

**HOUSE OF ASSEMBLY**  
**Wednesday 29 June 2011**  
**ESTIMATES COMMITTEE A**

**Chair:**

Ms C.C. Fox

**Members:**

Hon. I.F. Evans  
Hon. S.W. Key  
Ms F.E. Bedford  
Mr D.C. van Holst Pellekaan  
Mrs L.A. Vlahos  
Mr T.J. Whetstone

*The committee met at 09:04*

**DEPARTMENT OF TREASURY AND FINANCE, \$78,634,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,**  
**\$1,932,688,000**

**Witness:**

Hon. J.J. Snelling, Treasurer, Minister for Employment, Training and Further Education, Minister for Workers Rehabilitation.

**Departmental Advisers:**

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

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

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

Ms T. Pribanic, Director, Revenue, Department of Treasury and Finance.

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

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

Mr P. Marcuccitti, Ministerial Adviser, Treasurer's Office.

Mr B. Sara, Ministerial Liaison Officer, Treasurer's Office.

**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 ask or answer questions. The committee obviously determines an approximate time for consideration of proposed payments to facilitate changeover of departmental advisers. Have the Treasurer and the opposition agreed on a timetable for today's proceedings?

**The Hon. J.J. SNELLING:** We have.

**The CHAIR:** I believe that you have, in fact, provided me with a copy. Do we have any opening statements? You may, of course, have an opening statement of about 10 minutes each. No opening statements? In terms of questions asked, as you know, there is a flexible arrangement here. On average I would like it to be about three questions—no more—per line. A member who is not part of the committee may, at the discretion of the chair, ask a question. There is no formal facility for the tabling of documents. All questions are to be directed towards the Treasurer, not towards his advisers. I advise that, for the purposes of the committees, television coverage will be allowed for filming from both the northern and southern galleries.

I declare open the proposed payments for the Department of Treasury and Finance for examination. Minister, you have indicated that you do not want to make an opening statement. Is that correct?

**The Hon. J.J. SNELLING:** Yes.

**The CHAIR:** Member for Davenport, do you wish to make an opening statement or do you wish to go straight to questions?

**The Hon. I.F. EVANS:** No; straight to questions. I just want to check a process issue. In terms of any questions about the Adelaide Oval, last year they were held under the SAFA section. I am assuming that is the process again today?

**The Hon. J.J. SNELLING:** Yes. The best place to direct those questions would be to minister Conlon. We are no longer involved in the process.

**The Hon. I.F. EVANS:** So SAFA are not involved at all?

**The Hon. J.J. SNELLING:** No.

**The Hon. I.F. EVANS:** I refer to Budget Paper 3, page 85, and the ForestrySA sale. John Ross, the chairman of the board, was on ABC radio on the weekend, making some comments. I just want you to confirm a few things for us. Can you confirm that the ForestrySA board has written to you as Treasurer expressing concern about the regional impact statement undertaken in relation to the forward selling of SA forests, expressing concern that it was a very poor document?

**The Hon. J.J. SNELLING:** I am aware that Mr Ross has some concerns, or disputes the findings of the regional impact statement. I will need to check whether or not he has done that formally in writing, but certainly I am aware that he disputes the findings of the regional impact statement and that he disputes some of the assumptions that were made in the regional impact statement. I still have confidence in the regional impact statement and complete confidence in ACIL Tasman as pre-eminent consultants in conducting an economic analysis.

**The Hon. I.F. EVANS:** Mr Ross went on to say that not only had he written to the government (both the minister and the Treasurer) to say that the regional impact statement was flawed but he also mentioned that the ForestrySA board had received the regional impact statement only five days before the government had made its decision in relation to the sale. Do you really think it is appropriate for a board to get only five days' notice to assess what will be a multimillion dollar sale of an asset? How do you honestly expect a board to assess it in just five days, and why did the government only give the ForestrySA board five days to make that assessment?

**The Hon. J.J. SNELLING:** ForestrySA was consulted as part of the preparation of the regional impact statement and ForestrySA has a certain position. It does not agree with the conclusions that the regional impact statement has come to and that is its prerogative, in particular Mr Ross's prerogative. The government has to make a decision about what is in the interests of the South Australian taxpayers, and that is what we have done.

I am aware of some of the criticisms that Mr Ross has of the regional impact statement and I do not agree with him, and I have full confidence in the regional impact statement, in its quality and in the integrity of ACIL Tasman in compiling it. They went through a very thorough process and a very thorough process of consultation in compiling that report.

**The Hon. I.F. EVANS:** Mr Ross went on to say that, while the ForestrySA board was consulted in the very early stages, primarily by ministers Caica and O'Brien, there has been virtually no consultation on behalf of Treasury with the Forestry SA board at all, and he went on to say that ForestrySA has been denied the opportunity to look at what is being proposed (the financial modelling) so he could provide the government a comparison between the business-as-usual case versus the what-is-being-proposed case.

Why would the government not want to get from ForestrySA that comparison between business as usual versus the model that is being proposed? Why would you deny the ForestrySA board the opportunity to provide that modelling?

**The Hon. J.J. SNELLING:** Very soon after I became Treasurer I had a meeting with Mr Ross and Mr Robertson, the CE of ForestrySA, and explained to them what I would be doing, that I had been waiting on the preparation of the regional impact statement before a decision was made on whether or not to proceed with the forward sale of the timber. Mr Ross understood that, so I certainly reject the assertion that I have not consulted with him. I consulted with him again

once I had received the regional impact statement to give him an opportunity to have a look at it. Now that the decision has been made, my understanding is that we are working as closely as we can with ForestrySA in getting its input to make sure that the process goes as smoothly as possible.

Of course, there will always be information that cannot be widely shared because it is commercially sensitive. I am not exactly sure what information it is that Mr Ross is after that is being denied to him. However, I am more than happy to have a look at it, but the government does reserve its right not to share information which is commercially sensitive and which may in some way jeopardise the sale process, or compromise the government as we go through the sale process.

With reference to the same page, Treasurer, you mentioned that you are aware of the concerns by ForestrySA and Mr Ross, and you are aware of the areas where he thought that the ACIL Tasman document was flawed. Can you share with the committee where the ForestrySA board thought that the regional impact statement was flawed? What areas did they highlight to you where they thought that document was flawed?

**The Hon. J.J. SNELLING:** Just from memory (and I would need to go back and just check what correspondence there has been), one of the key criticisms of ForestrySA is that ACIL Tasman, in the compilation of the report, in determining what a world price for timber might be, has used the timber price for unsawn log exports from New Zealand. ForestrySA argues that the New Zealand log exports are of a lower quality than an unsawn log export from the South-East and would therefore have a lower price. ForestrySA argues that the price that ACIL Tasman has based its modelling on is a lower price than a price for unprocessed log exports from the South-East.

The reason I disagree with ForestrySA is because, while it is true that the South-East timber is of a higher quality and therefore complies with a higher structural standard than a log from New Zealand, those Australian standards are higher than most other places in the rest of the world. Our building codes require a higher standard of timber than the rest of the world.

Given that the standards are lower overseas, there is no reason to expect that our log being exported from the South-East would attract a higher price than log being exported from New Zealand, but that is just one of the areas ForestrySA criticises, and that is the reason why I stand by the analysis that has been done for the government by ACIL Tasman and the modelling that it has used. I think there are other areas as well.

**The Hon. I.F. EVANS:** Do you want to share those?

**The Hon. J.J. SNELLING:** Well, if I had the correspondence with me, I am sure I could go into great detail and spend many, many hours going over the backwards and forwards between ForestrySA and ACIL Tasman, suffice to say—

**The Hon. I.F. EVANS:** I am just wondering why the process has been set up that it gets five-days notice of the regional impact statement. It is then not able to make a comparison of business as usual versus what is being proposed. I am just wondering: why have a board if you are simply going to ignore its advice?

**The Hon. J.J. SNELLING:** Because the board is there to run ForestrySA, not to provide us with external advice on whether the government should or should not proceed with the forward sale of the timber in the South-East. That is not what the job description of the board is. That is the reason we asked ACIL Tasman to come in and conduct an analysis for us, and it was ACIL Tasman that came in, as an external party, to have a look—I don't think anyone disputes the credentials of ACIL Tasman in producing the report. People might have quibbles with what is in the report, but I have complete confidence in the report and the modelling that has been done, and confidence that the basis upon which the government made the decision to proceed with the sale was sound.

**The Hon. I.F. EVANS:** Last year minister O'Brien said, at a public meeting in Mount Gambier, that it was a poor time to sell forests, that the market was in a down period. Queensland forests were sold for around half their book value, according to Mr Ross on ABC Radio on the weekend, and, of course, Gunns—as recently as yesterday—sold its forestry assets for, according to Mr Ross, about 40 per cent of their book value (the book value was about \$254 million and it sold for \$107 million). So, is Treasury seeking more advice about the timing of the sale due to the poor nature of the market or is it proceeding regardless?

**The Hon. J.J. SNELLING:** No, it certainly won't proceed regardless; there is a reserve price. We have done modelling to give us a net present value of what we are selling. That forms a reserve price, and we will not sell for below that reserve price. If we go to market and we can't get a price above the reserve price, then we won't proceed with the sale.

**The Hon. I.F. EVANS:** If you don't proceed with the sale, does that mean you will then have to adjust some of your capital works spend, because the debt profile will then be significantly different? I want you to confirm that all the proceeds from the sale of the forest is going onto the debt repayment, which is what former treasurer Foley told us last year. I assume that if the forestry sale does not proceed you will have to look at somehow changing the capital works spend profiling, as in timing, so that the debt profile changes.

**The Hon. J.J. SNELLING:** Obviously that would be one option. The sale proceeding is built into the numbers in the budget, so if the sale didn't proceed we would have to do one of a couple of things: see whether we had the capacity to continue carrying that extra debt, and see whether that posed any risk to the state's AAA credit rating by doing that; or, alternatively, look at reprofiling our capital program in order to make up for that loss reduction. We would have to cross that bridge when we came to it, and look at the prevailing economic conditions at the time. It might be that if our revenue increases we might have the capacity to absorb the sale not proceeding, and absorb that higher debt without any adverse impact on our AAA. However, as you say, reprofiling our capital expenditure might certainly be something we have to do.

**The Hon. I.F. EVANS:** Following that answer, if you had the capacity to carry the debt without selling the forests, wouldn't you be doing that now?

**The Hon. J.J. SNELLING:** At the moment, the way the economic conditions are, that is not the case. The point I am making is that if, at some time in the future, it became apparent that we were not going to be able to meet the reserve price then we would have to make an assessment at that time about what we did. I am just saying that these are what our options might be at that time in the future. Certainly, at the moment we need to proceed with that divestment.

**The Hon. I.F. EVANS:** Budget Paper 3, page 5—Net operating balance. On page 1 of your budget speech you opened up by talking about the family credit card, and not putting money on the family credit card. I just want to walk through the net operating deficits that the state has incurred. I think you have budgeted for a \$243 million budget deficit next year—

**The Hon. J.J. SNELLING:** \$263 million.

**The Hon. I.F. EVANS:** \$263 million, sorry—and you are looking at a budget deficit in the year just finishing. Last year, there was a small surplus, and the budget papers indicate that that was on the back of the timing of federal grants; you were saved from a net operating deficit last year through the timing of commonwealth grants, so there is an issue there. The year before that, there was a net operating deficit as well.

When you talked in your budget speech about building up the family credit card, that is exactly what you have been doing as a government. I accept the fact that you have not been Treasurer during that time, but has the government simply been through increasing net operating deficits, which are on the operating side of the budget not the infrastructure spend side of the budget? Are you effectively doing exactly what you say you do not want to do: you are increasing the government debt?

If you look at the 2011-12 year, and then go back over the last three years before that, \$738 million of net operating deficit has been put on the government credit card; is that exactly what you have been doing? Was Michael O'Brien right when he said that you are borrowing to pay the Public Service wages?

**The Hon. J.J. SNELLING:** There are a couple of things to say: firstly, the net operating balance returns to surplus by 2012-13 with a substantial surplus in 2014-15. While we are running a net operating balance deficit this year and next year, we are returning to surplus, and certainly it would be the case that if through the estimates period we were running recurrent net operating balance deficits we would certainly be running up the credit card debt, but we are not: we are returning to surplus.

**The Hon. I.F. EVANS:** But you have been, though, haven't you?

**The Hon. J.J. SNELLING:** The other point to make—

**The Hon. I.F. EVANS:** Treasurer, the reality is that you have been.

**The Hon. J.J. SNELLING:** The other point to make is that when you are looking at debt you have to look at the net lending figure, and the reason that net lending is in deficit going through until 2014-15 is because of the government's capital spend. We are certainly running a net lending deficit, but we are running a net lending deficit because of our huge capital program, which is \$9.1 billion going through the forward estimates period.

**The Hon. I.F. EVANS:** I understand the net lending deficit. We all understand that includes the operating and the capital spend, so we understand that you want to talk about the net lending deficit because that involves the investment wing of the government. The reality is that, in three out of the four years of \$738 million worth of budget deficits on the operating side of the government, you have confirmed already that if you were doing that you would be running up the credit card.

What you are really admitting is that next year the credit card will increase by \$263 million. Last year, or this year just finishing, in round terms the credit card is increasing around \$450 million. Two years ago, there was another budget deficit (in total \$738 million), so isn't it a bit cute in your budget speech to say, 'We don't want to run up the government credit card,' when for three out of the four years that is exactly what you are doing?

**The Hon. J.J. SNELLING:** What I am responding to is those people who say that we should not be afraid of running up debt in order not to proceed with certain savings measures or to run extra government programs. That is what I am rejecting—that the government can somehow blithely ignore the big downturn in revenue we have had and continue borrowing to run the operating costs of government.

The fact is that over the forward estimates we returned to surplus, and we returned to very strong surplus. You have to remember that we have had an enormous reduction in our revenue—in particular, our GST revenue but also our conveyancing revenue—in a very short period of time. Household consumer spending across the nation is down, and our household savings ratios are among the highest in the world—second only, I think, to Germany—and the highest that they have been since the 1980s.

So, 29 per cent of the state revenue coming into state government is from GST transfers from the commonwealth, and when household consumer spending is down and those GST transfers going into the commonwealth, are down and the commonwealth budget said that the total GST take across the nation will be \$1.5 billion to \$1.6 billion down every year through the commonwealth forward estimates, that is a big hit to our state revenue for us to absorb, and it will take some little time for us to turn that around. I am not sure if the member for Davenport is suggesting that we should undertake savings measures that are even more severe than what were undertaken in last year's budget. If he is suggesting that, I do not think that that is necessary because the savings measures are coming into place, and, as those savings measures come into place, the net operating balance returns to surplus.

**The Hon. I.F. EVANS:** You can understand, Treasurer, why the South Australian public would be concerned if you have run up \$738 million on the government credit card in those four years I have outlined, which is the 2008-09 year, 2010-11 year, and the projected 2011-12 year. Essentially, we are selling our Lotteries Commission or selling the forests to offset the operating deficit—not capital works spend—but the day-to-day operating of the Public Service.

**The Hon. J.J. SNELLING:** I should just add that depreciation affects the net operating balance so, the net operating balance takes into account depreciation and appears as a negative on our depreciation. I am getting advice from Treasury that one of the main reasons for the net operating balance deficits—that we experienced last year and we are experiencing this year—is, essentially, because of depreciation. If you look at Budget Paper 3—

**The Hon. I.F. EVANS:** One of my favourites, Treasurer.

**The Hon. J.J. SNELLING:** Indeed, it's a beauty. I wanted Treasury to put pictures in it, but they were not keen. If you look at page 114, table A.7, General government sector cash flow statement, on the second table you will see net cash flows from operating activities. Right through the whole budget period, from 2010-11 to 2014-15, net cash flows from operating activities is positive. What is driving that net operating balance deficit is depreciation. It is not actual money going out—it is not money being racked up on the credit card as the member for Davenport is alleging—it is from depreciation.

