs. The money goes into the departments and the programs that have been successful with the scheme.

**Mrs REDMOND:** On that same item, I got the impression when I was reading it that it only related to development or work initiatives relating to the Strategic Plan. Is that the case or not?

**Mr McCANN:** Yes, that is the case. It is built around the Strategic Plan targets.

**The Hon. M.D. RANN:** The Strategic Plan targets cover 98 areas: everything from exports to the environment, health, obesity, smoking, education outcomes—right across the board. Obviously, the State Strategic Plan is the focus for the government and, indeed, for the state about where we are going. Really, it covers an extraordinarily broad area.

**Mrs REDMOND:** Still on the same page (Volume 1, page 115) how many employees are now classified as excess across government?

**The Hon. P. HOLLOWAY:** There were 335 employees who were declared excess as at 30 June 2010. If you want, I can provide you with a further breakdown in relation to that.

**Mrs REDMOND:** Please, yes.

**The Hon. P. HOLLOWAY:** Of those employees 128 were what are described as 'active'—that is their employer and their case manager or equivalent were actively seeking a long-term or ongoing position; 160 were in long-term placements; 21 were on leave and 26 were inactive or 'as other'. Of the 128 employees where the agency was actively seeking a position for the excess employees, 103 were unfunded positions; 16 were in funded positions and nine were in part-funded positions. I should point out that that number of excess employees (at 335, reported by agencies as at 30 June) represents a decrease of 69 excess employees since 30 June 2009.

**Mrs REDMOND:** Is the minister able to indicate how the number will change over the forward estimates and anticipating how they are changing?

**The Hon. P. HOLLOWAY:** The budget papers (I think it is in the Budget Statement, page 2.5 from memory) set out public sector employment new initiatives. The details about the government's employment targets are set out there on page 2.5. That sets the government's total reduction targets and how that is comprised, and there is even a breakdown in table 2.5 by departments.

**Mrs REDMOND:** Can the minister advise whether these excess employees will be the first targets of the government's 3,743 job cuts?

**The Hon. P. HOLLOWAY:** I think the correct way of putting it would be that the excess employees are produced as a result of the savings measures.

**Mrs REDMOND:** Yes, that reduces the number of excess employees but, if the government is aiming to reduce the number of employees in the public sector by 3,743, are the first people to be targeted in achieving that overall reduction going to be the excess employees?

**The Hon. P. HOLLOWAY:** Yes I think is the short answer to that.

**Mrs REDMOND:** Will they be offered TVSPs and, if they are, will they have to take them?

**The Hon. M.D. RANN:** I think we made it clear before that we are offering a sort of golden package for a limited period. This is an extremely generous package but then that runs out and becomes what you would call the silver package. Then we said that, only then, if that were unsuccessful, that we accept, given the nature of the golden package, that people would be certainly very encouraged and keen to take it. Only then would we be forced to reconsider the no forced redundancies—

**Mrs REDMOND:** Promise.

**The Hon. M.D. RANN:** —but we don't expect to.

**Mrs REDMOND:** Well, Premier, if you don't expect to why would you have put it in the budget speech?

**The Hon. M.D. RANN:** Because we said we will reconsider if our process is unsuccessful. We do not expect it to be unsuccessful.

**The Hon. P. HOLLOWAY:** I think the other point that needs to be made there, and I answered a question on this in the Legislative Council a couple weeks ago, is that there is a significant turnover within government agencies. Of the roughly 100,000-odd employees, there is a roughly 60:40 ratio of clerical administrative staff to professional staff. About 7,000 in total leave every year so, over the four year budget period, you will have 28,000 people in total leaving; and, given the 60:40 ratio, about 16,000 of those will be people who are leaving administrative clerical areas.

So, there will be a significant turnover which will provide an opportunity. Some 16,000 people are expected to leave areas and some of those vacancies will obviously be available as well. It is not only a matter of the TVSPs; it is also a matter of absorbing people with this sort of significant turnover that we will have within the public sector over the next four years.

**The Hon. M.D. RANN:** I think that is an area where a lot of people, in making comment, did not realise the attrition rate.

**Mrs REDMOND:** in fact, I thought the attrition rate was higher than the 7,000 suggested by the minister, but the point I am trying to get at at the moment is: these excess employees, who you said number a total of 335, are they going to be the first targets to go? If they are excess, I do not understand why they would not be simply offered a TVSP and out you go. What I want to clarify is whether that is what the government is planning to do.

**The Hon. M.D. RANN:** I think the answer of that is yes, and obviously that would be part of the process.

**Mrs REDMOND:** Can the minister give me any idea of where these employees are located, what jobs they are doing and whether each agency manages its own or whether there is some sort of person responsible overseeing that across government?

**The Hon. P. HOLLOWAY:** Each agency will manage its own. The Treasurer will obviously be responsible for the TVSP part of it, and the Commissioner for Public Sector Employment will have responsibility in relation to the management of those staff who remain. The breakdown in budget terms is set out in table 2.6. That is the breakdown of how the savings initiatives relate to full-time equivalent impacts. Obviously, that is a matter for the chief executives to implement in each of their respective agencies.

**Mrs REDMOND:** Does the minister have any idea of where these people are and what departments or agencies they are in?

**The Hon. P. HOLLOWAY:** As I said, table 2.5, I think, sets out the targets, but it is obviously up to the respective CEOs to determine.

**The Hon. M.D. RANN:** Are you referring to the 335 employees?

**Mrs REDMOND:** Yes, the excess employees. I'm just trying to get a picture of where the 335 excess people are, what sort of locations they are in, what jobs are they doing?

**The Hon. P. HOLLOWAY:** Sorry; I thought you were talking about the overall employment targets.

**Mrs REDMOND:** No.

**The Hon. P. HOLLOWAY:** As I said, of the 335 in agencies, some of them are actually working in funded positions. We can certainly get that information if you want that specific breakdown, so perhaps we can take that on notice.

**Mrs REDMOND:** Thank you. I take it, though, that if they are in funded positions basically they have had a job—

**The Hon. P. HOLLOWAY:** Some are.

**Mrs REDMOND:** Well, the 128 you said were active and some of those were in fully funded, some in part-funded positions. I take it that the situation is that they were in a particular job, that job was made excess to requirements, so they are declared an excess employee—

**The Hon. P. HOLLOWAY:** Yes.

**Mrs REDMOND:** —and they are placed into some other position, which is still in existence and fully funded. I am correct in my understanding of that?

**The Hon. P. HOLLOWAY:** Yes.

**Mr ODENWALDER:** I refer to Budget Paper 4, Volume 1, page 1.37. Will the minister provide details on the uptake and membership in the South Australian Executive Service?

**The Hon. P. HOLLOWAY:** Since responsibility for the South Australian Executive Service transitioned to the Public Sector Performance Commission on 1 July 2008, there has been a 79 per cent increase in membership, with 509 eligible executives now members of the South Australian Executive Service as at 30 June 2010. With the proclamation of the Public Sector Act on 1 February this year, the South Australian Executive Service was enshrined in legislation, and eligibility for membership of the South Australian Executive Service was extended to the entire public sector. As a result, current data, as at 30 June 2010, indicates the total pool of potential South Australian Executive Service members may increase by a further 1,100 employees.

The new Public Sector Act also makes provision for the Premier to approve a charter for the South Australian Executive Service. The charter has been under development during 2009-10 and may specify or elaborate on rules governing membership, functions of the South Australian Executive Service, arrangements to facilitate mobility within the public sector, employment contracts and performance management and development systems, and competencies expected of South Australian Executive Service members. The draft South Australian Executive Service charter is currently out for consultation. Arrangements underpinning how the additional eligible candidates will transition to the South Australian Executive Service, according to the rules laid out in the charter, are currently being considered.

In conjunction with work on the charter and member transition, the Public Sector Performance Commission has undertaken a considerable body of work to further develop the South Australian Executive Service and maximise the value that it provides to both the state and individual members.

This includes a program of sponsored and cost-recovery professional development events benefiting over 300 South Australian Executive Service members, developed and delivered with other government departments. They include the Australia and New Zealand School of Government, Carnegie Mellon and Flinders universities, the Institute of Public Administration Australia (SA Division), senior commonwealth government guests and the Deloitte Leadership Academy.

**Mrs REDMOND:** I refer to Budget Paper 4, Volume 1, Page 1.4, which is the Workforce Summary. There is a staff reduction shown, going down from 892.1 to 795.2, so there are almost 100 full-time equivalents. Will the reduction in there be achieved through TVSPs, and have you determined which positions in the department will go?

**The Hon. P. HOLLOWAY:** That was for the whole of the Department of the Premier and Cabinet you were talking about?

**Mrs REDMOND:** Yes.

**The Hon. P. HOLLOWAY:** Sorry; what was the reference again?

**Mrs REDMOND:** Page 1.4 of Budget Paper 4, Volume 1.

**The Hon. P. HOLLOWAY:** I do not know what else we can say, other than the government strategy, I thought, was fairly clearly laid out. We had targets across government. They are broken down into agencies and it is up to chief executives to implement them. We have very generous TVSPs to encourage those people who wish to go, and we have arrangements in place with various re-training programs, and the like, to absorb the remainder.

**The Hon. M.D. RANN:** Maybe I can help. I am not sure it is quite on the subject, but I will try to be helpful. In relation to FTEs for the Department of the Premier and Cabinet, the 2010-11 FTE budget is 795.2, compared to the 2009-10 estimated result of 892.1. The reduction in FTEs of 96.9 is largely due to the transfer of the Industrial Relations Court, the Industrial Relations Commission, medical panels, the Employee Ombudsman and the WorkCover Ombudsman to the Attorney-General's department as part of the machinery of government changes from 1 July 2010. The 2009-10 estimated result of 892.1 FTEs compared to the actual result for 2008-09 of 891.8 FTEs reflects a minor variance of 0.3 FTEs.

**The Hon. P. HOLLOWAY:** My comments will refer to the latter years where it is set out in the relevant part of the budget table.

**Mrs REDMOND:** The Premier's answer actually explains a fair bit about where the 100 have gone: it is a departmental reorganisation. Are any ministerial liaison officers going to be taken out? You stated in your answer, Premier, that the explanation for that reduction of 96—or nearly 100, I think I said when I asked the question—was largely departmental reorganisation.

**The Hon. M.D. RANN:** Yes.

**Mrs REDMOND:** Will any ministerial liaison officers be reduced?

**The Hon. M.D. RANN:** Not through this initiative but, of course, in addition to the substantial savings required of my department, there are also significant savings required by my office, which have already previously been detailed publicly.

**Mrs REDMOND:** Have you got that report, by the way, Premier, that you promised about your former staffer, Rowan Ramsey?

**The Hon. M.D. RANN:** Given that she has not applied to return and, given that the same provisions, as I understand it, apply to everybody—in your office, in my office and in other political offices—I am not quite sure what the issue was. However, it seemed extraordinary that someone who has left us to get married and relocate to another country should be singled out on the basis that she might return. The current role of economic adviser is being done by Lee Casey.

**Mrs REDMOND:** The more important question, I guess, was the earlier part of the departure. Whilst I understand that officers employed by someone who does not win their election get a payout of several weeks and are then precluded from returning, it was a little puzzling that, when you were returned to office, that person got a payout of so many weeks.

**The Hon. M.D. RANN:** I think that is the same with people who have been employed in the former leader of the opposition's office who then subsequently left.

**Mrs REDMOND:** Yes, because the former leader of the opposition did not retain the position of leader of the opposition. That is the point I am making.

**The Hon. M.D. RANN:** Just in terms of the contract provision for 16 weeks' payout in lieu of proper notice of contract expiration: the current employment contract for ministerial staff—this is what you are referring to and I think it is important for you to understand this—came into effect following the introduction of the Public Sector Management Act 1995 and has been in use since 1997. It was brought in by a Liberal government. The payment provision has always been contained in the contract and was also a provision in contracts prior to 1995. What the leader is referring to and what she highlighted was actually brought in by the Public Sector Management Act under Dean Brown.

The standard ministerial contract contains a provision that specifies that, if the contract terminates by reason of the expiration of the term and the Premier does not provide at least three calendar months' notice of the contract expiration date then, subject to the conditions of clause 12.2 of the contract, the employee is eligible to be paid 16 weeks' salary plus any accrued leave.

Clause 12.2 is specific in that it states that, if a recipient of a 16-week payment made pursuant to clause 12.1 commences employment during that period in an office of profit under the Crown (whether in the Public Service or otherwise), then they forfeit any entitlement to such payment or to such part thereof. Repayments of the appropriate amount must be made in such cases. This is the same arrangement that applied under the Liberal government. In fact, the current form of the ministerial staff contracts was adopted in 1997 under the Olsen Liberal government. In fact, I think that the contracts were with John Olsen.

Following the March 2010 election, the 16-week period has now expired; therefore, any former employee who is to be recontracted would not be required to make any repayment. None of the pre-election staff who did not get offered a further contract post-election have to date been re-employed as ministerial staff.

The payment of a sum of money on termination without notice is not a novel employment arrangement. It should not be confused with the payment of an amount of money on account of a redundancy arrangement. Where public servants are paid on account of redundancy, the position is abolished and the former employee receives a payment based on years of service. This can be up to 116 weeks compared to a termination for ministerial staff of 16 weeks.

Employees whose positions are declared redundant and the position abolished cannot be employed for several years. The position reflects the size of the redundancy, but more importantly acts as a check on the abolition of jobs without proper justification.

**Mrs REDMOND:** Mr McCann may have already partly answered this, so I will try to reduce it to a single question. Mr McCann was talking earlier about the new code of ethics, and so on. I was going to ask about how much was spent on developing the new code but, perhaps, I will ask this as my last question. Are government board members covered by the code, and does the code talk about, discuss or lay out the behaviours expected in conflict of interest matters?

**The Hon. P. HOLLOWAY:** I will begin the answer. Obviously, provisions under the various acts of parliament cover the conduct of board members. I am sure that Mr McCann can give a fuller answer.

**Mr McCANN:** It covers board members where board members derive a fee for their service from the government.

**Mrs REDMOND:** And it does cover issues of conflict of interest and sets out issues—

**Mr McCANN:** Yes. It is in both the act and the code. The code deals very extensively with the conflict of interest issue, so the answer to that is yes.

**Mrs REDMOND:** Through the minister or the Premier, in the 'Achievements' for 2009-10 there is a dot point for collected qualitative and quantitative data. There is also, down in 'Targets', something about the office being a repository for the whole of the sector demographic data. What is the demographic data about our Public Service showing at the moment?

My recollection is that, a number of years ago, there was a significant concern about the ageing of our public sector and the fact that we were going to have a massive loss of public

servants with retirements as the baby boomers came through. Can I get an indication as to where our situation is at the moment in terms our demographic in the public sector?

**The Hon. P. HOLLOWAY:** That is obviously an important question with an ageing workforce and an ageing population, but I will ask Mr McCann to respond.

**Mr McCANN:** I do not have the precise statistical answer to your question, Ms Redmond, but it is quite correct that the public sector workforce has been ageing now for some period of time. I expect that the June 2010 data, including that particular matter, to be available probably towards the end of November or December. Until we have that, we will not be able to answer your question as to whether there has been a deepening (if you like) of the ageing of the workforce, but I expect that to be the case. That has been the trend for several years and I cannot see any reason why it would be reversed at this point.

**The CHAIR:** Thank you, Mr McCann. There being no further questions, I declare the examination of the proposed payments adjourned until 12 October. We now move, finally, to the Auditor-General's Department.

### **AUDITOR-GENERAL'S DEPARTMENT, \$13,565,000**

#### **Witness:**

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

#### **Departmental Advisers:**

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

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

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

**The CHAIR:** I declare the proposed payments open for examination and refer members to the Budget Statement, Appendix C. Would you like to make an opening statement, Premier?

**The Hon. M.D. RANN:** The role of the Auditor-General is critically important to good government. I think that we have been extraordinarily well served by our auditors-general over the years, who have been rigorous and who have also been extremely helpful. One of the things that I found from auditors-general since the time I first became a minister (which was at the end of 1989) is that it is a process that not only highlights errors but also highlights ways to improve. I think that the educative role of the Auditor-General is one that is perhaps not really sufficiently understood. The principal role of the Auditor-General, in my view, is about continuous improvement in the public sector in this state and in its financial management. I think that Mr O'Neill and his team are doing an exemplary job.

**The CHAIR:** Leader, would you like to make an opening statement or go straight into questions?

**Mrs REDMOND:** No, I will go straight in questions. I am looking at Budget Paper 4, Volume 4. Starting at page 15.4, in the summary income statement there is an item that just says 'Other 1'. I related that then (and I assume correctly) to the following two pages, page 15.6 where about halfway down it has 'Income, Net gain or loss from disposal of assets' and then 'Other income'.

The net gain or loss from disposal of assets for the budget for 2009-10, the estimated result for 2009-10 and the budget for 2010-11 is minus 4, so I assume there was a loss from disposal of assets—and I would like to get some clarity as to what that means—and then there was 'Other income' each time of five. So, could I get an explanation as to what constitutes that 'other' and why there would be a net loss from disposal of assets?

**Mr O'NEILL:** The net gain or loss on disposal of assets essentially relates to our replacement cycle program with respect to our laptop computers. Each one of our field auditors has a laptop computer and they are recycled on a two-year basis, and the sale and disposal of those

can result in a net gain or loss, but usually, as you would be aware, two years' use of laptop computers—

**Mrs REDMOND:** They are not going to be worth what you paid for them.

**Mr O'NEILL:** Yes, that is right.

**Mrs REDMOND:** That explains the minus 4 in each case (and that is a remarkably consistent figure, if I may say so), but what is the other income of 5 that then gets us to a positive 1?

**Mr O'NEILL:** It is basically incidental income, and it relates to commissions that we receive with respect to payroll deductions, that is, deductions are made from employees' payrolls to various health institutions and we receive commissions on those payroll deductions.

**Mrs REDMOND:** You're joking! The Auditor-General's office actually makes money by taking a commission for making payroll deduction payments on behalf of employees across the government sector?

**Mr O'NEILL:** This would apply to all entities of government. They make payroll deductions and transfer those funds to the relevant deductor agencies, yes. It is a recovery of the administrative expenses associated with deducting those funds from the payrolls.

**Mrs REDMOND:** While we are on that line, in relation to the figures for the actual for 2008-09 at the end, minus 13, and then a positive 1 of other income, why was 2008-09 so different from subsequent years?

**Mr O'NEILL:** I would have to take that on notice.

**Mrs REDMOND:** Still on that same page, a couple of lines further down, the income from expenses to SA government. There is appropriation and then other income, and the estimated result this year of \$112,000. Is there any explanation for why we suddenly got \$112,000 as other income?

**Mr O'NEILL:** Could I take that on notice, too, Ms Redmond?

**Mrs REDMOND:** Sure. Going back one page to 15.5, the special investigation sub-program has me fascinated because there is a net cost of sub-program in 2008-09, actual, nothing; in the 2009-10 budget, nothing, and estimated result, nothing; and, in the budget this year, nothing. Is it the case that there have been no requests from the parliament, the Treasurer or a minister for investigations to be undertaken and reported to the parliament by the Auditor-General, and is that why there is no budgetary provision for any such request?

**Mr O'NEILL:** That is the case, yes. That relates to a particular section under the Public Finance and Audit Act. The Treasurer may refer a request to the Auditor-General to undertake an investigation. If that is the case, we would undertake the investigation and then relate to the Department of Treasury and Finance in the context of the funding requirement to be able to execute that investigation. But no investigation has been referred to us in the past twelve months—or over the past, say, two to three years—and, indeed, in respect of the forward budget period, 2010-11, again no investigation has been requested of the Auditor-General.

**Mrs REDMOND:** I refer to the Prescribed Audits, Sub-program 1.1 above Special Investigations. The performance commentary states that:

The role of the Auditor-General is an important one—

that is agreed—

providing independent assurance to the parliament that government activities are conducted and accounted for properly and in accordance with the law.

It goes on to talk about the role of the department being to:

...review, evaluate and report on changes and developments as they occur.

For a number of years now, there has been some concern expressed in Auditor-General's reports about the value and progress of the shared services reforms. Does the Auditor-General's office remain concerned at the lack of progress and the unbelievable expenditure on shared services?

**Mr O'NEILL:** The shared services initiative was a major administrative reform.

**Mrs REDMOND:** That is a better word, 'initiative', because it is certainly not a reform.

**Mr O'NEILL:** The shared services initiative was presented as an initiative by the government in the 2006-07 budget. It set out to achieve a target in the order of—I do not have my Auditor-General's Report here—I think, \$160 million to \$165 million. The importance and significance of that initiative, not only in the context of its targeted savings program, but indeed the significance of the administrative restructuring of a lot of entities, the transfer of staffing, the restructuring of systems and processes, meant that it had significant implications for the control environment of government and government agencies in terms of processing financials.

On the savings front, it has not achieved the targeted savings outcomes. I thought it was very important, with an initiative as such, which had as a dual objective targeted operational savings of that order, to make progressive commentary in each report to parliament. When one has a look at the accelerated or escalating program of savings initiatives in the current budget, I believe I made comment in part A of this annual report to parliament which was tabled last week, that I will be undertaking some selective reviews of some of the other savings measures included in this budget. I think that is very important from a transparency and accountability viewpoint.

With shared services—as, I think, with any major initiative, and an initiative of the type of shared services—I will be reviewing and evaluating it in a fairly hard manner, not only from a savings viewpoint but also because of the restructuring of systems and processes and its implications for the control environment.

The other point is that this year (2009-10) saw the first, for instance, information technology reform measure within the overall shared services initiatives, which is the e-procurement system. That is going to be implemented at a cost of some \$22 million, and is expected to make savings in the order of \$60 million, and that will be implemented over a two to three-year period. I will be looking to see that the e-procurement system is implemented with efficiency and effectiveness and does achieve the savings that were intended to be achieved through that system implementation process.

#### **Membership:**

Ms Geraghty substituted for Ms Thompson.

**Mrs REDMOND:** I was about to make a comment about the Auditor-General's great faith that the savings will be achieved because, thus far, nothing in Shared Services has been achieved except a great big expense. I would be curious as to what one does when they do not achieve their outcomes and we have spent so much money that we cannot go back and they are never going to achieve their outcomes.

Perhaps I will move on. The second-last paragraph in the performance commentary talks about a significant resource effort applied in 2009-10 to the procurement and preparation work for the implementation of a new audit methodology and associated tools. I am wondering what the cost for that is, and what 'a new audit methodology and associated tools' might be.

**Mr O'NEILL:** The major element of the audit process is the undertaking of what we term financial test audits or control audits. One is directed towards auditing the integrity of the financial statements of agencies and the other is auditing the integrity of systems processes and controls. Under auditing standards, we are required to bring to bear both good mind and good judgment. Also, the audit process does involve meeting professional guidelines with respect to planning of an audit, and that means looking to see that the associated risks and controls associated with the systems processes and financial transaction processing of entities are adequately planned; that the execution process—the actual audit review tasks that are undertaken—are appropriately documented; and that we adequately report on the outcomes of audits.

That means forming certain judgments, conclusions and any findings associated with risks, control weaknesses or deficiencies. Some of those are reported in summary commentary as Part B of my Auditor-General's Report. Again, they need to be adequately documented in what we term an audit working paper base. Over the past 10 years we have been using an audit software package and associated tools from one of the four major accounting firms—that was a Deloitte product.

**Mrs REDMOND:** I am just thinking about Virgin aircraft and its software package and how reliable it was.

**Mr O'NEILL:** It has been a very good product, but things change and software gets tired. I am not saying that Virgin's software got tired, but software does get tired and it does age. There



have been significant developments and changes in accounting and auditing standards. Deloitte is not now supporting that software product that we have been using, so we have had to look for an alternative audit methodology.

Over the past, say, two to three years, we knew this was the scenario and that our licence would not be renewed in 2012, so we implemented a program to look for a replacement methodology. Last year and into this year we related with four of the major firms again, but nothing was forthcoming in terms of those four firms.

Over the past four to five years a number of interstate audit offices have implemented a new audit software methodology. It was essentially developed by the Victorian Audit Office and the Queensland Audit Office. We undertook a great deal of research and review and pilot tested that methodology, both in 2008-09 with respect to one or two client agencies, and with respect to three agencies in 2009-10. We are satisfied with the product and over 150 auditing agencies will be converted to the new methodology.

As to the cost, if we look at the direct cost of the acquisition of the methodology, it is essentially in two components. It requires computing infrastructure reconfiguration. All our agency client files will be placed on a central computer server, so there was a cost involved in establishing that. Then, as I may have mentioned before, all our field auditors have laptop computers, and there has needed to be reconfiguration of aspects of software on those laptops, together with loading other audit tools. What we incurred in terms of that methodology during 2009-10 was about \$50,000 and there will be a further \$130,000 in 2010-11 as part of the conversion process.

What is not directly costed is—for instance, I myself and five other executives have been involved very much in terms of the review process, policy development and process development, but that is considered part of the normal audit process. So if we're looking at direct costs, around about \$150,000.

**Mrs REDMOND:** Thank you. I have a further question based on that response, and that is this issue of Deloitte's no longer supporting the software program that was in use. It seems to me that there is a risk for government, and any other consumer of software products (and this is something that I have been aware of for some time), that software providers and providers of support services to software packages force redundancy whenever they choose to by simply saying, 'Well, we are not going to be supporting that particular product any more,' and either you have to you go elsewhere or you have got to buy their new product or whatever.

To what extent is government able to protect itself from that by requiring that there be a long timeframe—and I understand that software is going to need renewal from time to time—but how long a timeframe can we gain to make sure that we are not just left with a gun at our heads in terms of having to have product replacement when our system may be perfectly adequate for the job that we are trying to do with it?

**Mr O'NEILL:** Mrs Redmond, I think there are two points—and there might be more than two points—but the first one is, if I just use ours as an example, we have had a very good relationship with Deloitte's and they gave us adequate notice. We initially signed up with that software for a period of seven years. Prior to that seven years, I think it was into around the fifth year, they gave us adequate notice that they may not seek to support the product, not only from our viewpoint as a user, but as a user of their own product. They were looking to renew their own product. We were given adequate notice and they have been very good to us in the context of annually renewing that product as we have sought to review and search for an alternative product.

The second point of your question is, in a general principle sense, these things sometimes need to be very much risk managed. There are risks to outsourcing. I am not saying acquisition of software products is a similar principle to outsourcing but when one places an important task or a core business in a software product that we seek to obtain from an external supplier, we really have to adequately risk manage that.

What we did was we went for a five year/seven year term. Generally, we do replace our audit tools and audit software packages around every 7 to 10 years. We risk manage and plan for the eventual successor of audit methodology, but it has to be proactively risk managed.

**Mrs REDMOND:** In that regard, could I ask does this new methodology require more or less Auditor-General oversight than what has been the case under the existing technology and methodology?

**Mr O'NEILL:** No further oversight. What it does do, though, is that client audit files would be placed and are placed on individual laptop computers. Of those field auditors that are engaged

in the audits of the auditee clients, I think we have a better product this time, and that is that the evolution of some of the products, in that all our client files, as I said before, will be placed on a central computer server. What that does is it allows us the opportunity to knowledge transfer between our 89 field auditors.

For example, if one of my auditors is undertaking a particular procurement activity review at an agency, other auditors can gain an understanding of that type of review that is taking place, and it may engender some knowledge transfer in terms of thinking, 'Well, that's an important review activity; is that taking place in the entity that I am auditing and should I be looking at that type of activity?' So, we are placing our files on a central computer server, accessible to all our auditors, and we believe that will improve knowledge transfer and possibly the efficiency and effectiveness of our audits.

**Mrs REDMOND:** I guess the key question for audit is—perhaps through the Premier to the Auditor-General—is the Auditor-General satisfied that the systems currently in place for auditing in this state are sufficient to meet what I perceive as an ongoing challenge in terms of the capacity of people to find ways around it, whether it be taking the 1¢ or 2¢ rounding down that I have come across or sophisticated mechanisms within procurement or anything else, to actually steal from the state?

**Mr O'NEILL:** We are satisfied that the new audit methodology is very much up to standard, and we have that comfort in knowing that not only Victoria and Queensland audit offices have developed the methodology and implemented it—so it has a public sector orientation attached to it—but both Tasmania and the ACT audit offices have moved over to that methodology in the past three years. Not only are we moving over or fully converting in 2010-11, but the Western Australian audit office is also looking at it.

It seems—and I believe this is the case—that those other audit offices have been diligent, in the way that I think that we have been diligent, in reviewing the product in terms of its usefulness and meeting professional standards. I know those other audit offices have undertaken similar types of reviews and are satisfied with the product. With any product that one uses, its use is dependent on the professionalism of the auditor. We spend a great deal of time training and developing our auditors and I am satisfied that our universe of auditors are well equipped, not only to use that software but to exercise proper judgement, both in the planning context, execution context and reporting on audits, and hopefully one will see even further improvement in that.

How do we see improvement in that? We see improvement, I think, in terms of our reporting product to parliament in the context of further commentary on issues that may arise in our audits, in part B of our audit report, and you will see over the next 12 months that I am looking to present a couple of supplementary reports where there will be further commentary on specific focused reviews. I think our audit methodology, together with the professionalism of our staff, will give rise to improved efficiency and effectiveness of our audits and our audit outcomes, and I think that will be judged in terms of our reporting on those outcomes to the parliament.

**The ACTING CHAIR (Mr Odenwalder):** There is time for one last question, leader.

**Mrs REDMOND:** Yes, and I will make it this: whilst I appreciate that the Auditor-General's staff, through their general training and through the use of this methodology and associated tools, are able to do the very direct financial assessment, how does the Auditor-General's office account, for instance, for someone who gives their brother-in-law preferred status in terms of procurement contracts and things like that, which have been exposed so readily in other states?

**Mr O'NEILL:** That does not come down to application of an audit software or an audit methodology. What it does, I think, come down to is that we properly design and execute specific reviews. I tried to do a little bit of that this year in part A of the report where I included a five to six-page summary of some of the risks, exposures and controls associated with procurement activity within government. On one of those pages I list in the order of about 10 or 11 points where there are some weaknesses or deficiencies in our procurement practices, and we will further explore those. However, a software product will not give us an answer; we will have to undertake fairly selective reviews of some particular aspects of procurement activity in agencies, and we will do that.

**The ACTING CHAIR (Mr Odenwalder):** I declare the examination of the proposed payments of the Auditor-General's Department completed and, in accordance with the agreed timetable, I advise that the committee stands suspended until 3.30pm.

[Sitting suspended from 15:15 to 15:30]

**DEPARTMENT OF TREASURY AND FINANCE, \$75,500,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,**  
**\$1,703,759,000**

**Membership:**

Mr Treloar substituted for Mrs Redmond.

Ms Thompson substituted for Mrs Geraghty.

**Witness:**

Hon. K.O. Foley, Treasurer, Minister for Federal/State Relations, Minister for Defence Industries.

**Departmental Advisers:**

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

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

Mr A. Blaskett, Acting Deputy Under Treasurer, Department of Treasury and Finance.

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

Ms T. Pribanic, Revenue and Economics, Department of Treasury and Finance.

Mr P. Williams, Corporate Services, Department of Treasury and Finance.

Mr A. McCormick, Finance Branch, Department of Treasury and Finance.

Mr G. Jackson, Revenue SA, Department of Treasury and Finance.

Mr A. Pamula, Revenue and Economics, Department of Treasury and Finance.

Mr C. Conway, Corporate Services, Department of Treasury and Finance.

**The CHAIR:** As I am sure most people here know, 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 the changeover of departmental advisers. I ask the Treasurer and the lead speaker for the opposition to indicate whether they have agreed on a timetable for today's proceedings and, if so, to provide the Chair with a copy.

**The Hon. K.O. FOLEY:** Not only have I agreed, Madam Chair—which is my custom—have also offered the opposition all the questions. I know that my colleagues are bitterly disappointed in the decision for me to waive Dorothy Dixers from my side, but I have always been a believer—as was my former boss, Lynn Arnold, who taught me this—that it is really the opposition's day. I can go more into that.

**The CHAIR:** No; that is excellent. Thank you for that little exploratory moment. Changes to committee membership will be notified as they occur. Members should ensure that the Chair is provided with a completed 'request to be discharged' form. If the Treasurer undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 19 November 2010. This year the *Hansard* supplement, which contains all estimate committee responses, will be finalised on Friday 3 December 2010.

I propose to allow both the Treasurer and the lead speaker for the opposition to make opening statements of up to 10 minutes each should they wish to do so. There will be a flexible approach to giving the call for asking questions, normally based on about three questions on each side but, as I understand it, the Treasurer is giving all the questions to the opposition. It is, as he says, their day. 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 Treasurer, not his advisers. The Treasurer may refer questions to his advisers for a response. I also advise that, for the purposes of the committees, television coverage will be allowed for filming from both the northern and southern galleries.

I declare the proposed payments open for examination and refer members to the Portfolio Statements, Volume 1, Part 3. Treasurer, did you wish to make an opening statement?

**The Hon. K.O. FOLEY:** Madam Chair, in the spirit of my earlier comments, again, previous practice will demonstrate that I prefer not to make statements; I prefer to answer questions. I find statements both gratuitous and boring, but do not let me dissuade my colleague from giving one.