**The Hon. I.F. EVANS:** While we are on depreciation and values, I want to look at the net worth—if you go to Budget Paper 3, our favourite, page 70, there is a re-evaluation of land and

other fixed assets, and the road network is valued in 2010 at \$14.685 billion. Last year it was only \$5.168 billion, so it is an increase of \$8 to 9 billion, and I am wondering how that has occurred. What new roads have we got that have suddenly increased our road network valuation from \$5.168 billion to \$14.685 billion?

**The Hon. J.J. SNELLING:** Every three years, there has to be a revaluation of the state's road network, so that has just occurred. That information is provided to Treasury by DTEI; we would have to go back to DTEI and find out the reasons for that increase. But, there has been a fair bit of capital works going on on our roads.

**The Hon. I.F. EVANS:** Yes, but with due respect, Treasurer, I know there was a blow-out on the Northern Expressway, but it was not a blow-out of some \$8 billion.

**The Hon. J.J. SNELLING:** That valuation is all audited. It is not a figure—

**The Hon. I.F. EVANS:** But it is a doubling. How can your road assets double in value in three years?

**The Hon. J.J. SNELLING:** We would have to go back to DTEI and find out, but it is all audited. And the other point to say is that that figure does not drive any of the key fiscal indicators either.

**The Hon. I.F. EVANS:** Well, it does go to page 133 of the same document, doesn't it; it does go to your net worth figure. The net worth figure suddenly jumps from \$24 billion to \$36 billion, a 50 per cent jump in one year. So, it does actually drive that figure, does it not?

**The Hon. J.J. SNELLING:** It drives net worth, but it does not drive net debt or net liability.

**The Hon. I.F. EVANS:** No. And then, on page 136, the non-financial public sector balance sheet: land and fixed assets go from \$39 billion to \$53 billion, which is a \$14 billion increase there. So, our increase in assets goes up \$14 billion there, but our net worth actually only went up \$2 billion less than that—it went up \$12 billion. So, I am just wondering how your assets can go up, or can you give me a reconciliation, I guess, on notice, of how your net worth goes up \$12 billion when your assets are going up \$14 billion. There must be some downside on the liability side of the ledger.

**The Hon. J.J. SNELLING:** We can give you a complete breakdown; we will take it on notice.

**The Hon. I.F. EVANS:** Thank you, Treasurer. I always promise the Under Treasurer at least one question they find difficult to answer, and I have just introduced it early into the estimates. Treasurer, in Budget Paper 3, page 11, you talk about a loss of revenue. Last year, of course, treasurer Foley admitted in estimates that government expenses were the real issue. If you look at the revenue stream since your mid-year budget review, there is an extra \$517 million in revenue since the mid-year budget review, and there is an extra \$1.23 billion in expenses.

So, there is \$713 million more in expenditure than in revenue collect. Even if you ignore the 2011 budget measures, there is still \$450 million extra in revenue, and \$929 million extra expenses. So, isn't the expense side of your budget still the government's problem—that it is still struggling to rein in its expenses?

**The Hon. J.J. SNELLING:** One of the things driving that is grants—various grants that we get from the commonwealth for particular purposes; so, either specific purpose grants or national partnership grants. So, because they come in through the state's books they are seen as revenue, but they go out as expenses. So that is what is driving that increased revenue and increased expenses.

**The Hon. I.F. EVANS:** But do they come in as operating revenue and go out as investing expense, or do they come in as operating revenue and go out as operating expense?

**The Hon. J.J. SNELLING:** It would depend on what the grant is for. A lot of these grants are not capital grants, so they come in as operating revenue and go out as operating revenue.

**The Hon. I.F. EVANS:** But if they are going in and out, do they not net each other off?

**The Hon. J.J. SNELLING:** Yes, and that is the point.

**The Hon. I.F. EVANS:** You are saying it is a timing issue?

**The Hon. J.J. SNELLING:** No; the point you are making is that the revenue is up, you have a problem with your expenses but you still have high revenue. My point is that, what is driving

the high revenue and the high expenses are these grants from the commonwealth because they make our revenue look higher than it actually is and make our expenses look higher than they actually are.

**The Hon. I.F. EVANS:** The point I am making is that since the Mid-Year Budget Review, regardless of the netting off of commonwealth revenue in and commonwealth revenue out, by your own figures you are spending more money than new revenue in. Treasurer Foley spent some time in last year's estimates lecturing us all about how government expenses were the problem, we had to slash the Public Service and cut entitlements and those sorts of things, based on government expenses. I am saying that since the Mid-Year Budget Review the pattern has continued, so is not the government's problem still the expense side of the budget?

**The Hon. J.J. SNELLING:** You just need to look at the table on page 24 of Budget Paper 3, which shows the total expenses change on a previous year. We have a 0.1 per cent increase in real growth of expenses for the 2011-12 financial year, then a reduction of 2.4 per cent and then a further reduction of 1.1 per cent before, in 2014-15, expenses level off.

**The Hon. I.F. EVANS:** Budget Paper 3, page 31, deals with the new Royal Adelaide Hospital project. I want to go back to issues that were raised about the Ernst & Young reports. How many reports did Ernst & Young complete on behalf of the government?

**The Hon. J.J. SNELLING:** Ernst & Young did a lot of work for the government over the process, so there are completed reports but there is also advice that went from Ernst & Young to the government over that period. In terms of the reports that establish the value for money, that is the principal report upon which the modelling to establish the value for money was done and that is the report that we have released. There is other work that Ernst & Young did, which we cannot release because it is commercial-in-confidence and to do so would compromise both the financial interests of the consortium as well as the government's position going forward.

**The Hon. I.F. EVANS:** So, you have put two reports up on the website. You have not answered the question. You said there were a number of reports given to government. How many reports did Ernst and Young—

**The Hon. J.J. SNELLING:** It depends on what you call a report and what you call advice. There was advice and reports that went to the government over the period. Exactly how many there are I cannot tell you off the top of my head—I could find out for you—but not all of the Ernst & Young advice and reports can be publicly released. What we have released is the Ernst & Young reports which establish the basis upon which the decision to proceed as a PPP was made.

**The Hon. I.F. EVANS:** Were there not three Ernst & Young reports, two which you have put on the website and one that was less favourable to the government's position and has not been released?

**The Hon. J.J. SNELLING:** I am not sure what the member for Davenport is implying, but I can only repeat what I have already said, and that is that there was a large amount of advice that came from Ernst & Young over the process, not all of which can be released. In terms of establishing the basis upon which the decision to proceed was made, those two reports have been released.

**The Hon. I.F. EVANS:** Treasurer, your language is a bit clever. You are saying that the reports were used to make the decision. Is it not possible that you received reports from Ernst & Young that you may not have liked and so put them to one side and then did not use them in making your decision so that you can say that 'the two reports that we have put on the website are the ones we used to make our decision, and the unfavourable report that we never used' is therefore not covered by your answer?

**The Hon. J.J. SNELLING:** Whatever the member for Davenport might be implying, Ernst & Young signed off on the final report as being appropriate assumptions on which to proceed with the decision.

**The Hon. I.F. EVANS:** Are you denying that there might be a third report?

**The Hon. J.J. SNELLING:** I am saying that there is a number of reports and an amount of correspondence from Ernst & Young to the Treasury, not all of which we are in a position to release.

**Mr VAN HOLST PELLEKAAN:** Are you saying there is one final report upon which the information was based, but you have two on your website?

**The Hon. J.J. SNELLING:** Yes, that is right.

**Mr VAN HOLST PELLEKAAN:** Why would it be commercial-in-confidence? Why would the government or the consortium partners be compromised at all, unless conflicting information was provided to you, if you release it after the deal is done? This is public information, public money for a public purpose, so after the deal has been struck surely all information should be made available.

**The Hon. J.J. SNELLING:** In short, the answer is that future governments or indeed this government may want to enter into future PPPs, and we do not want the private sector to know what the basis is upon which we do our modelling because it would compromise the government in entering into future PPPs.

**Mr VAN HOLST PELLEKAAN:** Can you confirm that, in terms of all the reports and all the information you receive, none of it was conflicting advice?

**The Hon. J.J. SNELLING:** Over the process, Treasury did ask Ernst & Young to conduct an analysis using different methodologies for pricing risk. It is true that, under some of the different methodologies that you use, a lower value for risk was able to be attained, but the methodology that we used was the Infrastructure Australia guidelines, which are considered the standard for pricing risk in these sorts of projects. It is true that there would be information provided by Ernst & Young with a lower pricing of risk than the pricing we eventually arrived at, but the methodology that we used was using the Infrastructure Australia guidelines for pricing risk.

Ernst & Young agreed that the other methodology for pricing risk was not robust enough, and signed off on using the Infrastructure Australia methodology for pricing risk. It is all just part of the normal due diligence that you would expect Treasury to take, and to make sure that, using a range of different modelling and methodologies, we came up with as robust a process as is possible.

**Mr VAN HOLST PELLEKAAN:** Given that you finally got the result that you wanted from Ernst & Young, why just put two of the reports on the website if, in fact, there were three of them, but only one result really counted?

**The Hon. J.J. SNELLING:** What the member for Stuart seems to be implying is that we were getting Ernst & Young to send them back until they came up with figure that we wanted, and I utterly and completely reject that. The fact is that we went with the Infrastructure Australia guidelines for pricing risk. It was just part of normal due diligence to conduct an analysis using different models. But, as Dr Tim Stone, who is the government's adviser to the project, said, the assumptions that we used in pricing risk were conservative. The reason we cannot release that alternative modelling is because it does contain information about how the government builds up its models, and it would compromise future governments in wanting to enter into PPPs because it would make that information available to potential bidders for future projects.

**The Hon. I.F. EVANS:** I refer to Budget Paper 3, page 63. There is a table called the net worth table. In the net worth table there is a line that reads, 'Movement in net assets of PNFCs' (public non-financial corporations). The 2011-12 budget has a figure of \$484 million, in 2012-13 it is \$822 million, and then it drops down to \$515 million for 2013-14 and \$524 million for 2014-15. Does this reflect the sale of the Lotteries Commission, the reduction in the movement in net assets? We dropped from \$822 million down to \$515 million.

**The Hon. J.J. SNELLING:** Certainly, SA Lotteries would be part of that, but it would be one among many. There are many things going on right across in all PNFCs, so certainly SA Lotteries would be part of that but not the only factor.

**The Hon. I.F. EVANS:** On the sale of the lotteries, during the debate on the leasing of the electricity assets you made these comments, 'That the government is attempting to—'

**The Hon. J.J. SNELLING:** Isobel's already tried this.

**The Hon. I.F. EVANS:** No, no, you—

**The Hon. J.J. SNELLING:** Go back to my maiden speech.

**The Hon. I.F. EVANS:** No, this is not the maiden speech. This is about you being critical of the government forfeiting your children's future because:

The government is attempting to capitalise a potential income stream over many years, and it may argue that by doing so it is able to pay off a certain amount of debt as to make such an exercise worthwhile. So, over many generations we forgo an income stream in return for paying off a large slab of the state's debt.



How is that criticism not valid for exactly what you are trying to do with both the forestry sale and the licensing or sale of the Lotteries Commission? Isn't it exactly the same principle?

**The Hon. J.J. SNELLING:** Simply because there is a big difference between the lotteries and the importance lotteries have to the lives of ordinary South Australians and electricity. If you sell the government's electricity assets, that has an enormous impact. People rely on electricity. It is a critical part of public infrastructure in a way lotteries is not.

**The Hon. I.F. EVANS:** But isn't the principle of selling an income-producing asset to pay down a debt exactly what you are doing with lotteries and forestry?

**The Hon. J.J. SNELLING:** The point with lotteries is that it is an asset whose future value is uncertain because of the volatility of the gambling market at the moment.

**The Hon. I.F. EVANS:** Let us talk about the lotteries. Have you sought the advice of the Lotteries Commission about their view of the risk of their operations and, if so, what is it?

**The Hon. J.J. SNELLING:** Certainly, they agree with the government's position about the volatility of the gambling market and that something needs to be done. I have met with both the CE and the Chairman and I met with the board I think about a fortnight ago, so I have met them all on several occasions—certainly, the Chairman of the board and the CE—and they certainly agree with the government's analysis that the gambling market is volatile and the future worth of the asset is uncertain. I do not think they would mind my saying that.

**The Hon. I.F. EVANS:** Do you have a formal recommendation from the board to sell?

**The Hon. J.J. SNELLING:** No, we have not. We have not received anything in writing from them.

**The Hon. I.F. EVANS:** So they haven't recommended to sell, and in last year's—

**The Hon. J.J. SNELLING:** I have had several meetings with them and they have said to me, albeit informally, that they agree with my analysis that the gambling market is volatile and the future value of the asset is uncertain. They certainly agree with that. If you are trying to say—

**The Hon. I.F. EVANS:** How is that different to last year?

**The CHAIR:** Order! Allow the Treasurer to finish answering his questions.

**The Hon. J.J. SNELLING:** If you are attempting to say that we should not have proceeded and I should have sat on my hands and waited until I had a formal motion of the board and a formal letter from the Chairman of the board until I acted, I am not going to do that. The government has made a decision. It has been my advice from both Treasury and, subsequent to that advice from Treasury, confirmed by the Chairman and the CE of SA Lotteries that the gambling market is volatile and the future value of the asset is uncertain.

**The Hon. I.F. EVANS:** So what has changed in the last 12 months to make the gambling market more volatile or the value of the asset more uncertain than it was 12 months ago? I went through the Lotteries Commission annual report. It is a great read—there are no pictures of families in that one. But I went through the Lotteries Commission annual report and their risk statement and nowhere do they raise, in the annual report, the volatility of the gambling market and the risk to the asset value. I am wondering what has changed. Hasn't the gambling market always been volatile and isn't the asset value always at risk because of the relationship with Tattersall's?

**The Hon. J.J. SNELLING:** I cannot answer for what they decide to include or not include in their annual report. You would have to ask them that. It would seem to me it would not be an appropriate thing for them to include in an annual report. I might be wrong there. The government has proceeded with this decision, essentially on the advice that I have received from Treasury, but that advice has subsequently been confirmed by the Chairman and the CE of SA Lotteries.

**The Hon. I.F. EVANS:** But the Treasury gave you the advice that the gambling market was volatile and the asset value was at risk. I assume the advice came from someone sitting at the table. Can they tell the committee, through the Treasurer, what has changed in the last 12 months? When Kevin Foley brought down his budget last year, there was no proposal to sell the Lotteries Commission. The Sustainable Budget Commission suggested it and former treasurer Foley did not take it up. It could not have been volatile and at risk last year because one would assume that last year's budget was such a mess that the government would have sold it last year. So, what has changed? What I am trying to establish is: what has changed in the last 12 months that makes it any more volatile, or the asset value any more at risk, than 12 months ago?

**The CHAIR:** Member for Davenport, I would remind you—and I know that you alluded to it in your question—that the only person here who has to answer questions is the Treasurer.

**The Hon. I.F. EVANS:** And that is why I said, 'Through the Treasurer.'

**The CHAIR:** His staff are not responsible for answering questions to you—

**The Hon. I.F. EVANS:** I understand that.

**The CHAIR:** —and I would like to make that very, very clear.

**The Hon. I.F. EVANS:** Hear, hear!

**The CHAIR:** Your questions are to the Treasurer and to no-one else. His staff may help him in answering those questions, but your questions are not to his staff. Thank you.

**The Hon. J.J. SNELLING:** I am not sure that I can add much more to what I have already said. I do not know—

**The Hon. I.F. EVANS:** So, Treasury cannot tell us. We have the Under Treasurer here—

**The CHAIR:** Order! Please allow the Treasurer to finish answering his question.

**The Hon. J.J. SNELLING:** Former treasurer Foley made a decision last year that this was not a thing that he wanted to proceed with. I do not know the basis upon which he made that decision, but he would have had other factors that he had to take into account at the time. I am not a mind reader—I can only account for what I did, the decisions I have taken and the basis on which I did it.

**The Hon. I.F. EVANS:** But you made public comments that it would be immoral for the government to be in gambling.

**The Hon. J.J. SNELLING:** Sorry, 'that it would be—'

**The Hon. I.F. EVANS:** You made the comment publicly that it would be immoral for government to be operating a gambling entity: it should be involved in the regulation of it. That was your public comment. I am just wondering whether that is driving this sale and not the commercial risk.

**The Hon. J.J. SNELLING:** You think that it is some sort of religious conviction that is driving this?

**The Hon. I.F. EVANS:** No. I am just wondering why you made the comment that it is an immoral activity? You did not argue that when the government was running the TAB or the Casino.

**The Hon. J.J. SNELLING:** At the press conference after the budget, the question was asked of me whether this was an economic decision or a moral decision, to which I said it was both—it was both an economic and a moral decision. I can confirm what I said. What I said in the context of the budget was that the reasons for doing this were not in any way to prop up the budget and that, in terms of the dividends from SA Lotteries, the difference would be fairly negligible and that, in terms of the price that we might get from it in the context of our overall debt profile, it would not make an enormous difference.

We are not doing this because I think there is a huge value in the asset and that we need it to reduce our debt in any significant way. Essentially, the reason why I am proceeding with it is that what it is worth it may not be worth in the future, and this was a decision that a government was going to have to confront and we could either do it now or do it later. I thought that the sooner we did it the better value for taxpayers we were going to get.

**The Hon. I.F. EVANS:** How are you going to control the value and the sales price? My understanding is that the South Australian Lotteries essentially has a pooled arrangement through Tattersalls which allows us to offer South Australian Cross Lotto players a higher pool, something which has alluded me on a regular basis, I must say, Treasurer.

**The Hon. J.J. SNELLING:** Us all. We would not be here.

**The Hon. I.F. EVANS:** Yes. Does a new private operator of the South Australian Lotteries not have exactly the same problem that the government-owned lotteries has; that is, it has to negotiate a pool arrangement with Tatts, and therefore the only one that can really buy this, the entity that has the commercial advantage in buying the South Australian Lotteries Commission, is Tatts because it runs the national pool?

How are you actually going to extract market value if Tatts is in that negotiating position? It can essentially say to any other private operator, 'We're not going to let you into the national pool,' and therefore the value in South Australian Lotteries is gutted.

**The Hon. J.J. SNELLING:** There are a couple of things to say. First, a potential buyer may have an alternative pool of which SA Lotteries can be a part.

**The Hon. I.F. EVANS:** Can you name one, Treasurer?

**The Hon. J.J. SNELLING:** It does not necessarily have to be an Australian pool, it could be an international pool, so there is the potential for that. I think, though, that if Tattersalls were to try to use its muscle to use the pool as a means by which to frighten off another potential buyer, the competition commission might take an interest in that.

**The Hon. I.F. EVANS:** So you think that the competition commissioner would make Tattersalls guarantee access to the pool?

**The Hon. J.J. SNELLING:** I would not want to predict what they may or may not do, but I think they would probably have an interest in any attempt by Tattersalls—

**The Hon. I.F. EVANS:** Doesn't that mean that there is no risk to SA Lotteries having access to the pool? Your reason for selling was that there was some commercial risk; we are reliant on this, I think you used the words 'gentleman's agreement', for lotteries to be arranged with Tattersalls for the pooling arrangements. If the competition commission is going to step in on that issue, then aren't the lotteries safe?

**The Hon. J.J. SNELLING:** That is one issue. There is also just the volatility in the gambling market and the competition that SA Lotteries is facing from illegal and legal online gambling—a whole gamut of issues in the gambling market. I think to call it a risky asset is to overstate it—the government is never going to lose money from SA Lotteries—but in terms of its value going into the future, that is what is at risk.

**The Hon. I.F. EVANS:** We have had letters from newsagents asking what is going to stop Coles and Woolworths from expanding, or what is going to stop the new private owner of SA Lotteries from expanding X-Lotto sales into Coles and Woolworths supermarkets, or indeed pharmacies or any other entity. I think you have made public comments to the effect that you are going to guarantee five-year agreements with a right of renewal. Their concern is about the end of that period, and I just want to get on the record that it is your understanding that at the end of that period the new private owner will be at liberty, essentially, to put X-Lotto wherever they want.

**The Hon. J.J. SNELLING:** We are working through what those conditions are. We will obviously set up some process by which we can speak to the various agencies. The five-year extension was essentially to reassure agencies up-front that their interests would be protected for at least five years. What happens after that will be part of the conditions of the sale that we have to work through.

**The Hon. I.F. EVANS:** But are you going to prevent them from putting them into supermarkets? Is that the government's intention?

**The Hon. J.J. SNELLING:** The only commitment I can give here and now is that we will work closely with the agents to make sure that their interests are protected, but we also have to make sure that we get value for money for taxpayers. Similar to the forward sale of the forest rotation, it is always a balance between protecting the interests of stakeholders and making sure that we get a good return for South Australian taxpayers.

**The Hon. I.F. EVANS:** But won't the greatest value from the lotteries come from allowing them to expand their market? Naturally, like any private operator, a private operator will say, 'How can I grow my market?' The way they can grow their market is to put all these gambling products into pharmacies, into supermarkets, and that is exactly what the newsagents are writing to us saying. You are saying that you are not ruling that out, as we speak.

**The Hon. J.J. SNELLING:** That is a pressure that agencies have, regardless of whether the government issues a licence to a private operator to come in and run SA Lotteries. The Betfair case was a key turning point in terms of the regulation of the gambling sector and exposing agents to increased competition. The simple fact is that they are going to face increased competition regardless of whether the government does or does not issue a licence to a private operator to come in and operate SA Lotteries.

**The Hon. I.F. EVANS:** But if the government is not going to rule out the supermarket option, why not let SA Lotteries do it now and let government get the value?

**The Hon. J.J. SNELLING:** I am not ruling anything in or out; I am not in a position to. What I have done is said, 'Here's a core condition that we're going to place on the sale to protect the interests of agents.' What happens after that will be subject to the process as we work through it. What I will do and what I have undertaken to do is work closely with agents. I understand that many of them have livelihoods that are dependent upon the sale of SA Lotteries products and I will do everything in my power to protect their interests. You have to remember that the nature of the gambling market at the moment is such that, regardless of whether the government holds on to or divests itself of SA Lotteries, these agents face increased competition right across the board.

**The Hon. I.F. EVANS:** Treasurer, Budget Paper 4, Volume 2, page 132, deals with our favourite topic: the Adelaide Zoo. I notice in the budget papers that the government has allowed the zoo to pull forward a \$1 million grant from their 2011-12 allocation. It was pulled forward into the 2010-11 year. Is that a different sum of money to the \$2 million that minister Caica gave a ministerial statement on the other day, so has the bailout actually been \$3 million not \$2 million?

**The Hon. J.J. SNELLING:** No, it has been \$2 million. The second \$1 million was brought forward after the publication of the budget papers. It will appear in the Mid-Year Budget Review.

**The Hon. I.F. EVANS:** Sorry?

**The Hon. J.J. SNELLING:** What is in the budget paper is the first \$1 million that was transferred. It was done in two lots.

**The Hon. I.F. EVANS:** Okay.

**The Hon. J.J. SNELLING:** So \$1 million was transferred from 2011-12 to 2010-11 a while ago, in time for it to be published in the budget papers; and then the second \$1 million was transferred too late for it to be included in the budget papers and so it will appear in the Mid-Year Budget Review.

**The Hon. I.F. EVANS:** So they have dragged forward two of their—

**The Hon. J.J. SNELLING:** Two lots of \$1 million.

**The Hon. I.F. EVANS:** Yes. I think they get a \$3 million grant, normally, from the department of environment, and they have dragged forward \$2 million of that. That is normally their operating grant and I assume that has gone to the Zoo's operating activities, not their debt repayment. One assumes then that the Zoo is going to have to be bailed out again next year if they have a \$24 million debt and they need a \$5 million operating grant this year, essentially: the \$3 million they normally get and the \$2 million bailout. Are we looking at how you are going to resolve this next year? Is there going to be an ongoing \$5 million contribution?

**The Hon. J.J. SNELLING:** We are working through what the options are. We have done an initial analysis of the Zoo's finances. I think a second one is being conducted, and the creditor to the Zoo as well I think is doing its own work. Once we have that advice—

**The Hon. I.F. EVANS:** Sorry, the creditors of the Zoo—

**The Hon. J.J. SNELLING:** Yes.

**The Hon. I.F. EVANS:** —are doing their own work?

**The Hon. J.J. SNELLING:** They are doing their own financial working of the Zoo's finances, so once we get that advice the government will make a decision.

**The Hon. I.F. EVANS:** What are the Zoo creditors doing other than—I assume there is no payment issue to the creditors?

**The Hon. J.J. SNELLING:** I am not in a position to say, simply that the Zoo's creditors are doing their own work into the finances of the Zoo. Once we get that advice—

**The Hon. I.F. EVANS:** What does that mean?

**The Hon. J.J. SNELLING:** What I have said. I can't answer for what the private sector does; I can only answer for what the government is doing. The simple fact is we have had the initial financial advice—

**The Hon. I.F. EVANS:** So when did you receive the first piece of advice that the Zoo was in trouble?

**The Hon. J.J. SNELLING:** We have had initial advice, some initial work done on the zoo's finances and more work is being done. Once that work is completed and advice is given to me we will be able to work out what we are going to do, but of course it is most likely that the government is going to have to do something to stabilise the Zoo's finances.

**The Hon. I.F. EVANS:** I dare say that you will have to look at both debt and operating issues with the Zoo because it seems extraordinary that it received a \$18 million government contribution and still ended up with a debt of \$24 million. The government, through the department of environment, has had representatives on the Zoo board for ever and a day, so when did Treasury first find out that there was a financial problem in the Zoo? When was it first approached?

**The Hon. J.J. SNELLING:** Probably around April this year, and we have only had a Treasury representative on the Zoo board since June.

**The Hon. I.F. EVANS:** When you were approached, was it through the department of environment or did the Zoo come direct?

**The Hon. J.J. SNELLING:** Yes, through the department of environment.

**The Hon. I.F. EVANS:** When did they first find out?

**The Hon. J.J. SNELLING:** You would have to ask the Minister for Environment and Conservation.

**The Hon. I.F. EVANS:** So the department of treasury did not say, 'How long have you known about this?'

**The Hon. J.J. SNELLING:** It is a question best directed to the Minister for Environment and Conservation. I can only answer for what Treasury has done, and Treasury found out about it in approximately April.

**Mr WHETSTONE:** I refer to Budget Paper 5, page 51, SA Water. The third paragraph refers to the Adelaide desalination plant and the North-South Interconnection System Project, a total amount of \$520 million in 2011-12. Does that proposed expenditure in 2011-12 include the \$228 million provided by the commonwealth government via the Water for the Future program?

**The Hon. J.J. SNELLING:** That money is expenditure, and it would be financed in part by commonwealth money, yes.

**Mr WHETSTONE:** If that is the case, how much River Murray water has the South Australian government been required to give up in return for that \$228 million contribution?

**The Hon. J.J. SNELLING:** You will need to ask that question of the Minister for Water.

**The Hon. I.F. EVANS:** On that line, Treasurer, has the agreement with the commonwealth government actually now been completed?

**The Hon. J.J. SNELLING:** Again, you will have to ask the Minister for Water.

**The CHAIR:** Are we referring to Budget Paper 5, page 51?

**The Hon. I.F. EVANS:** Yes. On the same budget page, on the same issue, I want to try to get my head around how this clawback of the GST works in relation to the desalination plant. My understanding is that the commonwealth government was going to give us \$228 million based on certain conditions, one of them being a reduction in River Murray water use and, as a result of the \$228 million, we lost about \$212 million in GST because this was a one-off special payment and, therefore, was treated differently for GST purposes. I am wondering at what point, in what cycle, do we lose that \$212 million?

**The Hon. J.J. SNELLING:** The member for Davenport is right: the Commonwealth Grants Commission does take it into account when determining our relativity for the dividing up of GST revenue. Firstly, there is a one-year lag, so they do not take into account the year in which the money is given. There is a one-year gap before it is actually taken into account. Secondly, they take it into account as an average over three years, so it works over a three-year average. Thirdly, the period at which we lose that, or have that reduced share of GST, is over about a five-year period.

**The Hon. I.F. EVANS:** So we lose the \$212 million over a five-year period?

**The Hon. J.J. SNELLING:** Roughly five years, yes.

**The Hon. I.F. EVANS:** Okay. Now just on a process issue, I am just trying to get my head around how the GST reporting to the Treasurer works. Every now and then, you will give an update, as did treasurer Foley, that we are getting X more GST or Y less GST. How often does Treasury report to you the GST update figures? Is there a standard reporting date? Is it at the end of every quarter, the end of every month, or is it six monthly?

**The Hon. J.J. SNELLING:** Officially, we get two lots of information—at mid-year budget review and at commonwealth budget—about what the GST take is across the nation, but Treasury does its own modelling in between times to try and make forecasts about what our GST revenue is likely to be. Officially, it really only happens twice a year: mid-year budget review and budget time.

**The Hon. I.F. EVANS:** The commonwealth mid-year budget review?

**The Hon. J.J. SNELLING:** The commonwealth mid-year budget review and commonwealth budget time, that is right.

**The Hon. I.F. EVANS:** During the electoral cycle, for instance, at the last election, treasurer Foley advised us that there X more GST had suddenly become available. One assumes that that is out of the commonwealth mid-year budget review. That would not be out of the state's own calculations, that would be the formal position of the mid-year budget review, would it not?

**The Hon. J.J. SNELLING:** I should add to that that the federal mid-year budget review and the federal budget provide information to Treasury—or forecast, I should say—about what the GST take is across the nation. As well as that, you also have the Commonwealth Grants Commission, which provides us with our cut—our share of the GST—so there is that as well. To answer your question, with regard to treasurer Foley, I think the information he provided—I would need to go back and check—would have been based upon information from the Commonwealth Grants Commission.

**The Hon. I.F. EVANS:** I have it here. It was the Commonwealth Grants Commission. At what dates does the Commonwealth Grants Commission advise Treasury—what are the formal dates? Is that on a regular basis? Is it quarterly?

**The Hon. J.J. SNELLING:** Annually.

**The Hon. I.F. EVANS:** One-off annually?

**The Hon. J.J. SNELLING:** Yes, one-off annually.

**The Hon. I.F. EVANS:** Always in February?

**The Hon. J.J. SNELLING:** As far as I know. Usually in February.

**The Hon. I.F. EVANS:** I am just wondering what the process is going to be for the next election, Treasurer, because at the last election, Robert Schwarz advised the then under treasurer, Jim Wright, on 26 February, of the Commonwealth Grants Commission's recalculations of the GST. It was not an insignificant sum of money; it was nearly \$800 million over the forward estimates. In the middle of an election campaign, that is obviously critical information for all people to share. It then sat in Treasury until 4 March, so both the government and opposition—certainly the opposition—were denied the opportunity to spend that money as far as election promises go, and then treasurer Foley signed off on it on 9 March.

The government had five days' notice—the opposition did not have five days' notice—that there was an extra \$800 million floating around. I am just wondering what the protocol is during that caretaker period. I would have thought the protocol would be that, when the government is receiving advice that there is \$800 million over the forward estimates coming in through extra GST, the opposition should have been advised the same day, not at the discretion of the Treasurer.