**The CHAIR:** Would the member for Davenport like to delve into the world of the gratuitous or boring?

**The Hon. I.F. EVANS:** We have three hours, Madam Chair. We will see how gratuitous and boring it is at the end of three hours, I guess. No, we do not have an opening statement, Madam Chair.

**The Hon. K.O. FOLEY:** He and I are from the old school, Madam Chair.

**The CHAIR:** Indeed, fisticuffs.

**The Hon. K.O. FOLEY:** Knuckle dusters, fisticuffs, drag them out.

**The CHAIR:** That's the way. A little bit of South Korea never went astray. The member for Davenport.

**The Hon. I.F. EVANS:** Budget Paper 6, Page 130, raises the sale of the Parks. I do not think that the Treasurer need to refer to it; I think that he is familiar with the issue. The government said after the election that it would go out and reconnect with the community. Could the Treasurer explain how the government could be so out of touch that it thought it could get away with closing the Parks Community Centre simply because it is in a safe Labor seat?

**The Hon. K.O. FOLEY:** That is a silly quasi political statement, which has been well and truly covered, no doubt, by the Premier and in press releases. It is a budget saving the government will not be pursuing. We have, as I think the Premier put it, reversed our decision. This is not a debate, shadow treasurer.

**The Hon. I.F. EVANS:** No; I am asking you another question on the same budget line. Can the Treasurer explain—

**The CHAIR:** Excuse me, can I clarify that the member for Davenport is referring to page 130 of Budget Paper 6?

**The Hon. I.F. EVANS:** Yes. Can the Treasurer then explain to the committee and, indeed, to the people of the western suburbs how the government came to the conclusion that selling the Parks was a good idea? Cabinet actually signed off on it, so someone in cabinet must have thought that it was a good idea. Can the Treasurer explain to the committee and the people of the western suburbs why cabinet thought that it was a good idea?

**The Hon. K.O. FOLEY:** Shadow treasurer, it was a unanimous decision of cabinet, as all decisions were on this budget. There was no dissenting voice. None of those decisions in our view were necessarily good ideas. They were hard, difficult decisions that one, Madam Chair, would prefer not to take if one were in a different economic climate.

But in tough financial times, when you lose \$1.4 billion of revenue and when you have the pressures of health—overspending of the order of \$200 million per year, 11 per cent compound growth year on year—it requires at various intervals of a government cycle to make hard decisions. They are not decisions that we necessarily (and very rarely) enjoy taking.

**The Hon. I.F. EVANS:** The Treasurer has just confirmed for the committee that none of the local members who represent the Parks area and who are in cabinet actually dissented?

**The Hon. K.O. FOLEY:** As the speaker knows, because he has been in cabinet, what I have said is this—

**The CHAIR:** Can I just interrupt the Treasurer? I would like to point out that this is Families and Communities, and the Treasurer may choose to take these general questions—

**The Hon. I.F. EVANS:** It is a budget saving.

**The CHAIR:** Indeed, but it is specifically related to Families and Communities. These are questions you may have for that minister at that time. I would just like to point that out.

**The Hon. I.F. EVANS:** Madam Chair, this 2½ or three hour session is always the session that is broad ranging across all the budget matters. That is the way in which it has always been handled in the past.

**The CHAIR:** The past maybe a foreign country, member for Davenport. Carry on, Treasurer.

**The Hon. K.O. FOLEY:** I am not disclosing individual discussions within cabinet other than to say what I have said in the public both previous to this session and today, that is, that the budget decisions were a consensus decision and there were no dissenting voices on the budget. It was a collegiate approach.

These are not easy decisions. On this one the Premier, on behalf of government, has acknowledged an error. We are not without fault, we are not without mistake and we are not without having to go back on some decisions we have taken. But, all in all, it is a good budget and one that will stand the test of time.

**The Hon. I.F. EVANS:** Treasurer, to continue on then, you say that the Premier has now given a commitment in relation to the Parks that it will not be sold and that we should read his press release, but what confidence can the people of the western suburbs have in the Premier's media statement when he wrote to the Public Service before the election saying, 'Don't worry, we won't get rid of the no-forced redundancy rule,' and now you are threatening to break that promise, and during the election period you totally misled the public on five or six key issues: the Royal Adelaide Hospital—

**The Hon. K.O. FOLEY:** Five or six?

**The Hon. I.F. EVANS:** Yes; I will read them to you.

**The Hon. K.O. FOLEY:** Name them to me.

**The Hon. I.F. EVANS:** I will name them to you: the Royal Adelaide Hospital, where you said that it was \$1.7 billion and then it was \$1.8 billion; the oval blowout that you forgot about and then remembered and then forgot that you remembered and then remembered you forgot; the Public Service cuts; the level of savings required; the no new taxes promise; and the Housing Trust rents going up as a result of the federal government extra money. All those issues before the election have taken a different construction after the election. Why should the people of the western suburbs believe the promise on the Parks?

**The Hon. K.O. FOLEY:** I think it could be argued that, on advice that I have been given, the current Leader of the Opposition was in a very sour mood today and the shadow treasurer is in his chirpy mood. I think he is in the 'I want to keep looking leadership material' mode. I say to the shadow treasurer: you can make all the political grandstanding statements you like. When you ask me a serious question about the budget, I will be happy to answer it.

**The Hon. I.F. EVANS:** I have to say Jay Weatherill performed very well this morning, Treasurer.

**The Hon. K.O. FOLEY:** That's good.

**The Hon. I.F. EVANS:** So you are obviously under a bit of pressure from your colleagues; they are all watching.

**The Hon. K.O. FOLEY:** I feel no pressure. Do I look under pressure?

**The Hon. I.F. EVANS:** You keep on bringing up all these obscure things for whatever reason.

**The Hon. K.O. FOLEY:** Ask me a serious question.

**The Hon. I.F. EVANS:** On the Parks and the non-sale going ahead, the leaked Sustainable Budget Commission report had a figure of \$17 million for that particular measure. Will the government now have to introduce a new revenue measure to raise that \$17 million or are you proposing a new saving measure to save the \$17 million as a result of that change?

**The Hon. K.O. FOLEY:** The key element of the saving in that for me was the recurrent saving in the year going forward. The \$17 million was not the major budgeting contributor there. I have no intention of changing the budget bottom line. Over the next few weeks, we will look at what other options we have—and it will not be revenue raising; it will be further cuts to government expenditure to offset that particular revision.

**The Hon. I.F. EVANS:** Had the Treasurer talked to any developers about the possible purchase of the—

**The Hon. K.O. FOLEY:** Apparently that was some scuttlebutt flying around. I do speak to property developers frequently in this job, no doubt. If any of them have an interest in the Parks, I have no idea.

**The Hon. I.F. EVANS:** I refer to Budget Paper 5, page 30, the new RAH, the hospital. The Auditor-General's Report reveals that cabinet signed off in November 2009 at a cost of \$1.8 billion. I am wondering what triggered that change in cost in November. You were part way through the tender process and I am wondering what triggered the change from \$1.7 billion to \$1.8 billion in November 2009.

**The Hon. K.O. FOLEY:** Madam Chair, \$1.7 or 1.8. I am not going to be specific here because we are in an evaluation process of the tenders. It is a very drawn out process because of the nature of public-private partnerships. What you have to do in a public-private partnership is a multifaceted assessment where you have to look at whether or not the proponents are meeting the outcomes that you have specified. This is a very rigorous process. I find it amusing that the opposition is now saying, 'Gee, is it 1.7 or is it really 1.8?' Only a matter of some weeks ago, you were accusing us of blowing out to \$3 billion, I think—

**The Hon. I.F. EVANS:** We were quoting an industry source.

**The Hon. K.O. FOLEY:** A few weeks ago, they had \$3 billion out there and now they are getting down to \$100 million, or what. I am very confident that the taxpayer, certainly as it relates to the capital cost bid into this project, will be very pleased with the outcome, but I am not going to comment further. Given that we are still in the middle of evaluating both tenders and interaction is occurring between both tendering consortia, I am very limited in what I can say publicly.

**The Hon. I.F. EVANS:** To come back to the cabinet decision in November 2009, what triggered the decision for cabinet to sign off on a 1.7 billion capital cost nominal value to a 1.8 billion capital cost nominal value? What triggered it? There must have been some advice to cabinet that said that there is an increased cost in the contamination clean-up or whatever. There must have been some reason for it.

**The Hon. K.O. FOLEY:** Given we are in the middle of an evaluation of a tender process where pricing is incredibly sensitive, it would not be proper for me to go into reasons, given the period of the tender process we are in currently. You can take it as a given that that decision was taken. I am not saying you should not make some comment about that, but the actual rationale behind it I cannot comment on because we are in the middle of a tender process.

**The Hon. I.F. EVANS:** So why, then, during the whole of the election campaign, did you mislead the people about the cost of the Royal Adelaide Hospital? It was \$1.7 billion in every press release and every media statement before the election. The election was in March. You knew in November you had already signed off on a \$1.8 billion cost. Why mislead the public? Why not simply say, 'We have had advice and the cost is \$1.8 billion'?

**The Hon. K.O. FOLEY:** This shows a lack of understanding by the shadow treasurer of public private partnerships. The figure he is referring to is a government assessment as to the capital cost of a project that would form the basis of what is called the public sector comparator. For a successful tenderer to offer a project that is attractive to government, it would come in, one would assume (or, therefore, it would not be attractive), under the public sector comparator. So, before the shadow treasurer continues with an accusation that I have mislead the public, I would suggest he choose his words very carefully, listen to my answer carefully and read my answer carefully.

**The Hon. I.F. EVANS:** So the \$1.8 billion figure was the figure for the public sector comparator purposes only?

**The Hon. K.O. FOLEY:** What other purpose could it be for?

**The Hon. I.F. EVANS:** Well, you have had this \$1.7 billion figure out there saying that is what you think the cost would be, and it was your figure, not ours. The government announced the \$1.7 billion figure, so—

**The Hon. K.O. FOLEY:** I tell you what: if I could build a \$1.7 billion hospital within a tolerance of plus or minus \$100 million, I would be a very happy man.

**The Hon. I.F. EVANS:** That is not the issue, Treasurer. The issue is you misled the public over the Adelaide Oval. That is a given.

**The Hon. K.O. FOLEY:** Well, I don't agree with that.

**The Hon. I.F. EVANS:** I think the record shows that what you said before the election and after the election are totally different.

**The Hon. K.O. FOLEY:** This is silly politics, Madam Chair. I will just make—

**The Hon. I.F. EVANS:** I am trying to establish why you simply did not come out and say the \$1.8 billion figure.

**The Hon. K.O. FOLEY:** Madam Chair, I will answer this for the last time—and make of it what you will, shadow treasurer. The adjustment to the capital cost was due to some factors about which I cannot go public, but they are not particularly exciting in themselves. You can probably work out what they were. That was to form the basis of what a government public sector comparator would be if we were building the project ourselves. When one tenders for these projects in a public private partnership, one would expect that the private sector would deliver a capital cost under the public sector comparator.

I stand by my comments that I am confident that the price we will receive on this will be under that of the public sector comparator because, if it is not, then government would have to reassess whether or not this goes forward as a PPP. All I say is: before you crow—because you might end up with egg on your face—let's just wait and see what the capital cost of the project is. You are talking about something that happened in November, and a state election was held in March. Let's wait and see what happens when the tenders are finalised.

**The Hon. I.F. EVANS:** Budget Paper 4, Volume 1, page 3.13 deals with payroll tax. Will the Treasurer change the payroll tax legislation to deal with a problem that has arisen in the building, transport and security industries in relation to payroll tax? Since the government changed the payroll tax legislation to harmonise with payroll tax laws interstate, RevenueSA has been auditing very strongly the subcontracting and head contracting issue in the transport, building and security industries. The Housing Industry Association has raised with the government and the opposition some live examples of how the payroll tax regime is hurting businesses, and I will read some of the issues so the Treasurer is aware of them.

It says that the impact is now significant. One major project builder has ceased operation, and the Housing Industry Association is happy to provide the government the name if it wishes. One builder has simply stopped as a result of the payroll tax legislation. Two major cabinetmaking firms have been audited and have now laid off staff as a result. So, having been audited by RevenueSA, the cost is so prohibitive they are now laying off staff. Two medium-sized firms of builders have recently been audited and fined \$150,000 and \$120,000, and they also have advised the Housing Industry Association they are simply ceasing operations.

There is a total lack of understanding in the industry about the liability, and there are also issues with affordability of housing. Given that we have builders closing down as a result of this payroll tax issue, what is the government's response to this?

**The Hon. K.O. FOLEY:** I think you have just kicked yourself a very embarrassing own goal. I am just getting the date, but the advice I am given is that the matter you are referring to is to do with contractors and their liability to pay payroll tax.

**The Hon. I.F. EVANS:** That's right.

**The Hon. K.O. FOLEY:** We are getting the date. Now, either you are going to have egg on your face or I will have a little bit more on mine. My advice is that amendment was moved 10 years ago.

**The Hon. I.F. EVANS:** I can tell you, that is quite true.

**The Hon. K.O. FOLEY:** So, it is your amendment that you are now having a go at me about.

**The Hon. I.F. EVANS:** No, that is not true.

**The Hon. K.O. FOLEY:** Let me finish answering the question. You can't just jump in because you have embarrassed yourself.

**The Hon. I.F. EVANS:** I am not embarrassed at all.

**The CHAIR:** Order!

**The Hon. K.O. FOLEY:** He is not going to shout me down.

**The CHAIR:** No, but—quiet times. I think the Treasurer was actually attempting to answer a question there, so let us let him answer said question.

**The Hon. K.O. FOLEY:** As I said, the bludgeoning baton that he wanted to use against me would appear to be an amendment that was introduced by his own treasurer, Rob Lucas, which was to include contractors in the net. Now, I am advised that a number of builders were in fact paying their payroll tax obligation.

What we do on a rolling basis, over a number of years, is look at selective industries to do a very forensic audit. Ah, hello? We are doing a forensic audit on the building sector, to find that a number of builders have not been complying with your own law. So, we are doing your dirty work for what may appear to have been something—even if it wasn't you, even if it was me eight years ago—that has been around for a long time. A lot of people have been paying it and we are now looking at those who have not been paying it. Do you want to apologise now?

**The Hon. I.F. EVANS:** I'm not apologising at all.

**The Hon. K.O. FOLEY:** It was your amendment.

**The Hon. I.F. EVANS:** There were amendments originally made in 1991 and further amendments made back in the last three or four years. As a result of the amendments made three or four years ago, Revenue SA have increased their auditing.

**The Hon. K.O. FOLEY:** April 1992, it was. It was under Labor back in 1992. It has been around forever.

**The Hon. I.F. EVANS:** So it was yours, not mine. So I am not embarrassed, right?

**The Hon. K.O. FOLEY:** You administered it for eight years and you didn't check up on it.

**The Hon. I.F. EVANS:** No, come back to the issue.

**The Hon. K.O. FOLEY:** So, what is the issue?

**The Hon. I.F. EVANS:** The issue is, since the harmonisation—

**The Hon. K.O. FOLEY:** You didn't pick up on it. We didn't pick up on it. We are now picking up on it—tough Charlie.

**The Hon. I.F. EVANS:** Well, I will say that to the building industry.

**The Hon. K.O. FOLEY:** Well, you can tell them that.

**The Hon. I.F. EVANS:** And the security industry and the transport industry—'tough Charlie'.

**The Hon. K.O. FOLEY:** Well, they haven't been paying their lawful tax. If you want to stick up for tax avoidance, go right out there and stick up for tax avoidance. I am not a weak Treasurer. I don't cop tax avoidance.

**The Hon. I.F. EVANS:** Treasurer, the issue comes down to this: there was some legislation passed in the last three or four years to further harmonise laws across the state. As a result of that, Revenue SA have increased their auditing. There has been no communication, or very little communication, to the industries affected. You have got builders, the transport industry and the security industry quoting on jobs, not understanding their liability, and going broke.

Surely the Treasury has to adopt an approach of going out and either looking at the legislation to see if it is working as intended, or running some education programs. You cannot



have transport companies getting fined \$300,000—or a back payment of \$300,000—or builders getting fined \$150,000 or \$120,000, and closing up shop.

**The Hon. K.O. FOLEY:** Madam Chair, this is a silly, scare/shock campaign. What the shadow treasurer is effectively doing is saying that tax avoidance is okay but, if you get caught, be lenient—you know, these poor people. I am not aware—and I am not saying it has not happened—of a builder going broke because that company has not paid its tax. If they have not paid their tax I would be very surprised if paying their tax would be their reason for going broke.

Because of that, I have had a number of discussions with the tax commissioner about how we will deal with the retrospectivity of this issue and about how we will enforce retrospectivity in requirement. I can tell you that, if there is a builder who has been paying it properly since 1992, he or she is going to be mightily angry with me if I give another builder a tax exemption because they have not paid it. I do not know what sort of treasurer you would make, Iain, but if that is your principle of being a treasurer, you would be a failure, because you cannot show preference for somebody who has avoided tax at the expense of somebody who has lawfully paid tax.

**The Hon. I.F. EVANS:** But, Treasurer, I have not argued that.

**The Hon. K.O. FOLEY:** I have not finished answering.

**The Hon. I.F. EVANS:** I have not argued that, Kevin.

**The Hon. K.O. FOLEY:** I have not finished answering and you will let me finish. Madam Chair, there is an accusation that we have somehow not informed industry of its lawful responsibility. There are two answers to that: it is not the government's responsibility for a company to be aware of the law—that is the company's responsibility. However, what I am advised by my tax advisers is that we, in fact, on a quarterly basis send circulars and have discussions to inform legal and accounting firms of updates and reminders of any changes—as best we can—in terms of ensuring that the professional sector who advise these people are aware of them.

I have had some representation from the HIA. I have met with some people about it and I am considering any duress and any area where I feel that we may have been harsh in our application of it and I will be fair (as I have always been) but I will base it on the advice of the tax commissioner. Something I never do as Treasurer, or very rarely (and I cannot think of one instance to date) is be presumptuous in using my ability to waive my statutory right—sorry, *ex gratia*—I rely on the advice of the tax commissioner.

This is one, as I said, that was introduced back in 1992 and neither side of politics are distinguished or can be applauded for their diligence in ensuring that this was administered properly. We are now, and we have caught it, and we are moving on.

#### **Membership:**

Mr Venning substituted for Mr Treloar.

**The Hon. K.O. FOLEY:** We are not going to send anyone broke; we will have arrangements. That is not what you do in tax policy, but you cannot advocate, as the shadow treasurer is doing, condoning tax avoidance.

**The Hon. I.F. EVANS:** Treasurer, if you look at the transcript I have never advocated that. I have simply asked: what are you going to do to deal with the problem? I think you have just told us that you have had some discussions with the HIA and you recognise that there is a problem, and you are going to try to deal with it.

**The Hon. K.O. FOLEY:** A problem of their making, and we will be as fair as we can and no-one need go broke over it.

**The Hon. I.F. EVANS:** I am wondering whether you would set up a working group or a review of the legislation, because there are transport companies getting done for \$300,000 fines or back payments. There are people in the security industry and the building industry involved.

**The Hon. K.O. FOLEY:** No-one is getting done. It is the law. No-one is getting done.

**The Hon. I.F. EVANS:** Is the law working as it was intended, Treasurer? That is the issue.

**The Hon. K.O. FOLEY:** Obviously, it has not been because people were not paying it; they were ignoring it. If you want to have a look at the law that is fine. I am comfortable with the

law. We know that a lot of companies can structure themselves with individual contractors to avoid paying payroll tax and the grouping provisions of payroll tax. We know that happens and that is, no doubt, why this provision was brought in in 1992, Madam Chair, to ensure that companies could not structure themselves to have 400 independent contractors and somehow, therefore, not be grouped or be levied payroll tax.

**The Hon. I.F. EVANS:** Treasurer, I hope you do follow that through because—

**The Hon. K.O. FOLEY:** I will.

**The Hon. I.F. EVANS:** —it is a major issue for those three industries.

**The Hon. K.O. FOLEY:** Well, they should have paid their taxes.

**The Hon. I.F. EVANS:** Speaking to senior legal people in the industries they are telling me the accounting profession, which is giving advice to those sectors, is not aware of it.

**The Hon. K.O. FOLEY:** That is silly because they have been told.

**The Hon. I.F. EVANS:** I am just telling you what I am told, Treasurer. You say that no-one is going to go broke as a result of it. The HIA has written to you, through your Chief of Staff, advising you that at least one builder has gone broke and two others are going broke as a result of it.

**The Hon. K.O. FOLEY:** Iain, honestly—

**The Hon. I.F. EVANS:** It is all about cash flow and I do not think the law is working as it was intended.

**The Hon. K.O. FOLEY:** If I believed everyone who has written to me saying they have gone broke because of some tax, if I put a buck on it, I would be a very rich man. Like, hello? It is the easiest scream from the top of a building to make that you are going to go broke. I have said that we do not want anyone to send anyone broke. We can have arrangements and a whole lot of options to ensure we deal with their cash flow pressures. They, of course, though, need to come forward. See, a lot of the people you may be talking about might be people who have gone, 'Oh, shit; I actually have a liability, I'm not telling anyone.' Sorry about the language, but—

**An honourable member:** 'Oh, manure.'

**The Hon. K.O. FOLEY:** I don't know, but it may be an inability to pay what has been a required, lawful tax. If the whole industry had not been paying it and somehow we had just written a law that a whole sector was ignorant of, then we might have an issue. My advice is a lot of people in those industries have been lawfully paying their tax since it was implemented, but there are some who are not, and they are the ones we are dealing with.

**The CHAIR:** I feel that we have actually explored this quite thoroughly, member for Davenport, are we not just going around a bit in circles?

**The Hon. I.F. EVANS:** So are you advising me not to ask any more questions on the topic of my choice, Madam Chair; is that what you're saying?

**The CHAIR:** Not at all; I am just reflecting on the afternoon's procedures. It is entirely up to you. If you want to spend the next three hours getting the same answer from the Treasurer over and over again, it is entirely within your purview do so.

**The Hon. I.F. EVANS:** Treasurer, one point I would make, I guess. I was in the building industry for 15 years; my family has been in it 30 years. I have never heard of the law.

**The Hon. K.O. FOLEY:** Oh! You might have a bank payment required.

**The Hon. I.F. EVANS:** Well, I do not think I have because I was in here in 1993 and the law came in a 1992, so I suspect—

**The Hon. K.O. FOLEY:** We will do an audit on Iain Evans's hardware of Blackwood.

**The Hon. I.F. EVANS:** You can do an audit if you want, but the hardware industry does not use subcontractors. You will pick it up eventually. I have never heard of it until this issue was raised. Surely it make sense, Treasurer, simply to adopt the principle position that, if you are a contractor for the purposes of the tax acts federally, then the same applies here. If you are an employee for the tax acts federally, it applies here. Otherwise, you have a different employee status under the tax act, under WorkCover, under payroll tax; they are all different definitions.

**The Hon. K.O. FOLEY:** You would be a shocker, Iain, as a treasurer, if that was the way you came, with the cavalier swag you would bring to the job if you did that. What about the poor people who have been paying tax for the last 18 or 20 years?

**The Hon. I.F. EVANS:** I am talking about going forward. I am talking about whether the law is working as it was meant.

**The Hon. K.O. FOLEY:** We have had people paying this tax lawfully for 18 years. What are we going to say to them? 'Oh, bad luck, mate. We are going to get rid of this tax now.' These people have paid tens of millions. It would be a significant erosion of our current tax base, because we do derive large amounts of income from this tax, as we lawfully should. I cannot believe that a would-be treasurer would advocate that we should just say, 'Sorry, mate; you don't have to pay it going forward and, by the way, Builder XYZ, just because you have paid \$50 million in payroll tax, bad luck; you have to cop it.' That is silly nonsense, honestly. You are embarrassing yourself.

**The Hon. I.F. EVANS:** No, the transcript will show I did not argue what you suggested, Kevin. All I am arguing for is a review, because I do not think the law is working as it was intended. I move to the issue of guarantees generally, and guarantees are raised in Budget Paper 3, page 6.10, particularly in relation to Adelaide Oval. I am just wondering why you did not comply with the industry's development act and send that guarantee to the Industries Development Committee as required by the act.

**The Hon. K.O. FOLEY:** I think governments, over time, have exercised their own discretion as to what will and will not go to the Industries Development Committee. Having been a former adviser to an industry minister, having been a participant on that committee for eight long years, I think there would be plenty of examples where governments from time to time have chosen not to provide certain information to that particular committee.

**The Hon. I.F. EVANS:** In relation to guarantees, Treasurer, there is one argument about not sending information to the committee about loans or grants but, specifically on guarantees, the provision is quite clear: the Treasurer cannot give a guarantee until it has gone to the committee and the committee has reported on certain elements of the guarantee. I am just wondering why that section of the act has been not complied with.

**The Hon. K.O. FOLEY:** Probably for the same reason, although I do not think it was the same reason—but I do recall, as you would, because you used it effectively to bring down former premier Dean Brown, that the contracts entered into by the government with the owners of the EDS building had a lot of guarantees, both on square metre pricing and the number of floors that the government would take up. I was on the IDC and I never saw that come before the IDC, so I think you have an example when you were in government of not doing it and we have an example of not doing it. That is the fact. You are right, but I am not going to give any further answer. We just did not do it—like you didn't do it back in 1992.

**The Hon. I.F. EVANS:** So you couldn't be bothered complying with the act? The act is quite specific: 'No such guarantee will be given unless the committee has first inquired into the business,' etc.

**The Hon. K.O. FOLEY:** The reason that I did not do it, and I would be interested to know why you did not do it with the EDS building back in 1997-98—but my advice is that, in fact, the guarantee was not issued under the IDC Act, it was issued under the Public Finance and Audit Act, which does not require that.

**The Hon. I.F. EVANS:** So when the Industries Development Act says that if you are going to give any guarantee at all to a sporting association or group and you cannot give the guarantee unless it goes to the Industries Development Committee, we can just ignore that?

**The Hon. K.O. FOLEY:** I guess there are conflicting acts, and I have done nothing unlawful and I have given it under the powers that I have under the Public Finance and Audit Act.

**The Hon. I.F. EVANS:** Did you take any advice at the time about the Industries Development Committee Act and why it should not be done under there?

**The Hon. K.O. FOLEY:** I have to say, it did not really feature in my thinking at that stage, no.

**The Hon. I.F. EVANS:** Is it the intention of the government to actually use the Industries Development Committee Act at all, because it has not met for about five years?

**The Hon. K.O. FOLEY:** Unlike your government, Mr Evans, we do not give out anywhere like the amount of money that you used to give out to companies by way of direct subsidies, so no wonder they had much less work to do. You would have to address that question to the Minister for Industry and Trade, Tom Koutsantonis.

**The Hon. I.F. EVANS:** On Budget Paper 3, page 6.10, continuing with the Adelaide Oval issue, you have previously told the parliament that any funds received from the federal government would be offset against the state contribution, so you would reduce the state's contribution if the federal government made a contribution. Is that still the state government's position?

**The Hon. K.O. FOLEY:** You would have to put that to the Minister for Infrastructure, who will be the minister responsible for that project. I mean, he is in the upper house. You are trying to get a conflicting statement between us. Unless it relates exactly to what is in the budget papers, they are questions that should be put to the minister in another place.

**The Hon. I.F. EVANS:** Treasurer, you were in the parliament, telling the parliament that—

**The Hon. K.O. FOLEY:** Yes, that was when I was responsible for the project and now I am not.

**The Hon. I.F. EVANS:** But ultimately it would be your decision as Treasurer, would it not—

**The Hon. K.O. FOLEY:** No, it will be a cabinet decision.

**The Hon. I.F. EVANS:** —as to what is going to happen with the money from the feds?

**The Hon. K.O. FOLEY:** I know what I would like, but it will be a cabinet decision. I have made a statement as to what our government position is. Any further comment would best come from Mr Conlon so that there is no contradiction and there is not a shred of daylight between anything I say and he says. He is the minister responsible; it is his project for delivery, as it should be as Minister for Infrastructure. I say you put that question to him.

**The Hon. I.F. EVANS:** I will keep you asking you, Treasurer, because he may be responsible—

**The Hon. K.O. FOLEY:** I will give you the same answer.

**The Hon. I.F. EVANS:** He is not responsible for the government financing of it; Treasury is, ultimately.

**The Hon. K.O. FOLEY:** That is correct.

**The Hon. I.F. EVANS:** So your agency, to which the budget lines are open, are responsible for the financing of the Adelaide Oval.

**The Hon. K.O. FOLEY:** That is correct.

**The Hon. I.F. EVANS:** Right. And you went into the parliament and you said, 'Look, if the feds give us any money we are going to take it off the state contribution to the Adelaide Oval project.' Is that currently still the state government's position?

**The Hon. K.O. FOLEY:** As I said, you would need to put that question to Mr Conlon. What I can say to you is that the—and I am advised the full \$535 million is in the forward estimates. It is held within Treasury contingencies, so our budget surmises, proposes and expects that we will expend our \$535 million. If we are to have that money offset, either in total or in large part, by anything from the commonwealth, I would welcome that with open arms, but the commitments are vague to this extent: Will Australia get the world cup? Who knows?

If we do get it, will the current government ensure that we get what the previous government committed to? I would assume, but there are always questions that have to be asked there. What is the third one, I do not know, but they are all 'what ifs' and, for the purposes of good budgeting, I am presenting a full state-funded contribution. What we do should we be in receipt of federal money—and that can come in many forms—is a question you had best put to minister Conlon as the Minister for Infrastructure, who is discussing this with the feds, not me.

**The Hon. I.F. EVANS:** There are at least two pools of money from the federal government being negotiated in relation to the Adelaide Oval. You have already told the parliament that there is a written agreement in relation to the promise that the Rudd government made. So, one assumes that the written agreement would hold firm with the Gillard government.

**The Hon. K.O. FOLEY:** I would hope so, but I do not know; you would have to ask them.

**The Hon. I.F. EVANS:** Okay; and it is that pool of money that you referred to in the house when you said that that pool of money could be offset against the state contribution?

**The Hon. K.O. FOLEY:** Correct.

**The Hon. I.F. EVANS:** The state government is also negotiating with the federal government for another pool of money in relation to what we have termed the budget blowout, the extra \$105 million, at least, that is required to deliver the project. Is it the intention of the government to also offset the state government contribution if it is given money from the feds to deal with that issue rather than the FIFA compliance issue?

**The Hon. K.O. FOLEY:** As I said, that is a question that you should appropriately put to the minister responsible. But, importantly, when are you going to give up? This project is going to go ahead. This is going to transform our city. This is going to be loved by the majority of South Australians. The only people left knocking it will be the Liberals, and you are going to look pretty damn mean and mean-spirited when you are the last man standing in opposition to this. But anything about the future funding arrangements, as we said, is the responsibility of Patrick Conlon.

**The Hon. I.F. EVANS:** So, cabinet has not taken an in-principle decision that it would seek to offset the state government contribution for that blowout amount from the feds?

**The Hon. K.O. FOLEY:** Until such time as I was the minister responsible for this project, I stated my views to the parliament. The cabinet has a view that we fully fund it from the budget. Whatever we get back from the commonwealth, if anything, will be a matter to be discussed between the minister responsible and the federal government—and no doubt me, as Treasurer—and his cabinet colleagues. We are not at that stage. Australia has not won the World Cup, in case you had not noticed.

**The Hon. I.F. EVANS:** The view you expressed to the parliament, Treasurer, about the—

**The Hon. K.O. FOLEY:** You are asking the same question over and over again.

**The Hon. I.F. EVANS:** No; I just want to check something. You just said that cabinet had the view that the \$535 million will be spent and that your view was that any federal money in relation to the FIFA compliance—the money that is part of the written agreement you had with the Rudd government—would be offset against the state government contribution. Am I right in assuming that your view on that issue is cabinet's view?

**The Hon. K.O. FOLEY:** No. You are just asking the same question. You are so—

**The Hon. I.F. EVANS:** I am trying to establish whether cabinet has taken the same view as you; that's all.

**The Hon. K.O. FOLEY:** No; what you are trying to do is what you have done since day one. You are backing a dead horse in your new stadium plan, and you want to do all you can to destroy this. It ain't going to happen, mate. We are going to get it up, we are going to build it and you are going to look like a goose. What I can say again is this: when I was the minister responsible, and we had the \$535 million aside, we were at a point where we hoped that that would be sufficient, and any money we got from the commonwealth would obviously go back to offset our outlays.

I assume that is still the case. It may not be; I do not know. We are at a point now where these are matters that the government needs to be fluid on, I would assume, as we negotiate our way through this. I still think the likelihood of us getting the World Cup would be very slight. I would be very surprised if Australia wins the World Cup. If we do, then hallelujah; we can sit down with the feds and have a good old chat about it. Until that happens or, if you want an earlier answer—I do not know the answer to the question that you are now putting, because that is the responsibility of my colleague.