**The CHAIR:** Member for Davenport, please correct me if I am wrong, but this question seems to be more about process than it does about expenditure?

**The Hon. I.F. EVANS:** No, it is GST. Budget Paper 3, page 13, GST receipts.

**The CHAIR:** I understand that, but you seem to be asking a question more about process.

**The Hon. I.F. EVANS:** Every year the government is notified of the Commonwealth Grants Commission GST receipts. I am trying to establish the process so that at the next election I am aware of what the process is.

**The CHAIR:** So, you do not know what the process is; no problem.

**The Hon. I.F. EVANS:** The Treasurer is happy to answer it; he is quite relaxed.

**The Hon. J.J. SNELLING:** It would not be up to me to decide what information was or was not released in an election campaign because we would be in caretaker mode. Essentially, under the caretaker provisions, it would be, I think, ultimately, the chief executive of the Department of the Premier and Cabinet who would make the decision as to whether to release that information.

**The Hon. I.F. EVANS:** I accept the fact that you were not treasurer at the time, but Jim Wright wrote to the treasurer on 4 March outlining the extra GST revenues and in that minute to treasurer Foley he said, 'We understand that you will be passing this briefing on to the opposition.' Treasurer Foley then sat on it for five days. The election campaign proper is only 25-26 days, so for 20 to 25 per cent of the campaign we were denied knowing, as far as our costings and policies go, that there was \$800 million about to become available. The government had five days extra notice than we did during the period. I would have thought that the process would have been that Jim Wright, as under treasurer, would have written to treasurer Foley saying, 'I've also forwarded this on to the opposition at the same time.' Why should the government get five days advantage?

**The Hon. J.J. SNELLING:** I would need to check first exactly what happened and whether there was some embargo provision that was preventing that information from being released. Ultimately, as I said, it would be a decision made by the chief executive of the Department of the Premier and Cabinet as to whether that information should be released to the opposition.

**The Hon. I.F. EVANS:** The new Under Treasurer is here. Will it be his position that, and I am asking through you, he may not wish to answer.

**The CHAIR:** He does not have to.

**The Hon. I.F. EVANS:** He does not have to, I know that. Will it be his position that in those circumstances the opposition would be notified on the same day?

**The Hon. J.J. SNELLING:** It would not be entirely up to him. It would also be up to the chief executive of the Department of the Premier and Cabinet to make a decision, but it is certainly not a decision that would rest with me, as caretaker treasurer.

**The Hon. I.F. EVANS:** Budget Paper 4, Volume 4, page 132, goes to ministerial support services. I am wondering what the protocol is during state campaigns relating to the costings of opposition policies. Is it standard practice, while the campaign is in operation, that Treasury would cost opposition policies?

**The Hon. J.J. SNELLING:** Yes, they are costed but they are costed purely for the preparation of the incoming government briefs.

**The Hon. I.F. EVANS:** As they are costed and they are opposition documents, there would be nothing, then, to stop them being released under FOI to the opposition given that they are our documents?

**The Hon. J.J. SNELLING:** They are not the opposition's documents until such time as the opposition forms a government. Until that time they are the government's documents. The extent to which incoming government briefs need to be released by FOI, I think, has been an ongoing issue and extensively litigated.

**The Hon. I.F. EVANS:** Why would Treasury be costing opposition documents in the middle of a campaign? Why would they not wait until the decision of the election and then cost the documents on which the cabinet signed off relating to the policies they want to introduce in their first budget?

**The Hon. J.J. SNELLING:** Simply because they need to be ready for an incoming government. On your first day as minister, essentially, you get the incoming government brief from Treasury. If I was—

**The Hon. I.F. EVANS:** They are in the broad, not in the detail. I have seen first-day briefs.

**The Hon. J.J. SNELLING:** If I was an incoming treasurer, I would not want to have to sit around and wait for Treasury to cost the government's policies. I would want that information ready from day one, so that is why they do that. I think what the member for Davenport is getting at is: is this done essentially on the behest of the incumbent government to be used politically to beat around the head the opposition? That is not the case. The information is simply provided for the preparation of incoming government briefs should an opposition form government, so that on day

one of a new government taking office, that information is available to them. I think that is what a responsive, professional treasury of the high calibre that we have in South Australia would do.

**The Hon. I.F. EVANS:** So Treasury would have costed—

**The CHAIR:** Member for Davenport, order! If you are going to ask the Treasurer questions, which is indeed your right, please allow him to actually finish them.

**The Hon. I.F. EVANS:** Sorry, Madam Chair, I thought he had finished.

**The CHAIR:** No; you keep interrupting it.

**The Hon. J.J. SNELLING:** I will just add that the opposition's incoming government briefs are not released to the government. We do not see them.

**The Hon. I.F. EVANS:** So, somewhere in Treasury, there would be a costing of every one of the opposition's policies from the last election?

**The Hon. J.J. SNELLING:** Yes, but I've never seen them, and they are not released to government.

**The Hon. I.F. EVANS:** Treasurer, in your budget speech, on page 3, you talked about the Public Service long service leave provisions and you formed a senior representative group to negotiate through the long service leave changes, but in particular you mentioned an inducement designed to retain and recognise experience. Can you just tell the committee who is on the senior representative group; what does it cost; and what is the inducement that you are looking at to retain and recognise experience in the Public Service?

**The Hon. J.J. SNELLING:** The senior representative group costs nothing except for the time of my chief of staff who is on it, but he does not receive any extra pay for doing that. It is simply opportunity costs in terms of his doing that instead of other things. The unions who are represented on the group are not receiving any payment, so I think in effect there is no cost of the senior representative group at all.

Who is on it? Basically, there is a representative of each of the unions that have members in the public sector—so it is a fairly extensive group—and a representative from SA Unions. There is a representative from the Public Service Association, a representative from the Police Association, a representative of the Australian nursing federation, a representative from the CEPU, from memory. I can provide the list of who is—

**The Hon. I.F. EVANS:** And the form of inducement you are looking at?

**The Hon. J.J. SNELLING:** We have a wide range of options that we are looking at but potentially some sort of cash bonus to be provided to public sector employees who have been employed for a long period of time. The health sector union established a similar scheme, and the firefighters union as well are all represented on it. The enterprise bargainers negotiated with the Police Association, which had a similar cash inducement. A model akin to that is something that is being examined.

**The Hon. I.F. EVANS:** On the same line, is the Treasurer aware that the Public Service is already paying retention allowances to public servants to retain them in certain positions?

**The Hon. J.J. SNELLING:** Yes.

**The Hon. I.F. EVANS:** Is that retention allowance reported in the \$100,000 cap? So, when you report about public servants who earn more or less than \$100,000, does the \$100,000 include the retention allowance, or is that excluded?

**The Hon. J.J. SNELLING:** In answer to the second part of your question, yes, the retention allowance is included for the purposes of the \$100,000. Secondly, the retention allowances that are currently paid are only to select public servants where there are certain skill shortages, market pressures, and whatever, and there are good reasons and important reasons for the retention allowance.

**The Hon. I.F. EVANS:** On the same budget page, why is the Public Service paying attraction allowances to existing public servants to take jobs in other sections of the Public Service? It is the Treasurer aware of this practice? Is the attraction allowance to public servants included the \$100,000 cap? I will give you an example. We have received a letter that states:

Attraction allowances are generally in the vicinity of \$5,000 to \$40,000 above the employee stated classification level and are often paid in perpetuity.



So they are ongoing. Can the Treasurer's officers confirm that for me? It continues:

For example, an employee who occupies a position with an annual salary of \$90,000, a position stated classification level, but has an attraction allowance for \$15,000, will be paid \$105,000 for as long as they remain in that position.

So, the attraction allowance just goes on and on and on. Are you aware of that practice?

**The Hon. J.J. SNELLING:** These questions are better directed to the Minister Assisting the Premier in Public Sector Management rather than me, but I will double-check.

**The Hon. I.F. EVANS:** Well, you are paying for them.

**The Hon. J.J. SNELLING:** I am paying for everything that happens in government. It does not mean that I sit here for seven days and take every single question in estimates; there are other ministers who have direct responsibility for those areas. I am just saying to the member for Davenport that if he is actually interested in the answer, rather than just grandstanding with a question, he might be better off directing his questions directly to the minister responsible, in which case in this area it is clearly the Minister Assisting the Premier in Public Sector Management.

However, from what I do understand, yes, for the purposes of the \$100,000 threshold those allowances are included, but I will double-check that. Secondly, as I understand it, the reason we pay these amounts of money is to attract public servants into key areas where it would otherwise be difficult to do so.

**The Hon. I.F. EVANS:** I refer to Budget Paper 6, page 8, and the savings in regard to annual leave loading. In the 2010-11, budget the savings were \$22.819 million in 2012-13 and \$23.732 million in 2013-14, but the savings reversals are different figures. They are: \$22.044 million in 2012-13 and \$22.224 in 2013-14, which is \$600,000 and \$1.5 million lower. Can you reconcile the difference for us?

**The Hon. J.J. SNELLING:** It just reflects more up-to-date data in this budget compared with last year's budget.

**The Hon. I.F. EVANS:** Budget Paper 6, page 8, refers to the TVSP scheme. I think you needed to have about 1,100 completed by 1 July. Can you update the committee on where you are up to with the TVSPs?

**The Hon. J.J. SNELLING:** I point out it is 1,100 FTE reductions, not 1,100 TVSPs.

**The Hon. I.F. EVANS:** Can you advise us on the progress of the TVSPs and the FTE reductions to date?

**The Hon. J.J. SNELLING:** The TVSPs only form a proportion of the overall FTE reductions just through natural attrition and not replacing people. In terms of the latest data, I saw the briefing last night. As at 24 June, 431 employees have accepted an offer of a TVSP and 15 untenured executives have been terminated as a consequence of the savings measures. Shared Services calculated 969 TVSP offers on behalf of government agencies, many of which are still pending.

**The Hon. I.F. EVANS:** Budget Paper 6, page 8, refers to the TVSP scheme. If you add those costs, you get about \$30 million for 400 FTEs—I think it is about 29.9, from memory—which comes to about \$75,000 per full-time equivalent. Budget Paper 6, page 13, from last year's budget indicates the 3,000 TVSPs were going to cost \$354 million, which is around \$118,000 per FTE. Why is there a difference between the two schemes?

**The Hon. J.J. SNELLING:** Assumptions have changed. Last year, Treasury assumed that, in order to achieve the FTE reductions, there would have to be a higher take-up of TVSPs than has proved to be the case. Agencies have been successful in reducing the FTE numbers simply through natural attrition without having to offer as many TVSPs as originally thought.

**The Hon. I.F. EVANS:** So now there is only one TVSP scheme on offer and that is the \$75,000 scheme; is that what you are saying?

**The Hon. J.J. SNELLING:** The parameters of the scheme have not changed. The only thing that has changed is the numbers that Treasury has estimated.

**The Hon. I.F. EVANS:** Was there one scheme at \$118,000 per employee and another at \$75,000?

**The Hon. J.J. SNELLING:** No, that is not the case.

**The Hon. I.F. EVANS:** So the rules are exactly the same for both sets?

**The Hon. J.J. SNELLING:** Yes, for both sets.

**The Hon. I.F. EVANS:** Budget Paper 4, Volume 4, page 124, RISTEC, the infamous computer system. This was originally approved in 2002 at a cost of \$22.6 million to be completed in 2006. In May 2008, cabinet approved \$45.5 million as the new cost, to be completed in 2011; and now there is \$29.5 million and it is going to be completed in 2012. Is the \$29.5 million the latest estimated final cost, or what is the total final cost of RISTEC?

**The Hon. J.J. SNELLING:** I think what the member for Davenport is referring to is the capital component of the overall cost. We will have to get information back to him. There have been delays, but 2012 is now the expected completion date.

**The Hon. I.F. EVANS:** So, no-one can tell us what the estimated final cost is? This project has been around in Treasury since 2002—for the whole of this government's life. It has blown out considerably. It has been delayed six years—twice the implementation time. This is the computer system that is going to collect all our tax, essentially, so it is an important piece of public infrastructure. No-one has come to the estimates committees thinking that they might be asked about RISTEC and the blowout? No-one has got a figure? All too hard?

**The Hon. J.J. SNELLING:** We will have to get back to you. I will have to take it on notice and get back to you. I have not got any information.

**The Hon. I.F. EVANS:** You mentioned about the capital cost. Is the operating cost of RISTEC within budget, because we know that Shared Services has blown out to billyo? What has happened with the operational side of RISTEC?

**The Hon. J.J. SNELLING:** There have been cost increases to the project overall. These cost increases are being offset by savings found within Treasury. As I understand it, this same line of questioning was asked earlier in the week at the Budget and Finance Committee, and Treasury has undertaken to provide that information. We will provide the same back to the Estimates Committee as well.

**The Hon. I.F. EVANS:** Just on computer systems and support systems, I refer to everyone's favourite, Shared Services, Budget Paper 4, Volume 4, page 138. The Housing Trust minutes show that the Housing Trust is paying 7 per cent more than it was when those services were provided in-house. First, is that the only agency that has reported that event, that is, being charged more than in-house, and why is it that the Housing Trust is required to use Shared Services if it was doing it cheaper in-house?

**The Hon. J.J. SNELLING:** We are not sure of the basis upon which the Housing Trust made that assertion in the minutes. We will need to check what representations the Housing Trust has made to Treasury, if, indeed, any have been made; and, if we do, we can conduct an analysis on the basis which it makes that assertion.

**The Hon. I.F. EVANS:** Have any government agencies made representations to Treasury that they are being charged more than they were under the old arrangements?

**The Hon. J.J. SNELLING:** We will need to go back and check. Overall, Shared Services has saved South Australian taxpayers tens of millions of dollars. While it is true that the cost of Shared Services has increased, it is still well below the savings that have been achieved. It is \$127 million as opposed to \$338 million of savings, and then \$57 million worth of savings ongoing, year in year out.

**The Hon. I.F. EVANS:** The \$338 million of savings is the projected savings if everything comes to fruition as they hope.

**The Hon. J.J. SNELLING:** And the \$128 million, which the opposition has been making hay with, is also an estimated cost.

**The Hon. I.F. EVANS:** It might be more than that?

**The Hon. J.J. SNELLING:** You have got to compare like with like.

**The Hon. I.F. EVANS:** So, the \$128 million might be more?

**The Hon. J.J. SNELLING:** Of the \$128 million in costs, we are projected to save \$338 million over the forward estimates period, with \$57 million worth of savings year in year out, and that represents value for money for South Australian taxpayers. It is more money that can be

spent on key frontline services. It means more police on the streets, more doctors and nurses in the hospitals and more teachers in schools rather than on back-office functions in government departments.

**The Hon. I.F. EVANS:** And more trips to Puglia.

**The Hon. J.J. SNELLING:** That is beneath you, Iain.

**The Hon. I.F. EVANS:** Well, when you start dragging up the old doctors and nurses line, come on! Budget Paper 4, Volume 4, Shared Services, the Auditor-General last year, on page 10 of his annual report, raised the issue that there was a contingency within Treasury to be used to offset the failure in making the savings targets. What is the level of that contingency and how much has been drawn down?

**The Hon. J.J. SNELLING:** There is no contingency against the \$338 million; they are savings that have been locked in and delivered, or will be. The figure is based on savings that have been achieved or measures that have been taken, so there is no contingency against the \$338 million. Yes, there is and always has been a contingency in the budget for potential delays in achieving the savings projected from Shared Services. That simply reflects how ambitious the Shared Services project has been in terms of achieving the projected savings.

**The Hon. I.F. EVANS:** While we are on the same page, Shared Services, there were issues last year with ambulance back pay and teachers' overpayment. The Auditor-General reported that that would impact on superannuation and taxation matters, as well as the day-to-day salaries of those concerned. Have all those matters been resolved? The previous treasurer had a technical term for it, 'Shit happens,' and that is what he told the parliament. What I am interested in is: have those issues been resolved, and have they been at an extra cost to the taxpayer?

**The Hon. J.J. SNELLING:** I am not sure about the teachers; I will have to get back to you and see where that is at. The ambulance one has not been resolved as yet, but we are in the final stages of doing that. Is that essentially what you were asking?

**The Hon. I.F. EVANS:** Will it be at an extra cost to the taxpayer?

**The Hon. J.J. SNELLING:** We will not know whether there will be any cost to taxpayers until the matter is resolved, but one would expect, particularly for those small debts, that government may decide to write them off, that the costs of trying to recover them would be greater than what would be recoverable.

**The Hon. I.F. EVANS:** In Budget Paper 5, page 28, the new Royal Adelaide Hospital project, in January 2019 there is a sunset date, according to the Macquarie documents. I am just wondering what the import of the sunset date is in the new RAH PPP contract.

**The Hon. J.J. SNELLING:** We have not seen the Macquarie documents so we do not know.

**The Hon. I.F. EVANS:** Is there, in the agreements you have reached with the South Australian Health Partnerships, a sunset date of January 2019?

**The Hon. J.J. SNELLING:** We would have to check with our legal advisers and get back to you.

**The Hon. I.F. EVANS:** It may not be called a sunset date, but if there is some significant event that is going to happen in January 2019 I would want to find out exactly what that is.

**The Hon. J.J. SNELLING:** I do not know what the significance of 2019 would be. We would have to go back and—

**The Hon. I.F. EVANS:** I understand: you are going to go back and get some advice. If we knew what it was, I would not have asked the question. Budget Paper 4, Volume 2, page 19, the Living Beaches project, the government's beach tax. I notice it has been delayed yet another 12 months. (This is the pipeline pumping the sand.) The government is now only funding nine kilometres of the proposed 22-kilometre pipeline. Is it in the forward estimates that the government is proposing to complete the last 13 kilometres of the 22-kilometre pipeline?

**The Hon. J.J. SNELLING:** The member for Davenport is better off directing that question to the Minister for Environment and Conservation.

**The Hon. I.F. EVANS:** Any idea why it was delayed a year?

**The Hon. J.J. SNELLING:** You would have to ask the Minister for Environment and Conservation; it is his portfolio.

**The Hon. I.F. EVANS:** This one might be your portfolio: Budget Paper 3, page 70—

**The Hon. J.J. SNELLING:** I have answered just about everything.

**The Hon. I.F. EVANS:** You have gone around in circles.

**The Hon. J.J. SNELLING:** You have had pretty wide-ranging questions here.

**The Hon. I.F. EVANS:** A very short time though, only two hours!

**The Hon. J.J. SNELLING:** Only two hours, goodness me!

**The Hon. I.F. EVANS:** I am very disappointed.

**The Hon. J.J. SNELLING:** With not a single question from government members.

**The Hon. I.F. EVANS:** No, that has always been the case. Budget Paper 3, page 70. The level of self-generating assets on that page decreases from \$769 million to \$87 million, which is a \$682 million decrease in assets. Am I right in assuming that that is the result of the sale of the forward rotations of the forests, and, if not, how is it that our assets decreased by \$682 million?

**The Hon. J.J. SNELLING:** Yes, that is the case.

**The Hon. I.F. EVANS:** That is the case?

**The Hon. J.J. SNELLING:** That is the primary driver, yes.

**The Hon. I.F. EVANS:** If we are not selling them, which is the government's answer—you are saying you are not privatising, you are not selling the asset—why is the asset taken off the books?

**The Hon. J.J. SNELLING:** Because we are forward selling the timber and there is no future economic value to the government because we are forward selling the timber.

**The Hon. I.F. EVANS:** I know you cannot reveal the sales price but is it fair to assume that the sales price would be more than the asset value?

**The Hon. J.J. SNELLING:** The short answer to the question is no. That valuation uses a particular accounting method but it is not the same accounting method that a potential buyer or the government would use when determining what the reserve price would be.

**The Hon. I.F. EVANS:** Budget Paper 3, page 4, the Casino Task Force. The Casino is potentially being involved in expansion along the riverbank. They are asking for regulatory reform. I noted in the press that the Auckland Convention Centre got the go-ahead from the New Zealand government through regulatory reform where they offered more tables and more poker machines to the Casino to get that development across the line. What regulatory reform is the Casino asking for in relation to the Adelaide Convention Centre expansion?

**The Hon. J.J. SNELLING:** It has put a number of proposals forward. It has a wish list that it has put to government. It is being dealt with at the moment at an officer level; it is yet to come formally to me for my consideration. The government will consider its position in due course.

*[Sitting suspended from 10:59 to 11:18]*

**Departmental Adviser:**

Mr K. Cantley, General Manager, SAFA, Department of Treasury and Finance.

**The CHAIR:** The same lines are open. We will be looking at different agencies: SuperSA, SAFA, SAAMC, Funds SA and the Motor Accident Commission.

**The Hon. I.F. EVANS:** Regarding Budget Paper 3, page 7, superannuation targets, the government had a report done by Mercer—an actuarial review into superannuation—and recommendations from that report were that the employer contribution rate for the employer share of the future service cost of the lump sum scheme be increased from 14 per cent to 14.75 per cent of contributor salaries. The second recommendation was that the employer contribution rate for the employer share of the future service cost for pension scheme be increased from 22.3 per cent to

26 per cent of the contributor salaries. Were these recommendations adopted and, if so, what is the extra cost to government?

**The Hon. J.J. SNELLING:** Yes, the recommendations have been adopted and the extra costs are being absorbed by the respective departments.

**The Hon. I.F. EVANS:** So, there is no extra supplementation from Treasury? Effectively, is it a saving out of their own departmental budgets? Do they have to find it from cutting expenses elsewhere?

**The Hon. J.J. SNELLING:** This is for people who are currently still employees.

**The Hon. I.F. EVANS:** That's right.

**The Hon. J.J. SNELLING:** This isn't the unfunded liability. These are the contributions that departments make towards the employee expenses of employees who are still employed under the old defined benefits schemes. Agencies have been able to make savings in previous years because there are few employees who still come under those schemes, and so it has been able to be absorbed in that way. There are fewer public sector employees who still come under the old defined benefits scheme, so it has been able to be absorbed in that way.

**The Hon. I.F. EVANS:** On the same line, and still with the Mercer report, I want to get clarification that my understanding is right. The Mercer review on page 20 sets out projected costs to the taxpayer. The super scheme is meant to be fully funded by 2034 and, on page 20 it seems that there are costs still ongoing until at least 2045. I am assuming that means that, even though the scheme is fully funded at 2034, there are some employees still involved in the scheme who are going to be employed until at least 2045.

**The Hon. J.J. SNELLING:** What it means when the scheme is 'fully funded' is when the scheme's assets meet its ongoing liabilities—

**The Hon. I.F. EVANS:** Liabilities, yes.

**The Hon. J.J. SNELLING:** —but after 2034 there will still be payments going out because some people under the old defined benefits scheme will still be alive and will still be receiving payments from the scheme. So, yes, there will still be money going out from the scheme, it is just that the assets will meet the ongoing liabilities.

**The Hon. I.F. EVANS:** So when Mercer says 'the projected costs to the state government', they mean the costs out of the scheme, not the cost out of state budget? What they say is, 'The projected costs to the state government are set out in the table below,' and then they outline all the costs. I took that as payments out of the budget, not out of the scheme.

**The Hon. J.J. SNELLING:** They mean the costs out of the scheme.

**The Hon. I.F. EVANS:** It would be a pity to have Mr Cantley here and not ask a question about Adelaide Oval, so in Budget Paper 4, Volume 4, page 154 sets out a \$30 million payment to Adelaide Oval. Can the Treasurer advise us when it is intended to pay the \$85 million to SACA?

**The Hon. J.J. SNELLING:** There is a \$30 million loan, currently, from Treasury to SACA. There will be a further \$55 million loan to be lent when an agreement is signed between the SANFL and SACA, so at that stage we will lend them the further \$55 million. At some stage in the future, when the project has effectively gone beyond the point of no return, I think, and all the conditions are met, then the loan will be turned into a grant.

**The Hon. I.F. EVANS:** Until the loan is turned into a grant, are the interests being forgone or is the state covering the interest? Can the Treasurer outline for me all the expenses in relation to the guarantee, the grant, and the loan, from when the project was first announced until now, and can he advise if that is in the \$535 million project costs, or if those costs are outside the \$535 million project costs.

**The Hon. J.J. SNELLING:** The interest has been capitalised. When the project progresses that interest will be waived. If the project does not proceed then SACA will have to pay back, over time, both the principal and the capitalised interest. I know what the member for Davenport is about to ask: is the interest included in the \$535 million? The answer is no, but it never would have been. The government has done it as a loan, essentially, to protect its interests if the project does not proceed. If this money had simply been given as a grant from day 1, then the interest on that grant would not have been included in the \$535 million.

**The Hon. I.F. EVANS:** What is the total level of interest expected to be capitalised?

**The Hon. J.J. SNELLING:** At this stage it would be roughly 7 per cent per annum on the \$30 million that would be capitalised. We could work that out for you, but we would have to get back to you.

**The Hon. I.F. EVANS:** If you could get back to us with the exact amount, I would appreciate that.

**The Hon. J.J. SNELLING:** It would all depend, as well, on when the further \$55 million is paid. The loan with SACA at the moment is only \$30 million. We do not pay the other \$55 million until the next stage progresses.

**The Hon. I.F. EVANS:** What is the expected timing of that agreement? The budget papers indicate that some time in 2011-12 \$85 million is going to be paid. I assume that \$85 million includes the \$30 million?

**The Hon. J.J. SNELLING:** Yes.

**The Hon. I.F. EVANS:** So, what is the expected timing? Is it this side of Christmas or does no-one have any idea of when the Adelaide Oval agreement is going to be signed?

**The Hon. J.J. SNELLING:** You would need to direct that question to minister Conlon.

**The Hon. I.F. EVANS:** Budget Paper 4, Volume 4, page 156, the actual amount spent on the Adelaide Oval in 2009-10 was \$5.463 million against a budget of \$164,000, and then \$506,000 was spent as an estimated result in 2011-12. Can you outline for us exactly how much has been spent on the Stadium Management Authority? What is the total amount that has been forwarded to the Stadium Management Authority so far?

**The Hon. J.J. SNELLING:** We will have to take that on notice. It is a question better directed to minister Conlon.

**The Hon. I.F. EVANS:** But is not SAFA holding the funds to pay the Stadium Management Authority?

**The Hon. J.J. SNELLING:** The original \$5 million grant was being managed by SAFA. Since then, any other moneys that have been provided to the Stadium Management Authority have gone through DTEI. We are in a position to answer questions about that first \$5 million, but my advice is that that money has been spent, that is exhausted—sorry, \$4.9 million of the \$5 million has been spent. So, we are in a position to answer questions about that first \$5 million but after that you will need to direct those questions to minister Conlon.

**The Hon. I.F. EVANS:** Page 157 of Budget Paper 4, Volume 4 shows that in the 2010-11 estimated result there is an \$85 million grant to SACA, and then in the 2011-12 budget on page 156—right next door to it—there is another \$85 million budgeted to go across to SACA in 2011-12. Is the \$85 million being paid in 2010-11 as per page 157 or is it being paid in 2011-12 according to page 156?

**The Hon. J.J. SNELLING:** Essentially, it is carryover from 2010-11 to 2011-12, so it is the same \$85 million.

**The Hon. I.F. EVANS:** Why is it down as an estimated result, then? It is in the estimated result for 2010-11. Why is it an estimated result? I am referring to page 157, under Cash outflows, South Australian Cricket Association—Estimated Result, \$85 million.

**The Hon. J.J. SNELLING:** That estimated result for 2010-11 simply reflects the loan being given to SACA.

**The Hon. I.F. EVANS:** But the loan is only \$30 million, Treasurer.

**The Hon. J.J. SNELLING:** The cash outflow of \$85 million simply reflects the loan. The reason it is \$85 million and not \$30 million is that our advice from DTEI is that that extra \$55 million would be called upon in this financial year. When the budget papers were being put together, that was our advice from DTEI. That has since proved not to be the case.

**The Hon. I.F. EVANS:** Treasurer, that cannot be right because you have budgeted to spend \$85 million in year 2011-12. When you prepared your budget papers, you had \$85 million in there in two different years, so the answer cannot be that at the time of preparing the budget papers it was going to be paid in year 2010-11 because, if it was paid in year 2010-11, it would not appear in the 2011-12 budget as \$85 million.

**The Hon. J.J. SNELLING:** I will walk the member for Davenport through it.

**The Hon. I.F. EVANS:** You will have to, Treasurer.

**The Hon. J.J. SNELLING:** The \$85 million to the South Australian Cricket Association for 2010-11 estimated result on page 157 is the loan, and it is \$85 million instead of \$30 million because of what I said before about DTEI advising us that it would call upon the full \$85 million in the 2010-11 financial year, which it has not done.

The \$85 million for 2011-12 that appears on page 156 under Adelaide Oval Redevelopment is the grant. That is the \$85 million for the grant which we expect when the loan is effectively converted from being a loan to a grant in 2011-12. That is why that is there. Then if you have a look on page 154 you will see a cash inflow for 2011-12 of \$85 million. Do you see that cash inflow of 2011-12 under South Australian Cricket Association?

**The Hon. I.F. EVANS:** Yes; I have that highlighted as well.

**The Hon. J.J. SNELLING:** That is the cash inflow to offset the grant.

**The Hon. I.F. EVANS:** Excellent. That explains that—clear as mud. I refer to Budget Paper 3, page 54, SAFA excess capital. In 2010-11 there is a \$61.9 million return from SAFA to the government. In the forward years it stays around the \$12 million to \$13 million mark over the forward estimates per year. The budget papers say there is a 'programmed return' of capital. Does that mean that there is written agreement with SAFA that they have to return X amount per certain years? What does a 'programmed return' mean? How does the excess capital work? Is the \$61.9 million all of the excess capital or is it only the amount you are drawing down out of the excess capital? If it is only the amount you are drawing down, what is the amount of excess capital within SAFA?

**The Hon. J.J. SNELLING:** Essentially, I will try to answer everything that the member for Devonport has asked. SAFA have certain retained earnings which they hold on to in order to meet their day-to-day operations and to meet any risks that they might face. They hold in excess of what is considered necessary for them to hold. Previous budget papers have disclosed that there would be a return to government of funds because they have in excess of what they need. That has been disclosed in previous budget papers.

**The Hon. I.F. EVANS:** Is the \$61.9 million, being returned in the 2010-11 year, all of the excess capital or just the amount that you drew down? What I am trying to establish is whether there is another \$50 million there that we did not drag down for some reason, or is that all of the excess capital?

**The Hon. J.J. SNELLING:** The simple answer is this. We are just talking about SAFA's Treasury business. There are other parts of SAFA's operations to deal with insurance, fleet operations, and so on, for which the reserves are untouched, so this is purely to do with the Treasury side of SAFA's business. Of that \$61.9 million that has been returned, about \$50 million of it is in excess capital. That leaves total reserves of \$116 million, and some work is being done on whether that \$116 million is still in excess of what SAFA needs—how much of that \$116 million it is necessary for SAFA to continue to hold. So it might be in excess, but we will not—

**The Hon. I.F. EVANS:** There are \$68 million this year being dragged down out of SAFA. There was \$61.9 million last year and \$68 million this year. Is that \$68 million out of the \$116 million, or is that \$116 million after the \$68 million is taken out?

**The Hon. J.J. SNELLING:** You are talking about the same financial year; they are both 2010-11. So for 2010-11 the budgeted result is \$61.9 million and the estimated result is \$68.1 million.