**The Hon. I.F. EVANS:** Treasurer, Budget Paper 3, page 1.8, deals with expenses. I want to talk about expenses generally. You have made great play of losing \$1.4 billion in revenue, and that that is the reason why you have had to have this 'shock horror' budget after the election. This revenue loss was a total surprise to everyone, and you did not know before the election, etc. Isn't your real problem your expenditure growth? Your real problem is that, as a government, you have not controlled your expenditure growth? Even in 2008-09, expenditure growth was 7.4 per cent real growth and the next year it was 9.2 per cent real growth. Is the issue, really, that you have not controlled your expenditure early enough in the budget process?

**The Hon. K.O. FOLEY:** Well, yes, you are absolutely correct—absolutely correct.

**The Hon. I.F. EVANS:** Given that your expenditures were blowing out 7.4 per cent and 9 per cent, why not earlier action? If expenses were your problem, as you have just admitted, and not the loss of revenue, you could have taken action in 2008-09 or 2009-10, well before this budget. Why have you sat on your hands for two years and not dealt with the expenditure issue?

**The Hon. K.O. FOLEY:** You are absolutely correct, and I have never hidden that. I was going on about this in parliament last week ad nauseam. I think that people might have even been getting sick of me going on about it. I doubt that you would have, Madam Chair, because you have an interest in economics and finances.

There is no question that the blowout in expenses is our problem, added to by a significant loss of revenue in this particular period. We did not cut the budget in 2008-09 for one very important reason: we were facing a recession. On all advice publicly and privately available to us we were heading for an economic downturn of magnitudes that we had not seen before for decades.

The commonwealth government, industry and, no doubt, the opposition would have been calling for us to maintain spending. You do not retreat from the economy as a government spender at a time of economic downturn. That is the principle of public financing. You allow government expenditure to increase, if anything, particularly on the capital side (as the federal government did), to get you through an economic downturn. Then you do the balance sheet repair when the economy comes back to strength.

I am doing exactly what the federal government is doing in terms of repairing the balance sheet following a downturn nowhere near as severe as we expected. But, you are right. I have just looked at my numbers again and they are shocking when it comes to expenditure. Health, anywhere between 9 per cent and 11 per cent compounding per year. When we came to office, \$2.151 billion. This budget year it will be \$4.5 billion. These are extraordinary numbers.

We have increased money on education from \$7,500 per child at school to approximately \$12,500. We have deliberate policy. We will have put, nearly, an extra 1,000 police on the beat. Certainly, since coming to office, police numbers have grown from 3,741 to 4,405, and they are still going up. The Families and Communities budget has doubled as we have had this incredible pressure from the need to have kids in state care.

There is no question that expenditure overruns are the biggest threat to public finances, but these are not, as you would have portrayed, things that we can necessarily control, unless your policy would be to close hospitals. This is not money that we spend willy-nilly on pet projects; and that is not to say that there are not things you would say you would not have spent money on and you would not agree with our priorities. But those expenditures, shadow treasurer, are at the margin. The vast bulk of expenditure pressure is coming through from Health and Families. If you can find a magical way to save money there that I have not found, step forward and tell. I would embrace it with a bipartisan passion you had not seen before. How should I cut it, tell me?

**The Hon. I.F. EVANS:** Treasurer, it just seems to me that this expenditure issue has built up over a number of years. You go back to 2003-04, 4.5 per cent real growth in expenditure; 2005-06, nearly 6 per cent real growth; the next year, 3.2 per cent real growth; and then 2007-08, 4 per cent real growth. You have delivered all these savings measures in this budget saying that you have to deal with the expenditure, but where was the reform in those years?

**The Hon. K.O. FOLEY:** They were there. The first budget when I came in, because of your very poor budgeting, I had to cut out 1.5 billion over four years to get the budget back into a sustainable surplus on accrual terms, and that is what got us the AAA rating. I did the hard work.

*The Hon. I.F. Evans interjecting:*

**The Hon. K.O. FOLEY:** Well, it's the truth. It is the budget repair work that we did that got us back the AAA rating.

**The Hon. I.F. EVANS:** It wasn't the sale of ETSA to pay off the debt.

**The Hon. K.O. FOLEY:** As I said, there is no question that was an element. I have never denied that.

**The Hon. I.F. EVANS:** It wasn't the GST revenue.

**The Hon. K.O. FOLEY:** I have never denied that. You are living a period of a decade ago. You are romancing for the time when you were a minister. I can understand that. Can I share something with you, Madam Chair?

**The CHAIR:** If you must.

**The Hon. K.O. FOLEY:** When I first came into politics following the State Bank crisis, I was almost certain that I would spend the most productive years of my life in opposition. As things turned out that was not the case, because we fought our way back into government. I hated opposition; I hated eight years of opposition terribly. I can understand how my good friend the shadow treasurer must be feeling now heading to his 10<sup>th</sup> year with another three to go (that will be 12) through his most productive years. That must be a gut-wrenching, horrid experience, and one that I have never experienced and never will. I want to put that into context. What was the question again?

**The Hon. I.F. EVANS:** The expenses building up but no reform.

**The Hon. K.O. FOLEY:** I cut 1.5 billion in the first four years; I cut, I think, another \$750 in the next four; and I am taking quite a lot out of this one, 2.5, with some revenue measures. This is the hard work of Treasury, but the problem is that, when you have health running anywhere between 9 and 11 per cent and it is taking up a third of your budget or in excess—32, 33 per cent of your budget—no wonder overall expenses are growing at 4 or 5 per cent, because it is health. It is health, health, health. Honestly, if you can find a way that I can rein in spending on health, I will give you all the credit, mate. Slip me a bit of paper, come in and have a chat, and I will give you all the credit in world, because we are working day and night trying to save money in health.

**The Hon. I.F. EVANS:** Still dealing with expenses on page 1.8, isn't part of your problem the lack of management of the Public Service?

**The Hon. K.O. FOLEY:** No, not all. Seventy cents in your dollar goes to wages. If you spend an extra \$200 million on health, fair chances are that up to 70 per cent (and that is just an approximate) would be wages. I know where you are leading with this. You are trying to say that we have managed the workforce poorly or we have spent our money badly. Where would you cut in some meaningful way the billions that we have not? Put aside the Thinkers in Residence, they are half a million; a minister, a few million. Give me some meaty chunks of expenditure that you reckon we should cut other than what we are?

**The Hon. I.F. EVANS:** I will come back to the question.

**The Hon. K.O. FOLEY:** Because you can't.

**The Hon. I.F. EVANS:** I will come back to the question I am asking. As you said earlier in your brief opening address, apparently it is the opposition's day to ask questions, not the government's. Isn't part of the issue at least your lack of control of the Public Service numbers? You have increased the Public Service by 18,105 over the first eight years. Of those, around 15,500 were not budgeted. You had nearly 85 per cent of your Public Service increase not budgeted.

I accept the government's figures—I think the Auditor-General reported on this—that around 5,500 to 6,000 of those are what we colloquially call core jobs—teachers, nurses, doctors etc. Even if you meant to employ those 6,000, you did not budget for all of them—I am not sure why—but it brings it down to 12,000 public servants that were unbudgeted. Isn't part of the problem that you have not put in place a process to manage the recruitment of and the budgeting for public servants?

**The Hon. K.O. FOLEY:** There is no question that workforce management is very difficult when you have the largest business in the state. It is a very diverse business. The FTEs you are talking about, it is not as if we say, 'Let's have another three people sitting around this table doing nothing.' Health again, I have to say, health running 200 million, 100 million, whatever it is, that is unbudgeted, so that 70 per cent of those salaries, the 70 million of 100 million or 140 million of the 200 million are probably salaries. It depends on the comparator, but a large percentage of them are salaries.

I do not know what they do. I guess it is a mixture. There would be formulas of nurses, doctors, orderlies, clerical staff, security staff—all of that. It is the same thing for Families and Communities: We spend more money; we hire more people. I wish we could keep government outlays to zero, in real terms, but we cannot; and I wish we did not have to grow the workforce, but we do. It is just what happens in government. It happened when you were in office. You kept

putting people on year after year. You expand your expenditure and you expand the number of people you have working for you; that is the way it works.

**The Hon. I.F. EVANS:** But, on the same budget line, did you not put in place this process of having a Public Service cap and there was a system for the approval of employment above the cap?

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** So, how is it that the Public Service can grow in an unbudgeted fashion when they would have had to go through an approvals process? Surely, when you know you are overspending in health to the tune of \$200 million a year, you would say—to use your language—70 per cent of that is going to be staff and therefore you have to employ XYZ numbers of public servants and you would budget for it. But it seems to me that somewhere it has broken down because, either you have a group that approves the Public Service numbers and they feed it into your budget, or they do not. Even on the best case scenario, 6,000 of those jobs are what we call core jobs. They are not all in health, but 6,000 are core jobs. You are still 12,000 over budget. On \$75,000 total employment costs, that is around \$900 million a year.

**The Hon. K.O. FOLEY:** Again, I find this amusing because, here I am saying we have to separate 3,900 FTEs, roughly, and the opposition is screaming blue murder. Are you suggesting I get rid of 12,000 now?

**The Hon. I.F. EVANS:** No, I am not saying that at all. I am just talking about your budgeting process.

**The Hon. K.O. FOLEY:** Well, what jobs are they doing that they should not be doing?

**The Hon. I.F. EVANS:** This question is about your budgeting process. It is about how 15,000 out of 18,000 are unbudgeted.

**The Hon. K.O. FOLEY:** Well, that is just not true.

**The Hon. I.F. EVANS:** That is what your budget figures show.

**The Hon. K.O. FOLEY:** The reason those numbers have grown is because, through the course of a year—as you know, having been a cabinet minister—cabinets make decisions to spend more money. (I wish they would not, to be honest, but they do.) There is the mid-year review process, where more moneys are often allocated, and then you have your overspends, which are accounted for.

I am looking at my brief, and as per the 2010-11 budget, the estimate of FTEs as at 30 June 2010 under our policy was 79,618 in the general government sector. That is 2,002 higher than the estimate at the time of the 2009-10 budget. The increase is due—surprise, surprise—to Health. There were 1,794 FTEs provided in 2008-09 to meet overspends and a further 1,359 in 2009-10 to meet overspends. So, that is the sort of numbers that you are dealing with when you overspend your health budget.

We have had the realignment of the Transition Care Program from the non-government sector, 128 FTEs; additional resources provided by the commonwealth government, over 100 FTEs; and the realignment of existing non-salary resources resulting in a net increase of the FTE cap. Families and Communities received additional resources to deal with the number of kids that we have to take into care—as we are actually required to, in many cases, by law. That has required an extra 206 FTEs. So, that is just an indication and roughly dealing with those 2,000. When you overspend in Health, it comes with a large number of extra workers. That is just what happens.

**The Hon. I.F. EVANS:** Can we swap now to another issue? This is Budget Paper 3, page 2.8. It deals with employee expenses and, really, the wage outcomes. Prior to the election, the government had a very clear message for the Public Service and the public, and that was that, if the public sector wage outcomes were kept to 2.5 per cent, there would be savings of around \$290 million to \$350 million in 2012-13 and there would not be the need for wholesale Public Service cuts. I am just seeking an update then, as to what is the result of the EB negotiations in terms of savings across the \$150 million, \$250 million and \$350 million targets.

**The Hon. K.O. FOLEY:** Well, as I said previously, and what I stated at the time is that if we could keep all public sector wages at 2.5, we would have a very healthy and significant contribution to the savings task. Two things have occurred: one is that the savings task is larger; secondly, we have not as yet gone through the cycle of EBs.



I do not want to speculate on the likelihood of outcomes, but I think the PSA outcome was a very good outcome for government, and I think a good outcome for the worker. It was 2.5 per cent plus an upfront payment of \$600. I think, overall, that netted out at about 3.1 per cent. I think that is about right. The headline 2.5 was good, and even at 3.1 it was a very good outcome for both sides and assisted the budget, but I never said that that was going to be the be-all.

I know that, again, the opposition wants to walk both sides of the street. There is no hiding the fact that this government is taking some very difficult decisions as they relate to workforce numbers, the way in which we will deal with workforce numbers and issues relating to leave loading and long service leave. They have passed the lower house of this parliament; they are before the upper house. You have supported them, and I understand why. You may not like them, but for procedural reasons you have supported them. We have made those decisions, and we do not resilite from them.

**The Hon. I.F. EVANS:** So, of the \$150 million, \$250 million and \$350 million savings targets, what savings have been made in each of those years as a result of the EBs that have been negotiated?

**The Hon. K.O. FOLEY:** Well, I am not going to give you those numbers, because we are not through the cycle of EBs, other than to say that they are a solid contribution. I think we have just landed the nurses last week.

**The Hon. I.F. EVANS:** Sorry; I missed that, Treasurer. I didn't hear you.

**The Hon. K.O. FOLEY:** I think we have just landed the nurses' EB last week.

**The Hon. I.F. EVANS:** You mean completed it? Is that what you mean?

**The Hon. K.O. FOLEY:** Yes; landed. Sorry; completed, I think. We understand the union has taken an offer back to its members, so it is not quite landed. I have got police coming up now and a number of others, so I am not going to go into specific numbers. I have got to preserve my negotiating position, and the longstanding practice of both sides of politics is we give little away in terms of what we provision for and what dollar outcomes result in wage cases, otherwise we will be tipping our hand as to what we think the wage outcomes will be.

**The Hon. I.F. EVANS:** In last year's estimate committees you told the house that you would expect half of those savings to be locked away before the election. So, obviously you were talking about the EB agreements being negotiated prior to the election. Did you achieve that target?

**The Hon. K.O. FOLEY:** We achieved a substantial target. We didn't get the PSA at the 2.5 I wanted to. We paid a little above that and got them in at 3.1; yes, a substantial contribution to savings.

**The Hon. I.F. EVANS:** But did you get half of the savings locked away before the election?

**The Hon. K.O. FOLEY:** Well, I didn't achieve 2.5, so by definition you could assume no. What I can say is that we got a large proportion of it.

**The Hon. I.F. EVANS:** I am not sure what you have in your contingency lines and provisions, so—

**The Hon. K.O. FOLEY:** We are not going to disclose those numbers, but obviously I got a good outcome which provided a good benefit to the budget. I know what the figure is, but I shan't share it with you, because I don't intend to comment publicly on the cost of wage outcomes, otherwise I jeopardise future negotiations.

**The Hon. I.F. EVANS:** Okay. Could you advise me, then, what EB negotiations you have left to negotiate and the timing of those in relation to those savings measures? I think you said you have still got police.

**The Hon. K.O. FOLEY:** Yes, but I don't have them. You would have to put them to the Minister for Industrial Relations, but we are assuming that what we have provisioned will be sufficient to cover. Now, I am not going to tell you what we have got provisioned, for obvious reasons, and anything less than that provision will give us a budget benefit. So, as you know, as is good practice in budgeting, you do not put into your budget what you hope will be a wage outcome: you actually put in what you think is an appropriate provision. Anything less than that provision will aid and assist the budget. Anything more than the provision will be negative and detrimental to the budget.

**The Hon. I.F. EVANS:** Well, could you take on notice that question about EBs?

**The Hon. K.O. FOLEY:** No.

**The Hon. I.F. EVANS:** You are not prepared to take it on notice?

**The Hon. K.O. FOLEY:** It is on page 2.8 of Budget Statement Paper 3. For 2010 there will be enterprise bargaining negotiations in relation to police, wages parity (building, metal and plumbing trades employees), the fire service, salaried medical officers and clinical academics. So, it would be fair to say that the 2010-11 industrial year will be a tough one for government.

**The Hon. I.F. EVANS:** Treasurer, in relation to the loss of revenue—this \$1.4 billion figure—you have been claiming that since the 2008-09 budget you have lost \$1.4 billion in revenue.

**The Hon. K.O. FOLEY:** That is what I am advised.

**The Hon. I.F. EVANS:** Could you give us a breakdown of that year by year?

**The CHAIR:** For clarification, you are on page 2.8 of Budget Paper 3.

**The Hon. I.F. EVANS:** Revenue is all through pages 1 to 3.25 in the Budget Paper 3. This deals with the \$1.4 billion issue, Madam Chair.

**The Hon. K.O. FOLEY:** I am advised, Madam Chair, that this question was asked by Rob Lucas in another place—who still thinks he is shadow treasurer. We took it on notice and I am happy to make sure we get the information back to the shadow treasurer.

**The Hon. I.F. EVANS:** So you do not have it there yet?

**The Hon. K.O. FOLEY:** We do not have it with us, no. We will get it for you. Obviously, it was over a few years so we will get you the numbers.

**The Hon. I.F. EVANS:** It was over five years, yes. However, they must have a breakdown, Treasurer.

**The Hon. K.O. FOLEY:** We do not have it with us.

**The Hon. I.F. EVANS:** We have asked for it in the Budget and Finance Committee but no-one in the bevy of bureaucrats thought, 'Gee, they might ask the same question. I'll bring in the briefing note.'

**The Hon. K.O. FOLEY:** With all due respect, I think that is a most unfair assertion to make about Treasury officers. If you hadn't noticed, they have been pretty busy over the past few weeks. They had to actually deliver a budget and deal with preparing for estimates committees. And we have had the credit rating agencies—we had Standard and Poor's in town yesterday and we have Moody's in town next week. The team has been working pretty hard. We have said we will get that information. I think they only appeared a few days ago before Rob Lucas's star chamber. We will get you the information. It is \$1.4 billion. What is allocated into each of the years is not earth-shattering information. I do not have any need to hide it from you, but nor can you say there is something sinister in it.

**The Hon. I.F. EVANS:** Is it fair to say that the majority of the loss of the revenue was in 2008-09 and 2009-10?

**The Hon. K.O. FOLEY:** I do not know the answer to that.

**The Hon. I.F. EVANS:** The two years that you talk about the global financial crisis. Would it be fair to say that the majority of the—

**The Hon. K.O. FOLEY:** No, I am not going to answer that until we have the information. What is the purpose of the question?

**The Hon. I.F. EVANS:** I am trying to establish the breakdown of the \$1.4 billion loss of revenue. Two of those years—

**The Hon. K.O. FOLEY:** There is a graph, if you look at the overview document on page 3. There is a graph as it relates to GST and royalty estimates. It does not have own state revenue in there.

**The Hon. I.F. EVANS:** That is right.

**The Hon. K.O. FOLEY:** Which will show you the reductions.

**The Hon. I.F. EVANS:** But, by your own admission, it does not have own state revenue in there.

**The Hon. K.O. FOLEY:** No, but you have 2008-09—what we forecast; you have the dotted line which is this budget, and the green line which was the 2009-10 budget. It shows you the difference. You can see that the vast bulk of it was in 2008-09.

**The Hon. I.F. EVANS:** What page are you on, Treasurer?

**The Hon. K.O. FOLEY:** Page 3 of the Budget Overview. You can see the bulk of it was in 2008-09 going through to early financial year 2010—so, July this year. That would seem to be the bulk of it. That is in the graph. I cannot do your work for you, but we will get you the exact figures.

**The Hon. I.F. EVANS:** I am not asking you to do the work for me. I am asking you to provide—

**The Hon. K.O. FOLEY:** We will get you the information.

**The Hon. I.F. EVANS:** You can't tell me the answer.

**The Hon. K.O. FOLEY:** You have it there in graphical form which will give you an indication.

**The Hon. I.F. EVANS:** No, we have part of the answer in graphical form.

**The Hon. K.O. FOLEY:** I will get you the precise numbers.

**The Hon. I.F. EVANS:** If the majority of the losses of revenue occurred in two financial years as completed and if you take those two years your deficit was only about \$60 million overall for the budget, if you combine those two years together, why are you claiming to make savings in the future years (11, 12, 13, 14, etc.) to deal with losses in those previous years where the financial year is complete?

**The Hon. K.O. FOLEY:** Because they accumulate, and if you look at that graph, you will see there is an ongoing deficit between what was projected in the 2008-09 budget and what the outcome was in this budget, what we were expecting. There is an ongoing deficit.

You don't just lose the money for two years and then things go back to normal. You have lost that money. You either have not paid it off debt or you have not invested it. I think, at that stage, in 2008-09, we were probably in surplus or close to it—financial assets accruing.

**The Hon. I.F. EVANS:** I missed that, sorry, what was that?

**The Hon. K.O. FOLEY:** Financial assets accruing. We had wiped out state debt around that period. When did we wipe it out? In 2007-08, I think it might have been. What I am saying is the money just does not spring back and things go back to normal; you have a legacy from the revenue that you have lost.

I can tell you that I am not making any effort to make savings other than what I have to. We were accruing assets in 2006, 2007 and the outcome of 2008 had us \$276 million in assets. We had paid off all state debt. That was a bloody good position to be in and that is why we could withstand the downturn at that period, but we lost \$1.4 billion and you cannot sugar coat it, you cannot explain it away. We lost it and had to account for it.

**The Hon. I.F. EVANS:** So, you will get us that figure, a breakdown year by year?

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** When did the Treasurer first become aware that he had lost this \$1.4 billion?

**The Hon. K.O. FOLEY:** Oh, Jesus.

**The Hon. I.F. EVANS:** When did you first get advice?

**The Hon. K.O. FOLEY:** Oh, let me think. What day, what hour, what minute, what month?

**The Hon. I.F. EVANS:** No, will you let me finish the question? You might recall that we asked in parliament about the issue of cabinet of signing off on a high level of savings in April and you told us it was wrong, totally wrong. Then you came in the next day and slightly changed your words.

**The Hon. K.O. FOLEY:** No, I assumed, wrongly, that you were talking about a \$2 billion recurrent saving number by the fourth year.

**The Hon. I.F. EVANS:** So the broad question is: did you know before the election that you needed a higher level of savings, that you had lost this \$1.4 billion, or are you claiming that it was only after the election that the \$1.4 billion figure suddenly appeared?

**The Hon. K.O. FOLEY:** Well, we released data that was made available to you publicly in January, which was the Mid-Year Budget Review. That had the forecast revenue and expenditures in there. We then had election promises and, as I have said publicly, the commission, upon its own work, decided also to identify savings that were yet to be identified going forward that had been booked for previous years, as well as an increase in savings to ensure that we had a better buffer than what I may have wanted or thought necessary.

There were a number of factors in why that number was increased, but I went to an election with a very open document. Not that many weeks before the election, we released the Mid-Year Budget Review which had the revenue in it. You had the same data that I had. Once the election was called, I was not entitled to any information from Treasury.

I am just trying to think when the mid-year review came out; 28 January was when the Mid-Year Budget Review came out and I think we called the election a few days later. You were as up-to-date as I was on revenue expectations.

**The Hon. I.F. EVANS:** Treasurer, I just want to speak about the redundancy provisions which were in the budget saving measures.

**The Hon. K.O. FOLEY:** Generous, aren't they?

**The Hon. I.F. EVANS:** This is the public sector. In the budget speech, you talked about—

**The Hon. K.O. FOLEY:** They are very generous.

**The Hon. I.F. EVANS:** —you talked about taking away the no forced redundancy policy in relation to—

**The Hon. K.O. FOLEY:** I said we would revisit the no forced redundancy policy.

**The Hon. I.F. EVANS:** That is right, so the threat is that you will possibly take it away.

**The Hon. K.O. FOLEY:** Well, you could read that into it, I guess.

**The Hon. I.F. EVANS:** I guess the public servants are really raising some in principle questions and I just raise these on behalf of the many public servants who—

**The Hon. K.O. FOLEY:** You are going to now advocate for the public sector union.

**The Hon. I.F. EVANS:** No, I am going to ask you questions on behalf of Public Service members—

**The Hon. K.O. FOLEY:** The association.

**The Hon. I.F. EVANS:** No, the public servants.

**The Hon. K.O. FOLEY:** Oh, you are coming in as the flag waver for the PSA. My God, Jan McMahon has been able to capture you.

**The Hon. I.F. EVANS:** I am not sure whether this public servant who has written to me is a member of the PSA. Certainly, Jan McMahon or the PSA have not asked me to ask these questions. This is just a series of questions from the ordinary, everyday public servants who want to know where the government is coming from.

I guess they are wanting an explanation as to why the government did not, in their view, negotiate in good faith in the various enterprise bargaining agreements, because the Treasurer went to the election saying to the Public Service, 'Look, keep the wage outcomes low, 2.5 per cent or around there and that will restrict the number of cuts that we are going to have to make. There won't have to be wholesale Public Service cuts.'

Then straight after the election, of course, in some cases after the EBs have signed off—and you mentioned the general public sector one at 3.1 per cent or whatever the figure was. So, they have negotiated on a certain understanding of what their conditions are going to be. No-one during that EB negotiation raises the issue of cutting long service leave or holiday pay, and so they feel like the whole negotiation has not been conducted in good faith, because those issues were

not put on the table. So, I am seeking an explanation, on behalf of those public servants who have written to me, as to why the government went outside that process.

**The Hon. K.O. FOLEY:** Firstly, that is not a question for an estimates committee. You actually had your chance to ask me that question legitimately, and if you were serious about that question you would have asked that question last week when we were debating the bill in the house. You did not; you did not ask me one question about it. So, to come in here now to be a bleeding heart from the public sector perspective is disingenuous and political, and I have no further comment.

**The Hon. I.F. EVANS:** Treasurer, keep making your comments as much as you want—your offhanded, inaccurate comments; we are used to them. They sometimes get you into trouble.

**The CHAIR:** Member for Davenport—

**The Hon. I.F. EVANS:** I am sorry, Madam Chair, but he makes the accusation that I could have—

**The CHAIR:** Member for Davenport, may I just clarify that, even though you have not named it, you are talking about page 2.6 of Budget Paper 3. Is that what you are discussing?

**The Hon. I.F. EVANS:** No, I am talking about—

**The CHAIR:** Or are you talking about the speech?

**The Hon. I.F. EVANS:** I am talking about the budget speech, yes.

**The CHAIR:** Okay. But if you were to refer to a specific line, it would probably be about 2.6, wouldn't it?

**The Hon. I.F. EVANS:** It would be.

**The CHAIR:** Excellent.

**The Hon. I.F. EVANS:** I was just going to clarify, for the record, that the letter I am referring to, Treasurer, was dated 6 October, and this public servant has specifically asked me—and I have lots of letters that are similar—to ask the question. So do not come in here and say I should have asked the question on behalf of a public servant, from a letter of which I have not yet received, when the bill was before the house. I had not received the letter.

**The Hon. K.O. FOLEY:** It was not bothering you three days ago, so I hardly see why it is bothering you now. You are Liberal, for crying out loud. You supported WorkChoices. Do not come here with crocodile tears about what this government is doing to make budget savings. It is on the record; we do not resile from it. You have passed the bill; you have supported it; end of story.

**The Hon. I.F. EVANS:** But why did you go outside the EB process is the question the Public Service want answered. They sit down across the table—

**The Hon. K.O. FOLEY:** That is not a question for this forum.

**The Hon. I.F. EVANS:** It is a question. They sit down across the table and negotiate in good faith for months and months and no-one mentions the change to their conditions in a negative sense—these two provisions in particular.

**The Hon. K.O. FOLEY:** Because that was not a decision or a review of government at that time, but governments do change their views, given changed circumstances.

**The Hon. I.F. EVANS:** In the mindset of possibly changing your position on no forced redundancies, I am just wondering where the government is looking to take it, because there are a number of different options that you could possibly look at. Would it apply to the public sector as a whole, or is it possible to apply it only to certain areas where the TVSPs, for instance, may not be met?

**The Hon. K.O. FOLEY:** I cannot be more explicit, Madam Speaker, and he should not need to ask this question, because I have repeated it numerous times. The process is that a saving will be identified or has been identified. When the agency implements that saving, the workforce that are no longer required to deliver that program become surplus to requirements. They will then be put into a notional redeployee pool. They will be offered a number of options. One is an incredibly generous package. There are not too many workplaces, if any, out there that would give you the type of package that we are offering.

You can take that package or you could look for a position back in the public sector through the natural attrition process, which could be as many as 4,000 a year. We are creating nearly 2,000 new jobs with our new spending, and you can assume that if there are health overruns we will have some money there as well. There will be oodles of jobs available for people to re-apply for back in the public sector. If they choose to take that route and not take the rolled gold package, their package after six months slips back to a less generous package.

If after 12 months that employee has taken neither of the two packages and is not suited to any of the 4,000-plus jobs that have become available, at that point, the government will reconsider its 'no forced redundancies' policy. I have to say that, if a person has not been able to get a job back in the public sector after 12 months on pay and with the thousands of jobs that become available, it just may be that the public sector is not the right employment option for that particular person.

**The Hon. I.F. EVANS:** The way I understand the answer is that it is then going to be that the 'no forced redundancies' policy will apply just to that individual. You are not looking at changing the 'no forced redundancies' policy across the board?

**The Hon. K.O. FOLEY:** No, we are not. It is targeted. We are not at this stage, and it will be for future governments to decide. We are not going left, right and centre and saying, 'We don't want you any more; you're gone.' Through the recent laws that this house has passed, there are performance management arrangements now (under law) where, if a public servant is not performing his or her duty correctly, they can be properly program managed, and termination is available there should that person simply not be able to respond to the instructions they are given. That very rarely happens, but this is not something that should cause fear in the public sector et al. This is specific, targeted and limited. As I said, if you cannot get a job after 12 months and after 4,000 vacancies get advertised, maybe you are better off doing something else with your life.

**The Hon. I.F. EVANS:** Just in relation in what is commonly known as the 'transit lounge', the group of displaced public servants there now, are you going to fast-track the no forced redundancy issue for them? How are they going to be treated? Are they going to be offered the TVSPs first?

**The Hon. K.O. FOLEY:** That is how generous we are. I cannot believe how generous we are. I should not even be getting criticised for this. I should be getting attacked by you for the generosity of what we are offering. If you were a diligent opposition member, you would be attacking me for my generosity to the public sector. We are going to give them another 12 months to find another job or to take one of our packages, and then, if they are not successful, they can spin the dice.

**The Hon. I.F. EVANS:** In relation to the 17½ per cent loading issue, has anyone done any sums on how different groups might be financially worse off, or does it work out even in terms of cash versus salary? For example, they lose the 17½ per cent loading and then they get two days' extra leave. Has anyone done any work on that, and is there a guarantee that no-one will be worse off. The Labor Party was at great odds to ask Mr Howard whether anyone would be any worse off as a result of WorkChoices. I just wonder whether you are going to hold yourself to the same standard.

**The Hon. K.O. FOLEY:** We think it is a good work/life balance to be saying to people that they should have two extra days' leave a year to spend with their family and to recreate.

**The Hon. I.F. EVANS:** Budget Paper 3, page 1.2, in relation to budget savings, states:

Using a menu of savings and revenue options identified by the commission, totalling \$1.8 billion per annum by 2013-14, the government has identified new measures totalling \$762 million—

in 2013-14—

which are included in this budget.

So, we are trying to work out whether all of the \$762 million in 2013-14 was adopted savings or revenue measures recommended by the Sustainable Budget Commission.

**The Hon. K.O. FOLEY:** Yes; to a large extent they were, but there would have been some where we made some changes. But it is what it is now.

**The Hon. I.F. EVANS:** What savings measures are in that \$762 million figure that were not recommended by the Sustainable Budget Commission?

**The Hon. K.O. FOLEY:** We have not done the full reconciliation. You can do it yourself, if you like. In our Budget Statement we list all the savings we are taking; and, through the mischievous nature of someone leaking the report, we subsequently published that document. You can reconcile the two.

**The Hon. I.F. EVANS:** Does the \$762 million figure in 2013-14 include the \$350 million carried forward from 2011-12, or is the \$762 million on top of the \$350 million?

**The Hon. K.O. FOLEY:** It replaces the \$350 million.

**The Hon. I.F. EVANS:** The \$350 million drops out and the \$762 million is the total saving figure for that year?

**The Hon. K.O. FOLEY:** That is what I am advised, yes.

**The Hon. I.F. EVANS:** Budget Paper 3, page 1.13 shows the issue of the reversal of the previously unallocated savings. Page 1.13 states:

Since the Mid-Year Budget Review there is a reversal of previously unallocated savings of \$141 million in 2010-11, \$304 million in 2011-12 and \$477 million in 2012-13.

Can the Treasurer walk me through what it means by 'reversal of previously unallocated savings'? Are they no longer required?

**The Hon. K.O. FOLEY:** No. These questions must be written by Rob Lucas. These are the sort of minutiae that he must stay awake at night writing. I have never understood why the guy is so into these minutiae. What you do is, you back out those savings back into your numbers to give you the starting point from where you will then apply the savings. They were the unspecified savings, where we had a number in the forward estimates that we required agencies to meet for future savings. Some were held centrally by Treasury. We backed those out of the numbers.

**The Hon. I.F. EVANS:** So, they are no longer required?

**The Hon. K.O. FOLEY:** No, not required. We backed them out of the numbers because they were not achieved (because they did not have to be achieved), and they were replaced with the new suite of savings that we had chosen from the menu given to us by the Sustainable Budget Commission. The savings were not counted twice. What you could have done—

**The Hon. I.F. EVANS:** Essentially what you have done is you have said, 'Well, you guys had these unspecified savings of \$141 million, \$304 million and \$477 million. You have not been able to deliver them, so we are going to take off those unspecified savings and we are going to specify the savings for you.' You have then specified the savings for them in the new savings targets?

**The Hon. K.O. FOLEY:** You are right to the extent that it is a little unfair to say that they had not found them, because they had not needed to find them because they were in the future years, so maybe the agency head had identified them but they had not had to implement them. We took them back out. We backed them out and then the overall document became the savings measure. So, we identified those savings for them in our aggregate position. We worked with them on it.