**The Hon. I.F. EVANS:** So they are taking out \$61 million even though they might get \$68 million?

**The Hon. J.J. SNELLING:** Yes, we are actually taking out \$68 million and \$61.9 million was budgeted. It was \$61.9 million in last year's budget and \$68.1 million is the estimated.

**The Hon. I.F. EVANS:** What are the rules around accessing the excess capital? Does the Treasurer just simply apply for it? What is stopping you as Treasurer asking for the other \$116 million?

**The Hon. J.J. SNELLING:** We have a combination of external advice and advice from the advisory board to SAFA about what prudential amounts of reserved capital SAFA has to hold. Is there some sort of legal impediment? No, but I would be a pretty foolish treasurer to go and raid SAFA's prudential reserves.

**The Hon. I.F. EVANS:** Going back to Adelaide Oval in relation to your answer in regard to the interest, I am just wondering why the government has changed its position on whether the interest is going to be included in the \$535 million. Your answer earlier was that the interest was not going to be included in the \$535 million. Mr Cantley told the Budget and Finance Committee:

There were negotiations around that with SACA and the SANFL. I think their expectation was that it was going to be on top, but that has recently been reinforced with the Treasurer. Given that there has been public comments about 'not a cent more', that amount has been absorbed into the \$535 million, but that decision has not been passed onto SACA and the SANFL at this stage.

The Hon. Mr Lucas said, 'Well, I think it might be by now,' given that that was a public forum.

Back when Mr Cantley made those comments on 12 July last year, the intention was to take the interest out of the \$535 million. Why has the government now changed its position that the interest will not be taken out of the \$535 million?

**The Hon. J.J. SNELLING:** Before the loan which we issued to SACA for \$30 million, there was originally a Treasurer-guaranteed loan that SACA had with Westpac. I think that the total Westpac loan to SACA was \$85 million. The Treasurer guaranteed \$30 million of that \$85 million loan that SACA had with Westpac. When Mr Cantley was talking to the Budget and Finance Committee he was talking about that guarantee and the interest subsidy on that guarantee, which amounted to \$970,000. That \$970,000 that Mr Cantley was talking about is incorporated into the \$535 million overall cost of the project.

**Mr WHETSTONE:** Budget Paper 4, Volume 4, page 154. Why has the deposit account balance for superannuation increased from \$10.4 million in 2009-10 to \$30 million every year since?

**The Hon. J.J. SNELLING:** There are a number of defined benefit superannuation funds, for example. So, as well as the unfunded superannuation liability, there is a number of defined benefit schemes which are fully funded, and which are kept fully funded. The defined benefit parliamentary superannuation scheme is one of them. When there is a surplus, I guess, in those smaller defined benefits schemes, like the parliamentary one, then money is transferred from those schemes into the unfunded superannuation liability. So, those smaller schemes always remain fully funded; they don't go over and they don't go under. Likewise, if there is a shortage in one of those smaller defined benefits schemes, they are topped up from the unfunded superannuation liability to make sure that they are fully funded all the way along. Basically, that means that our unfunded liability is essentially consolidated into one fund.

So that money that you have drawn the committee's attention to, the \$10.4 million, was the actual outcome from 2009-10 and the \$30 million is estimates, because we don't know where those funds will be at, going into the future. We just make an estimate of \$30 million, but the actuals can vary substantially from those estimates because we don't know; it will depend on the stock market and the amount members are contributing into the fund, and so on; that will affect those figures.

**Mr VAN HOLST PELLEKAAN:** Just delving a little more deeply into that same issue, I refer to Budget Paper 4, Volume 4, page 156, and police superannuation. You have explained at the next level up, but why has the payment in regard to police super increased from \$41,000 to \$1 million? That is a very large increase.

**The Hon. J.J. SNELLING:** The superannuation scheme the member for Stuart is asking about is the defined benefit lump sum scheme. The police were transferred over from their own scheme to Super SA. As part of that transfer, in order to get police agreement, there was an undertaking that by transferring over they would be no worse off, so they have exactly the same entitlement as if they had remained in their own small scheme.

In order to make sure that that guarantee is met, there are appropriations made from Consolidated Revenue into the fund to make sure that as police officers retire and access the lump sum entitlement they are entitled to they get exactly what they would have got under the old scheme. The amount that has to be paid in, in order to do that, will vary from year to year depending on how many police officers retire and access their lump sum entitlement. There is no sure way to forecast what that is likely to be. It will vary greatly from year to year, and that is why you see those great variations.

**Mr VAN HOLST PELLEKAAN:** That increase from \$41,000 to \$1 million, how many police officers planning to retire do you think that would represent?

**The Hon. J.J. SNELLING:** The \$1 million is just a nominal number that we build into the budget.



**Mr VAN HOLST PELLEKAAN:** It is not based on a forecast?

**The Hon. J.J. SNELLING:** It is not based on any sort of forecast; it is just a nominal figure that we get. As I say, it will vary from year to year.

**The Hon. I.F. EVANS:** SAFA manages the debt for the state. What is the debt going to peak at before the sale of the forests and the Lotteries Commission? I know that budget estimates are what the whole of government debt will be after the sale, but what is the level of debt we will actually reach before the sale?

**The Hon. J.J. SNELLING:** We cannot disclose that because to do so would reveal what we expect we might get from the sale, which is—

**The Hon. I.F. EVANS:** But how will it reveal that; your net operating surpluses and net operating deficits impact on the—

**The Hon. J.J. SNELLING:** What you seem to be asking for is what the debt is going to be before the sale and what the debt is going to be after the sale. It would not take much to work out what we expect the proceeds from the sale will be.

**The Hon. I.F. EVANS:** But the answer I would get would be a figure that would include net operating balances, impacts on the debt level. What I am trying to work out is what the peak amount of the debt will be. That is all I am trying to work out.

**The Hon. J.J. SNELLING:** I can tell you where the debt will peak.

**The Hon. I.F. EVANS:** You are selling a bit more than a billion dollars worth of assets and the debt is still going to be around \$8.2 billion. I am trying to work out whether the debt would actually be more than \$9.2 billion before it starts to come down after the sales.

**The Hon. J.J. SNELLING:** The general government debt will peak at \$4.2 billion in 2013-14.

**The Hon. I.F. EVANS:** That is post sale?

**The Hon. J.J. SNELLING:** Yes, that is post sale; that is right. Even taking into account assets sales, the debt will still peak at \$4.2 billion subsequent to those sales. If I told you what debt would peak at if the sales did not proceed, I would, in effect, be telling you what we expect to get from the sales.

**The Hon. I.F. EVANS:** Well, you would not be breaking the sales up. You would not be breaking it into forests and lotteries, and you would not be taking into account net operating balances. I am just trying to work out what our debt would peak at. I would suspect that government debt is probably going to be over \$9 billion before you sell them.

**The Hon. J.J. SNELLING:** The sales are projected to go ahead before debt peaks.

**The Hon. I.F. EVANS:** Just on the debt. How is the debt for the new RAH going to be treated on the balance sheet? Is it going to be in net financial liabilities, or is it going to be a debt figure?

**The Hon. J.J. SNELLING:** It will show up as net debt.

**The Hon. I.F. EVANS:** So it will add to the \$4.2 billion?

**The Hon. J.J. SNELLING:** It will add to the net financial liabilities to revenue ratio.

**The Hon. I.F. EVANS:** In 2015-16, we will add \$2.8 billion to the debt. Is that right?

**The Hon. J.J. SNELLING:** Yes, to what it otherwise would have been.

**Mr VAN HOLST PELLEKAAN:** Treasurer, on that same point, for your reasons not to disclose that information, I suppose if the first sale occurs at exactly your reserve price then it would be possible to figure out the reserve price for the second one. My question is just to confirm that you have established a reserve price already today for both those assets.

**The Hon. J.J. SNELLING:** I should clarify what I have said previously: the reserve price for Forestry SA is not set in stone. It may vary depending on commercial conditions over time, and the way it has worked out is, essentially, as a discounted cash flow. So, the cash flows for ForestrySA change over time, and that reserve price may change slightly over time. I should clarify that it is not a figure set in stone but that has been established and there is a reserve price. With regard to SA Lotteries, we have done some initial modelling to give us an idea about what a

reserve price might be, but that might be subject to change and we will get some commercial advice on that about whether that is an appropriate figure. We have a figure in mind for SA Lotteries but it may change depending on the commercial advice we get about it.

**The Hon. I.F. EVANS:** Fleet management, Budget Paper 4, Volume 4, page 134. In the Budget and Finance Committee the other day, the Under Treasurer advised that the issue of outsourcing management is still under consideration, so I do not need to go there, but there are two other elements to the Fleet SA savings: getting more public servants to car pool and the buying of four cylinder cars. How are those two initiatives working and are they delivering savings?

**The Hon. J.J. SNELLING:** We have reduced the agency budgets to take into account proceeding with those savings measures; it is now up to agencies to actually carry them out in order to deliver those savings.

**The Hon. I.F. EVANS:** So, essentially, Treasury has made an estimate of what they think they can save, taken it off their budgets, and if they cannot make it, bad luck?

**The Hon. J.J. SNELLING:** Well, if they cannot make it, they will be coming to us looking for more money, and they will need to explain why they have not met—

**The Hon. I.F. EVANS:** Or they will just cut in other areas.

**The Hon. J.J. SNELLING:** —or why they have blown their budgets, but we have established what they should save by virtue of carrying out those two practices.

**The Hon. I.F. EVANS:** Maybe you could take on notice the level of 4-cylinder car purchase and how that has changed over the last 12 months?

**The Hon. J.J. SNELLING:** The initial information I have is that, over the 2010-11 financial year, there have been 400 Holden Cruzes purchased, or about to be purchased, as part of that shift in the fleet from 6-cylinder to 4-cylinder, and there has been a net reduction of approximately 200 vehicles over the current financial year as well; again, as a measure to move towards meeting those savings targets.

**The Hon. I.F. EVANS:** I want to ask some questions on insurance. Is that SAICORP?

**The Hon. J.J. SNELLING:** SAFA; yes, it is.

**The Hon. I.F. EVANS:** Okay. The government has renewed its catastrophe insurance. I thought the government generally self-insured. Have we always carried catastrophe insurance, or has that been a recent initiative?

**The Hon. J.J. SNELLING:** We have had the catastrophe insurance since 1991. The level of cover is up to \$600 million in property damage from a single event. We carry the first \$15 million; so, there is essentially a \$15 million excess that we would pay, and it is up to a value of \$600 million from a single event. And we have had the cover since 1991.

**The Hon. I.F. EVANS:** So, the \$7 million, that is the premium, is it? Budget Paper 4, Volume 4, page 156.

**The Hon. J.J. SNELLING:** That is right, that is the premium that we pay every year.

**The Hon. I.F. EVANS:** The budget papers talk about fire damage insurance cost. Is that just fire or is it any other catastrophe?

**The Hon. J.J. SNELLING:** That is something different.

**The Hon. I.F. EVANS:** That is something else, is it? There is a \$7 million premium each year and then there was an expenditure of about \$20 million a few years ago, which I assume was for one of the fires.

**The Hon. J.J. SNELLING:** That is something different. That is not the catastrophe insurance. That is money that is paid to SAFA to handle old insurance claims.

**The Hon. I.F. EVANS:** So, when it says in the budget papers 'fire damage and insurance costs', \$26.4 million, 2009-10, I assume that was for one of the fire events, was it? What did we pay out \$26.4 million for in 2009-10?

**The Hon. J.J. SNELLING:** That \$26.4 million was for re-evaluation of old claims, basically.

**The Hon. I.F. EVANS:** So, it is not a payment out?

**The Hon. J.J. SNELLING:** It is a payment from the government to SAFA based upon a—

**The Hon. I.F. EVANS:** Based on the level of claims that might come through?

**The Hon. J.J. SNELLING:** That is right.

**The Hon. I.F. EVANS:** Then the \$7 million is an arbitrary sum that is sort of a best guess, going forward?

**The Hon. J.J. SNELLING:** Yes, it is similar to the superannuation, that is right.

**The Hon. I.F. EVANS:** What is the level of outstanding claim that SAFA think we might have under that line?

**The Hon. J.J. SNELLING:** The figure is disclosed in the annual report of SAFA. For 2009-10, it was \$65 million. It is called a 'fund 2', apparently.

**The Hon. I.F. EVANS:** Yes, that is right. In relation to SAICORP, page 75, what is the target level of reserves for SAICORP?

**The Hon. J.J. SNELLING:** It is in a range from 65 per cent to 120 per cent. Exactly what it is, we will get back to you.

**The Hon. I.F. EVANS:** But you have had no advice that it is outside that range for any reason?

**The Hon. J.J. SNELLING:** They have been below that 65 to 120 range, but SAICORP's assets always have exceeded its liabilities. That 65 to 120 is basically a buffer so, yes, they have not had the buffer they would have wanted to in their target range but their assets have always exceeded their liabilities. There is no unfunded liability of SAICORP.

**The Hon. I.F. EVANS:** So having a reserve target does not matter? You are sort of indicating that it has not met it, but it does not really matter because it is only a buffer anyway. Is that not the whole point of a reserve: to protect the asset?

**The Hon. J.J. SNELLING:** Yes.

**The Hon. I.F. EVANS:** How far below our target are we?

**The Hon. J.J. SNELLING:** Probably close to the target or within it.

**The Hon. I.F. EVANS:** Not near enough? Around the mark?

**The Hon. J.J. SNELLING:** The difficulty is that we do not know the 30 June number.

**The Hon. I.F. EVANS:** What was the last reported number?

**The Hon. J.J. SNELLING:** It would have been 30 June last year.

**The Hon. I.F. EVANS:** So you do not get quarterly or half-yearly updates from the agency? What would be the latest update? I know it has to be adjusted for end of year trading and all that carry-on, but there must be some alert coming into Treasury that says, 'Be aware: we are not meeting our reserve target.'

**The Hon. J.J. SNELLING:** There is an actuarial process which determines the amount of capital which will be based upon the 30 June results for this year.

**Departmental Adviser:**

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

**The Hon. I.F. EVANS:** I refer to Budget Paper 3, page 97, Funds SA. What is the net change to Funds SA's investment funds in dollar terms from the 2010-11 year to projection for the 2011-12 year?

**The Hon. J.J. SNELLING:** As at 31 May, it is \$2.1645 billion. The end of year result will probably be down because of prevailing market conditions.

**Departmental Adviser:**

Mr S. Rowe, General Manager, Super SA, Department of Treasury and Finance.

**The Hon. I.F. EVANS:** I refer to Budget Paper 4, Volume 4, page 136. What are the average management fees charged per annum to a Triple S superannuation scheme account and how does this compare to private sector funds?

**The Hon. I.F. EVANS:** The member for Davenport is interested in the management expense ratio, which is the total administration expenses as a ratio for funds under management. For 2009-10 it is 0.61 per cent.

**The Hon. I.F. EVANS:** How does it compare to other private sector industry schemes?

**The Hon. J.J. SNELLING:** For retail funds it would be 0.7 percent to 1.5 per cent, and for industry funds it would be about 0.7 per cent; so, it compares favourably to other funds.

**Departmental Adviser:**

Mr A. Anastasiades, Chief Executive Officer, SA Asset Management Corporation.

**The Hon. I.F. EVANS:** Just on SAAMC, we have had some income from, I assume, winding up some old debts from the State Bank days. Can we have an update on what we have recovered in the last year and what we are likely to recover in the future years?

**The Hon. J.J. SNELLING:** It is \$20 million for the financial year 2010-11 and \$4 million for the financial year 2011-12, and that would be it.

**The Hon. I.F. EVANS:** So that means SAAMC will be wound up?

**The Hon. J.J. SNELLING:** Yes, that's what will happen.

**The Hon. I.F. EVANS:** Is that the end of the State Bank?

**The Hon. J.J. SNELLING:** That is the end, the final chapter. We will have a little party.

**The Hon. I.F. EVANS:** Could the Treasurer take on notice the total cost to the state of the State Bank collapse? I would be happy to get that answer in due course. Now that SAAMC is finally wound up and the State Bank is finally closed, I would be interested in getting the final cost.