**The Hon. I.F. EVANS:** Budget Paper 6, page 4 deals with state taxes. I have a particular question in relation to land tax. Budget Paper 6, page 4 raises the issue of a change in property price assumptions in that land tax changes announced in January were more expensive than first thought. They were going to cost somewhere between \$51 million and \$53 million a year. They are now costing \$56.9 million in 2010-11, \$74.2 million in 2011-12, \$93.3 million in 2012-13 and \$114.2 million in 2013-14, which is a huge jump. I am just wondering what property price assumptions have changed that drove that land tax assumption change.

**The Hon. K.O. FOLEY:** Property values have gone up since we made that assumption; therefore, the size of the budget loss from that measure automatically would increase. Our earlier assumptions were based on what we still believed would be a fairly fragile economy, and we had a slight reduction forecast in our last budget and in the Mid-Year Review. We had a softer housing market. When we valued what those budget savings would be through those measures that we announced, they were X. Since that time, properties have increased above what we thought they would, so therefore the amount that we have 'forgone' in revenue that we would otherwise have received obviously would then increase.

**The Hon. I.F. EVANS:** Weren't the land tax changes lifting the threshold to \$300,000 or \$350,000?

**The Hon. K.O. FOLEY:** It lifted the threshold. We will now increase the rates according to the property movements, but from the time we made the policy decision as to what has occurred, the property values are stronger. So, the starting point is higher and therefore the amount of 'lost' revenue from that decision consequently has to be higher.

**The Hon. I.F. EVANS:** It is only to do with the change in property values.

**The Hon. K.O. FOLEY:** That is what I am advised, yes.

**The Hon. I.F. EVANS:** I refer to Budget Paper 3, page 1.1. There is a chart on page 1.1, 'Table 1.8: Interstate comparison of key government aggregates (figures for 2008-09)'.

**The Hon. K.O. FOLEY:** What page is that?

**The Hon. I.F. EVANS:** Budget Paper 3, page 1.10, sorry.

**The Hon. K.O. FOLEY:** The one that shows our AAA!

**The Hon. I.F. EVANS:** I am just wondering why you are using the 2008-09 figures and not the 2009-10 figures.

**The Hon. K.O. FOLEY:** I am advised that that is to get a consistent comparison with other states. It was to do with our unfunded liabilities as they relate to our superannuation. We had to get a position where we were using a consistent approach. It is the last actual we had from other states and ourselves, and we had to have a consistency across the line. In terms of what S&P look at, they do not look at our 2008-09 tables to work out whether we keep our AAA, they look at our tables today. They were in our Treasury office yesterday, crawling all over us. That is really for illustrative purposes.

**The Hon. I.F. EVANS:** Why in last year's Budget Paper then did you use the figures for 2009-10 and not 2008-09? This year you are using last year's figures to be consistent and last year you used forward figures for what reason?

**The Hon. K.O. FOLEY:** I will let the Acting Under Treasurer answer that.

**Mr ROWSE:** One of the reasons was that, in last year's budget, all the state budgets were released at a more comparable point in time, so therefore the discount rates being used were more comparable.

**The Hon. I.F. EVANS:** Being the last budget off the rack, doesn't it make it easier for you to construct the table on this year's figures, given that we are last?

**Mr ROWSE:** The difficulty is, to give an example of Victoria, Victoria was using a discount rate of 5.9 per cent on their superannuation. By the time we released our budget, the commonwealth long-term bond rate, which is what we tend to use, had declined to about 5.3 per cent, which meant that our valuation was much higher than theirs was using a 5.9 per cent discount rate. That is the issue, we could not get the comparability because they were different points in time.

**The Hon. I.F. EVANS:** If we had done it on the current figures, our ratios would be worse; is that what you are saying.

**Mr ROWSE:** No, if we have used 5.9 rather than 5.3, our net financial liabilities would be lower. The higher discount rate lowers—

**The Hon. I.F. EVANS:** We did not use a 5.9 figure. We used a 5.3 figure, didn't we?

**Mr ROWSE:** No, we used 5.3. If we had used 5.9, our budget figures this year would look better, they would be lower.

**The Hon. I.F. EVANS:** In this chart we are using what figure, 5.3?

**Mr ROWSE:** Yes, 5.3.

**The Hon. K.O. FOLEY:** That is when Victoria had the same discount rate.

**The Hon. I.F. EVANS:** If we had put in this year's figure, what rate are we using?

**The Hon. K.O. FOLEY:** You would have to compare it to Victoria at the same type of discount rate.

**The Hon. I.F. EVANS:** In this year's figure we would be using what, five point?

**The Hon. K.O. FOLEY:** We are using 5.3.



**The Hon. I.F. EVANS:** If you used 2009-10, it would be 5.3, would it?

**The Hon. K.O. FOLEY:** Yes; pure coincidence, I am advised. I mean, the bond rate jumps all over the place.

**The Hon. I.F. EVANS:** If you were using 5.3 last year and 5.3 this year, why not construct it on this year's figures? If your advice to me is that the bond rate is the same, the discount rate is the same, then why put last year's figures in?

**The Hon. K.O. FOLEY:** Only you and Rob Lucas could get excited by this.

**The Hon. I.F. EVANS:** I am just trying to seek an explanation.

**The Hon. K.O. FOLEY:** I have given you one.

**The Hon. I.F. EVANS:** I do not have the advantage of Treasury to advise me. I have to try to nut these things out as best I can. I just found it unusual that last year you used 2009-10 figures and this year you used 2008-09 figures. I thought, 'Well, that is unusual. Why would they do that?' The advice I have is that the rate you used last year was 5.3 and the rate you used this year was 5.3. If the rate is the same, why not construct it on this year's figures?

**The Hon. K.O. FOLEY:** It was not the same as the other jurisdictions. We had to find a point in time when we had available published data where all jurisdictions were using the same discount rate. That is what I am advised. But, bear in mind that, when we talk to the rating agencies, we do not use the commonwealth bond rate or the risk-free rate. We use a figure that is more in line with historical earnings of our fund. Different states produce figures in different ways, but you cannot fool the rating agencies, and they take our information from us using the very latest data that they can.

**The Hon. I.F. EVANS:** I have a question on the GST revenue. This is Budget Paper 3, page 3.15. It seems from what we can work out that South Australia is the only state that makes an adjustment to its GST calculations once it has received advice from the federal government about its GST revenues. I wonder why South Australia reports its GST in a different way.

For instance, to give some background to it, a couple of weeks before the state election you provided a brief to say that the Commonwealth Grants Commission had revised up South Australia's GST revenue. The forecast was an increase in revenue of \$475 million over three years. Then the 2009-10 midyear budget review included the line regarding the GST revenue, 'including a further allowance for anticipated losses' from the Commonwealth Grants Commission methodology review. One of my staff has gone through the other states' budgets and midyear budgets and, at that time, South Australia was the only state to base its Mid-Year Budget Review on an expectation of anticipated losses from the Commonwealth Grants Commission.

**The Hon. K.O. FOLEY:** We are more honest.

**The Hon. I.F. EVANS:** So the question is: why are we the only state that reports it that way?

**The Hon. K.O. FOLEY:** I cannot comment on what other states do, and I was being a bit flippant when I said we are more honest, but it would appear we are. What we believe is appropriate is that, when Treasury advises me, as Treasurer, of a material change, or an expected material change, in revenue, I suppose I have a discretion to say that I am not going to include it in my midyear review, but I have included it because, on the balance of probabilities, it is a much higher likely outcome than not. We update these numbers quite regularly. Perhaps other jurisdictions do not and they just leave them as projected numbers and adjust them at the end of the year. We operate in a different way.

**The Hon. I.F. EVANS:** So, when Treasury does this calculation of an adjustment because of grants from the Commonwealth Grants Commission, do they get that authenticated or signed off by the feds to say, 'Here is our calculation. What do the feds think?', or is it purely done by our guys?

**The Hon. K.O. FOLEY:** We are not required to sign off anything with the commonwealth and we can present what we wish, but we make our assessment based on information provided to us from a number of sources. One would be the commonwealth. For instance, what grants are we getting from the commonwealth in terms of fund flow? It could be based on what we know about our own source revenue. I will give you an example. Let us say that the WA Treasury comes down with its midyear review before us and let us say (which I think is a likelihood, but you never know)

that they have a higher royalty income stream than they had published in their budget because commodity prices have jumped and volumes are increasing.

Western Australia has to share probably close to 80 per cent of their royalties with the nation. They do not get to keep all of that under horizontal fiscal equalisation. So, we can be very accurate. If we see that WA has received an extra \$100 million in royalties, we are likely to get maybe \$5 million of that in revenue for our state, or if it is \$1 billion, we might get \$50 million. Don't hold me to those numbers, but we can work out what our share of the nation's share of WA's increased royalties will be.

Now, if we get that information, Treasury will say, 'This is what we are going to get', and I would be more than likely to include that in the mid-year review as a true reflection of what we think the current situation is. The reason you do a mid-year review is to give an update as to what the current situation is and what parameter effects may have come into play since you brought your budget down, but we may well be more open and more upfront with these changes than other jurisdictions—I don't know.

**The Hon. I.F. EVANS:** Budget Paper 4, Volume 1, page 3.11 deals with the investigation into the Sustainable Budget Commission leaked USB.

**The Hon. K.O. FOLEY:** I was wondering when we were going to get to that.

**The Hon. I.F. EVANS:** Can you give us a quick update of where that investigation is?

**The Hon. K.O. FOLEY:** No, I can't give you breaking news—I wish I could. We don't know yet. The forensics analyst that we have had probing has taken away a lot of data and is apparently going through it diligently and quickly, I hope.

**The Hon. I.F. EVANS:** Did the Treasurer's office or the Treasurer receive, prior to the USB drive being leaked, a copy of that USB in any of his offices—ministerial, parliamentary or electorate?

**The Hon. K.O. FOLEY:** What I can say on the public record, because I would lose my job if I was lying, is that I did not leak it, contrary to the scurrilous report that I read in *The Australian* that footage of the person who leaked it had a remarkable resemblance to my father—it was absolutely scurrilous. My dad liked it though, he thought it was funny, but no, it wasn't the old man. The old man would not even know what a USB stick was, I barely do. No, it was an early document. Our office was neither aware of, nor in receipt of, that version of the document at any time, is my understanding.

**The Hon. I.F. EVANS:** So, you didn't receive it, either at your Parliament House office, your electorate office, or your ministerial office?

**The Hon. K.O. FOLEY:** No. It was an internal working document that was only held by a limited number of people, and that is obviously what we are looking at now. Now, whether or not that was not passed on to other people, it certainly did not come into my office, any of my offices, or to me or my staff, and neither I nor my staff were responsible for its leaking.

**The Hon. I.F. EVANS:** Given that that leak contains some expected sales prices to some assets and businesses the government is looking at selling, has the Treasurer approached the Auditor-General about what process now is going to be put in place to manage the sale of those? The sale price has essentially been compromised to some degree because there is a public figure out there.

**The Hon. K.O. FOLEY:** I can just imagine if it had not been leaked, and I did not want to release it, and I tried to use in confidence rationale for it, you would have belted me.

**The Hon. I.F. EVANS:** The Minister for Infrastructure has been running around saying he is not going to tell us the cost of Adelaide Oval because it will give the tenderers a chance to bid up, so what is the difference here?

**The Hon. K.O. FOLEY:** Well, I can't stop the fact those numbers are out there.

**The Hon. I.F. EVANS:** No, but I am just wondering whether the Auditor-General will have some comment or guidance on process.

**The Hon. K.O. FOLEY:** No, we have not even reached a point of adopting—I mean we have said we will do a certain number of things in the budget, and I guess as part of the scoping and as part of the process at the time, we will have to take into account the fact that numbers are made public. I am sure we will get advice. You will not get it from the Auditor-General because he

looks at things post fact, but I am sure our advisers, who we bring on board to advise us on the value, will have a view about whether or not values have been impaired by the leaking of that document. There is nothing we can do about it. We will have maximum contestability. My guess is that it will not make much difference. People will pay what they will pay for it and, hopefully, there will be a number of buyers wanting to buy the very few little things we are putting out there.

**The Hon. I.F. EVANS:** Treasurer, Budget Paper 3, page 2.5 deals with—this is a general question so you do not have to rush to your books, lads—supplies to government, so office supplies in particular. Treasury undertook a tender for provision of stationery and related products. Were all companies that tendered on that asked to submit pricing as part of the tender?

**The Hon. K.O. FOLEY:** Good question. I will get Damian down here from Shared Services. Damian Bourke is the—

**The Hon. I.F. EVANS:** I know who Damian is, yes.

**The Hon. K.O. FOLEY:** —General Manager of Shared Services.

**Departmental Adviser:**

Mr D. Bourke, Executive Director, Shared Services SA

**The Hon. I.F. EVANS:** You used to do a similar job for the BHP subcontracting arm, did you not?

**The Hon. K.O. FOLEY:** Shared Services with BHP.

**The Hon. I.F. EVANS:** What is it called?

**The Hon. K.O. FOLEY:** Capgemini.

**The Hon. I.F. EVANS:** Yes, that is it, Capgemini.

**The Hon. K.O. FOLEY:** Yes, because you brought them into the state by giving them a great big subsidy—which I do not think came to the IDC, from memory.

**The Hon. I.F. EVANS:** I think it did, and I think someone leaked it.

*An honourable member interjecting:*

**The Hon. K.O. FOLEY:** No, that was my role—it wasn't a leak, I was upfront about it. Remember Brindal going off his brain about that?

**The Hon. I.F. EVANS:** Can we get the answer?

**The Hon. K.O. FOLEY:** Everyone was asked to provide pricing as part of the tender process, so I am advised.

**The Hon. I.F. EVANS:** So everyone that was asked to tender was asked to submit pricing.

**The Hon. K.O. FOLEY:** That is the advice that my officers have given me. Damian will check that. Damian has just said that that is his recollection but he will check it.

**The Hon. I.F. EVANS:** Okay.

**The Hon. K.O. FOLEY:** I do not know how else you could tender without giving a price.

**The Hon. I.F. EVANS:** That's a very good question, Treasurer, and—

**The Hon. K.O. FOLEY:** If you know something that I do not, please come forward.

**The Hon. I.F. EVANS:** I have been asked by one of the tenderers to ask the question. I am asking the question and I look forward to the response.

**The Hon. K.O. FOLEY:** I am taking my answer on advice.

**The Hon. I.F. EVANS:** I know it is under advice. I know the qualification, Treasurer.

**The Hon. K.O. FOLEY:** Damian is qualifying it, too. He will check, as well.

**The Hon. I.F. EVANS:** I understand the qualification. Why did the government not look at a panel of suppliers which would have provided a greater opportunity for smaller suppliers to be involved? Why have they gone as they have?

**The Hon. K.O. FOLEY:** I understand the question, and I have had a lot of correspondence on this issue. Given the exercise we are going through now, Damian has been given a very tough job to implement what I think, just by the way, will end up being the best shared services that any state government has implemented—that is not a high benchmark, I might add.

**Mr MARSHALL:** Most of them got rid of them.

**The Hon. K.O. FOLEY:** Sorry? You would get rid of them?

**Mr MARSHALL:** No, I said a lot of them have got rid of them.

**The Hon. K.O. FOLEY:** Who did?

**Mr MARSHALL:** Queensland did, did it not?

**The Hon. K.O. FOLEY:** I do not know. Shared services is the sensible way to go. However, driving savings in government you have a choice—well, you do not have a choice; we have not given them a choice. The advice from my agencies and what I concur with is that, on behalf of taxpayers, I have to go for the cheapest price. Whereas in the past both sides of politics may have had practices—and there is a lot of pressure on me from time to time to adjust procurement policy to take into account local contractors, local employment, etc—that is in breach of the spirit if not the agreement of the national preference arrangements with the commonwealth that were signed at a national level for all states, a no preference agreement—but, ultimately, the best service we can give to a taxpayer is to get the cheapest price possible. Regional agencies were excluded, so regional agencies could get pricing from local suppliers, but we are talking here about Adelaide.

**The Hon. I.F. EVANS:** That goes to my third and last question on this issue. Is the supplier mandated or is there a discretion of agencies—other than the regional agencies that now have a discretion?

**The Hon. K.O. FOLEY:** You have raised a very good question and we are having a general discussion here. I am advised that we have enough buying in from agencies to reach the quantity levels which will enable us to get the discount pricing. I just asked the question why don't we mandate it across government to everyone to get in, but that always seems difficult in government. Some agencies already have contracts in place that are yet to expire and it is sometimes, on some things, difficult to mandate everything to every agency right down to the—

**The Hon. I.F. EVANS:** So it is not mandated that the general buying provisions of government will meet the discount level?

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** So the tenderers who have missed out can then still supply if the agencies want to use their discretion?

**The Hon. K.O. FOLEY:** To the extent to which there are still contracts running with those previous suppliers but, again, it poses an interesting question. If Agency X finishes its contract, goes down the road to a stationery supplier and that stationery supplier offers the agency a price cheaper than what the tendered price is, well, I would want to know why, but I am told that the deal that is struck so attractive that agencies are willing participants in this.

**The Hon. I.F. EVANS:** Lucky that was—

**The Hon. K.O. FOLEY:** We are straying into areas where I feel a little uncomfortable.

**The Hon. I.F. EVANS:** Fair enough. Treasurer, I just want to ask you a few questions about health funding. This goes to Budget Paper 3, page 3.19, and Budget Paper 3, page 2.1 and Budget Paper 6, page 101, they all deal with health funding generally. Page 101 of Budget Paper 6 sets out the additional resources you are claiming to put into health: \$120.87 million in 2010-11, \$123.9 million in 2011-12, \$127 million in 2012-13, \$130.3 million in 2013-14. My understanding is that \$502 million is all simply to maintain the current level activity. It is not actually buying any extra activity then we are normally doing.

**The Hon. K.O. FOLEY:** Yes, they are our election promises. Sorry, no, you are right, that is to support the current level of activity which we expect to be maintained. The reason that we do that is because, and, this is a good conversation so I won't be too hard on you, but the previous treasury practice—which I adopted for the first couple of budgets, I might add—was you would sort of cop the overrun at the end of the year result, but you would not actually build it into the base for

the next year because you hoped that they would come back and live within their means. So, that is what you did in eight years, I am told.

I did it in the first couple of budgets but then I realised that that was not sustainable because, unlike any other agency where you might have a \$10 million overrun one year and you can pull it back the next because you are able just to find the ways to save it, in health it is mainly activity-based and it does not decrease.

So you really have to factor it into the forward estimates, and that is what we have done here and we have been upfront about it. But it is real money, it is not new money, it is not money, well, it is money that we have to find from somewhere. We should be able to make a virtue of that.

**The Hon. I.F. EVANS:** Of the \$730 million that is claimed to be new money into health, \$502 million of it, then, relates to maintaining existing activity levels. That leaves \$228 million over four years, which is about \$57 million a year for other measures. You are talking about and 9 to 11 per cent growth in health activity and health spending. How is the \$57 million a year meant to cover that?

**The Hon. K.O. FOLEY:** What it does, and I am not sure if this is answering your question exactly, but what it is covering is increased activity above what we had previously expected and this is where we are chasing our tail all the time. This is new money; we have had to find it.

**The Hon. I.F. EVANS:** The \$502 million or the \$228 million is?

**The Hon. K.O. FOLEY:** The \$502 million.

**The Hon. I.F. EVANS:** Well, that is funding what we did last year for the next four years.

**The Hon. K.O. FOLEY:** No, it is funding last year's actual level not last year's budgeted level. Last year's actual level is \$200 million, roughly I think, higher than what we budgeted so we are taking the actual and profiling that forward.

**The Hon. I.F. EVANS:** So your activity level has gone up to the tune of \$200 million or whatever it is.

**The Hon. K.O. FOLEY:** Whatever it is, yes; then we take that forward.

**The Hon. I.F. EVANS:** So one assumes you have then budgeted for a new activity level even above that over the next four years. Yes?

**The Hon. K.O. FOLEY:** We provide a further 2 per cent output growth over and above what we are already funding.

**The Hon. I.F. EVANS:** Two per cent?

**The Hon. K.O. FOLEY:** Yes—

**The Hon. I.F. EVANS:** But isn't it 9 to 11 per cent?

**The Hon. K.O. FOLEY:** As I am advised, the cost in health is not just activity, so it is not just people coming through.

**The Hon. I.F. EVANS:** No.

**The Hon. K.O. FOLEY:** It is a factor of health technology—the cost, new equipment and all of that—but we budget for a 2 per cent increase—I have not explained myself well. We budget for a 2 per cent increase in activities—that is activity growth, not dollar growth. Now, we cannot give you an exact figure, but a 2 per cent increase in the number of people coming through our doors for procedures might equate to 5 per cent or 6 per cent of the 9 to 11 per cent growth. Hang on. Let's wind back a bit. I was just getting the component break-up. No, I did mislead you then; it is not 5 per cent. It is about 2.2 per cent of that 9 per cent.

**The Hon. I.F. EVANS:** It is activities?

**The Hon. K.O. FOLEY:** It is activity per se. The cost of equipment and technology is a significant proportion of that percentage—supplies, I guess—and a significant component is also wages, because we are in the most contested wage market of just about any wage market, so wages are a component of that, and it all just goes into the mix.

**The Hon. I.F. EVANS:** Okay. But last year the activity level was such you had to pour in—there was a \$117 million figure and I think there was even a figure before that again. So it is well over \$100 million, we know that. So, if you allow for that activity level over four years—that is those

figures there that I read out earlier—then that leaves \$228 million over four years (\$55 million, \$60 million) to cater for any increase. How is that going to work?

**The Hon. K.O. FOLEY:** Well, that is right.

**The Hon. I.F. EVANS:** Is your advice that that is going to cover it, or are we going to be back here next year because you have poured in another heap of dough?

**The Hon. K.O. FOLEY:** Look; I said it is highly probable we will overspend in health again this year.

**The Hon. I.F. EVANS:** Okay.

**The Hon. K.O. FOLEY:** Hang on. The problem we have is that we fought with the federal government to get an improved outcome at the commonwealth Healthcare Agreement. Under the last healthcare agreement I think the feds were only funding us to about 5 per cent or less than that. I cannot remember what the federal Howard government was doing: 4 or 5 per cent. The Labor government took it up to 7.2 per cent. That is the argument we had at the time; we are still not getting a sufficient contribution from the commonwealth to what its share of health costs should be. So, that puts a bigger burden back onto the state.

We are putting a number of efficiencies into health. We have to under the new health-care agreement or the new health-care arrangements, the intergovernmental agreement that we are close to getting to an end point on. We have to meet efficient pricing so the commonwealth will set through some mechanism what is an efficient pricing for various health procedures. We have to get to that. We are at that point in a number of hospitals; we are not at others. So, that should see efficiency savings.

However, it is activity growth, equipment growth, the cost of procedures and wage outcomes. We are hopeful that we will get wage outcomes that are more consistent with the money that we have provisioned than what does occur. Equally, we have to drive further efficiencies in our hospitals.

Again, the reason we have not accounted for all of the wage outcomes in our health budget is that we hold a large part of that back centrally. So, in our central wages provision, there is another dollop of money—another quantity of money—that will also go in to health to meet those wage pressures. We do not put it in the health budget so we do not tip our hand to it. We put a certain amount of that in, but not all of it.

I think what the guys are saying is that we fund a bit over 5 per cent growth in the health budget in this budget, but we also hold back a percentage, a not insignificant amount for wages outcomes in central contingencies. There might even be a few other little contingencies that we hold back from health. However, when the feds are giving you only 7.2 per cent and costs are running between 9 per cent and 11 per cent, we have to get those costs back. To be honest, I would rather be topping up health at the end of the year than giving them too much up-front. There is still a bit of me and a bit of us in Treasury that just hope—perhaps beyond hope—that, at some point, we can pull this beast back a bit.

**The Hon. I.F. EVANS:** In relation to the new federal health agreement—talking about Budget Paper 3, page 3.19—the Premier told South Australia on 12 May:

I am delighted that the deal we have brokered delivers an amount slightly above a 9.3 per cent increase.

If you go to page 3.19 of Budget Paper 3, it has the National Health & Hospitals Network Payment. It also has the National Healthcare Special Purpose Payments. They go up 9.2 per cent, just over 3.5 per cent, 5.4 per cent and 2.9 per cent across the forward estimates. So, where is the 9 per cent?

**The Hon. K.O. FOLEY:** There were some special SPs or NPs—or whatever the then prime minister would call them—that were paid and agreed to at that meeting that took us up to 9.2 per cent in the first year.

**The Hon. I.F. EVANS:** So, that was just for one year?

**The Hon. K.O. FOLEY:** That will not add up to 9.3 per cent. What we are told is that, at that point, the feds gave us a lot of money, but gave it to us up-front in that first year for us to then spread it across the four-year forward estimate period. Our advice is that—and we stand by it; and the Premier was correct to say that it was 9.3 per cent—on the figures that you are referring to, what is not in those figures is what we already have in the base.

Our advice is—and we stand by it—that the Premier was correct to say that was 9.3 per cent. On the figures you are referring to, what is not in those figures is what we have already got in the base. The base is growing at about 7.2 per cent and, I guess, some of the wages—I am sorry, that is the commonwealth funding. We have the 7.2 per cent, and add that onto it and you should get around 9.3 per cent, I am advised.

**The Hon. I.F. EVANS:** Under the federal health agreement, a level of GST is meant to be quarantined for health. I note from the federal budget papers that the level of GST being quarantined is 26.5 per cent in the year 2011-12, 27.3 per cent in the year 2012-13 and in the year 2013-14, 28.3 per cent. That is the South Australian level of GST being quarantined. What is the maximum level of GST that can be quarantined under the deal?

**The Hon. K.O. FOLEY:** It will depend on our actual expenditure at any given point. The federal government will take off 60 per cent, so we will have to prove what our expenditure was. It will then calculate its proportion of that 60 per cent, and we are left with what is left. The figure may jump around each year, but the 60-40 split should see around approximately 30 per cent. In this case, for the first few years, it is under 30 per cent.

**The Hon. I.F. EVANS:** But there is nothing to stop it growing to 31 per cent, 32 per cent or 33 per cent, if that is what the health expenditure dictates. There is actually no cap. Is that what we are saying? The media reporting was that there is a 30 per cent cap. That was the media reporting. You are saying that the federal government pays 60 per cent of our costs and our 40 per cent—whatever that is, whatever percentage of the GST—we just wear it.

**The Hon. K.O. FOLEY:** That was addressed at the time of the announcement, because a lot of emphasis was put on 30 per cent being the actual figure, when, in fact, it was an approximate figure, and it will depend between jurisdictions. That is why we are concentrating on expenditure. The feds will pick up 60 per cent of the expenditure, which should, in any given year, equal roughly 30 per cent. We also have to define—and we have not done this yet—exactly where the boundaries are as to what you calculate in as health.

**The Hon. I.F. EVANS:** Really?

**The Hon. K.O. FOLEY:** You have got aged care boundaries and primary care, because they are taking over a lot of primary care. You have to define what the boundaries are on these things as well.

**The Hon. I.F. EVANS:** What happens in an economic downturn when GST revenues plummet, as happened in the global financial crisis? One assumes that, with respect to the proportion of GST, then, because it is not capped, our health costs will still be high, the level of GST will be low, so we can expect a lot higher percentage going to health? Yes? What is the downside? What is the safety net for the states on that?

**The Hon. K.O. FOLEY:** Good question, and it has been addressed in this package in that 2013-14 year, the year it starts. That number is locked in and it is projected forward on an adjusted rate.

**The Hon. I.F. EVANS:** Of?

**The Hon. K.O. FOLEY:** It is indexed by the rate of growth in the GST.

**The Hon. I.F. EVANS:** Sorry, what is indexed?

**The Hon. K.O. FOLEY:** The base that we agree to in 2013-14—

**The Hon. I.F. EVANS:** The base of?

**The Hon. K.O. FOLEY:** Whatever we define as the health budget. It is a dollar amount. Once we—

**The Hon. I.F. EVANS:** It is not a percentage, it is a dollar amount?

**The Hon. K.O. FOLEY:** Well, you work out the percentage, which will equal a dollar amount, and vice versa. It is a dollar amount, which the federal government has said is 30 per cent. It puts too much emphasis on 30 per cent being the exact number, and what we are saying is that it is actually an approximate number. That will be indexed going forward for the rate of GST. We both share the pain if there is an economic downturn.

**The Hon. I.F. EVANS:** What 60-40.

**The Hon. K.O. FOLEY:** Yes, so they get 60 per cent of the pain and we get 40 per cent of the pain.

**The Hon. I.F. EVANS:** That means the state's discretion on its GST revenue is eroded, doesn't it, because if we have a downturn our GST level drops, and our health expenditure is not going to drop. One can only assume that more of our GST revenue is going to go to health.

**The Hon. K.O. FOLEY:** To our 40 per cent.

**The Hon. I.F. EVANS:** That is what I am asking: is it capped?

**The Hon. K.O. FOLEY:** We will have to meet 40 per cent of that cost increase from our revenue.

**The Hon. I.F. EVANS:** Regardless of our GST revenue.

**The Hon. K.O. FOLEY:** Yes, but the commonwealth will have to pick up 60 per cent.

**The Hon. I.F. EVANS:** What I am asking is: surely that must put our flexibility at risk in a downturn, because the 40 per cent cost will remain high and we will have low GST revenues and therefore less discretionary spending from the state.

**The Hon. K.O. FOLEY:** The commonwealth is more exposed under this and we are less exposed. At present, we are copped with the lot. We get a percentage from the commonwealth which is a fixed number, but that does not directly correlate with what the actual outcome will be. In a downturn, a sharp decline in GST revenue, they are far more exposed to the downside risk than what we are.

I never got overly excited by this agreement. What I think benefits us and will benefit you, if you are the next treasurer (whoever it may be), is that from 2014-15 onwards—and I have to credit Andrew Fraser from Queensland with this saying, and it is a very good one—the feds at least have got their feet on the sticky flypaper of health. They are in the mix and they are going to feel the pain, and they are going to see that there is not much alternative to just putting more revenue into the system. We can have all the efficiency controls and all the downward pressures you can do, but ultimately there will have to be an increased quantity of money for health and they are going to be in the mix.

**The Hon. I.F. EVANS:** I have some questions on Shared Services. Budget Paper 6, page 44 raises the issue of Shared Services. I am going to the Auditor-General's summary of Shared Services. On page 10 of the Audit Overview, the Auditor-General has outlined the progress (if you want to call it that) of the Shared Services initiative. I am just trying to work out how to read this particular chart. For instance, what does 'savings allocated' mean as distinct from 'savings already achieved'?

**The Hon. K.O. FOLEY:** Whilst we are looking for that answer, in answer to an earlier question, I can tell you that Damian has confirmed that, in terms of purchasing stationery, all those invited to tender were asked to submit prices as part of their bids.

**The Hon. I.F. EVANS:** And they did?

**The Hon. K.O. FOLEY:** I am not sure whether or not they did, but they were asked to. Under this table, the savings allocated are savings that we have achieved and then we have allocated them to functions.

**The Hon. I.F. EVANS:** Is that like through a group purchase initiative or something and you—

**The Hon. K.O. FOLEY:** Yes, like the future ICT savings, that is a result of the contract, I assume, we signed with the various IT suppliers. We know what that is and we can then sort that through. We have had an agreement in our warehousing arrangements; obviously ICT mobile carriage services. The balance of savings are those savings that, as yet, we have not been able to implement and, as we do, they will be allocated.

So we have missed a couple of years there, and we have got some targets. Roughly, they are those \$30 million targets that we are moving very quickly to now to try to achieve, and we are now moving into the next tranche of work within Shared Services. But I will be upfront about this: savings are taking longer to achieve than we would have hoped, but I think the value, or the integrity, of those savings will be much stronger than may otherwise have been the case if we moved any faster. As the Under Treasurer says, \$240 million will have been saved from



2007-08 onwards to 2013-14. So, if we had not done this initiative, we would have been spending \$250 million-plus more—

**The Hon. I.F. EVANS:** Sorry, what was that figure again?

**The Hon. K.O. FOLEY:** \$240 million, aggregate savings.

**The Hon. I.F. EVANS:** Between what years?

**The Hon. K.O. FOLEY:** 2007-08 and 2013-14.

**The Hon. I.F. EVANS:** That is assuming you make every single saving as budgeted.

**The Hon. K.O. FOLEY:** No; they are the measures that we have already achieved and agreed.

**The Hon. I.F. EVANS:** Really? How does that work? In the top line it says savings budgeted at 2006-07 are \$360 million, and the balance of savings is \$166 million.

**The Hon. K.O. FOLEY:** I am told what I have said is right, by two advisers.

**The Hon. I.F. EVANS:** So what has been the total cost of delivering those savings? What is the total cost between 2007-08 to 2013? You are claiming—

**The Hon. K.O. FOLEY:** I said they were aggregate numbers.

**The Hon. I.F. EVANS:** Yes. You are claiming a saving: what is the total cost?

**The Hon. K.O. FOLEY:** \$68.3 million, I am told.

**The Hon. I.F. EVANS:** That cannot be right. Jim Wright told the Budget and Finance Committee it was \$97 million. That was last year. So, one assumes they have not been paying you to work—

**The Hon. K.O. FOLEY:** Hang on, I jumped too quickly.

**The Hon. I.F. EVANS:** I thought you might have.

**The Hon. K.O. FOLEY:** Whatever Jim Wright told you was correct.

**The Hon. I.F. EVANS:** That does not help me.

**The Hon. K.O. FOLEY:** We are going to come back to you with a reconciled number.

**The Hon. I.F. EVANS:** I am sure what Jim Wright told us at the time was correct, but he actually said it was—

**The Hon. K.O. FOLEY:** I have just heard another number here.

**The Hon. I.F. EVANS:** —it was \$60 million, and then he added \$37 million, and then there was another \$15 million asked about by the Hon. Caroline Schaefer.

**The Hon. K.O. FOLEY:** I was just told \$84 million, but we are going to get it reconciled.

**The Hon. I.F. EVANS:** It cannot be \$84 million. It was \$97 million plus \$15 million six or eight months ago.

**The Hon. K.O. FOLEY:** We will reconcile the number for you. I do not have in front of me what Jim Wright was responding to. We will come back with a proper reconciliation of implementation costs.

**The Hon. I.F. EVANS:** The Auditor-General indicates that the agency claims it still expects to be making \$60 million savings in 2013-14, but the charter shows that you are at least \$10 million short. I am wondering, given that you have not met any savings target so far, why you are so confident that you are going to get there.

**The Hon. K.O. FOLEY:** I am pretty happy that there is only \$10 million to find in 2013-14. These are not insubstantial numbers, and we have still got a lot of things to transition into Shared Services that have not as yet gone in. We are quite confident that we can get that number.

**The Hon. I.F. EVANS:** What is the next tranche to go in?

**The Hon. K.O. FOLEY:** We have got a proposal before cabinet now on the next tranche, and I cannot pre-empt cabinet.

**The Hon. I.F. EVANS:** So, is the next tranche built into the budget figures, or is the next tranche not built into the budget figures?

**The Hon. K.O. FOLEY:** No; the savings are savings that we have identified that will come from the Shared Services process as we transition various functions into it. The next tranche of functions that I am proposing to be put into it that will contribute towards that has not been agreed by cabinet and I cannot pre-empt what a cabinet decision will be.

**The Hon. I.F. EVANS:** But, if cabinet signs off on tranche 3 or 4, or whatever it is, and that is going to produce X savings, those savings are not in the budget figures as of today, because no cabinet decision has been taken? You have not built them in anywhere?

**The Hon. K.O. FOLEY:** Yes, well they have got to meet that \$10 million, because that is the number in the budget. So, anything above that—if we can get 15 or 12 out of it—is a benefit to the budget.

**The Hon. I.F. EVANS:** So, these savings figures in this table on page 10 are not the savings figures to be delivered out of the tranches already approved by cabinet. These are the figures to be delivered by matters already approved by cabinet and any future approval by cabinet. I would have thought these were the figures to be achieved by the existing decisions of cabinet.

**The Hon. K.O. FOLEY:** Just going back to that table: you are right. For 2013-14, we have a figure of \$60 million in the budget, okay? Reconciling it down the line—

**The Hon. I.F. EVANS:** You still need nine.

**The Hon. K.O. FOLEY:** —we are 9.2 short. What I am saying is that we are proposing to transition, should cabinet agree, to a large number of additional shared services functions that we think will be sufficient to meet that number.

**The Hon. I.F. EVANS:** But the \$60 million figure, Treasurer, in that year, was meant to be delivered out of the first two tranches already approved.

**The Hon. K.O. FOLEY:** No, that was the overall reform.

**The Hon. I.F. EVANS:** Okay, so cabinet is just going to keep inventing tranches until they get the \$60 million?

**The Hon. K.O. FOLEY:** Well, they are not inventing.

**The Hon. I.F. EVANS:** Can you let me know how many tranches there are going to be then?

**The Hon. K.O. FOLEY:** It is very difficult from the outset for us to exactly predict savings. So, we identified what we felt for our business case was an appropriate number to put in as an achievable saving. We then have a number of tranches which are obvious, but depending on the courage of the government, or it might depend on technology or experiences elsewhere, you can roll some other things in. What we are rolling in at present are the obvious things.

We approved a very broad scope when we took this decision of the possible things or the things that can be identified to go in. So, that is the menu that Treasury and Damian are working from. My expectation is, provided we can bed a lot of this next lot down, that we will well exceed \$60 million in future years. That was a conservative number; we are 9.2 short. We think we will get there. We are pretty confident we will get there, and I would hope that we will exceed, if we can think of more things that shared services can do. So, when we agreed to shared services, it had a scope of possibilities, and we are working our way through that. I mean, there are a lot of extra things you could do with shared services if you wished to go down that path.

**The Hon. I.F. EVANS:** What is the role of the contingency? Is it if they don't make the \$60 million, the contingency tops it up? Is that what will happen?

**The Hon. K.O. FOLEY:** We have a contingency built in that allows for non-achievement of savings, that is what rescues or sorts out the bottom line for us in the current budget year and the next few years. We basically said \$60 million from day one—well not quite, \$25 million, \$45 million, but up to \$60 million by 2009-10. It is a very challenging task, but being very prudent and conservative budgeters as we are in Treasury, we actually held a contingency for non-achievement of that number. We wanted to keep the number there because we wanted them to strive for it, to keep Damian and his team under pressure to get there, but we did hold back a contingency for non-achievement. It is prudent management.

**The Hon. I.F. EVANS:** You may have to take this on notice, Treasurer: could you tell us the staffing level number of shared services? Originally, I think there were going to be 2,300—there was a figure in a Treasury annual report at one stage of 2,300.

**The Hon. K.O. FOLEY:** I might have that here.

**The Hon. I.F. EVANS:** I would be interested in how many regional jobs have been centralised.

**The Hon. K.O. FOLEY:** I have a number for you. Currently, we have 857.39 full-time equivalents. The head count is about 900 in Westpac House and Wakefield House. We look after over 100,000 public sector employees. It pays 166,000 supplier invoices each month; it raises 51,000 invoices each month on behalf of government agencies.

**The Hon. I.F. EVANS:** Yes; I have read that.

**The Hon. K.O. FOLEY:** And 99.35 per cent of base pay is paid on time; 99.9 per cent of invoices are raised without error; and 99.94 per cent of invoice payments are accurately processed.

**The Hon. I.F. EVANS:** Treasurer, just on Shared Services, in the budget savings measures there are savings measures that are called things like department administration efficiencies. They add up to about \$200 million across the forward estimates. Are they inside or outside the Shared Services savings targets?

**The Hon. K.O. FOLEY:** We have kept the 0.25 efficiency dividend in the budget, and I think that should just be there every year. If you get into government next time around you just leave it there and keep them under the pump. We have not fully increased the CPI dividend, because I want to keep a little bit of pressure there on their goods and supplies. However, some agencies will want to try and attribute efficiency savings from transitioning to Shared Services as their portion of these savings. That happens all the time, and we will just sit down and haggle over it, as to who can claim what.

**The Hon. I.F. EVANS:** But that \$200 million, or just a touch over \$200 million, is essentially outside of Shared Services; they cannot double count it.

**The Hon. K.O. FOLEY:** They cannot, in the end, but we may be prepared to allow them to count some of it to that number and we will take some into Shared Services.

**The Hon. I.F. EVANS:** So they may or may not count the e-procurement or the procurement contracts; they cannot count them as their savings?

**The Hon. K.O. FOLEY:** It is going forward. We identify a function going forward. As one of the elements of the next tranche of transitions, if there are some things in there where an agency head says, 'Crikey; I actually had that saving. I was going to do that myself and that was going to go towards my 0.25 efficiency,' he or she will come along to Damian and Brett and have a whinge. We will sit down and, as Treasury always does, fairly negotiate what is a reasonable split between what they can claim for their saving and what we will claim. Both will start out at 100 per cent each and we will come to a point where we will probably get 90 per cent and they will get a little bit.

**The Hon. I.F. EVANS:** This is my last question on Shared Services, Treasurer, referring to page 3.19. In 2008-09 the net cost of the program was an income stream of \$1.582 million. In 2009-10 it was an income of around \$5 million. This year it seems to be a cost of around \$3.5 million. It shows that the net cost of the services has gone from, I think, an income to a cost. It was going to be full cost recovery, so I am just wondering how that works.

**The Hon. K.O. FOLEY:** We will get you an answer. Net cost of the sub-program Shared Services operations has moved from a net cost of minus \$5.127 million in the 2009-10 budget to a net cost of \$3.925 million in the 2009-10 budget. I have a more detailed answer here, but I can't—

**The Hon. I.F. EVANS:** Put it on notice.

**The Hon. K.O. FOLEY:** Yes, we will come back to the house with a detailed answer to that question.

**The Hon. I.F. EVANS:** Thanks. We will move quickly to Forestry SA, Treasurer, which is in the budget papers. I am just wondering what methodology is going to be used to try and assess the sale. Queensland only got about half of their book value when they sold, and they included about 10 per cent of their land. The first question is: is any land being considered for sale or is it only the forward rotations?

**The Hon. K.O. FOLEY:** We have had a detailed scoping exercise undertaken that looked a whole lot of options from full privatisation through to a very minimal process. The government, of course, has a no privatisation policy as it relates to our significant government businesses so therefore we have ruled out the full privatisation model. I cannot give you a specific answer at this stage because we actually have not made that decision.

We have had a piece of detailed work done on what the value of the rotation sales are in the eyes of our advisors. We are now at the point where we will now be going to Cabinet shortly to decide exactly on the process and how we will go forward with it. We just have not done that as yet.

**The Hon. I.F. EVANS:** One assumes, then, like all Cabinet decisions, there would have been a full regional impact statement done, like the employment impact, because the South-East councils and communities are very concerned about loss of jobs. One assumes there has been a full regional impact statement done on the sale of forward rotations.

**The Hon. K.O. FOLEY:** That is one of the reasons that privatisation was not—which I understand you had ruled out even supporting the privatisation, and obviously the crossbenchers had as well. But that will be part of the exercise when we make the decision, and we will do a full analysis as to what, if any, job impacts there will be, so we have all the information. I think the questions will centre around how many rotations you sell, what encumbrances you may want to put on it. We have already said that Forestry SA will still exist and still be the processor of that timber. My expectation is that there will be minimal job impact, but I cannot give you an exact impact.

**The Hon. I.F. EVANS:** What role would Forestry SA have if you sold two or three rotations?

**The Hon. K.O. FOLEY:** Well, you sell the rotations to somebody who wants to invest in the rotations. They will still have to process that timber. So Forestry SA will still be the processor of that timber or, more likely, they will continue to be the manager of the asset and the processor of the asset. What will happen is, I assume, we will get a superannuation fund or somebody who wants an income stream that they can purchase for the next 30 years effectively. We are capitalising the interest, or our dividend, up front, hopefully with a premium whether or not we get that.

**The Hon. I.F. EVANS:** Have you taken any advice on the fact that there is a whole range of forests out there for sale through the collapse of the managed investment schemes? I would have thought that the advice would have been it would be a poor time to go to market. In fact, it would almost be the time to buy.

**The Hon. K.O. FOLEY:** We are not going to go out and buy but we have factored all that in and what we are offering is a pretty good deal. We are offering you a guaranteed customer in government. Your customer is AAA, rolled gold, we are going to buy it. Sorry, as Brett just pointed out, we do not actually buy the timber; that was an error. So, we do not guarantee the customer. ForestrySA already has contracts in place for their supplies and it has a position in the market where it can be viewed as a strong participant in the marketplace, but, effectively, people are buying an income stream.

And with the timing, as we have done with some of our buildings, if the adviser says what you have just said, 'Look, this is the wrong time to do it; wait another two years or 18 months,' we would obviously take that advice. This is not a fire sale. We do not need to sell it tomorrow. It is factored into our forward estimates. Obviously we want to sell it in our forward estimates period.

**The Hon. I.F. EVANS:** Does the sale need legislation?

**The Hon. K.O. FOLEY:** No.

**The Hon. I.F. EVANS:** And will all the sale proceeds go to pay off debt?

**The Hon. K.O. FOLEY:** It will go to the budget bottom line, which would be budgeted to pay a whack off debt. Absolutely.

**The Hon. I.F. EVANS:** So all of it will go to pay debt?

**The Hon. K.O. FOLEY:** Absolutely. We will get a lump sum cheque from someone, or however they pay it—instalments—and someone will run around to Kevin Cantley and give it to him and he can shoot down the post box, cash it in and write off the debt.

**The Hon. I.F. EVANS:** I have a question on Budget Paper 3, page 3.24. It goes to the question of mining royalties. Can you update the house on your understanding of what the current arrangements are for the reimbursement of—

**The Hon. K.O. FOLEY:** No, I cannot, because I have no idea.

**The Hon. I.F. EVANS:** So you have had no discussions with the feds about the impact or—

**The Hon. K.O. FOLEY:** I do not think we have, to be honest, because the feds have not even decided what the situation is. It has done a deal with the major miners. It has the former chair of BHP, Don Argus, chairing a committee that is consulting and then it will give a recommended regime to the federal government. I do not think that has been released yet. So the states are really not in the mix on this. Ultimately, the feds will make a decision on this and what I have said—and I was asked this question (and there is nothing wrong with the question; it is a good question) at a mining lunch the other day and I said that my guess is it will still probably be like the last one.

The feds are saying it is only going to cover coal and iron ore. To the extent that we have coal and iron ore mining in South Australia, I guess they will do what they did last time, which is that we will charge the coal and iron ore companies a royalty for the rent and they will have that royalty rebated by the commonwealth, which will bring a resource rent over the top. However, I cannot be absolute about that because I have not seen the final architecture of the proposal. I do not think the feds are consulting terribly with the states.

**The Hon. I.F. EVANS:** Fair enough.

**The Hon. K.O. FOLEY:** As the feds rarely do, of any political persuasion.

**The Hon. I.F. EVANS:** Just on the desal plant and water pricing, Budget Paper 3, page 3.23—

**The Hon. K.O. FOLEY:** Great idea that desal, wasn't it? Who thought of that idea?

**The Hon. I.F. EVANS:** Half the size would have been better.

**The Hon. K.O. FOLEY:** We just wanted to be absolutely safe.

**The Hon. I.F. EVANS:** I refer to Budget Paper 3, page 3.23 and table 3.17. I note that in 2013-14 there is a huge jump in dividends by 46 per cent in that year. I am wondering why in that year the dividends jump so significantly when, across the previous years, there is a steady increase. What happens in that year to increase the dividend so much?

**The Hon. K.O. FOLEY:** What is happening is that water prices are going up, but they are not recovering all of the debt we are incurring in the early years, because we are incurring the debt and paying for the construction of the facilities to a greater extent than what revenue is rising by. So, dividends from SA Water will be lower over a number of years, until such point as the price increases start to give a payback to SA Water. Over the construction period of the project, it is a zero sum game, because we are not raising revenue above what we need to meet the cost of desal and the appropriate prudential margin on top of that, but it is a timing issue. SA Water is having to spend more money than it is getting in revenue increases in the early years.

**The Hon. I.F. EVANS:** Is SA Water's debt payment consistent across the forward estimates?

**The Hon. K.O. FOLEY:** No; it is incurring increased debt earlier in the project than at the back end of the project.

**The Hon. I.F. EVANS:** Is it possible to get a debt repayment schedule?

**The Hon. K.O. FOLEY:** When we put the price path, we did not say, 'This year it will go up by this amount to cover the debt you take on that year and, next year, it will go down to this,' or whatever. The price path is smooth, if you can call a price increase of such magnitude smooth; whereas the costs of the capital are lumpy. It depends on the element of the project and what the payment schedules are to the contractor for the project. So, the payments are lumpy. They do not follow the exact correlation. They do not correlate to the—

**The Hon. I.F. EVANS:** Treasurer, I am talking about 2013-14. The thing is going to be built next year, so one would assume that the construction costs are all completed when the project is completed, which is next year. This is in three years' time so, surely, the debt repayments are consistent from then on.

**The Hon. K.O. FOLEY:** I am not sure what table you have, but—

**The Hon. I.F. EVANS:** Table 3.23 of Budget Paper 3.

**The Hon. K.O. FOLEY:** The 2009-10 dividend and income tax equivalent was \$246.6 million. For 2010-11, it drops down to \$154.2 million.

**The Hon. I.F. EVANS:** And that is the year the project is completed?

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** So, the capital cost is known at that point?

**The Hon. K.O. FOLEY:** Yes, but I do not have the other years in there.

**The Hon. I.F. EVANS:** I can tell you what it is. It is \$243.9 million, \$314.3 million, \$458.8 million.

**The Hon. K.O. FOLEY:** Yes, I have that here. We have incurred the debt and then we get the full effect of the price rises coming through, which will service the debt. The reason that the dividend is so high by 2013-14 is that the balance sheet—as you would recall, under your government, you set a 6 per cent return on the average weighted cost of capital—has expanded significantly by 2013-14, so it has to get a return on that capital

That number, the \$458 million in 2013-14, is not net of CSOs that we have to pay. The CSOs would be the equalisation for country postage and all of that. The actual net dividend is much smaller.

**The Hon. I.F. EVANS:** My last question on the desal plant is, with respect to the \$228 million grant from the feds, is there a GST offset as a result of that and, if so, what is it?

**The Hon. K.O. FOLEY:** We have not had that finalised, but we are reflecting in our budget that, in fact, we will only get our 7 per cent. This is what I have a lot of difficulty explaining to my colleagues: if you get a \$200 million gift from the commonwealth you do not actually get \$200 million because you will have back-ended out of your GST grants.

**The Hon. I.F. EVANS:** How much do you think we lose in GST?

**The Hon. K.O. FOLEY:** Most of it; 7½ per cent—\$14 million, \$15 million. You get the grant upfront, I guess, and your numbers might look good in the year that you get it, but then you subsequently lose that. A lot of the stimulus money, of course, was exempted from impacting on your GST numbers. So, anything you get from the commonwealth, you do not get to keep much of it.

*[Sitting suspended from 18:16 to 19:00]*

#### **Membership:**

Mr Hamilton-Smith substituted for Mr Venning.

#### **Departmental Advisers:**

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

Mr A. Blaskett, Acting Deputy Under Treasurer, Department of Treasury and Finance.

Mr K. Cantley, General Manager, South Australian Financing Authority.

Mr R. Smith, Chief Executive, Funds SA.

**The CHAIR:** Good evening again. I believe we were talking about forests.

**The Hon. I.F. EVANS:** No, we are onto SAAMC, SAFA and all that. I advise that the Treasurer and I discussed during tea that we had an hour for this particular session, but we have agreed that, if we do not run the whole hour in this session, we will move and have a longer time on the Motor Sport Board or MAC. I bring that to the attention of the committee.

Budget Paper 3, page 4.14, housing indemnity insurance, the government has provided a reinsurance cover to QBE and Calliden in respect of builders warranty insurance as from 1 July this year. What other options did you look at rather than the government underwriting, because there is

a Queensland model and a mutual member scheme model that the building industry talked about? What other models and why did you pick this one?

**The Hon. K.O. FOLEY:** Firstly, I will go back to some years ago now when it first rose its head when HIH went broke and I think New South Wales moved to put their own government scheme in play. I was under a lot of pressure from the MBA in particular to provide a cover, but I held out hoping like hope that the market forces would come in. What happened is that that did happen. QBE, I think it was, came in, and even though they were the sole insurer, the advice from the ACCC and others was that they still did not have exorbitant market power when looked at nationally.

This time around it was a little more difficult. I am advised that we again tried to give enough time for the market to sort itself out. That has not occurred. It became obvious to us that a company by the name of Vero was to leave the market and we have undertaken to take on the reinsurance for QBE and Calliden, which are the two remaining companies. So, we have taken on the reinsurance risk until such time as they can take it onto their own balance sheet. There is a period of exposure for us if a builder was to fail.

People who are currently using Vero, we want them to move over to QBE and a company called Calliden. We have taken outright exposure for the time it will take QBE and Calliden to do their own due diligence to ensure that they can take on the extra business and they are happy with the quality of the customer, which will take a few months, I guess. We cannot say exactly when. But we have offered, from that point, to take reinsurance for a period of 12 months. We will get a more detailed answer, but for a period of 12 months we are also offering reinsurance to those companies to take on these extra clients.

So, we are asking the market, through our intervention, to take on the insurance risk of these customers who are currently the customers of Vero, who are exiting the market. We have provided direct cover for those companies until such time as they are accepted onto the books of QBE and Calliden, and we are also, for a period of up to 12 months, taking the reinsurance risk as well. So, even if QBE takes them on in two months' time, we will provide the reinsurance for any losses over a certain figure—\$5 million or \$10 million, but we will come back to that. We are satisfied that the risk is appropriate and manageable, but we had no choice, otherwise there would be a third of the industry out there uninsured.

**The Hon. I.F. EVANS:** So Vero and CGU have withdrawn, and they had some building clients that were therefore left uninsured?

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** So, while QBE and Calliden do their due diligence, we are providing an underwriting to QBE and Calliden to cover only the new customers while they do their due diligence on the builders as to whether or not they are likely to fall over. Regardless of that, we are going to give an underwriting for at least 12 months?

**The Hon. K.O. FOLEY:** When Vero first came into the market, we actually took reinsurance risk from them at that time. As I said, there was a market solution, but we offered to reinsure them for a period of 12 months so they could bed down their business here in South Australia. Sorry, the reinsurance started in 2004-05, we think, and it has been ongoing, taking the reinsurance risk of Vero. We think the figure was \$10 million, so for any loss over \$10 million we were exposed, but we took the reinsurance risk.

**The Hon. I.F. EVANS:** Sorry, that is since 2004, is it?

**The Hon. K.O. FOLEY:** Yes, we will check the exact date.

**The Hon. I.F. EVANS:** So from 2004 until now we have always had an exposure to Vero for losses over \$10 million?

**The Hon. K.O. FOLEY:** Through reinsurance, yes.

**The Hon. I.F. EVANS:** So, why is that not mentioned in our risk statement? There is a risk statement in Budget Paper 6 that sets out all the risks. Isn't that a risk to the government, an exposure to the government? The SACA debt, for instance, is mentioned in the risk statement, so why is this exposure not mentioned?

**The Hon. K.O. FOLEY:** We, of course, charge a premium for our service, with a risk margin in that.

**The Hon. I.F. EVANS:** For estimates answers?

**The Hon. K.O. FOLEY:** No.

**The Hon. I.F. EVANS:** I am assuming you are charging them a fee. That was the next question.

**The Hon. K.O. FOLEY:** It is SAFA, of course, and we have a summary of contingent liabilities and other exposures in our insurance section.

**The Hon. I.F. EVANS:** What page are you on, Treasurer?

**The Hon. K.O. FOLEY:** Page 6.8 of Budget Paper 3. We do not mention that particular one there, because there are quite a lot of insurance risks that we have as a government that we do not itemise individually because the quantity is such that it would not necessarily warrant that. Those exposures are on SAFA's balance sheet, but ultimately that is government.

If you see through the insurance risks with SAICORP, the motor vehicle fleet, we then look at contingent liabilities which range from exposure to the electricity industry to the Alice Springs-Darwin railway line, and Adelaide Oval is mentioned in there with the \$30 million guarantee, but I assume that the exposure to that entity was not considered sufficient to warrant a particular comment on it. No, we have found it; it is there. In Budget Paper 3, if you go to 4.14—

**The Hon. I.F. EVANS:** That is the page I quoted.

**The Hon. K.O. FOLEY:** Was it? Insurance arrangements, yes.

**The Hon. I.F. EVANS:** Yes, that was mentioned, but it was not mentioned as a risk. Treasurer, just to come back to your earlier answer, Vero have been underwritten essentially since somewhere around 2004-05—you will get back to me with the date. So, there is nothing new then in the Vero underwriting?

**The Hon. K.O. FOLEY:** No; Vero have gone now, but we are allowing for a period of 12 months.

**The Hon. I.F. EVANS:** Sorry, of course.

**The Hon. K.O. FOLEY:** We will underwrite Calliden and QBE on a similar basis, and I will take on the extra customers.

**The Hon. I.F. EVANS:** Okay. So, obviously that underwriting was never called on by Vero between 2004 and—

**The Hon. K.O. FOLEY:** Nothing was called on, so that liability is no longer there.

**The Hon. I.F. EVANS:** What sort of fee do we charge for this magnificent service?

**The Hon. K.O. FOLEY:** We will come back to that. I am told it is not a significant fee, but it is a fee that we pay up. The problem we had was that when Vero came in we only had QBE and CGU in the market. The problem is that this is a dog's breakfast of insurance. New South Wales took the liability directly on their balance sheet, I think; it actually just offered it like WorkCover or something like that. We have tried to keep the market there and have as little involvement as we possibly can. The building industry wanted us to just have a government indemnity scheme, run by SAFA, and we take all the risk up front. We have refused to do that.

**The Hon. I.F. EVANS:** Have you looked at the Queensland scheme, with their building licensing, indemnity and all that? What is it called? Building something Australia, I think, in Queensland. Have you actually looked at that scheme?

**The Hon. K.O. FOLEY:** Our preferred position is that we will take what we consider to be a minimal risk in the reinsurance above \$5 million or \$10 million—we will get that exactly checked for you. If at the end of the day the market collapses and all insurance companies have decided this is not viable business for them, well then we will probably have to look at that type of scheme. At present, because our market is not a huge market, a couple of these insurers at least are still prepared to be in the business. My guess is that, in Queensland, given the size of the market, they have had to have a sizeable government involvement in the market.

**The Hon. I.F. EVANS:** I just have a couple questions on Adelaide Oval, because SAFA is handling it and SAFA officials were not available to the other committee. I am intrigued as to why we have now paid SACA its \$30 million—or taken the \$30 million guarantee and made it a \$30 million loan. The previous evidence to the Budget and Finance Committee was that there was some concern among the Treasury officers that, if football and cricket signed a deal and for some



reason it fell over, the government's interest was not protected, so they gave them a guarantee. So, given there is still no deal signed, what has changed?

**The Hon. K.O. FOLEY:** The SACA originally wanted a grant.

**The Hon. I.F. EVANS:** Yes.

**The Hon. K.O. FOLEY:** They wanted the money up front and I said no because, if the deal does not go ahead, they would get a free kick from government. So, what we said then was we had a choice between a guarantee or a loan. We put the \$30 million guarantee in play because it could be done quickly. There was a time issue with SACA and its commitments. We then put loan documentation in play and made it effective from 30 June—or 1 June—that was what was planned. In the end, it was provided on 1 September and converted to a loan.

**The Hon. I.F. EVANS:** So, if football and cricket sign a deal and then it falls over, the SACA loan remains with SACA?

**The Hon. K.O. FOLEY:** Remains in place.

**The Hon. I.F. EVANS:** Right.

**The Hon. K.O. FOLEY:** But it is a principal and interest loan so it will be paid back to us with interest, on the same terms—

**The Hon. I.F. EVANS:** But between 1 September and whenever the deal goes ahead—for that period—my understanding is that the interest is going to be capitalised into the \$85 million.

**The Hon. K.O. FOLEY:** The interest will be capitalised from 1 September and, should the project go ahead, we will pick up the cost of that interest.

**The Hon. I.F. EVANS:** Right, so SACA won't have to pay that interest.

**The Hon. K.O. FOLEY:** We will waive the interest.

**The Hon. I.F. EVANS:** You will waive the interest. So SACA will get a subsidy of that interest, in effect.

**The Hon. K.O. FOLEY:** The project will have support there, which we have been quite upfront about.

**The Hon. I.F. EVANS:** Yes, but SACA will not have to pay the interest between 1 September and when the project goes ahead, assuming the project goes ahead.

**The Hon. K.O. FOLEY:** No.

**The Hon. I.F. EVANS:** Right. How do you reconcile that, Treasurer, with your answer to the parliament that there will be no subsidised loan for SACA? You answered in question time that there would be no subsidised loan for SACA. Now, clearly, SACA are getting an interest-free component on the loan, so how do you reconcile that?

**The Hon. K.O. FOLEY:** It's not a subsidised loan. It is on the same—

**The Hon. I.F. EVANS:** Not having to pay the interest is not a subsidy?

**The Hon. K.O. FOLEY:** No, it is the same commercial—

**The Hon. I.F. EVANS:** I wish I could get a house loan like that.

**The Hon. K.O. FOLEY:** No, it is the same commercial terms as the Westpac Bank facility is. So, we are not lending—

**The Hon. I.F. EVANS:** But it is not, is it, because Westpac are charging them interest on their \$55 million over the same period and we are not charging them interest on the \$30 million over the same period. It is not the same terms and conditions. I am not being critical of SACA here, I am just trying to establish the facts: SACA is getting an interest-free period on the loan.

**The Hon. K.O. FOLEY:** If the project does not go ahead and we provided the \$30 million loan, the interest is capitalised into the loan. So, if it does not go ahead, SACA will have to repay the loan plus interest.

**The Hon. I.F. EVANS:** From the point that it does not go ahead.

**The Hon. K.O. FOLEY:** From 1 September. Where we will waiver—

**The Hon. I.F. EVANS:** Is if the project goes ahead.

**The Hon. K.O. FOLEY:** If the project goes ahead we will—

**The Hon. I.F. EVANS:** That's a subsidised loan.

**The Hon. K.O. FOLEY:** No, it is not. We have taken a decision—you have to understand what SACA wanted upfront.

**The Hon. I.F. EVANS:** Yes, they wanted the free grant.

**The Hon. K.O. FOLEY:** They wanted \$30 million. Had I granted them the money it would have been the same cost to us because I have to borrow that \$30 million.

**The Hon. I.F. EVANS:** I am not worried about that. What I am saying, Treasurer, is that you said to the parliament in question time that it would not be a subsidised loan to SACA. What we are discovering tonight—

**The Hon. K.O. FOLEY:** It is not.

**The Hon. I.F. EVANS:** Well, it is, because they are not paying the interest. If the project goes ahead they are not paying the interest. Let's say the project signed up on 1 July next year—just for a hypothetical and to put a date on the end point—you are saying that between 1 September and 1 July (if that was the date the project went ahead) SACA do not have to pay the interest on the \$30 million.

**The Hon. K.O. FOLEY:** It will be an SMA liability. It will transfer to the SMA. If SACA end up being the holder of the loan—

**The Hon. I.F. EVANS:** So the interest will come out of—

**The Hon. K.O. FOLEY:** No, if—

**The Hon. I.F. EVANS:** Who will pay the interest between 1 September—

**The Hon. K.O. FOLEY:** Let me answer the question, Iain, and then you can ask me another one. It is a loan to SACA. If SACA ultimately do not do the deal for the stadium—

**The Hon. I.F. EVANS:** No, I am talking about if they do the deal.

**The Hon. K.O. FOLEY:** Hang on, I am answering the question. Let me answer it and then you can have your gymnastics with it. It is a loan to SACA. SACA wanted a grant. I said no because if the project does not go ahead I want to get the government's money back. If it remains a loan to SACA it is a non-subsidised loan. The interest will be capitalised into the outstanding amount. That is what I have said. However, if the project proceeds and it then becomes a liability of the SMA—not SACA, the SMA—

**The Hon. I.F. EVANS:** No, it doesn't. The \$30 million comes off SACA. The \$85 million goes to SACA.

**The Hon. K.O. FOLEY:** Can I just get some advice before you are jumping down my throat?

**The Hon. I.F. EVANS:** I am not jumping down your throat. I am just want to help. I am only trying to be helpful.

**The Hon. K.O. FOLEY:** I will wait until he finishes, then I will get some advice. I cannot listen. Right; I am confused. If the project goes ahead, we make the grant money available to the SMA who makes it—well, \$5 million is already gone in the operation of the SMA.

**The Hon. I.F. EVANS:** \$10 million is gone, not \$5 million. You have approved \$10 million.

**The Hon. K.O. FOLEY:** Well, I am not managing that. The first lot of that \$530 million, \$85 million goes to SACA to repay the government, so we get the money back from the grant. Do you follow me?

**The Hon. I.F. EVANS:** Yes; that is right. If you get \$85 million back, none of that covers the interest between 1 September and the fictional date that you are using for the first of the project.

**The Hon. K.O. FOLEY:** Should the project go ahead. But in terms of SACA as SACA, where they stand, they are not getting a \$30 million grant. They are not getting a subsidised loan. If the project does not go ahead, it is a full commercial loan with capitalised interest. However, if the project goes ahead, we will waive that interest. I am sure that marries up with what I said in the parliament some time ago; I am sure it does. I hope I have clarified it.

**The Hon. I.F. EVANS:** I will go and check it.

**The Hon. K.O. FOLEY:** I am sure my staff is checking it as we speak. I got myself into knots over this. I should have just given them the bloody money. Was it your idea to give them the loan?

**Mr CANTLEY:** It was.

**The Hon. K.O. FOLEY:** It was his idea. I could have just given them \$30 million and my career would not have got knocked around. If I had given them \$30 million, but then Kevin has always got the taxpayers' interests at heart and said, 'No; let's loan it to them so if it does not go ahead we get it back.'