**The Hon. J.J. SNELLING:** This money that has been paid by SAAMC back to the government actually offsets the original costs.

**The Hon. I.F. EVANS:** I understand that; so you will be able to net them off. We will get a better result than what we first thought.

**The Hon. J.J. SNELLING:** Indeed.

**The Hon. I.F. EVANS:** With your permission, Madam Chair, I might read the omnibus questions now, and then we will go on to MAC, so that the officers, other than the MAC officers, can go. Treasurer, these are the omnibus questions:

1. 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?

2. For each department or agency reporting to the minister how many surplus employees were there as at 30 June 2011, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

3. 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, and how much was approved by cabinet?

4. Between 30 June 2010 and 30 June 2011, will the minister list the job title and total employment cost of each person (with a total estimated cost of \$100,000 or more)—

- (a) which has been abolished; and
- (b) which has been created?

5. For the year 2010-11, will the minister provide a breakdown of expenditure on all grants administered by the 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?

6. 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?

7. 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, 2013-14 and 2014-15?

#### **Departmental Advisers:**

Mr A. Daniels, Chief Executive Officer, Motor Accident Commission.

Mr B. Tuffnell, General Manager, Corporate Affairs, Motor Accident Commission.

**The CHAIR:** We now move to the Motor Accident Commission.

**The Hon. I.F. EVANS:** I should declare to the committee that I have a son who does acting work on behalf of the Motor Accident Commission, which he wins through competitive tender through some other agent. I declare that so that the committee is clear.

The Motor Accident Commission annual report says that Allianz now has an incentive-based contract. I would be interested to know how much has been paid to Allianz by way of incentives for each year that the incentive contract has been in place.

**The Hon. J.J. SNELLING:** For 2009-10 it was \$1.5 million, for 2010-11 it will be \$1.5 million again. Allianz has met all its KPIs.

**The Hon. I.F. EVANS:** What are the KPIs in the incentive contract that they have to meet to be awarded this payment?

**The Hon. J.J. SNELLING:** I will ask Mr Daniels if he can take the question.

**Mr DANIELS:** There are seven areas that are audited that go from the commencement of a claim—from the length of time it takes for a claim to be lodged right through to the estimating process and the calculation of liability—all the way through to the completion of a claim, the aim being to ensure that the quality of work done from the beginning to the end of a claim is done to the highest standard, and improved standards will lead to reduced claims payment costs.

**The Hon. I.F. EVANS:** How much have we saved in each of those years? Do you actually do an estimate to say that we are paying them \$1.5 million in surplus, or bonus, and we have saved X amount? What have we saved in each of those years?

**Mr DANIELS:** The independent scheme actuary does a calculation every six months on estimated reduction in the claims provision, which is a reduction in the rate of increase in the claims provision to lower than that which he expected. At 31 December last year, which was the last time it was done, some \$20.1 million was estimated by the independent actuary Brett & Watson to be a saving to the scheme from improved claims management practices.

**The Hon. I.F. EVANS:** How is the incentive calculated? Is it a percentage of claims saved?

**Mr DANIELS:** The incentive is particular money against particular categories of work that they need to do, and they need to achieve standards of performance which are audited by our audit staff. In addition, over a three-year period there is a financial outcome measure (FOM). We also measure the reduction—not just the empirical improvement in quality work but also the actual estimate reduction in claims provision over a three-year period. If Allianz failed to achieve certain financial management targets against that FOM model, then MAC can claw back all of its incentive. There is a penalty that can also apply to Allianz over a three-year period. If the provision increases due to poor claims management practices there is also a penalty that can be clawed back, but that clawback is actually at the end of the first three-year period to give enough time for claims management practices to become embedded into the system.

**The Hon. I.F. EVANS:** The incentive has been in place for what, two years, has it?

**Mr DANIELS:** Two years, one year to go.

**The Hon. I.F. EVANS:** When was its contract resigned?

**Mr DANIELS:** The contract was signed in 2007. It expires 31 December next year. The incentive provision expires 30 June next year, to allow—

**The Hon. I.F. EVANS:** So, when the contract was resigned, the incentive provisions were not part of the deal, they were added in after?

**Mr DANIELS:** Correct. The incentive provisions were brought in in 2009, for the last three years of that contract.

**The Hon. I.F. EVANS:** I assume that you went to market about whether you were going to resign Allianz. Did you look at other providers or you just simply resigned Allianz in 2007?

**Mr DANIELS:** That is before my time with MAC, but the task was tendered in 2002 and then the contract was extended in 2007 to go to the end of 2012. I would have to respond on what happened in 2007.

**The Hon. J.J. SNELLING:** I just add to that, and correct me if I am wrong, but we would not necessarily go to market because there are transition costs when changing provider.

**Mr DANIELS:** Absolutely.

**The Hon. J.J. SNELLING:** I do not know what we did in 2007, whether we went to market.

**Mr DANIELS:** No. My understanding is that we did not go to market. It was a renegotiation of an existing contract.

**The Hon. J.J. SNELLING:** We would not necessarily want to go to market every time the contract was up because there are enormous transition costs with changing the provider.

**Mr DANIELS:** Correct.

**The Hon. I.F. EVANS:** I understand that. The reason that I asked about when the contract was re-signed is that you talk about giving incentives for good management practice. Wouldn't good management practice be demanded by the contract, anyway? The contract having been in place since 2002 to 2007 and then re-signed, no incentive payments were put in then, and now we are paying out because they can deliver more savings. Would they not be required under the contract to deliver those savings, anyway?

**Mr DANIELS:** With respect to the original contract done in 2002, what we actually brought it up to date with in 2009 was current thinking in claims management practice in Australia, which is better use of technology. We actually incentivised Allianz to improve its claim management practices in line with other states, and in particular—

**The Hon. I.F. EVANS:** So what has actually changed? What has delivered the saving? Are they simply dealing with the claims quicker or are they negotiating settlements quicker?

**Mr DANIELS:** It is actually all of the above. They are dealing with claims quicker. They are using better use of technology. There are additional claims staff, so lower numbers of files per head than there used to be, which therefore allows more time to be spent on a particular file. In order to get a reduction in claims liability and improved claims management performance, you need to improve every aspect of the management of a claim, which is the whole aim of the incentive provisions that were brought in in 2009.

It actually required Allianz to take a risk, which it did not have before. It had no downside risk in the contract. So, it is a risk and reward system. They were prepared to take a risk in terms of actually costing them more money. If they invested and improved claims management performance they would get rewarded for that.

**The Hon. I.F. EVANS:** How can Allianz lose out of this? Just walk me through how they can lose? They had a guaranteed contract, a monopoly.

**Mr DANIELS:** Yes. The independent scheme actuary calculated forward how he estimated the claims liability to develop over the period up to 30 June 2012. If it develops at a lower rate, excluding extraneous factors such as discount rates and factors outside the control of the claims manager, if it improves against that, Allianz gets paid. If the claims provision deteriorates, Allianz has to pay money back to the scheme.

**The Hon. I.F. EVANS:** How does that work? Doesn't the claims liability going up or down depend very significantly on the level of accident in the street and the type of accident?

**Mr DANIELS:** Correct; and what the actuaries can do is remove factors which are not a matter for the manager, such as claims frequency and change in discount rate. They can exclude that and actually hone down into the change in the provision, which is actually due to matters under the control of the claims manager. That has been accepted by Allianz, accepted by MAC, and it is an independent process done by our independent actuaries.

**The Hon. I.F. EVANS:** I guess no-one can explain why those management practices were not written into the contract so that we did not have to pay any extra money for it. There is nothing that Allianz is doing that is rocket science; it is just good practice claims management. Surely your contract would demand that anyway.

**The Hon. J.J. SNELLING:** The answer to the member's question is that KPIs, which determine whether or not Allianz gets these bonus payments, are over and above what we would have expected in the original contract, and Allianz has had to invest further money to make sure that it meets these new KPIs. Because of this bonus payment, we are getting better than we would have under the original contract. That is why it is worth paying.

**The Hon. I.F. EVANS:** Budget Paper 3, page 97. What is the change in the Motor Accident Commission's investment fund in 2010-11?

**The Hon. J.J. SNELLING:** As at 31 May the investments were worth \$2.64 billion. The return for the financial year to 31 May was 9.55 per cent.

**The Hon. I.F. EVANS:** I think there was some discussion in previous years about whether MAC would maintain its own investment wing or whether it would be done under other agencies—Funds SA, I assume. I assume MAC is still doing its own investing?

**The Hon. J.J. SNELLING:** Funds SA manages about 80 per cent of the holdings; MAC itself just looks after the cash and the property portfolio, which makes up the rest of the 20 per cent.

**The Hon. I.F. EVANS:** Have there been any new acquisitions in the property portfolio? We have not repurchased 333 Collins Street or anything like that? The Remm centre, Scrimber?

**The Hon. J.J. SNELLING:** There are three commercial properties being added to MAC's property portfolio: 121 King William Street was purchased for \$75 million plus purchase costs, and an approximate yield of 7.5 per cent, settled on 22 September 2010; 990 La Trobe Street, Melbourne, was purchased for \$76.5 million plus purchase costs, and an associated yield of 7 per cent, with settlement for this property due to occur in June 2012; currently under due diligence, 226 Adelaide Terrace, Perth, was purchased at a price of \$103.5 million plus purchase costs, and an associated yield of approximately 8.5 per cent, with settlement for that property expected to occur in July.

**The Hon. I.F. EVANS:** Are there any properties that MAC is holding that it is not happy with the return on? Are you looking to offload any properties?

**The Hon. J.J. SNELLING:** Are you in the market?

**The Hon. I.F. EVANS:** No.

**The Hon. J.J. SNELLING:** There are four properties planned for disposal, essentially because the size of the properties does not really fit in with MAC's portfolio.

**The Hon. I.F. EVANS:** What, they are too big or too small or something?

**The Hon. J.J. SNELLING:** They are too small: 105-109 William Angliss Drive, Laverton North in Victoria; 113 Ledger Road, Beverley in South Australia; Building 8/2404 Logan Road, Eight Mile Plains in Queensland; and Building 17/2404 Logan Road, Eight Mile Plains in Queensland. They are just four properties—it is more because of the size of the properties and because they are not making a sufficient return.

**The Hon. I.F. EVANS:** That is what I was going to ask: surely it is not about the size of the property, it is about the return you make. I assume that those four properties are making poor returns.

**The Hon. J.J. SNELLING:** They can get much better returns from these new properties.

**The Hon. I.F. EVANS:** The MAC's sponsorships, as distinct from its advertising program—could you give me a list of the sponsorships that MAC has been involved in and the amounts over the last 12 months?

**The Hon. J.J. SNELLING:** We can take that on notice and provide it.

**The Hon. I.F. EVANS:** I am particularly interested in what value the taxpayers got out of MAC advertising on the sightscreen at the Adelaide Tests. The only reason I raise it is from this point of view: the Tests' value in advertising, of course, is really to the international market because it is televised into other countries. MAC were advertising on the sightscreen behind the batsmen during the Adelaide Tests (which I assume would have been expensive) and I could not quite work out why they were simply advertising the word 'MAC' and not a road safety message.

I am interested in what it cost and what benefit there was, because overseas visitors wouldn't know what MAC is and couldn't care; interstate people watching it couldn't have cared what MAC is and wouldn't know; and to the South Australian consumer there was no road safety message. I could not work out what the value to the consumer of that particular sponsorship was.

**Mr DANIELS:** That was part of a large—not large, in fact it was relatively small—total sponsorship deal done by—

**The Hon. I.F. EVANS:** Large or small?

**Mr DANIELS:** It was part of a package of sponsorship by MAC of the cricket test and we were focusing on the 'Don't drink and drive' message. It is clearly an audience that is very much our core audience, when you have young people drinking and sport. In addition to that MAC signage, which was a bonus given as part of the total deal that was done, there is also signage around the Adelaide Oval in bars, in toilets and on drink coasters. There was the 'Don't drink and drive' message and there were signs at access and egress gates, and so forth. So there was a total sponsorship deal that MAC did with the Adelaide Oval for the test, and as part of that they bonused up that MAC message on the scoreboard. The reason we ran with the MAC message on the scoreboard was really their advice just to keep that message simple, but there was not an extra payment by MAC for that scoreboard signage; that was part of a total sponsorship deal that we did.

**The Hon. I.F. EVANS:** It was sightscreen signage.

**Mr DANIELS:** Sorry, sightscreen.

**The Hon. I.F. EVANS:** Surely it would be better use of taxpayers' money to put a 'Don't drink and drive' message on the screen and not just the red MAC symbol?

**Mr DANIELS:** That was also around the Adelaide Oval with the 'Don't drink and drive' message.

**The Hon. I.F. EVANS:** I understand what you are telling me but I do not understand the value in putting up the red MAC logo on the sightscreen. You hardly have a competitor in the marketplace; it just seems to me a wasted opportunity to promote South Australia or to promote a road safety message.

**Mr DANIELS:** I certainly understand your point. It was a bonus provided late in the piece. I would have to say, in retrospect, yes, we probably could have put a better message up there, but it did not cost MAC to do it.

**The Hon. I.F. EVANS:** What is the current solvency level of the CTP fund?

**The Hon. J.J. SNELLING:** It is 102.9 per cent.

**The Hon. I.F. EVANS:** Excellent. Does that mean that we might get reduced CTP charges?

**The Hon. J.J. SNELLING:** The increase this year was much lower than it has been in previous years. It was 2.4 per cent.

**The Hon. I.F. EVANS:** Was that the recommended increase from MAC or did cabinet—

**The Hon. J.J. SNELLING:** It was the recommended increase.

**The Hon. I.F. EVANS:** Are there any former SGIC operations still within MAC? If so, which ones, what provisions remain in place for these activities, and when will they be finalised?

**The Hon. J.J. SNELLING:** There is one with inwards reinsurance, with a provision for \$56,000. Attempts have been made to finalise with an overseas reinsurer but they have not had any successes yet.

**The Hon. I.F. EVANS:** When do you think that will be finalised?

**The Hon. J.J. SNELLING:** I do not think we know when it will be finalised. It will depend. I think they will keep trying. They have been trying for many years without any success.



**The Hon. I.F. EVANS:** That is the last one.

**The Hon. J.J. SNELLING:** That is all that is left.

**The Hon. I.F. EVANS:** The level of claims dropped last year by about 800 claims, I think, from about 11,000 down to about 10,200 from memory.

**The Hon. J.J. SNELLING:** Yes.

**The Hon. I.F. EVANS:** What is the figure this year? Has that trend continued?

**Mr DANIELS:** The number of claims is just over 10,000, which is down significantly from what it used to be. Part of that reduction in claims numbers is down to the incentives that are in place for Allianz to clean out the portfolio as well. That has reduced the size of the portfolio, which is a very positive thing for the scheme, but it will probably even out now at about 10,000.

**The Hon. I.F. EVANS:** So you think the normal annual trend will be around the 10,000 mark? Is there any significant difference in the decline in claims from motor vehicles as distinct from motorbikes, which have a far higher injury rate?

**Mr DANIELS:** Yes, the rate of motorcycle and cycle claims is increasing. We had quite a spike in motorcycle claims a couple of years ago, particularly when petrol prices went extremely high. The number of accidents involving motorcycles increased. We only handled motorcycle claims when there was an at-fault driver involved—not a single motorcycle accident. We find that the severity of injuries in both motorcycle and cycling claims, on average, is higher than the severity of injuries from a car claim, as you would expect.