**The Hon. I.F. EVANS:** Treasurer, the only other question I have about Adelaide Oval for the sake of the exercise tonight is this issue: there has been \$5 million approved to the SMA and there has been \$5 million spent, and another \$5 million approved. Mr Hook is on record as saying the contracts are unlikely to be signed until March 2012, which is 18 months away. The second \$5 million took them to 31 December.

**The Hon. K.O. FOLEY:** Of this year or next year?

**The Hon. I.F. EVANS:** 31 December the year was the second \$5 million. So that is \$10 million out of the \$535 million gone by 31 December and the contract is not until March 2012. What is the estimate of the amount of money required by the SMA between 31 December this year and when the contracts are signed?

**The Hon. K.O. FOLEY:** I am of the view that that is a question that has to be put to the minister that is handling the project. I do not know what their arrangements are.

**The Hon. I.F. EVANS:** He said this afternoon that that is a matter for Treasury. As to where it appears, that is more of a Treasury question.

**The Hon. K.O. FOLEY:** No, that is about where the \$530 million appears in the budget. I was in there when he was asked it. In terms of going forward with the cost of the SMA, that is something that Patrick will have responsibility for.

**The Hon. I.F. EVANS:** So it does not need your approval?

**The Hon. K.O. FOLEY:** Well, I guess as Treasurer—he will bring something to cabinet. We have the \$530 million in contingency; if they want to eat it away with the SMA costs, fine, but they are not going to get any more from us.

**The Hon. I.F. EVANS:** Treasurer, a SAFA issue—

**The Hon. K.O. FOLEY:** That would be nice.

**The Hon. I.F. EVANS:** A different issue—SAFA rather than the Adelaide Oval necessarily. I refer to Budget Paper 3, page 3.23, and the capital in SAFA resulting in returns to government. It is very, very smooth in every year except this year: budget 2009-10, \$11.6 million; actual 2009-10, \$11.5 million; budget this year, \$61.9 million; 2011-12, \$12 million; 2012-13, nearly \$13 million; 2013-14 is \$13 million. Why do we suddenly get a \$62 million lump now? What is the explanation for that?

**The Hon. K.O. FOLEY:** It has been in the budget, I am told, for a number of years to come in in 2010-11. It is surplus capital above what they are required to have. So, it is a capital repayment back to consolidated because they have built up more capital than they are required to have, as per their performance agreement or whatever the documentation is—given the risks they take. They have excess capital than what they need to manage the risks that they have on their balance sheet, and it first appeared in—

**The Hon. I.F. EVANS:** It must have been a good year, because every other year—

**The Hon. K.O. FOLEY:** No; it is a lump of capital that is being repatriated back to the budget.

**The Hon. I.F. EVANS:** Yes; but, Treasurer, wouldn't you look at it every year? Wouldn't you look at it for every year and say, 'Can I get some extra money repatriated out of SAFA?'

**The Hon. K.O. FOLEY:** No; we do not do a lot of those things that you guys used to do with moving cash around.

**The Hon. I.F. EVANS:** I think you did, actually; in the first year you moved \$300-odd million to—

**The Hon. K.O. FOLEY:** That must have been the only time I did it.

**The Hon. I.F. EVANS:** I just seem to remember a \$300 million figure in the first year.

**The Hon. K.O. FOLEY:** Sometimes bad habits sort of wash over me, but I fixed it.

**The Hon. I.F. EVANS:** It was eight budgets ago, but I just have a vague memory.

**The Hon. K.O. FOLEY:** It is retained earnings. That decision was taken—I do not know whether it was the last budget or the budget before—that there was excess capital and retained earnings; they can pay it to us in a dividend. We nominated that year and we have not shifted it, so that will have appeared in previous budgets. We will get the exact details for you, but it is a lump of money. We have done it from the Land Management Corporation previously where they build up retained earnings or their asset base beyond what they need on their balance sheet and they will make a one-off payment back to government. It is just a question of what year you want it to come in at.

**The Hon. I.F. EVANS:** So what are the projected retained earnings in 2011-12, 2012-13 and 2013-14?

**The Hon. K.O. FOLEY:** They are making a dividend back to government.

**The Hon. I.F. EVANS:** I know what the dividend is, but I am asking what the projected retained earnings are?

**The Hon. K.O. FOLEY:** They have a policy in terms of what their dividend is required to be; we cannot predict it. There is a lot of volatility in the insurance market and world capital markets.

**The Hon. I.F. EVANS:** You did two years ago. You told me just this second that two years ago you took a decision they were going to return \$62 million.

**The Hon. K.O. FOLEY:** Yes, we did.

**The Hon. I.F. EVANS:** So, in the middle of the financial crisis you were able to predict the insurance market two years ahead for excess capital of \$62 million, but now, in a better economic time, you cannot predict next year ahead. Really?

**The Hon. K.O. FOLEY:** I am told that the \$60 million that we had excess to our capital needs was in our Treasury function of SAFA and it did not need to sit on their balance sheet. We picked the year in which we wanted it to come back to the government.

**The Hon. I.F. EVANS:** Is that the full amount of the excess capital or have you only taken part of it? So, is there \$80 million there and you have only drawn down \$62 million, or is that the full amount?

**The Hon. K.O. FOLEY:** Let me answer the question. The situation is that, prior to this payment, we have \$150 million of capital in our Treasury function of SAFA. We are repatriating \$61.9 million. There is \$50 million of excess capital. So, we will bring that capital down by \$50 million, and we have good profitability in the business which allows us to repatriate another \$11.69 million. That gives us the \$61 million.

That will leave the Treasury function of SAFA with a capital base of about \$100 million—which the manager advises me is appropriate—and, in our insurance business, we are around \$150 million. We keep that a bit higher, because that is a much more volatile market at present. If we did not take that \$50 million and we kept building it, why would you have \$200 million sitting in SAFA for no reason? You have to keep some in there, and we think \$100 million is about the right number.

In SAFA's annual report, it shows that its equity in 2005-06 was \$123 million in the Treasury function, and it has steadily increased in 2009-10 to \$151 million. The capital had been building, and the board of SAFA took the decision, I guess on advice, that it could return. As I said, that is not uncommon. We do that from time to time with the Land Management Corporation. I think we have even done it with SA Water at one stage. Of course, SAAMC is the other one—the bad bank. We have sort of taken that back.

**The Hon. I.F. EVANS:** Just on the bad bank, which is Budget Paper 3, page 5.3—

**The Hon. K.O. FOLEY:** Have you finished with SAFA?

**The Hon. I.F. EVANS:** No. When will SAAMC be wound up? It is virtually on its last legs by the look of it.

**The Hon. K.O. FOLEY:** The reason we are keeping it going is that there are some companies that are still going through the liquidation process, believe it or not. I can say—breaking news—that only in the last few days we have received some \$20 million back from a failed entity, which was a very high profile liquidation back in its day. Why or how it takes 20 years to sort this through, I am not sure, but we have just got \$20 million back from somewhere.

**The Hon. I.F. EVANS:** It wasn't 333 Collins Street, was it?

**The Hon. K.O. FOLEY:** No.

**The Hon. I.F. EVANS:** It wasn't the plywood cars, the South African goat farms, the New York insurance deal? It wasn't any of them?

**The Hon. K.O. FOLEY:** I would like to mention it, but my advisers are telling me that it is best at this stage not to reveal it. My good work as Treasurer for the last eight years—how much have I recovered by personally going out there?

**The Hon. I.F. EVANS:** That is fair enough.

**The Hon. K.O. FOLEY:** So, we got \$20 million back from a deadbeat company from the 1990s.

**The Hon. I.F. EVANS:** Budget Paper 6, page 40—

**The Hon. K.O. FOLEY:** That is \$20 million. You do not give any credit for that. You get stuck into me because of a little bit of subsidy on an interest loan to SACA, and I get \$20 million back here.

**The Hon. I.F. EVANS:** I give you credit for trying to sort out the state bank mess, because SAAMC, of course, carries all the debts from the old state bank. It was a deadbeat company that obviously your mob invested in during the frolic of the late 1980s, early 1990s, and the fact that we are still talking about it in 2010 is probably a matter of no public interest at all. It is a bit like Germany paying off its First World War debt. Maybe you could be the Treasurer that finally winds up all the state bank stuff. Having been there at the start, you might as well be there at the end, mate.

**The Hon. K.O. FOLEY:** That is very funny. Have you got a question?

**The Hon. I.F. EVANS:** I refer to the changes to Fleet SA. There seems to be two aspects to the savings measures on Fleet SA, one is the outsourcing and the management—

**The Hon. K.O. FOLEY:** Since I have been a Treasurer, I have outsourced, insourced, outsourced, insourced.

**The Hon. I.F. EVANS:** I do make that observation. Can the Treasurer walk me through the two changes and what is proposed with the changes to Fleet SA?

**The Hon. K.O. FOLEY:** I will let Kevin Cantley answer that, because you talking, him talking, my head gets too screwed up.

**Mr CANTLEY:** There are three savings measures in the budget. The first two were across government initiatives, which are related to fleet mix and increased utilisation of the fleet; and the third one related to the actual management of the fleet itself. The first initiative relating to the fleet mix is a greater use of four cylinder vehicles, with the Cruze being produced by Holden.

**The Hon. K.O. FOLEY:** We are a green government.

**Mr CANTLEY:** We can introduce that into the fleet, as we expect to replace some of the six cylinder vehicles. The other related initiative to that is just looking at whether we use our buying power to extract further discounts from the manufacturers of the vehicles—

**The Hon. K.O. FOLEY:** We are also tightening up, I think, on the availability of cars—the number of cars available—for agencies.

**Mr CANTLEY:** That is the second one where we are aiming for a cut of the fleet number by reviewing home to office use and looking at greater pooling of vehicles. Some of our modelling

work has looked at arrangements in other governments, such as Western Australia which has looked to rationalise its fleet size.

**The Hon. I.F. EVANS:** What are you doing with the management? Are you outsourcing the management?

**Mr CANTLEY:** On the management side, clearly, we have done some internal benchmarking against what it costs us to run the fleet versus some of our peers in other states. The final model is still to be developed. We will be looking at what some of the other states do, but our benchmarking indicated the cost to manage the vehicles. We tend to use a benchmark of a cost per vehicle per month, which is essentially the operating costs of fleet divided by the total number of vehicles.

Our modelling indicates that we can achieve lower administration costs. That decision has been made. We are obviously going through a process of looking at what cost efficiencies we may be able to achieve internally, and then also looking at alternatives of greater use of private sector expertise in the management of same.

**The Hon. K.O. FOLEY:** That is a comprehensive answer.

**The Hon. I.F. EVANS:** So, really, no decision has been made on that aspect then?

**The Hon. K.O. FOLEY:** No decision has been made on the final operational mix.

**The Hon. I.F. EVANS:** If you cannot deliver the savings internally, you will look externally to deliver the savings?

**The Hon. K.O. FOLEY:** As I said, we have done an exercise (and Mr Cantley has overseen it) as to what we think is a reasonable saving that can be achieved. What they now have to do is to test it and work out what is the best method to go forward. They have looked at what happened in other states so that, if they cannot do it, they must be missing something; there must be a good reason.

**The Hon. I.F. EVANS:** I understand that. Mr Cantley just made the comment that they are looking at getting a better deal out of bulk purchasing. I would have thought that would have already been part of the standard procedure.

**The Hon. K.O. FOLEY:** I hope so.

**The Hon. I.F. EVANS:** That is what I thought, so what is going to be different—bulk purchasing, how?

**The Hon. K.O. FOLEY:** What would appear to happen now, which surprises me, is that we may not be getting the best deal that we can from the manufacturers, because we purchase ad hoc—a car here, a car there. How come we just don't get a discount because we buy 5,000 cars a year, or something?

**Mr CANTLEY:** We do get a good discount.

**The Hon. K.O. FOLEY:** We get a good discount. Now I am getting to the nub of it. What we think we can do is the department might say it wants to get five or 10 Commodores. We are now going to manage this process and say, 'If you don't need a Commodore, you can have a Cruze or you might have a Toyota,' and we can find out what other agencies may be looking for a particular car and bulk it up as a one specific order that we can place with the manufacturer and get even a better discount than what we currently have. That is the answer I am given.

I think what that tells you is that we never get government procurement right. As much as we think that, at the end of the day, we get the full value of our bulk purchasing, there are so many areas of government purchasing where I do not think that happens. Choice and standardisation is the other point they make. Agencies might want a particular type of vehicle, but what we will do is if we can group 20 or 30 vehicles all standard instead of having their whiz-bang other things on them, then we can get a discount.

**The Hon. I.F. EVANS:** Treasurer, if the savings from outsourcing Fleet SA or the internal management reforms delivered are lower, are they on top of or included in the savings on page 12 of Budget Paper 6 which talks about motor vehicle fleet improvements to fleet mix? I assume they are not included in that savings target because they are not yet calculated. There is a \$13.3 million saving over three years for Fleet SA improvement to fleet mix. Does that include savings from outsourcing or a saving through cheaper operation of Fleet SA?

**The Hon. K.O. FOLEY:** These are all savings that we have announced in this budget, which by 2013-14 increased utilisation will result in a saving of 7.4 and improvements to fleet mix by 2013-14 will contribute 6.78. Then on page 40, the fleet management, the alternative arrangement (which is this hybrid that we are talking about) will result in a budget improvement of about \$2 million net improvement, if the in-sourcing costs bring some costs back in.

**The Hon. I.F. EVANS:** Looking at page 40, how is there a revenue item? It is a new revenue item. Someone is getting charged more somewhere.

**The Hon. K.O. FOLEY:** No, that is not a revenue.

**The Hon. I.F. EVANS:** Operating revenue.

**The Hon. K.O. FOLEY:** We will have to come back on that. It is a negative revenue line. It is not additional revenue. We will get you a better answer.

**The Hon. I.F. EVANS:** Is the negative revenue the same as an expense? Is it a cost to government if it is a negative revenue?

**The Hon. K.O. FOLEY:** What this says in Treasury parlance is that our expenses are dropping by 5.9 million and our revenue is dropping by 3.9 million. It gives us a benefit of \$2 million. We think that is right but we will check.

**The Hon. I.F. EVANS:** And that is through the reforms that might be happening through this hybrid?

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** I have a couple of quick questions to Funds SA. In Budget Paper 3, page 4.12, what is the net change in Funds SA's investment fund in dollar terms for 2009-10 and, if you have got a forward projection, for 2010-11?

**The Hon. K.O. FOLEY:** The 30 June number was \$14.7 billion under management. This was up \$2.1 billion on the level of 30 June 2009. Of this increase, \$1.5 billion came from an improvement in investment earnings and \$600 million came from net contributions. We do not have a projected number for this year. It will be what it is. We do not need to forecast, I assume, in Funds SA.

**The Hon. I.F. EVANS:** Is it still the plan to amalgamate the WorkCover fund with MAC and Funds SA? There was some discussion, apparently, about it last year.

**The Hon. K.O. FOLEY:** Yes, I was always of the view that I wanted to have one funds management entity, as some other states have, and then have MAC, WorkCover or Public Trustee, or whomever, purchase their units in accordance with whatever risk profile they want to have, and we are progressing along that path—minus WorkCover. WorkCover has resisted. It is a different entity, given that the employers—

**The Hon. I.F. EVANS:** So MAC has gone in?

**The Hon. K.O. FOLEY:** MAC has gone in. We are talking to the Public Trustee. It is not an easy one to mandate because they are under their own separate act, but I want to get them. SAICORP is in there. I think the ambulance superannuation fund went in and the Adelaide Cemeteries Authority went in: they were managing their own little super fund.

I used to ask Rob Lucas and Stephen Baker this question. The Public Trustee has about \$700 million and, some years ago, they were individually stock picking. I think it was back when you were in government, and probably when I took over for some years. Some bloke would say, 'I think News Corp would be a good buy.' I think it is a bit more sophisticated now but, again, in this day and age of funds under management, if you are going to get lower fees, efficiencies and access to the various products on the market, you have to have scale. I would think in a perfect model, over time, WorkCover would see the sense in coming in and they can just purchase the units from Funds SA that fit whatever profile of risk they want to take.

**The Hon. I.F. EVANS:** Treasurer, with your agreement, we will close those lines and go to the Motor Sport Board.

**The Hon. K.O. FOLEY:** Sure.

**Departmental Adviser:**

Mr G. Staniforth, Chief Financial Officer, Motor Sport Board.

**The Hon. K.O. FOLEY:** We have Graham Staniforth, Chief Financial Officer for the Motor Sport Board.

**Mr HAMILTON-SMITH:** My first question relates to Budget Paper 4, Volume 1, page 3.39, to do with contracts. It is really about whether you could just assure the committee that all payments for supplies and services are compliant with Treasurer's Instruction and the relevant acts. I note in the Auditor-General's report page 1,294, he has reported on a contract for \$1.8 million that was awarded without proper approval. According to Treasurer's Instruction 8, contracts greater than \$1.1 million are to be approved by cabinet, the minister, or an employee nominated by the minister in writing, but no such approval was sought in this case, according to the Auditor-General's report. Could you just advise us what the contract was for, who was it with and why ministerial approval was not sought or provided in this case?

**The Hon. K.O. FOLEY:** I am advised that, for the first 11 years of operation until November 2009, the Motor Sport Board had evaluated its contracts on an annual basis. The matter had been the subject of audit during this period. In response to the 2009 interim audit report dated 21 August 2009, it was acknowledged that the basis should be for a whole of life, as distinct from an annual, cost.

The pit straight shade steel structure contract acquisition had commenced in early August 2009, with call for tenders having been called on 18 September 2009. The annual value was \$356,000, excluding GST. The contract was awarded on 1 December 2009. As advised to the Auditor-General on 5 August 2010, the acquisition project was substantially complete when the implementation of a whole of life costing process was introduced. As a consequence, the acquisition was approved on an annual cost basis, therefore within delegated authority, by the Motor Sport Board in accordance with its then delegated authority. Clearly, if it was happening today, it would seek approval from me.

**Mr HAMILTON-SMITH:** My understanding is that there was a change in the reporting requirements during the period of this contract and, as a result, an omission was made.

**The Hon. K.O. FOLEY:** The Motor Sport Board's view was that they were operating within the appropriate purchasing procurement guidelines, because these were annual contracts. Clearly, I assume the Auditor-General has a different opinion, as often happens between boards and auditors-general, because boards often come from the private sector and they have different accounting procedures, etc., but I think the board now has accepted that, going forward, these types of contracts would have to get authority from me.

**Mr HAMILTON-SMITH:** That particular contract, I think you mentioned, was for pit straight covers?

**The Hon. K.O. FOLEY:** Sorry?

**Mr HAMILTON-SMITH:** Could you just repeat what that contract was for and who it was let to?

**The Hon. K.O. FOLEY:** It was the pit straight steel shade structures, and it was done by Samaras Engineering.

**Mr HAMILTON-SMITH:** On the same budget line, regarding payments for supplies and services, again as the Auditor-General has found, there was a \$4 million contract that you approved. I would like to know who it was with and why tender processes were not followed. According to his report, you approved a three-year construction contract extension with a total value of \$4 million which did not go to tender. It was noted in audit. Not going to tender was inconsistent with government policy requirements and resulted in the contractor's proposal not being tested against other market competitors. I think that is on page 1294 of his report.

**The Hon. K.O. FOLEY:** I will read to you the advice I am given on this issue, which is as follows:

The contract was to expire on May 2010. The Motor Sport Board initially decided to go to tender. This was referred to the State Procurement Board in or about June 09. They sought advice as to whether the contract was in the nature of a goods and service or construction contract. Their view was the latter.

'Their view' being that of the State Procurement Board. It continues:



We were advised of this in or about July 09. So as to have a definitive answer the Motor Sport Board requested advice or a ruling, at least, from crown law as to whether this was a construction or a goods and service contract. Crown law supported the State Procurement Board's view which was received on 30 September 09. This meant the matter had to be dealt with in accordance with Premier and Cabinet circular PC028. In the meantime we [the Motor Sport Board] received an unsolicited request from the current incumbent to extend the contract by three years with an option for a further two.

On review, the SA Motor Sport Board determined that this course of action would provide the least risk to the event in the light of the recent upgrades and that the proposed reduced cost was evidence of efficiency stemming from experience and knowledge of the event.

In or about October 09 we [being the Motor Sport Board] approached the Department for Transport, Energy and Infrastructure, regarding the proposed contract extension. They reviewed the proposal of the contract extension and were of the view that it appeared reasonable, based on hours and rates.

Unfortunately, that advice, I am told, was not documented. It continues:

There was considerable risk in putting the contract to tender at this late stage. The Motor Sport CEO sent a minute on 17 November 2009 to the Treasurer [me] seeking approval of the proposed contract extension. The Acting Under Treasurer submitted a minute to the Treasurer on 24 December 09. It was approved by the Treasurer on 18 January 2010 on the basis of three years and then to tender. It should be noted that the final value was \$2.6 million.

It was \$2.6 million over three; the original one was \$4 million over five.

**Mr HAMILTON-SMITH:** You have given me a lot of information, which I will obviously need to go through and read carefully.

**The Hon. K.O. FOLEY:** The issue is, I guess, that they wanted to extend the contract and whether or not we should go to tender. They (the board) took the view, in consultation with DTEI, that it was a lot of retained knowledge and a lot of experience—and it was late in the stage—and that it would be a more prudent thing to do than to extend.

**Mr HAMILTON-SMITH:** You mentioned the late stage, but would it have been possible to get out there earlier with a tender, and the existing contractor, of course, could have submitted a bid and the same considerations would have been made? How did it get to a late stage?

**The Hon. K.O. FOLEY:** I guess this does throw up a bit of an issue within government, in that if it is a goods and services contract it has to be procured through the Procurement Board; if it is a construction project, it has to go through DTEI. There was confusion as to whether or not this was a construction project or a goods and services project. The time it took for crown law and others to come to a landing on this, so that they met the requirements of the appropriate circular or Treasurer's Instruction, it was a bit late in the piece to go to contract. Had they had that ruling earlier and knew what it was that they were seeking, they would have been in a position to have gone to market. I have to say, from memory, I think that the Acting Under Treasurer's advice at the time probably was that we should still go to tender but I accepted the view of the Motor Sport Board itself and DTEI that this was probably a more risk-averse way of proceeding.

**Mr HAMILTON-SMITH:** The Auditor-General mentions a figure of \$4 million in the existing contract but you have mentioned a figure of \$2.6 million. Could you just clarify the facts in regard to the total amount of that contract? Is the Auditor-General's Report correct?

**The Hon. K.O. FOLEY:** Their proposal was \$4.4 million over five years. They wanted a five-year contract. What I said as treasurer, because I had the advice from the Motor Sport Board that wanted the five-year contract, and I had, from memory, the Under Treasurer's suggestion we should go to tender. I sort of split the difference and I said, 'Don't give them 3 plus 2; give them three years', but well in ahead of the third year we will go to full tender. By then, it should be tested in the market.

**Mr HAMILTON-SMITH:** Who was that contract let to?

**The Hon. K.O. FOLEY:** Kellogg Brown & Root.

**Mr HAMILTON-SMITH:** Just referring to Budget Paper 4, Volume 1, pages 3.38 to 3.41, and it has to do with the accuracy of those papers. In light of the Auditor-General's observation on page 1293 of his report where he has qualified his auditor's opinion given that total income, operating surplus and total comprehensive result may be, or are, overstated in the current year by \$1.6 million, and total liabilities are overstated by \$16.2 billion, and total equity is understated by \$16.2 million. Could you just comment on that finding? Is the Budget Paper accurate or does it need to be changed as a result of the Auditor-General's observations?

**The Hon. K.O. FOLEY:** Basically, it is a clash, I guess, between the Motor Sport Board, being a private-sector driven board, which operates, I am advised, under the International Accounting Standard 20, where you can amortise capital grants over the life of the asset. Under government accounting, you have to treat the grant as income and then you expend the number as a depreciation over the balance of the project. It has a distorting impact on the accounts, and the Motor Sport Board, in its wisdom, chooses to publish its accounts in accordance with the International Accounting Standard, something it has done since the Grand Prix days.

This is something that has been around forever and it is a qualification that the Auditor-General has been putting through since the Grand Prix days. I guess the board itself wants to demonstrate an actual operating result each and every year. The government accounts require it would not present that way. It is an ongoing dispute and thankfully we have been asked to resolve it.

**Mr HAMILTON-SMITH:** The Auditor-General's observations are in respect of the Motor Sport Board's financial reports or are they in respect of the budget papers? In other words, is the information provided in the Budget Paper on those pages, page 3.38 to 3.41, completely accurate, or does it need to be amended?

**The Hon. K.O. FOLEY:** It is a criticism of the annual report of the Motor Sport Board, not a critique of what we put in the budget. So, we put in the budget according to government accounting standards; they put their report out in accordance with International Standard 20, and the A-G is critiquing the way they present their accounts in their annual report.

**Mr HAMILTON-SMITH:** Are you confirming that the figures in the budget are correct?

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** But they do not agree with the figures in the Motor Sport Board's financial reports?

**The Hon. K.O. FOLEY:** Both figures are correct; it just depends how you present them.

**Mr HAMILTON-SMITH:** What action has been taken in regard to that? Are you going to require the Motor Sport Board to change the way it does business?

**The Hon. K.O. FOLEY:** As I said, this has been going on—how long have you been doing this for?

**Mr STANIFORTH:** Twelve years just with the Motor Sport Board.

**The Hon. K.O. FOLEY:** And it is the same problem for the 12 years?

**Mr STANIFORTH:** Yes. It is not something that has been ruled upon by the International Accounting Standards Committee at the moment.

**The Hon. K.O. FOLEY:** It could find its way to the International Accounting Standards Committee.

**Mr HAMILTON-SMITH:** With respect, it sounds like a bit of Sir Humphrey. We have a qualified report here from the Auditor-General, which does not look good, having one's report qualified—

**The Hon. K.O. FOLEY:** Ah, but it's a great race!

**Mr HAMILTON-SMITH:** —and I am just wondering whether there is a resolution to this, because clearly the Auditor-General is not happy and will report on this again in coming years.

**The Hon. K.O. FOLEY:** I am advised that in their annual report there is a note that actually says, 'This is how our accounts would look if we were reporting in accordance with the government's accounting reporting standards,' so it is actually disclosed. 'This is how we are reporting it because you have engaged us as a bunch of business people to run this board; we are going to produce documents as per Accounting Standard 20, but if we were presenting these numbers in accordance with government standard reporting procedure this is how they would look.'

**Mr HAMILTON-SMITH:** Is it within your authority as the minister to direct them to change their accounting system so that it satisfies the Auditor-General's concern?

**The Hon. K.O. FOLEY:** It is a matter of how they report their numbers. I probably would have the power to direct, wouldn't I? I don't know, but I guess there has been the same chairman for the last 12 years. I would be inclined not to direct. This has been raised with my previously and I

have not lost a lot of sleep over it, because, ultimately, we know what the race is costing us as a government. We know that their accounts are audited; it is a presentational issue. There are two opinions and they are probably both right.

I will give you an illustration, Martin: last year their report would have shown them making a \$17 million profit, if we accounted for it in the same way, because you get the lump sum in as cash. So, you book that in as revenue, but you depreciate. So, the depreciation comes out of costs year in, year out. It would look silly for the Motor Sport Board to present a \$17 million profit in one year and it would just distort the whole accounts, and it would be a \$1.8 million loss for the next 10 years, when it is not really. That is the problem.

**Mr HAMILTON-SMITH:** Let us move on to Victoria Park and the proposed grandstand, Budget Paper 4, Volume 1, page 3.39. What was the exact expense on the cancelled Victoria Park redevelopment and grandstand? Exactly where is this accounted for in the budget papers, how were the moneys paid, and to whom?

**The Hon. K.O. FOLEY:** This is the planning for the failed project?

**Mr HAMILTON-SMITH:** Yes, that is right.

**The Hon. K.O. FOLEY:** We will perhaps take that on notice, I think. I am advised that, of the \$23 million allocation, \$3 million was lost, given the failure of that project to get up, and then \$20 million was spent on the upgrade. We can check that.

**Mr HAMILTON-SMITH:** The reason I ask is that I note that that figure was reported in the Motor Sport Board's report and it was picked up by the Auditor-General, but it does not seem to have been identified specifically in the budget papers. I would be interested to know the breakdown of that \$3 million. How was that money spent? Was it spent on consultants or was it spent—

**The Hon. K.O. FOLEY:** Poorly, by the look of it now. Probably engineering and design.

**Mr HAMILTON-SMITH:** Did some of it finish up with the Jockey Club?

**The Hon. K.O. FOLEY:** Engineering and design, I am told, was the bulk of it. We would not have picked up any Jockey Club costs, would we? I do not think so. I will get you the breakdown of that.

**Mr HAMILTON-SMITH:** If you can get a detailed breakdown of how that \$3 million was spent.

**The Hon. K.O. FOLEY:** I am happy to do that.

**Mr HAMILTON-SMITH:** Thank you. Budget Paper 6, page 39, Cost Recovery and Extra Charges. I am looking now to both versions of the Sustainable Budget Commission's report: the one that was leaked and the final one. Will the government rule out increases to the Clipsal 500 ticket prices, changes to the state dinner, new corporate charges, or reduced state hospitality at the state suite as recommended in the leaked SBC report—page 28 or 69?

**The Hon. K.O. FOLEY:** I am not going to guarantee anything.

**Mr HAMILTON-SMITH:** You are not guaranteeing anything. Will there be increases to ticket prices?

**The Hon. K.O. FOLEY:** Not this year. We have announced our prices, but I cannot guarantee that, because I do not know what the board will want to do next year or the year after. They may, for whatever commercial reason, choose to act. In terms of the corporate charges, they may go up or down, depending on the market, I guess. As for the state dinner, I do not know; maybe we will not have one this year. I have not really thought about that yet. Maybe we will, but I do not know. You just make these decisions each year as you go along but, if we have a state dinner, I promise you will get a gig.

**Mr HAMILTON-SMITH:** Pages 189 and 215 of the final report talk about the savings for each of those measures you have just mentioned. You have announced the prices for this year. Are you saying that there could be further increases in future years?

**The Hon. K.O. FOLEY:** I cannot say what the Motor Sport Board will decide in relation to ticket pricing. There will be no influence or pressure from me for the board to increase it—or decrease it, for that matter. It is a matter for the board's commercial judgment as to what it feels is an appropriate price for both general and corporate admission.

**Mr HAMILTON-SMITH:** I think the recommendation from the Sustainable Budget Commission was to cancel the state dinner. You are not ruling that out at this stage?

**The Hon. K.O. FOLEY:** We are at that point now. This is about the time of the year when you decide whether you will have a state dinner—and normally you would—what size, whatever. I am not taking any savings as recommended by the Sustainable Budget Commission into my savings pool. So, as individual decisions go, they are made in accordance with the normal time lines.

**Mr HAMILTON-SMITH:** Right. There was a further recommendation in the Sustainable Budget Commission's report on public transport costs and the subsidy. I think it was on page 118 of the leaked report.

**The Hon. K.O. FOLEY:** For the Clipsal?

**Mr HAMILTON-SMITH:** Yes.

**The Hon. K.O. FOLEY:** No; I am not aware of any changes.

**Mr HAMILTON-SMITH:** So that has been rejected. Why is the Motor Sport Board being provided with one-off additional support of \$3.43 million in 2010-11?

**The Hon. K.O. FOLEY:** That was to cover the loss incurred. When the GFC hit, a lot of corporates pulled out. General Motors pulled out, from memory. I think Ford pulled out. Holden pulled out. We have not necessarily gone back yet; I am not sure whether we will this year. One of its immediate reactions to its problems globally was to withdraw support. We saw a pretty significant hit from corporates over a couple of years, and these are the losses that were incurred, effectively, and the recurrent costs associated with the new infrastructure.

**Mr HAMILTON-SMITH:** Okay. That might answer the next question. Page 69 of the Sustainable Budget Commission's report notes an operating loss of \$2.4 million in 2009-10.

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** What caused that?

**The Hon. K.O. FOLEY:** Well, I am told to put the thing up and down every year. It costs us \$1.9 million a year to put up the pit building and the shade cloth. You would still have to put up the shade cloth.

**Mr HAMILTON-SMITH:** If only we could have gone ahead with the Victoria Park redevelopment.

**The Hon. K.O. FOLEY:** A bit over \$1 million would be the cost of the pit building. That number has been out there a long time.

**Mr HAMILTON-SMITH:** It is covering that cost.

**The Hon. K.O. FOLEY:** I agree; it is a nonsense. We should have it there, permanent. I think that we can bolt that one down.

**Mr HAMILTON-SMITH:** Will the Motor Sport Board achieve an operating improvement in 2010-11, and will it meet the suggested improvement of \$4.6 million by 2013-14 (as suggested by the leaked Sustainable Budget Commission report on page 69) and full cost recovery as stated in the final report?

**The Hon. K.O. FOLEY:** That is what we are driving towards, excuse the pun; whether or not we can achieve that is in the lap of the gods. This is such an efficient and low-cost event to the state, particularly when compared to the Grand Prix in Melbourne, which we know must cost \$30 million or \$40 million; but we have to be realistic.

I would like the thing to be self-funding, and we are trying to get there, but it is a big ask given the type of event that we like to put on. I think that we should always keep pressure on the Motor Sport Board—a subtle pressure—to ensure that it produces this event at the least cost option for government—preferably zero, but, in reality, it will probably be a few million.

**Mr HAMILTON-SMITH:** Did members of the board or staff travel overseas in 2009-10, and, if so, what was the cost?

**The Hon. K.O. FOLEY:** No, there was no overseas travel—not even New Zealand.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, Volume 1, page 3.6, Targets. I note that no 'Targets' or 'Highlights' are listed for the Clipsal 500 in the Treasury and Finance budget objectives. Is this an omission? Do you intend to put that in there? Will the Motor Sport Board be given any additional responsibilities or targets beyond the Clipsal? I am asking particularly about the Classic Adelaide Rally, or any other motor sport events.

**The Hon. K.O. FOLEY:** We have a green solar challenge, of course, which it manages; and, at present, the government is considering Classic Adelaide. We have not made a decision on that yet. I am a bit iffy on it, to be honest. We have got to make a decision pretty soon.

**Mr HAMILTON-SMITH:** You could group those things. It makes sense to put them in with the Motor Sport Board.

**The Hon. K.O. FOLEY:** I think that we could do a lot more with the Motor Sport Board in terms of event management.

**Mr HAMILTON-SMITH:** You have other events. You have not only the Classic Adelaide but also that Lobethal Formula One—

**The Hon. K.O. FOLEY:** I do not think that is happening this year, but, if that was to come back onto the map, we would do it. It is biennial.

**Mr HAMILTON-SMITH:** It is an opportunity to build the brand a little by grouping—

**The Hon. K.O. FOLEY:** Yes. If we do go for Classic Adelaide, part of the reasoning is that we can—

**Mr HAMILTON-SMITH:** You can realign it.

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** What about a motor show? It might be out of the ambit of your particular interest, but I see that essentially we have lost the motor show. It has not been held for a while.

**The Hon. K.O. FOLEY:** It is not something that Roger Cook has raised with me, but I am happy to raise it with him.

**Mr HAMILTON-SMITH:** I have some related issues, which might not fall neatly into Treasury and Finance but they are linked to the handover from DTED of the event. What is the impact of ceasing the DTED agency involvement with the Clipsal of \$440,000 over four years (I gather that has been picked up now by the rest of government), and also Adelaide City Council's decision to cut its \$40,000. Have you simply had to cover both those amounts from elsewhere or has there been some other source?

**The Hon. K.O. FOLEY:** I guess that we attract other corporates. I think we have had a lot better success this year in the corporates. It is looking quite good. The Adelaide City Council's contribution is paltry, like everything it does—paltry, insignificant, of little value.

**Mr HAMILTON-SMITH:** Nevertheless, it would be nice to have it, I suppose. You have covered that loss of revenue. How many businesses will be affected and to what extent by cuts to the business matching program and what targeted investment attraction activities are to replace the program?

**The Hon. K.O. FOLEY:** DTED has used it to some success. I must say it has been very good with Defence SA. Andrew Fletcher and his team have used the Clipsal 500 as a tremendous opportunity for us to get a lot of global and national players into Adelaide. Maybe you lot in the army are all petrolheads, I don't know.

**Mr HAMILTON-SMITH:** That's because they like things that are noisy and bloody colourful and that move.

**The Hon. K.O. FOLEY:** Yes, that's a polite way of putting it. There seems to be a lot of petrolheads in the armed forces, even the navy. Wherever Andrew and I go, we ask them to come to Clipsal—the odd bartender and the doorman, too, just quietly. No, that's a joke; shouldn't joke. Anyone who wants to come to Adelaide, we sell it.

**Mr HAMILTON-SMITH:** But the business matching program, how many businesses were involved in that?

**The Hon. K.O. FOLEY:** I will have to come back to you with the actual specifics on the business matching, I'm sorry.

**Mr HAMILTON-SMITH:** Your Budget Paper talks of new investment attraction activities to replace the business matching program. Can you come back to us on that as well?

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** Will any staff be made redundant as a result of the business matching program cuts?

**The Hon. K.O. FOLEY:** You would have to put that to minister Koutsantonis.

**Mr HAMILTON-SMITH:** Do you expect more jobs to be created by the Clipsal 2011 event, given that full-time jobs seemed to have dropped last year from 420 to 411?

**The Hon. K.O. FOLEY:** We think, with the growth of the corporates this year, that is likely, but I cannot give you an exact answer.

**Mr HAMILTON-SMITH:** How many weeks will be required to construct and dismantle the Clipsal stands in 2011?

**The Hon. K.O. FOLEY:** Too many.

**Mr HAMILTON-SMITH:** I agree with that. When will you start erecting the stands?

**The Hon. K.O. FOLEY:** Early December and we are out by the end of May. Ridiculous, but that is what the will of the people is.

**Mr HAMILTON-SMITH:** And the cost again? I think you mentioned it a moment ago.

**The Hon. K.O. FOLEY:** For the pit stand, probably a bit over \$1 million. Then you have the cost for the shade, but you would have that cost, anyway.

**Mr HAMILTON-SMITH:** Budget Paper 5, page 52 refers to \$350,000 of capital expenditure, new capital expenditure in 2010-11, could you advise the committee what that is for?

**The Hon. K.O. FOLEY:** Resurfacing of roads, concrete barriers, that type of infrastructure upgrade.

**Mr HAMILTON-SMITH:** Is that likely to be repeated each year?

**The Hon. K.O. FOLEY:** It is a recurrent number, I am told, or thereabouts.

**The Hon. I.F. EVANS:** Still on the Motor Sport Board, I notice in the Auditor-General's Report on page 1,307 there is a \$1 million reserve for bad weather. I am not quite sure whether they mean they are holding \$1 million cash or whether that is the cost of their bad weather insurance.

**The Hon. K.O. FOLEY:** No, this is an issue that has annoyed Roger Cook for as long as I have been minister. It was an annoying problem. I think that might be the best way to describe it. Apparently in 2001-02 there were terrible rains, a lot of hail damage and a lot of loss of patronage because of the weather, and it cost the Motor Sport Board a considerable amount of money. The Motor Sport Board was then of the view that it should put aside a contingency for future bad weather. The Auditor-General disagreed and said that, basically, it should take the hit if and when it occurs. In the end, that \$1 million was transferred into reserve as part of equity, and it still sits there now.

Coming back to an earlier point that the member for Waite raised, there was a dispute between how the board wanted to present that \$1 million and what the Auditor-General said was appropriate government accounting. So, in the end, it was put into their equity and left and the bad weather will be dealt with if and when it comes along next time. They are operating like a business, so they felt they wanted a provision in their accounts for bad weather. It showed as a particular reserve.

The Motor Sport Board wanted to put it as a provision in their accounts but the Auditor-General was unhappy with that and said it had to go in as a reserve or into the equity base of the Motor Sport Board. It had to sit in there and not be shown up each year. He would not accept them carrying over the \$1 million each year as a contingency, because I assume he felt that misrepresented the true state of the accounts.

**The Hon. I.F. EVANS:** So, it is just a \$1 million figure, and that was back in 2002, or something, I think you mentioned.

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** So the potential losses, in real value money terms probably have doubled between 2002 and 2011. I would have thought the cost of insurance would have been a cheaper option rather than the cash reserve.

**The Hon. K.O. FOLEY:** Apparently it is astronomical. Weather event insurance is substantial. They wanted to carry it over each year so they had that pool of money there as a buffer when they had bad weather. The Auditor-General said in public accounts you cannot keep carrying over \$1 million and you have to just put it into your equity base.

**The Hon. I.F. EVANS:** The contract for Clipsal runs out in 2015. At what point are you allowed to start renegotiating? Is there a clause in the contract that says you cannot renegotiate before X date? If so, what is the date? How many years' notice do they have to give to not proceed with the event? Are there provisions in the accounts for the winding up cost if, tragically, we lose the event?

**The Hon. K.O. FOLEY:** Sorry, you are talking about the event, not the sponsorship?

**The Hon. I.F. EVANS:** No, the event.

**The Hon. K.O. FOLEY:** Sorry, I though you were talking about Clipsal's sponsorship of the event.

**The Hon. I.F. EVANS:** No, the event. My understanding is the event contract goes to 2015.

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** So there must be some point in the contract where whoever owns the Clipsal race will come to us and say, 'We want to renegotiate.' At what point do we start renegotiating? We have lost an event every now and then.

**The Hon. K.O. FOLEY:** I actually did the deal with Mr Cochrane (although I think the Premier signed it) for a 10-year deal from 2005. It was also part of our commitment to improve the infrastructure. We felt at that time a 10-year deal was about as long as you wanted to go with these things. But it is a good question about when we start to sit down with V8 Supercars. In 2007 we extended it for eight years. We felt that was a lengthy enough period. My guess is that, the way Tony Cochrane operates, we can do it any time we want. I could go to him now, I guess, and say, 'Do you want to give us another five or 10 years?'

They love Adelaide; and there will be competing events. Sydney is up and running. They would like to have the event in every city. They have got the Gold Coast and Toowoomba, and I think they've got Perth—a pretty poor event. I would think that the next year or so would be the right time to sit down with Tony Cochrane and get another five to 10 years. I am not fearful of this event ever leaving Adelaide, because it is not like a Grand Prix where there is only one of them. This is the best event he has anywhere in Australia. It is a different type of event to Bathurst. I went to the Sydney event; it's nice, but it's got none of the atmosphere that ours has got; but I think in the next 12 months to 18 months. Roger Cook, incidentally, is on the board of Supercar Australia.

**Mr HAMILTON-SMITH:** Is there any concern about sponsorship, and when is that up for renegotiation?

**The Hon. K.O. FOLEY:** In 2015 we run through that. That must have been the 10-year one when Robert Gerard sold the business. I guess we will start talking to them in a year or two. It has been a terrific event for them. As you see, they get 2,000 of their tradies from around the world; it is extraordinary. Just what the sponsorship climate will be like in a few years time, who knows. That is one of the great problems we have in Adelaide. It is a problem that Port Power have, a problem the Crows have, in getting a major corporate sponsor, given there is a limited number here in South Australia.

**Mr HAMILTON-SMITH:** The CEO's position, could you tell us who is running the show at the moment? I gather it's the CFR.

**The Hon. K.O. FOLEY:** No; I think the chairman would say that he is. No doubt Graham is holding the fort. Jason Allen is going on to manage the Waratahs in New South Wales, which is a significant position. It is a very big rugby union club; it is a big franchise, so I am pleased for Jason.

We will be making an announcement soon on a replacement. We are going through that process now. When I say we—I will be advised of the preferred candidate selection by the board in the very near future.

**Mr HAMILTON-SMITH:** And that has been advertised and is going through the normal process?

**The Hon. K.O. FOLEY:** Nationally. Jason apologises for not being here; he has been away. We are now on the Motor Accident Commission. Incidentally, I have not misled the parliament; I got it checked. I qualified my answer and gave you answer back on the SACA \$30 million. I gave a statement. As Mr Cantley himself said, it is a very complicated structure, designed to protect the taxpayer to the full extent that we can. He said, 'I have negotiated something fairly complex, so if the Treasurer might trip up on some of the detail, I can understand why.' That is my statement to the house.

#### **Departmental Advisers:**

Mr A. Daniels, Chief Executive, Motor Accident Commission.

**The Hon. I.F. EVANS:** We do not have a lot of questions on MAC, but we do have a few. The Auditor-General's report raises the issue of a decrease in the unexpired risk exposure—and I am sure this will be of concern to the Treasurer.

**The Hon. K.O. FOLEY:** Say that again.

**The Hon. I.F. EVANS:** It raises the issue of a decrease in the unexpired risk exposure, which I know Mr Daniels is across. It mentions that there has been a decrease of \$24.4 million in the unexpired risk exposure. So, I thought: what is that? I read the document, and it says go to note 9. On note 9 of the Auditor-General's report, which is on page 848, there is a whole section on the unexpired risk. Nowhere can I find the figure \$24.4 million or a difference in figures of \$24.4 million. I am assuming the Treasurer does not know this figure off the top of his head, so I am wondering if Mr Daniels can explain to us the decrease in the unexpired financial risk and explain note 9 to me.

**Mr DANIELS:** Thank you, Mr Treasurer. The total unexpired risk liability in 2009 was \$41.7 million, and in this year done it is \$30 million. This is all determined by—

**The Hon. I.F. EVANS:** That is \$11 million difference, isn't it?

**Mr DANIELS:** That is correct.

**The Hon. I.F. EVANS:** Right, so how is it the Auditor-General is reporting a difference of \$24.4 million, or a decrease of \$24.4 million. I can see the \$41 million and \$30 million figures, and I worked out that was an \$11 million difference, but the Auditor-General, on page 835 says:

Other underwriting expenses decreased by \$17 million primarily as a result of a decrease in unexpired risk expense of \$24.4 million.

I thought, now, if anyone would know, it would be Mr Daniels.

**The Hon. K.O. FOLEY:** I don't even know what unexpired risk is.

**The Hon. I.F. EVANS:** Well, explain to the Treasurer what unexpired risk is, then come back to the figure.

**The Hon. K.O. FOLEY:** No, I am happy for you to explain it to me.

**The Hon. I.F. EVANS:** No, it is not my estimates.

**The Hon. K.O. FOLEY:** I am happy for you to explain it to me.

**The Hon. I.F. EVANS:** No.

**The Hon. K.O. FOLEY:** He doesn't know either.

**The CHAIR:** I thought it had been agreed much earlier on in the day that it was in fact your day.

**The Hon. I.F. EVANS:** Yes, it is; to ask questions.

**Mr PEDERICK:** That's right.



**The Hon. I.F. EVANS:** They don't pay us to answer them. Check the shadow minister's salary. We don't get paid to answer them: we get paid to think them up.

**The Hon. K.O. FOLEY:** I am not getting overtime.

**The Hon. I.F. EVANS:** I am just wondering where the figure comes from?

**Mr DANIELS:** The figure is calculated by Brett and Watson, the independent actuaries for MAC, in accordance with the appropriate accounting and actuarial standards. I do not know what the Auditor-General's Report actually is referring to there, when they are talking about \$24 million. The reduction for the year was \$11 million, which comes about from items such as change in discount rates and other extraneous factors that are taken.

They are nothing to do with the operation of MAC; it is a straight actuarial calculation to ensure that we actually comply with our premium adequacy requirements. It is basically an additional liability that MAC holds within its books, but I have to say, I don't know what that \$24 million you mention refers to—I am sorry. We will find out.

**The Hon. I.F. EVANS:** Fair enough.

**The Hon. K.O. FOLEY:** We will take it on notice and we will scour the documentation that we have available to us to see if we can come up with a more intelligent answer—not that that wasn't intelligent.

**Mr DANIELS:** It wasn't good.

**The Hon. I.F. EVANS:** The Auditor-General's Report raises charges by DTEI to MAC. Who independently sets them? Where is the independent eye?

**The Hon. K.O. FOLEY:** This is an ongoing problem.

**The Hon. I.F. EVANS:** Well, DTEI could try and milk MAC to prop up its budget, which ultimately affects MAC's performance. So, I am just wondering who actually sets these fees and what the process is?

**The Hon. K.O. FOLEY:** Very, very good question. Andrew Daniels raised this with me not that long after he came into the position (and Roger) and said, 'We think we are getting charged too much, and we want to go to tender.'

**The Hon. I.F. EVANS:** What are they actually charged for?

**The Hon. K.O. FOLEY:** Processing, collection of their premium income.

**The Hon. I.F. EVANS:** Okay, on the registration?

**The Hon. K.O. FOLEY:** Yes. The board's job is to quite diligently get the best outcome for MAC—surprising, that. Now, their view was that they should be allowed to go to private tender and see who else out there could deliver this service at a cheaper price. However, should that have occurred and should DTEI have lost that business, because they would have lost revenue and critical mass and all of that, there would have been a cost, or a loss, to DTEI. So, what might have helped MAC, on one hand, might have disadvantaged government on the other hand.

Now, you may well say, 'So be it', and that is what I considered. In the end I got a consensus, and Andrew negotiated a better price with DTEI, which avoided us having to go to contract. We got a better price out of DTEI, and they didn't lose the business.

**The Hon. I.F. EVANS:** Right; so the appeal mechanism is the Treasurer, is it? If Mr Daniels doesn't like the DTEI charge, he basically comes to you?

**The Hon. K.O. FOLEY:** It is like any relationship between a board, a chairman and his minister. They are at liberty to do whatever they like, but they are always conscious of the need to keep the minister of the day in the loop.

**The Hon. I.F. EVANS:** The Auditor-General raises the issue of the probability of sufficiency; that is, the Australian Standard asked for a 75 per cent probability and the Treasurer has asked for an 80 per cent probability. I am not sure exactly what the impact of that is, but the target level of assets, to reach a 75 per cent level of sufficiency, is \$2.451 billion. So, what is the target level of assets for an 80 per cent probability of sufficiency?

**The Hon. K.O. FOLEY:** Our target net assets is \$285 million, and we are now at \$277 million. So, we are nearly there, but not quite.

**The Hon. I.F. EVANS:** That is net?

**The Hon. K.O. FOLEY:** Net. So, gross—I do not know. We can come back to you with that figure.

**The Hon. I.F. EVANS:** So, why have you asked—

**The Hon. K.O. FOLEY:** For a higher one than the Auditor-General?

**The Hon. I.F. EVANS:** Than the Australian Standard. The Australian Standard is 75, you have asked for 80, which I assume means that more money is left in the system.

**The Hon. K.O. FOLEY:** I have an answer for you. You will love this one. I am told that was set many years ago when the earlier incarnation of the Motor Accident Commission was a body called the SGIC, and the government of the day, which was either the then Arnold government (in which I had a minimalist role) or the early Brown government, put that 80 per cent in above the Australian Standard because they never wanted the buggers to go broke again—I am told; I think. Stephen Baker, we think it might have been, set a higher task than the Australian Standard because they lost so much before.

**The Hon. I.F. EVANS:** I understand that, but that is 10 years ago. We have just gone through this whole exercise of the Sustainable Budget Commission trying to find every dollar from every nook and cranny. If it was reduced to 75 per cent, does that mean it provides the government an opportunity to draw more money out, because less assets—

**The Hon. K.O. FOLEY:** You might get a one-off—

**The Hon. I.F. EVANS:** Would you get a one-off benefit?

**The Hon. K.O. FOLEY:** You could get a one-off capital repatriation, but we have just come through a global financial crisis and at that time, from memory, MAC had approximately—do not quote me on these numbers—160 per cent of assets over liabilities, something that I put in place when I came to office when I required them to have a prudential margin more akin to that of a private insurance company. That saved their arse during the global financial crisis when their asset base shrank dramatically due to the collapse in stock markets and property prices—they never went into negative assets.

So, Stephen Baker, in that year, to make sure they had a right capital buffer, together with my work to make sure that the liabilities to asset ratio was higher—it is very hard to get back there, I might add, without significant premium increase, but you can never have an insurance company overcapitalised, in my view—well, you can. It performed exceptionally well and has bounced back well. When I came to office, from memory, the Motor Accident Commission might have been at 100 per cent solvency.

**The Hon. I.F. EVANS:** I think it was 96.

**The Hon. K.O. FOLEY:** I think you are right, 96. I took it up to 160 per cent, as minister, so I will take the glory, and then Andrew, as the CEO, dropped it back down. Had it been at 96 per cent when the GFC hit, it could have gone down to 35 or 40 per cent but, because I had insisted that it raise its premiums and that it manage its asset base in a way that gave that extra liquidity, it withstood the shock. So, in effect, I redeemed former treasurers of the Labor persuasion who had seen the SGIC go broke. I saved one. Do I get credit for that?

**The Hon. I.F. EVANS:** I will think about it. It is late, and I just wanted an explanation. The Auditor-General's Report raises an issue that I know is not new to you or me, which is the level of premium increase and the recommendations from the third party premium committee versus what the Treasurer or cabinet actually sign off on.

I just noticed the lumpiness of the recommendations from the Third Party Premiums Committee, which is all to do with claims and returns, and I understand all that argument. I am wondering whether you have ever given consideration to what prohibits going to a three-year rolling average rather than an annual, to try to get rid of the lumpiness out of the decision. Even your decisions have been relatively lumpy compared to the cost of living.

**The Hon. K.O. FOLEY:** You are dead right, and I think that is a very good question. Not only are they lumpy, I actually have the power, as your former government did—and I think if you looked at the behaviour of both there is probably not a lot of difference; the further you are out from an election the more bolshie you are with the increase—to reject a recommendation of the Third Party Premiums Committee in terms of the size of the increase. For two years running they recommended a decrease and I (or the minister of the day) do not have the power to negate that

recommendation. I have to accept it. I could have said, 'No, we'll just get an inflation discount or we will just give a 5 per cent discount,' which meant you could have smoothed a little bit of that lumpiness out in the bad years. However, the way this whole process has been set up is a dog's breakfast. I am thinking through some options about smoothing it, but it is not an easy exercise. However, that is a very valid question.

**The Hon. I.F. EVANS:** What is the change from last year to this year with the level of funds under investment with the Motor Accident Commission?

**The Hon. K.O. FOLEY:** They have done well this year: 10.2 per cent as to 30 June 2010; plus 10.2 per cent.

**The Hon. I.F. EVANS:** Is that on the \$2.3 billion as at—

**The Hon. K.O. FOLEY:** It is \$2.34 billion, yes. As only these things can be presented, it is 10.2 per cent throughout the course of the year.

**The Hon. I.F. EVANS:** So, why don't they just give us the annual figure? What does 10.2 per cent throughout the course of the year mean? Why would you not just report on the return as at 30 June?

**The Hon. K.O. FOLEY:** I don't know.

**The Hon. I.F. EVANS:** Neither do I; that is why I am asking.

**The Hon. K.O. FOLEY:** It is the way benchmark returns are calculated.

**The Hon. I.F. EVANS:** Okay, but the benchmark return—

**The Hon. K.O. FOLEY:** And we just follow it.

**The Hon. I.F. EVANS:** Okay, but the benchmark data is unaudited, according to the Auditor-General, so does that mean our 10.2 per cent return is an unaudited return?

**The Hon. K.O. FOLEY:** No, that is audited. The benchmark is 8.6.

**The Hon. I.F. EVANS:** So what benchmark data then is not audited? Clearly, the Auditor-General raises the issue that benchmark data is unaudited.

**The Hon. K.O. FOLEY:** I guess the benchmark that we are comparing ourselves to that he says is unaudited is done by the Mercer survey. Mercer do a survey of a number of funds. I think he is referring to the fact that that is an unaudited number, not our number itself.

**The Hon. I.F. EVANS:** Right. So what was the annual return then on our \$2.3 billion? For the year ending 30 June, what was the return?

**The Hon. K.O. FOLEY:** Gee willikers!

**The Hon. I.F. EVANS:** The reason I ask is—

**The Hon. K.O. FOLEY:** No; it is a fair question.

**The Hon. I.F. EVANS:** —because there is only a \$66 million cash return.

**The Hon. K.O. FOLEY:** 168.6.

**The Hon. I.F. EVANS:** And there was 146 investment market movement; that gives you \$212 million.

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** Well, \$212 million is not 10 per cent of \$2.3 billion; 10 per cent of \$2.3 billion is \$230 million.

**The Hon. K.O. FOLEY:** But it is moving through the course of a year, taking in all the variables and all of the incidences of market volatility through that 12-month trajectory.

**The Hon. I.F. EVANS:** It seems to be a very unusual way to report it.

**The Hon. K.O. FOLEY:** Yes, it does, doesn't it? Incidentally, my answer then I just made up.

**The Hon. I.F. EVANS:** Well, I figured that. In a previous answer, Treasurer, under Funds SA you indicated that MAC's funds were going into Funds SA.

**The Hon. K.O. FOLEY:** Yes.

**The Hon. I.F. EVANS:** But the Auditor-General reports that only—

**The Hon. K.O. FOLEY:** Not all funds.

**The Hon. I.F. EVANS:** No, that is right. So, where do they spread their other funds? Roughly, what percentage of the total pool is in Funds SA and what is outside?

**The Hon. K.O. FOLEY:** Fifteen per cent of their portfolio is retained under management by MAC; that is their property portfolio. That involves real estate investment trusts (REITs) and individual properties that they own (there is a portfolio of properties). They felt, correctly—I agreed with it, and I think Funds SA agreed—that that was not Funds SA business. They may argue that REITs are, but property is certainly something that MAC prefers to keep as a balance in its portfolio.

**The Hon. I.F. EVANS:** If you have centralised the funds management have you considered centralising the property management?

**The Hon. K.O. FOLEY:** Well, there is no-one else in government who really owns property. Government individually owns some property—which I am in the process of divesting us of—in the big buildings. Of course, years ago the old Funds SA was massively overweight in property, and property in Adelaide. No wonder it went crook. I am advised that its property portfolio returned over 15 per cent this year. Was that at the end of the year or was that on this rolling return?

**Mr DANIELS:** It is the rolling return.

**The Hon. I.F. EVANS:** So what was the return through Funds SA? You got 15 per cent through property and 10.2 per cent overall, so obviously on your investments through units—

**The Hon. K.O. FOLEY:** But 85 per cent is from Funds SA.

**The Hon. I.F. EVANS:** It is obviously less than 10 per cent.

**The Hon. K.O. FOLEY:** It is 1 per cent above its benchmark on its balanced fund.

**The Hon. I.F. EVANS:** Which is?

**The Hon. K.O. FOLEY:** It is a conservative fund, so probably about 8 or 9 per cent. However, do not forget that the equities were 85 per cent of its portfolio, property is 15, and it got a 15 return on that 15.

**The Hon. I.F. EVANS:** Yes, 15 and 15, and less than 10 on the other.

**The Hon. K.O. FOLEY:** I am not sure it was less than 10; probably it is pretty close, but we will get that for you.

**The Hon. I.F. EVANS:** There was a payroll advance of \$300,000: explanation?

**The Hon. K.O. FOLEY:** Believe it or not PIRSA used to provide a service. I assume you just shopped around and went to the government agency that would best do your payroll for you, and not do it yourself. Of course, we moved into shared services and I am told that that \$300,000 was to open up an account with Shared Services.

**The Hon. I.F. EVANS:** So it is the payroll function. Management charges have increased \$4 million; who sets them, and why have they gone up \$4 million? It is on page 835 of the Auditor-General's Report.

**The Hon. K.O. FOLEY:** He has been claiming credit for doing all these questions himself; where is his adviser? The member has not been doing this; his staff have been doing this. Andrew, Roger and the team negotiated a bonus arrangement with Allianz, which manages our claims management, that if it were able to reduce claims management impacts on government, on MAC, it would receive a premium bonus on its payment. This year that amounted to a payment above its normal fee of \$1.5 million additional to the normal payment. In return it produced savings of \$20 million to our bottom line from better claims management. That is out of a total of \$350 million a year.

Andrew and Roger came to me a year or so ago and said, 'Are you comfortable if we negotiate a deal with Allianz to give them an incentive to better manage claims management to see if we can get the cost down? It would require an incentive payment to them if they could do it.' They got it down by \$20 million, and that triggered a payment of \$1.5 million. I am told that they have

reinvested that \$1.5 million into new staff and new equipment for their Adelaide business managing MAC so they have not taken it to their bottom line: they have reinvested it in the business.

What Andrew and Roger are trying to do, Iain, to be honest, is that they are just trying to find every way possible—it is a very lean business, MAC; it is not a large administration, and it is really just a managing of assets and claims management. They are squeezing out every saving that they can.

**The Hon. I.F. EVANS:** You cut sponsorships by \$1 million. What sponsorships have been cut? If it is to do with TV adverts, I should declare that I think my son appeared in one of your adverts by fluke so I declare the conflict. He played a dead man.

**The Hon. K.O. FOLEY:** How did he do that by fluke? Oh, he got in the advert by fluke?

**The Hon. I.F. EVANS:** It was through an agency.

**The Hon. K.O. FOLEY:** We will come back to the house on that. I have a list of who we are sponsoring.

**The Hon. I.F. EVANS:** In the answer, can you do both: what is cut out and what you are keeping? It is 9 o'clock, Madam Chair, so I think I will thank the Treasurer and his officers for their time, and thank the members of the committee.

**The CHAIR:** Are there any further questions? There being no further questions, I declare the examination of the proposed payments adjourned and transferred to Committee B.

### **DEFENCE SA, \$63,550,000**

#### **Membership:**

Mr Venning substituted for Hon. I. Evans.

#### **Witness:**

Hon. K.O. Foley, Deputy Premier, Treasurer, Minister for Federal/State Relations, Minister for Defence Industries.

#### **Departmental Advisers:**

Mr D. Hall, Defence SA.

Mr A. Fletcher, Chief Executive, Defence SA.

Ms K. McGloin, Defence SA.

Ms M. Curtis, Defence SA.

**The CHAIR:** I declare the proposed payments open for examination and refer members to the Portfolio Statements Volume 1, Part 2. Treasurer, given your previous feelings, I assume that you do not want to make a statement—is that correct?

**The Hon. K.O. FOLEY:** No, I do not need to make a statement, Madam Chair.

**Mr HAMILTON-SMITH:** Referring to Budget Paper 4, Volume 1, page 2.33, targets for 2010-11. Dot point 4 is about the air warfare destroyer, and I am interested in going to that project. Of the \$8 billion to be spent on the air warfare destroyer project, how much is to be paid to overseas suppliers and how much is being spent in Australia?

**The Hon. K.O. FOLEY:** That is probably an impossible question to answer at this stage because, through the sourcing and tendering a lot of that would not be decided yet. That is the total project value. I guess with the Aegis weapons system a lot of it will go to America, and it depends whether you would class an Ultra Electronics setting up an operation here in South Australia as being money spent in South Australia or spent in the UK. It is a very difficult one to answer.

The only figure we can put some credibility to, Martin, is that ASC is expected to spend \$2.5 billion as payment to Australian contractors that we are aware of, but how big or small the number ends up being is too early to tell.

**Mr HAMILTON-SMITH:** The industry talk is around the figure of \$2.5 billion as being what is being spent in Australia and the remainder will probably go to Navantia, Aegis and various other overseas suppliers.

**The Hon. K.O. FOLEY:** Navantia obviously get a payment for their design and their ongoing involvement and (the Americans would never tell you) I assume the Aegis would not come cheap—it would be worth a fair bit. Other weapons on the ship will be imported weaponry.

**Mr HAMILTON-SMITH:** As a rough guide, about \$2.5 billion will be spent through ASC to Australian companies, with the remainder going somewhere else, predominantly overseas, I gather.

**The Hon. K.O. FOLEY:** Probably, but that may be vary.

**Mr HAMILTON-SMITH:** Of the amount being spent in Australia, let us focus down on the \$2.5 billion: are you able to tell the committee roughly how much of the dollar value will be directed to South Australian based companies?

**The Hon. K.O. FOLEY:** Again it is very difficult and is an unknown number. The first lot of modules have been let. The ASC were doing some here and the rest had been let, but we may see some of that work come back in a subcontracting way. It depends on who is successful in winning contracts for the ship and how successful we are in getting them to base themselves here in Adelaide.

An example of where we have been successful is Ultra Electronics, in both getting the contract and getting them to base themselves here. Then we have Babcock & Brown here from the UK. Again, that is largely the work Andrew and his team will have to oversee over the next few years.

**Mr HAMILTON-SMITH:** Roughly what percentage of the contracts for that build will have already been let or at least finalised, if not signed, and how many are still out in the ether?

**The Hon. K.O. FOLEY:** Are you talking about the modules?

**Mr HAMILTON-SMITH:** No, for the \$2½ billion that is to be spent in Australia in total, not just the modules.

**The Hon. K.O. FOLEY:** I am advised that the defence department and the alliance partners will not reveal those numbers to us. They are keeping them very tight.

**Mr HAMILTON-SMITH:** I am trying to get an informed estimate, if you like, of what percentage of that \$2½ billion might be spent in South Australia, whether it would be, for example, a third, as a rough estimate, or less than a third.

**The Hon. K.O. FOLEY:** Unfortunately, we cannot give you that information for two reasons: one is, as Andrew just said, that the alliance is very tight on letting any of this sort of data escape, and, secondly, a lot of that is still to be determined. There are a lot of contracts yet to be let; we are only at the very early stages. I do not know, but I do not think you could assume that, because you get a contract on the first ship, that automatically flows through to the third. Again, we are not privy to their contracting arrangements with their suppliers, whether they give them one ship and see how they go before they give them the next two or whether they give them three ships.

**Mr HAMILTON-SMITH:** Let's move to the subject of the blocks that are under construction for the AWD and their fabrication. I believe this is known, or should be known. How many of the blocks will be fabricated by Forgacs in Newcastle, New South Wales; how many by BAE Systems in Williamstown, Victoria; and how many by ASC? What would be the total dollar value of block fabrication?

**The Hon. K.O. FOLEY:** I cannot give you the dollar value, but I can say, on advice, that Forgacs in Newcastle and BAE Systems in Williamstown will deliver 66 of the 93 fabricated and pre-fitted hull blocks, which are then joined together to form a completed AWD. When completed, the blocks will be transported by ship or barge to Techport Australia for consolidation. The remaining 27 blocks are being built at ASC's facility at Techport Australia. There might be some variation in some of that—timing and whether or not everything is done at one particular site or not. That is the advice we have to date, but I think there is a little bit of flexibility within that.

**Mr HAMILTON-SMITH:** So, in that particular instance, it is about two-thirds of the blocks being built interstate and about a third here, but there is some added value from the assembly here.

**The Hon. K.O. FOLEY:** That was the intention at the beginning; that may change a bit. The blocks that are being built by ASC are the more high-tech elements of the ship, where ASC as the parent, the constructor and the consolidator, wants to be involved more directly in overseeing that work.

**Mr HAMILTON-SMITH:** Have any concerns been raised with you about the quality of some of the work that has been done so far on the blocks?

**The Hon. K.O. FOLEY:** As a minister, I am privy to all sorts of discussions; some that I would prefer not to discuss, to be honest. You should not draw any inference from that, but I am briefed on a number of things relating to this whole project, and anything to do with the construction of the vessel itself, beyond just the published facts, I will not offer a comment on. However, as far as the project goes, it seems to be coming along okay.

**Mr HAMILTON-SMITH:** Is the government of South Australia lobbying for the construction of a fourth air warfare destroyer, and is a fourth air warfare destroyer still in prospect? If so, what decision time lines would apply?

**The Hon. K.O. FOLEY:** 'Who knows?' I think is the answer. As Andrew says, we have all been pushing for it. We were hoping that, with Navantia winning the contract with a smaller ship, there might have been some headroom to allow them to get a fourth ship. We tried to convince John Howard of that and Kevin Rudd before the 2007 election.

It is fair to say we tried to get a fourth ship out of Julia Gillard before this election. The White Paper that was brought down two years ago does not rule out a fourth ship, but we really do not know. It is difficult for us to have a view on capability, in terms of whether there is a need for it in capability terms. The White Paper certainly has not ruled it out.

It certainly would be a nice piece of work to bridge the period between perhaps the conclusion of the AWD build program and whatever the next build is, whether it is the next generation of submarines or whether it is next generation super ships to replace the ANZACs or what. Reading the tea leaves in Canberra now, I think there is a pretty tight budget over there, so I would not be overly optimistic about a fourth. We will just have to wait and see.

**Mr HAMILTON-SMITH:** So there is no clear time line for when the decision would need to be made?

**The Hon. K.O. FOLEY:** No. We lobby the commonwealth at both political and bureaucratic level and at armed forces level repeatedly on this issue, but it is out of our—

**Mr HAMILTON-SMITH:** The reason I asked for the time line, I suppose, is that if contracts are still being let obviously it would be very important as to whether or not it is three or four. You would think that there was a forward time line—a drop dead date if you like—beyond which the government would simply say, 'Look; we are building four' and go to market on that basis.

**The Hon. K.O. FOLEY:** I guess we are going to market based on three. Your point is a fair one. If they wanted to get some additional benefit from a fourth, you would think they would want to announce it in a reasonable time frame for that particular benefit to occur, but at this stage they have not.

**Mr HAMILTON-SMITH:** I am just a bit concerned that the federal government might be holding it out there but not really being serious about it and saying, 'Well, look; we do not need to make a decision for five years', so just keeping that there as a prospect but not being genuine about it.

**The Hon. K.O. FOLEY:** The point Andrew makes is a good one. It is that that window you talk about of the commonwealth government getting the benefit of ordering a fourth ship on the back of the other three and dealing with that issue that I talked about before with the workflow. That window is really closed. With the GFC and the impact that has had on global markets and cost and product and our purchasing needs, it will probably cost us more now to get a fourth. I would not hold out for a fourth, to be honest.

**Mr HAMILTON-SMITH:** Okay. On the same budget reference but moving to the submarines project, do you as minister and the government still stand by the Premier's election commitment or statement that the C1000 submarine contract would be worth around \$30 billion to South Australia?

**The Hon. K.O. FOLEY:** No, I do not. I think it is worth more like \$70 billion, because I think that was only the construction cost of the project. The free life support project is probably that

again. Sorry; I had better withdraw that number. That is industry talking, that number. They are obviously talking it up. No; 30 is the number that has come from the commonwealth.

**Mr HAMILTON-SMITH:** Could I then ask, is the state Labor government confident that the Gillard Labor government will honour the commitment the Rudd government made to build 12 C1000 submarines in SA? Has there been any indication from federal Labor that they may now be favouring an off-the-shelf purchase of ready-made submarines from Europe, as foreshadowed in Senate estimates? Even today—

**The Hon. K.O. FOLEY:** I am more confident of a Gillard Labor government delivering 12 new submarines to South Australia than I would have been of an Abbott Liberal government, given this shadow defence minister of yours who came out and would not guarantee Adelaide the work. He seemed to be leaning towards an off-the-shelf purchase himself. You might want to have a chat to him, as an ex-colonel of high standing. He wanted to send tanks to Afghanistan. Even I could work out that Abrams would probably be a little overweight for those conditions.

We have seen nothing from Canberra, from either the bureaucracy or the body politic, that would suggest anything other than this project is still on track. However, it would be wrong for me to say that there is not some noise out there arguing a different perspective.

**Mr HAMILTON-SMITH:** That leads to my next question. Is the state government prepared to publicly oppose any federal government move—regardless of who is in federal government—to purchase a submarine which is not of an Australian design and which is a cheaper, off-the-shelf overseas submarine. I know that this is a federal government decision, but it has huge implications for the state, and the state government bats for the people of South Australia. Will you leave that decision to the commonwealth, or are you prepared to go head-to-head and argue for the bigger project?

**The Hon. K.O. FOLEY:** I think we have always demonstrated our preparedness to put state before party. This is a great debate to be on the sidelines of and, at times, a little bit in it. It is, and will be, the largest acquisition that this nation will have ever made. It is a great debate about the capability that a submarine will give our nation—in terms of offensive capability—way beyond what we could afford to do with surface ships or even aircraft. The problem is the funding of it.

As a state government, we would prefer it to be an Australian design and probably a continuation of the evolved Collins, to be honest. You do not throw out the baby with the bathwater. You look at the next generation of sub; where have you gone wrong with the Collins, where have you gone right, and actually evolve that technology.

You would almost continuously produce submarines in Australia, because you are evolving a design all the way through. That would possibly be a smarter idea than simply a brand new design without taking any of the experience from Collins on board. It is probably a higher risk and a higher cost but, then again, the commonwealth may decide that it wants to do as it has done with the air warfare destroyers, and that is to buy a design from another country and either modify it for our particular needs or take it as is. I do not think we should necessarily be upset about that, provided they are built in Australia and in Adelaide.

**Mr HAMILTON-SMITH:** Of course, there is the third option.

**The Hon. K.O. FOLEY:** You can just buy it off the shelf.

**Mr HAMILTON-SMITH:** The third option is to virtually buy—as we have done with the LHDs—a hull from overseas and ship it in.

**The Hon. K.O. FOLEY:** As Andrew says, the problem is that, despite what you read in the paper today, there is not actually an off-the-shelf submarine that meets the requirements of our navy as described in the white paper. The white paper has been quite specific about the role it would see the submarines playing in the defence of the nation. I am advised that, at present, there is no European sub that would meet our needs. That is not to say that you could not modify a French, German or Italian design, or a Spanish design, for that matter. I think that is probably the debate they are having in Canberra now. We will be meeting with Stephen Smith, the federal defence minister, soon. I am sure the Premier will meet with prime minister Gillard, and that will be front and centre of our negotiations and discussions.

**Mr HAMILTON-SMITH:** Would the state government have any intention of insisting or asking that this be dealt with through COAG? The reason I suggest that it might be dealt with through COAG is that there will be a number of states that will seek to benefit. As we have seen with the blocks for the AWD, it is a two-thirds/one-third split, South Australia and other states, if it is



that. There will be a number of other states that have a strategic interest in the decision, and perhaps it is a decision that needs to be discussed in a forum like COAG so that the states can have their say.

**The Hon. K.O. FOLEY:** I would prefer it not to be discussed at COAG. I think what you are saying is right. I think there are other vehicles by which to make that point. The problem with COAG is that there will be a few states there that will be pretty annoyed that we have been anointed without that decision being competed around Australia. I am sure that the New South Wales government or, indeed, the WA government, in particular, would argue strongly that they should have had a crack at it.

We were able to convince the former prime minister that this was the right place. I think industry will be making that point very strongly, as a united voice; we certainly will be. When it comes down, and if the other states accept that it is going to be Adelaide, I am sure BAEs and all these other people around Australia will be hot to trot in putting pressure on the feds.

**Mr HAMILTON-SMITH:** I move on to Budget Paper 4, Volume 1, page 2.35, and that is Defence SA staffing costs. Are the personnel and administrative costs of Defence SA excessive, and would recommendation 18 of the Sustainable Budget Commission's final report to merge the operation of Defence SA to a large department, with a leaner board, deliver savings if adopted? I am not suggesting that is the best option, but—

**The Hon. K.O. FOLEY:** I rejected that option as it was put forward. Defence SA has worked exceedingly well, because, first, it had a very good minister!

**Mr HAMILTON-SMITH:** I didn't see that in the Sustainable Budget Commission's report.

**The Hon. K.O. FOLEY:** It has worked well because it has been a small, lean agency, headed up by Andrew, and everyone is fully aware of Andrew's commercial experience and background. It gives Andrew and his team flexibility to hire people whom you would not necessarily attract into a larger, more bureaucratic structure.

I have to say that the board is outstanding, with that calibre of personnel for a relatively modest cost available with a phone call to Andrew or regular appearances either at board meetings or interstate with us, even overseas at times. We have the most recently retired head of Army; we have brass like you would not believe. We are not into attracting colonels, though; we do not really go down—

**Mr HAMILTON-SMITH:** No, that would be a struggle,

**The Hon. K.O. FOLEY:** We try to stay with the brass, the generals.

**Mr HAMILTON-SMITH:** Well, that sort of person would make a very good minister, but we will wait for 3½ years, all right? According to Budget Paper 4, Volume 1, page 2.4, there are 43 FTEs in Defence SA. Why has there been such an increase in staff numbers? In 2008-09, there seem to have been 31.3.

**The Hon. K.O. FOLEY:** I guess they have probably come about through the CUF.

**Mr HAMILTON-SMITH:** It has gone up by 25 per cent.

**The Hon. K.O. FOLEY:** Also, Andrew and his team took over Technology Park, which was a good move because Technology Park was never a really good fit in Land Management Corporation; it was not its core business. It was a little out of the core businesses we probably saw with Defence SA but, when we had a look at the type of companies we have there and, more importantly, the type of expertise that Andrew has that he wants to keep utilised—people such as Richard McLachlan who manage our land division—it has been a bloody good fit. We are getting much better return for government out of it, and we are providing a better service to industry.

**Mr HAMILTON-SMITH:** Is that 25 per cent increase wholly ascribed to the taking on of that extra responsibility?

**The Hon. K.O. FOLEY:** It was that and some extra FTEs, I guess, with CUF—the common user facility; I am sorry, I am getting into jargon there.

**Mr HAMILTON-SMITH:** These are the budget estimates, so I have to ask this question. The Auditor-General points out that there are 22, I think, of those employees paid in excess of \$100,000; 13 are paid more than \$140,000; two are paid more than \$300,000—and that is the most recent report. When you look at those personnel costs, they do seem, notwithstanding the quality

of the group, considerably higher than other related government departments involved in industry development.

**The Hon. K.O. FOLEY:** I think the reason is that we have gone for and got the best. We had the decision to build the common user facility (CUF)—the ship lift (I should talk more in plainspeak; I am getting a bit like the military). That was a \$300 million investment. My initial view, right back when the Governor was in his position, was that we should just give the shiplift and the responsibility over to the ASC. Kevin pushed us hard on having this common user facility approach, whereby you can get a lot more investment situated at the site and a much better return. I got to the point where we had to construct the damn thing. All I had was this vision of a ship falling over on its side, or: why is government in this space?

The reality is that we have to be (for now), and to do that we had to have the best people to construct the common user facility, which we have. Some of them have now moved on, so that would account for some of that. Incidentally, the common user facility won an engineering award the other day. It won the South Australian Engineering and Excellence Award for Infrastructure and the Malcolm Kinnaird Award for Overall Project Delivery.

**Mr HAMILTON-SMITH:** Well done.

**The Hon. K.O. FOLEY:** Yes. We also have high calibre people because we have got to punch above our weight. I would rather have fewer people but higher paid than more people lower paid. You have to pay for excellence and experience in a very competitive and complicated business.

**Mr HAMILTON-SMITH:** Why did payments to consultants blow out or increase to nearly double what was budgeted for in 2009-10? It is only a small amount, \$125,000 budgeted, but it went to \$234,000 expended.

**The Hon. K.O. FOLEY:** I guess that the nature of the business is such that, when opportunities come along, we have to buy in expertise fairly quickly. Our actuals were quite less than budget; it was \$185,000 for 2009-10. We did some economic impact modelling to get a better feel for the impact to the economy a lot of this work was doing. There was a lot of economic impact modelling mainly, and some advice on property markets etc., but limited consultancies of high value for us, which does not warrant us having our own expertise.

**Mr HAMILTON-SMITH:** I have seen that \$185,000 figure as being the actual, but there was an estimated result on page 2.35 of the budget papers, 'payments to consultants, \$234,000'. I was going to ask about that discrepancy. Your actual was \$185,000. That page is clear, \$125,000 budget; \$234,000 estimated result. Are you saying that it has come in at only \$185,000, which is significantly under your estimation?

**The Hon. K.O. FOLEY:** It was a timing issue. They had to give advice to Treasury as to what numbers should be included. That was their best estimate. In fact, what has happened is that it has come in at quite a bit less.

**Mr HAMILTON-SMITH:** Expenditure on contractors rose from \$1.44 million in 2009 to \$3.2 million in 2010. It is a very significant increase. Could the Treasurer just explain that increase and, if possible, list the top 10 contractors?

**The Hon. K.O. FOLEY:** What page is that on?

**Mr HAMILTON-SMITH:** It is in the Auditor-General's Report, actually, at page 286. He has made the observation.

**The Hon. K.O. FOLEY:** We will take that on notice and come back to you with an answer. I guess that it is related, again, to the CUF. I am told that we think it might be a timing matter to do with the Lefevre Peninsula earthworks that we are doing for our land subdivision, but we will get that checked and come back to you.

**Mr HAMILTON-SMITH:** Are any contractors engaged performing functions related to consultancy work? How do you differentiate between consultants and contractors—not that you would seek to understate the consultancy figure by defining them as contractors, but I am just interested in the criteria?

**The Hon. K.O. FOLEY:** I am advised that the agency uses Treasury and Finance accounting policy framework for determining whether one is a contractor or one is a consultant.

**Mr HAMILTON-SMITH:** Would you be able to list the top 10 contractors? When you come back would be fine.

**The Hon. K.O. FOLEY:** Yes, if there are 10.

**Mr HAMILTON-SMITH:** Budget Paper 6, the measures statement on page 28 talks about reductions in executive employees. How many executive employee positions will be reduced to deliver that cut?

**The Hon. K.O. FOLEY:** That is by 2013-14. We are yet to determine how that will be delivered, but it will be.

**Mr HAMILTON-SMITH:** Budget Paper 6, the same measures statement, pages 28 and 36 talk about corporate and promotional activity. Exactly what cuts will be made to the agency's administrative structure, which operations are to be amalgamated with Corporate Services and which external recruitment agency contracts will be reduced to achieve the 2.8 million in savings to operating expenses?

**The Hon. K.O. FOLEY:** Like every agency, they had to take a haircut in my agency of Defence SA. We have a reasonable definition of what it is that we will be reducing, but we are not in a position to fully deliver that to the parliament at this stage. We are just working through some issues, but it is all documented. We just have a few options available to us.

**Mr HAMILTON-SMITH:** Is that in regard to all of those measures?

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** Operations to be amalgamated, external recruitment contracts, you have not decided?

**The Hon. K.O. FOLEY:** Yes, clearly a reduction in the use of external recruitment agencies for non-specialist positions will provide a saving. We are going to rationalise our corporate support, but just how that will be done is yet to be fully decided. We will use fewer consultants on economic impact statements and some other initiatives.

**Mr HAMILTON-SMITH:** The same area in the budget talks about defence state marketing activities being cut. Could you tell me which sponsorship activities will be reduced, which new cost recovery measures will be introduced and which industry participants will pay for these new revenue measures to achieve the 875,000 of savings over the four years?

**The Hon. K.O. FOLEY:** Again we are working through those. As we have found out in defence, the defence industry has a lot of shows and we have been trying to cover too many of them, and we have probably been a little light on in terms of getting some cost recovery from the industry participants. So, we are going to reduce the number of events that we go to and we are going to look at greater cost recovery, a better contribution from the companies that we have been assisting.

**Mr HAMILTON-SMITH:** Are they overseas events?

**The Hon. K.O. FOLEY:** Both overseas and national.

**Mr HAMILTON-SMITH:** You are not able to indicate which events you might not go to and which ones you will continue—

**The Hon. K.O. FOLEY:** We have cut out overseas, I have just been told. We used to have one in London. We had one in Malaysia, but we do not need to do it.

**Mr HAMILTON-SMITH:** You will get back to me at a later time.

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** What funding is to be provided to the Defence Teaming Centre over the estimates period and for how long is the funding at these levels guaranteed?

**The Hon. K.O. FOLEY:** They are doing well now. I am very happy with the way that is heading. Ultimately, we want to cease grant funding to the DTC. We have agreed to provide funding out to 2011-12, when we hope by then it will be self-funding, but I guess we will have to measure that and assess that closer to the time.

**Mr HAMILTON-SMITH:** You are not saying that, after 2011-12, they will have their funding cut or removed?

**The Hon. K.O. FOLEY:** We are saying that by 2011-12 they will cease to be funded by government.

**Mr HAMILTON-SMITH:** So that is a target.

**The Hon. K.O. FOLEY:** We hope for them to be self-funding. We have to have that as an objective and they know now, but these things have a way of sorting themselves out.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, Volume 1, page 2.33. Is the government close to an announcement regarding the award of Land 121 Phase 4 to produce around 1,300 light protected mobility vehicles?

**The Hon. K.O. FOLEY:** We have done an enormous amount of work on Land 121. Andrew and I visited two of the companies that are in the mix on our last overseas trip, or I had visited two; I lose track now. Andrew and his team are doing an enormous amount of work on that with the tenderers, and we are looking at some very innovative ways in which we can capture that work for South Australia. Naturally I will not go into those, because there is competition from other parts of Australia for this project.

In terms of timing of commonwealth announcements, it is sensational the way the commonwealth defence department works. This project, fair dinkum, has been around for years. The three tenderers have to provide two vehicles each to the government by the end of this year for evaluation through to mid next year, at which time they will be down selected to two and, from that point, they will have until the end of 2011 to produce a further six each for further testing and evaluation. The six have to be done by the middle of the year, I apologise. The down select is done early in the year to two, six vehicles by mid-year, perhaps contract let by the end of the year, early the next.

**Mr HAMILTON-SMITH:** The end of when?

**The Hon. K.O. FOLEY:** 2011, early 2012.

**Mr HAMILTON-SMITH:** Was one of the two companies you met with overseas Force Protection?

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** What was the other one?

**The Hon. K.O. FOLEY:** General Dynamics Land Systems (GDLS).

**Mr HAMILTON-SMITH:** What consortia at this stage appear to be forming or taking shape that might bid for that Land 121?

**The Hon. K.O. FOLEY:** There is Force Protection, GDLS and Thales. That is the manufactured and supported in Australia option. There is a JLTV program which is the joint light vehicle tactical program which is being run by the Americans concurrently with this, and I assume that is a down select process there as well.

**Mr HAMILTON-SMITH:** Which of those consortia is the South Australian option, if you like?

**The Hon. K.O. FOLEY:** I would rather not say. We are approaching all of them. It is a bit sensitive at this stage.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, Volume 1, page 2.3 under Targets at dot point 11. What budget has been allocated to facilitate the expansion of the Cultana training area? When will this expansion begin and conclude? What funding commitments has the federal and/or state government provided? Where are you with landholder consultation and acquisition?

**The Hon. K.O. FOLEY:** Andrew and his team, again, have been doing a good job on this. We have some great assets. Did you ever train at Cultana?

**Mr HAMILTON-SMITH:** I did indeed.

**The Hon. K.O. FOLEY:** You did indeed. It is expanding, of course. It is driven by the commonwealth. They are doing their environmental impact work now and that will be completed by the end of the year.

Some indigenous issues are being negotiated as well. Our responsibility and the work is well advanced on the lease of the land, and there are a few other bits and pieces about access. The local community is a little bit anxious.

**Mr HAMILTON-SMITH:** How are the negotiations with stakeholders and landowners?

**The Hon. K.O. FOLEY:** It is a commonwealth-driven issue. They are motoring along okay, I think. I am advised that some of the landowners, traditional and non-traditional, are a little anxious that it is taking so long, because it is the commonwealth.

**Mr HAMILTON-SMITH:** When do you think we will get a conclusion to the whole thing? What are the key time lines going forward?

**The Hon. K.O. FOLEY:** Mid next year.

**Mr HAMILTON-SMITH:** So you would estimate by mid next year the range might be consolidated, expanded and ready for use?

**The Hon. K.O. FOLEY:** I hope by then we could have a US marine LHD steaming up Spencer Gulf—

**Mr HAMILTON-SMITH:** I think your advisers are slowing down the number of knots you are speeding up the gulf!

**The Hon. K.O. FOLEY:** Then they have got to do some infrastructure work. I want to see eventually a marine LHD coming along with vertical lift takeoff joint strike fighters on it and amphibious units. Get the rubber duckies out, get the Black Hawks up and joint strike fighters, and just storm the beaches.

**Mr HAMILTON-SMITH:** By mid next year? You may as well get them to provide the air display for the Clipsal as well.

**The Hon. K.O. FOLEY:** Maybe a few years after that. But you would know better than me. I am told it resembles the Middle East and it is used frequently by the fine men of our Special Air Service.

**Mr HAMILTON-SMITH:** So, do you think it will be mid next year, or longer?

**The Hon. K.O. FOLEY:** Mid next year we will have the agreements done. They have to build stuff—roads and whatever else—and that will take a bit longer.

**Mr HAMILTON-SMITH:** Referring to the same budget line, what progress is the government making on specific issues regarding the co-existence of mining and defence use at the Woomera Prohibited Area?

**The Hon. K.O. FOLEY:** Again, we have been, effectively, the lead agency in all of that. This problem stuck its head up a few years ago with Western Plains, which wanted access to the site; and Defence, who got very prickly over the takeover of whatever OZ Minerals were before, by the Chinese company. What we realised is we had a very poor national policy setting as it related to the interaction between the two.

Again, through Andrew and his team's work, we agitated strongly at a national level and got onto the Prime Minister's agenda, and he appointed Alan Hawke, the former head of the finance department—and the defence department, I think at one stage—to do a review as to how the two can coexist. That review, I assume, has been completed. We have been consulted. Sorry, how dare I think it could be done in a matter of months: it will be the end of the year. They are looking at the corridor that is needed to test the missiles and whatever secret squirrel stuff they do up there.

It does not necessarily have to be where it is now. It can be a bit flexible, which we think will enable a comfortable resolution to the two living together—until such time as somebody finds uranium underneath the Woomera town hall, or something.

**Mr HAMILTON-SMITH:** Who is representing South Australia's efforts on these issues, and what budget has been allocated to resolve it?

**The Hon. K.O. FOLEY:** Defence SA and PIRSA have together put a joint submission to the Hawke review. Andrew and his team have met with Hawke, I have met with Hawke. As I said, I do not believe this would have happened had it not been in our state's interest. We want both to coexist, because they are both equally important to us.

**Mr HAMILTON-SMITH:** Just to be clear, when is the South Australian government hoping that the Hawke review will be complete?

**The Hon. K.O. FOLEY:** By the end of the year.

**Mr HAMILTON-SMITH:** And then a decision from federal government—

**The Hon. K.O. FOLEY:** I hope some time early next year. I would not hold your breath on it; but that said, there are issues coming along all the time about foreign ownership, mining access rights, and all that sort of thing, which are still being processed quite apart from the work that we will put in.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, Volume 1, page 2.33, targets. Apart from the 7 RAR Battle Group what other Army units, formations, or components thereof is Defence SA targeting for relocation to South Australia?

**The Hon. K.O. FOLEY:** We are always talking to the Army. We talked to Peter Leahy, who was the general at the time who made the decision to put the 7 RAR here. It is going down a treat. The soldiers love it, the spouses and the kids are loving it. There is better weather—well, there are some local members here.

**Mr HAMILTON-SMITH:** Getting back to the question, what formations or units, other than the 7 RAR in that group that we have established at the moment, are we targeting?

**The Hon. K.O. FOLEY:** As you would know better than I, Martin, these are not easy things to do, nor are they things that we can necessarily be upfront about. I am sure that Andrew would have a private chat to you about some of the things that we are looking at, but we are not wanting to step on the sensitivities of the national government. We think there is a good argument for more ancillary units to be based in Adelaide. I think that in the medium to long run, that is, in another 10 years, if Australia's capability increases in terms of its battalions or other pressures, that superbase and the land out there could house another one.

**Mr HAMILTON-SMITH:** What has been the total investment on supporting that relocation, including personnel and families?

**The Hon. K.O. FOLEY:** We spent a lot on in-kind support, I might add. There has been an enormous amount of work done, and the local councils in particular have been outstanding. We have grabbed the hand of a lot of federal government people and taken them all around the area. We have offered a package of \$629,000 to Defence. There is a lot of support information, state specific information. We are helping them with housing, we are helping them with schooling, we are helping them with pre-schooling.

We have spent quite a bit of money on a traffic solution to the front gate of the base. There is a massive \$24 million for a congestion point that is now occurring at the base, which is a lot of money. There has been a lot of community work to get good links between Army and locals, getting sporting clubs involved. When soldiers come down with their families, particularly given that some of the soldiers could be on rotation very quickly in the Middle East, we want to get the families bedded down; so we are doing a hell of a lot of work.

**Mr HAMILTON-SMITH:** What was the total investment so far?

**The Hon. K.O. FOLEY:** The sum of \$629,000 was put aside in terms of facilitation expenditure to help, but we are spending \$24 million, or something, for the traffic congestion issue, so that people can get in and out of the base much more quickly.

**Mr HAMILTON-SMITH:** Just moving on to Techport and the common user facility, what has been the final cost of that entire enterprise?

**The Hon. K.O. FOLEY:** I do not have a final cost yet. The approved cost is \$256.9 million, but as at June we have expended \$243.9 million of that, and we must have a few invoices still to come in. Final minor works on the site, including purchase of spares and other operational equipment and installation, are scheduled for completion in the first half of 2011, marking formal completion of the project. So, it is completed, but just a few little bits and pieces still have to be tacked on. It is fantastic. If you guys have not been down there, get down there.

**Mr HAMILTON-SMITH:** I have been down there several times. How are you going with attracting tenants to the site?

**The Hon. K.O. FOLEY:** Very good, thank you—very good indeed.

**Mr HAMILTON-SMITH:** Who are they?

**The Hon. K.O. FOLEY:** Babcock & Brown. We have about six or eight away, and 50 per cent of stage 1 is sold out. We have Raytheon down there, Lockheed, Babcock & Brown, Ferrocut, Le Fevre Developments, National Crane Hire, and of course Pacific Marine Batteries has bought some more land, so it is going along okay. These things are more likely to follow the contracts when some of the contracts are let, but I am happy with the progress.

**Mr HAMILTON-SMITH:** What is the current state of play and the prospect of attracting a major tenant to the site, particularly BAE from Williamstown?

**The Hon. K.O. FOLEY:** BAE has got its own facility out at Tech Park. I don't think they will be wanting to move from there very quickly, but we have Raytheon down there.

**Mr HAMILTON-SMITH:** Yes, but the whole thing hinges on attracting another major shipbuilder there, really. That is the whole idea of the CUF, of course, as you have previously explained. So, what is the prospect of getting another major shipbuilder attracted to the site at present?

**The Hon. K.O. FOLEY:** Firstly, it is not a lack of success if we were not to attract another major shipbuilder. It may well be that the amount of work that the ASC does, and subcontractors do, will more than return our investment. The exciting thing, though, is it gives us the potential to get another contractor there, and the important point, particularly with the industrial development that is going on there now, is that we are getting, and will have in that site, significant capability for the consolidation of all major shipbuilds of Australia that are done here in Australia—Anzac class replacements, etc.

So, it may be some time until that is known, but what I can say is, what Andrew has pointed out to me of course, that we are in negotiations with the commonwealth now, where we will have a MOU signed with the commonwealth in the not too distant future—we are working on that now—for us to put aside a site adjacent to the CUF for a future new entrant, or another major shipbuilder.

On the submarine build, for example, the commonwealth has said that the submarines will be built in Adelaide, but you cannot assume automatically that will be the ASC. Equally, over the years ahead, when they decide on the Anzac replacement or, for that matter, if BAE decide that they want to close down Williamstown and shift their operation to Adelaide, we are here.

**Mr HAMILTON-SMITH:** Getting back to that, have we put a proposal to BAE, or have we had meetings with BAE at which the prospect of their moving from Williamstown to Techport has been discussed?

**The Hon. K.O. FOLEY:** I think we need to be very careful there because that will set hares running in Victoria. All I will say there is that we have a very close working relationship with BAE, both at the national level here in Australia, with Jim McDowell and his team, and with their senior people in both the UK and the United States.

**Mr HAMILTON-SMITH:** Could BAE be part of a consortia for the C-1000 project in Adelaide rather than in Williamstown, or could they be part of a competing consortia if it is not ASC that wins the C-1000?

**The Hon. K.O. FOLEY:** There are a couple of issues there. One is that, of course they could if they wanted to. Secondly, we do not know what the future ownership will be and where the commonwealth will be at the ownership of the ASC in itself, but obviously BAE is now a major player in ship construction in Australia and I would be surprised if they were not evaluating all the time the options that were available to them in other parts of Australia, including Techport.

**Mr HAMILTON-SMITH:** Is there any other shipbuilder in Australia that you have approached or that might be a prospect for the site?

**The Hon. K.O. FOLEY:** Yes, we are talking to a number of people. The ship lift at present has been undertaking work for non-naval customers. We have had up on our lift some tugs, we have had the Kangaroo Island SeaLink up there, and we have some other little ones on the way, and maybe a bit bigger ones.

My ambition is, and that is how I can justify going to Honolulu—and I have been sprouting this off wherever I go, and Andrew and I have met some top senior people—that over time Techport should offer the US Navy—at present their fleet in this part of the world is serviced in either Japan or Singapore. I have never quite worked out whether Andrew is pulling my leg here, but it is 60 nautical miles further to steam from the Middle East to Adelaide than it is to Japan, so we are about the same distance.

**Mr HAMILTON-SMITH:** And we speak English.

**The Hon. K.O. FOLEY:** Exactly, and there are a lot of Aegis systems operating in this part of the world on US ships. If we have the Raytheons and the Lockheeds and all that expertise, we could see American ships coming into our harbour to be fixed.

**Mr HAMILTON-SMITH:** Budget Paper 4, Volume 1, page 2.33.

**The CHAIR:** Excuse me, member for Waite. I would draw the committee's attention to the time.

**Mr HAMILTON-SMITH:** This will be my last question.

**The CHAIR:** I know it is fascinating but I am just saying that perhaps the member for Waite would like to move towards his final question.

**Mr HAMILTON-SMITH:** This will be the last question. This is on Targets 2010-11. What specific reforms are you advocating for and who is advocating for these reforms on behalf of government?

**The Hon. K.O. FOLEY:** Which reforms are they?

**Mr HAMILTON-SMITH:** You mention them as a target for 2010. It is dot point 2.

**The Hon. K.O. FOLEY:** Australia's naval shipbuilding and through-life support procurement. Believe it or not, the commonwealth lets a contractor build a ship but it does not combine the through-life support contract with the build contract. So, it will go out and let the contract to ASC to build the ship and, I guess, in a few years' time they will then tender out for the through-life support, and it is quite feasible that somebody else will win the through-life support. How dumb is it to have it at two different facilities, and surely if you get the most competitive price you would combine them as one?

**Mr HAMILTON-SMITH:** Okay, fair enough. The omnibus questions, can I quickly rattle them in?

**The CHAIR:** If you would like to go through them, please.

**Mr HAMILTON-SMITH:** They are:

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 above \$10,000 in 2009-10 for all departments and agencies reporting to the minister—listing the name of the consultant, contractor or service supplier, 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 2010, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

4. In financial year 2009-10 for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2010-11? How much was approved by cabinet?

5. Between 30 June 2009 and 30 June 2010, 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 year 2009-10, 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 Treasurer's Instruction No. 15?

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

8. For each department or agency reporting to the minister, how many Targeted Voluntary Separation Packages (TVSPs) will be offered for the financial years 2010-11, 2011-12, 2012-13 and 2013-14?

Can we thank you, minister, and all of your hardworking staff for their efforts.

**The Hon. K.O. FOLEY:** Thank you. Good night.



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

At 22:01 the committee adjourned until Friday 8 October 2010 at 09:00.