**The Hon. I.F. EVANS:** That is reflected in their CTP charge, is it not?

**Mr DANIELS:** To a degree.

**The Hon. I.F. EVANS:** I thought there was some cross subsidy from—

**The Hon. J.J. SNELLING:** There is a move towards getting full cost recovery back from motorcyclists, and that is why if you had a look at the increases in compulsory third party this year that were tabled by the government you would notice that motorcycles increased relatively more than motor vehicles, but there is still an element of cross subsidy.

**The Hon. I.F. EVANS:** How much would you have to increase the CTP fee for motorcycles to get it to 100 per cent cost recovery? Has MAC done that figure?

**The Hon. J.J. SNELLING:** It would be substantial; potentially as much as double.

**The Hon. I.F. EVANS:** That would be an interesting decision.

**The Hon. J.J. SNELLING:** It would be, indeed.

**The Hon. I.F. EVANS:** There is a difference in the CTP between metropolitan and country. What was the increase in the country CTP this year? I think metropolitan was 2.4 or 2.7 per cent from memory. What was the increase in the country, and where is the boundary, where is the cut-off?

**The Hon. J.J. SNELLING:** The 2.4 per cent increase was the average across everything.

**The Hon. I.F. EVANS:** I think there is a difference between metropolitan and country.

**The Hon. J.J. SNELLING:** There is. We do not have it at hand, but it was all released at the time the announcement was made. I can have my office send it to you. It was done in a press release.

**The Hon. I.F. EVANS:** Alright, so they both were, were they?

**The Hon. J.J. SNELLING:** I am pretty sure everything—all the increases—were in the press release when it was released. I will double-check it.

**The Hon. I.F. EVANS:** I assume the boundary for CTP fees is the same—the government adopted a standard metropolitan boundary, I think, some years ago. I assume it is that boundary that you use, and it is where the car is garaged? Is that how it is assessed?

**The Hon. J.J. SNELLING:** Yes, that is correct.

**The Hon. I.F. EVANS:** Alright, great. That is all, Madam Chair.

**The CHAIR:** There being no further questions, I declare the examination of the proposed payments for the Department of Treasury and Finance completed and the proposed payments for the Administered Items for the Department of Treasury and Finance adjourned until 1 July.

*[Sitting suspended from 12:55 to 13:45]*

**DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY,  
\$409,791,000**

**Membership:**

Mr Pisoni substituted for Hon. I.F. Evans.

Mr Pederick substituted for Mr van Holst Pellekaan.

**Witnesses:**

Hon. J.J. Snelling, Treasurer, Minister for Employment, Training and Further Education, Minister for Workers Rehabilitation.

Hon. T.R. Kenyon, Minister for Recreation, Sport and Racing, Minister for Road Safety, Minister for Veterans' Affairs, Minister Assisting the Premier with South Australia's Strategic Plan, Minister Assisting the Minister for Employment, Training and Further Education.

**Departmental Advisers:**

Mr R. Garrand, Chief Executive, Department of Further Education, Employment, Science and Technology.

Dr C. Fowler, Deputy Chief Executive, Department of Further Education, Employment, Science and Technology.

Ms E. Bensted, Deputy Chief Executive, Department of Further Education, Employment, Science and Technology.

Mr R. Murt, Executive Director, Corporate Services, Department of Further Education, Employment, Science and Technology.

Mr J. Kolovos, Director, Strategic Finance and Budgets, Department of Further Education, Employment, Science and Technology.

Mr P. Mylius-Clark, Director, Planning and Evaluation, Department of Further Education, Employment, Science and Technology.

**The CHAIR:** As I think everybody here would know, estimates committees are a relatively informal procedure and, as such, there is no need to stand to ask or answer questions. Changes to committee membership will be notified as they occur. If the minister undertakes to supply information at a later date it must be submitted to the committee secretary by Friday 30 September. There is a flexible approach to questions, based on about three questions per member. There is, obviously, some flexibility, but I would ask that we kept at around the three mark.

Questions must be based on lines of expenditure in the budget papers and they must be referenced, not only for the usefulness of myself and members but also for anybody in the gallery who may be listening and does not have the budget papers in front of them. There is no formal facility for the tabling of documents before the committee, but documents can be supplied to the chair for distribution to the committee. I would also remind all members that questions are to the ministers and not the advisers. Have the minister and the opposition come to some sort of agreement in terms of opening statements or questions?

**The Hon. J.J. SNELLING:** I understand we have. I will make a very brief opening statement. I do not have anything prepared.

**The CHAIR:** I understand that you will be having the TAFE part of this further on down the line more towards the end of things.

**The Hon. J.J. SNELLING:** Yes.

**The CHAIR:** Very well. Are there any questions from government members?

**The Hon. J.J. SNELLING:** I do not expect there to be any. I will make a very brief opening statement, just to welcome minister Kenyon as minister assisting and just to tell the committee that we are still working through the exact division of responsibilities and what delegations may be necessary. Very broadly, minister Kenyon is going to take responsibility for issues in the portfolio with regard to TAFE and some other smaller issues, but broadly those issues within the department will remain with me and the other issues regarding the portfolio.

**The CHAIR:** I think we are all mindful of the fact that minister Kenyon has been the minister for all of six days, or possibly five.

**The Hon. J.J. SNELLING:** Something like that. He has had a steep learning curve. Just in terms of what is happening in the portfolio, obviously the Skills For All reforms continue to be worked through by the department. This will be completely transformative to our vocational education system. The introduction of an entitlement will completely change the way vocational education works in South Australia. As well, earlier in the year, I announced that the government would be proceeding with reforms to TAFE which will transform TAFE so that it can operate in the new Skills For All environment. Minister Kenyon will be taking carriage of those TAFE reforms as they unfold.

**The CHAIR:** Would you like to introduce your staff?

**The Hon. J.J. SNELLING:** My officers are: Mr Ray Garrand who is the Chief Executive of the Department of Further Education, Employment, Science and Technology; Ms Elaine Bensted who is the Deputy Chief Executive of the Department of Further Education, Employment, Science and Technology, and from 1 July will be the chief executive of the office for TAFE; and Dr Craig Fowler who is the Deputy Chief Executive of the Department of Further Education, Employment, Science and Technology.

**The CHAIR:** Mr Pisoni, member for Unley, I gather that you are the lead questioner here.

**Mr PISONI:** I am ready for questions, Madam Chair. I refer to Budget Paper 4, Volume 2, page 220: Statement of cash flows. In relation to the minister's salary, there has been a decrease of \$200,000 in expenses shown as a transfer of salary to the Department of Treasury and Finance, and I imagine that that is in your new role as the Treasurer. What further adjustments will be made now with the new arrangements with some of your responsibilities now being transferred to minister Kenyon?

**The Hon. J.J. SNELLING:** Sadly, I am not being paid twice. When I became Treasurer, the office budget which was previously administered by the Department of Further Education, Employment, Science and Technology was moved over or in fact subsumed by Treasury because DFEST no longer had an office to administer. With the new arrangements I presume that minister Kenyon's office will still be financed out of the Planning and Local Government budget. There may be an additional staff position which will be created for minister Kenyon's office to assist him in his new responsibilities.

**Mr PISONI:** Will that be an extra adviser or will an adviser be transferred?

**The Hon. J.J. SNELLING:** It will not be an additional adviser. It will be a ministerial liaison officer who will be transferred over from my office into minister Kenyon's office.

**Mr PISONI:** From the ministerial office or from the department?

**The Hon. J.J. SNELLING:** I will have one less. It is not an adviser, it is a ministerial liaison officer position.

**Mr PISONI:** A public servant?

**The Hon. J.J. SNELLING:** A public servant, that's right, who will be moved from my office into minister Kenyon's office. Overall there will be no increase in the number of staff.

**Mr PISONI:** I refer to the same budget paper and volume, page 193, workforce summary. The 2010 annual report shows that the total number of employees within your department is 3,467 and the case number of employees with ongoing disabilities is seven. Previous annual reports from 2006 show in that category for the year that there has been a continual decline in employment of people with disabilities in your department. In 2006 there were 87 people who were categorised as having a disability, in 2007 there were 69, in 2008 there were 61, in 2009 there were 57, and in the 2010 annual report, seven employees are listed. As the annual report states,

the number of employees with ongoing disabilities is three male and four female, a total of seven. My understanding is that the—

**The CHAIR:** Sorry, member for Unley, I do not have a copy of that report in front of me and nor do I have a copy of those figures. Is that something that you would like to give me a copy of?

**Mr PISONI:** I can certainly table—the annual report is a document that has been tabled in the parliament.

**The CHAIR:** In estimates, there is no actual formal tabling per se, but if you want to give me a copy of that, also for the people who are here, that might be a good thing because we do not have a copy of what you are referring to and it seems to be quite detailed.

**Mr PISONI:** I have a copy that I am using at the moment. This is my only question; it refers to the annual report at the minute, but I am actually referring to workforce summary—

**The CHAIR:** Member for Unley, can you provide me with a copy of whatever it is you are reading from, because it seems to be quite detailed and they are certainly not budget lines: it is a report from last year. Do you have a copy of that?

**Mr PISONI:** I do have a copy of it.

**The CHAIR:** May I have a copy of it, please?

**Mr PISONI:** The annual report?

**The CHAIR:** No, the page you are reading from.

**Mr PISONI:** No, that is my list of questions and explanations to questions.

**The CHAIR:** I am sorry. I thought they were based on a report that you were talking about that nobody in this room can see.

**Mr PISONI:** They are based on the workforce summary line in the budget.

**The CHAIR:** Are they? I thought you mentioned another report.

**Mr PISONI:** Yes; there is an annual report that this minister is responsible for, and the department is responsible for, that I am referring to that refers to the workforce summary. The annual report, which summarises many other things, including the workforce within the department, states that there are only seven people with disabilities working in the department. The State Strategic Plan has a wish to double the number of people with disabilities employed in the public sector by 2014. Can the minister explain whether, in terms of the reduction in the number of people who are working with disabilities in his department, there has been a change in counting or analysing those disabilities, whether there has been a change of category? How can we move from 87 in 2006 to just seven in 2010, and in just one year from 57 to seven?

**The Hon. J.J. SNELLING:** I will have to take that on notice. The seven figure refers to staff in the department who require an adjustment, not just people who have a declared disability, so people who require some sort of assistance or change to their work practices or work station in order to assist them because they have a disability. I presume there are far more than just seven people with a disability working in the department. I need to go back and check those figures that the member for Unley is quoting to see whether he is comparing like with like; I suspect he probably is not.

**Mr PISONI:** The annual report states that, in terms of the number of employees with ongoing disabilities, this table depicts the number of staff who reported having an ongoing disability: male three, female four, total seven. Then there is a note that states that it is unable to state whether they need workplace adaption. Then there is a separate table in the report, the number of employees with disabilities requiring workplace adaption. There are two tables for two different categories.

**The Hon. J.J. SNELLING:** There may well be but, in order to have a comparison between the 7 figure and previous years, I would need to find out exactly those previous years numbers and how they have been calculated. I suspect there has been some difference in the way that they are calculated and that is the reason for the reduction, but I can assure the committee the department certainly does not have a process of discriminating and not employing people who have disabilities.

I should say, with regard to the overall figures across the state public sector, the number of people who have an ongoing disability employed in the South Australian public sector has increased from 777 in 2006 to 959 in 2009.

**Mr PISONI:** That is why I have asked the question about your department, minister, because it seems to be going against the trend.

**The Hon. J.J. SNELLING:** There may be an explanation for that and I totally reject any imputation by the member for Unley that there is some sort of process of discrimination going on. I presume that there is almost certainly a logical explanation. I suspect the explanation is simply that the method of calculation or establishing the number of people with a disability is different and the member for Unley is not comparing like with like.

**The CHAIR:** Member for Unley, for the third time, the minister has stated that he will get a report back to you.

**Mr PISONI:** The next question is regarding Budget Paper 4, Volume 2, page 203, highlights, and dot point 2 referring to 100,000 new training places and a commitment to 100,000 new jobs. This may have a touch of *deja vu*, minister. We hotly discussed, or explored, this double counting, if you like, of the training places and the employment places at last year's estimates but, since then, the Budget and Finance Committee has also explored the number of training positions and the 100,000 extra jobs.

Last year, when I asked whether there was a double counting, you responded—and I will not read all of the *Hansard* because we will be here all day but, basically, you said, 'If you are trying to say that we are double counting, we are not.' I tried to clarify that a bit further and asked, 'They are double counted,' and you said, 'No, they are not double counted at all.'

In the Budget and Finance Committee on 18 April 2011, Mr Garrand, your CEO, was asked a similar question, that is, 'Under the ABS figures the apprentice would count as a job because the ABS counts those. Under your figures and the NCVET figures, it would count as a training place.' Mr Garrand said, 'As a training place and as employment.'

I was trying to establish whether you were right last year when saying there was no double counting or Mr Garrand was right when he expressed that they were counted as a training place and as employment, in the Budget and Finance Committee on 18 April.

**The Hon. J.J. SNELLING:** I do not particularly want to have to go over ground that was covered in last year's estimates but, essentially, for the benefit of other members of the committee, the situation is this. The 100,000 jobs target is measured by the Australian Bureau of Statistics. The Australian Bureau of Statistics publishes trend data, and that is what the government relies upon in establishing the 100,000 job target that it has set. The 100,000 training places is not measured by the Australian Bureau of Statistics: it is established by the National Centre for Vocational Education and Research and they collect their own separate data.

Now, is it possible that some of the 100,000 training positions may be apprentices? Yes. If they have an employment contract they may be included in the 100,000, but it would be a very small number, indeed, and they would have to be picked up in the survey. The member for Unley seems to be trying to establish that somehow the government is buying jobs by creating training positions—that is not correct.

**Mr PISONI:** No, I think that what we have established is that part of your training numbers will be apprentices, and apprentices are counted by ABS as being employed.

**The Hon. J.J. SNELLING:** A tiny, tiny, tiny fraction. You have to remember that the Australian Bureau of Statistics uses surveys: it does not count every single position. It collects its data by surveys in establishing how many jobs have been created in South Australia. It does not have a measurement whereby it can count every single job. It does surveys and, from a sample, establishes how many jobs.

**Mr PISONI:** So, its survey is alright for you to quote but it is not alright for me to quote?

**The Hon. J.J. SNELLING:** No. I am quite happy for you to quote them all you want, but you are confusing data that is measured by the Australian Bureau of Statistics and data that is collected by the National Centre for Vocational Education Research.

**Mr PISONI:** I do not think there is any confusion. If you are working as an apprentice you are counted as being in the training system and you are also counted—

**The Hon. J.J. SNELLING:** If you have an employment contract.

**Mr PISONI:** —as being employed.

**The Hon. J.J. SNELLING:** If you have an employment contract. I think that what the member for Unley is trying to say is that somehow the government is buying jobs by creating training positions and counting them as both, which is not the case.

**Mr PISONI:** No, I think what we have established is that there are not 200,000 jobs and training positions. I think that is what we have established.

**The Hon. J.J. SNELLING:** There are 100,000 jobs and 100,000 training positions—

**Mr PISONI:** But you cannot add the two together.

**The Hon. J.J. SNELLING:** Of those 100,000 jobs, if you are an apprentice with an employment contract, of which they are a tiny fraction of the 100,000, then, yes.

**Mr PISONI:** The Premier announced on 28 February 2010 the new target of 100,000 additional jobs, and he said that it would be driven by growth in key industries, such as mining, defence, renewable energy, tourism, food, wine and manufacturing. However, when he made that announcement there were more people in manufacturing than there are now. Back then there were 86,300 people in manufacturing, and in the latest figure to hand it is 82,200 people. Was the Premier correct in saying that manufacturing would provide extra jobs in South Australia?

**The Hon. J.J. SNELLING:** Indeed. High-end manufacturing employment is increasing, but there is no doubt that our economy is changing. You are finding that jobs in the traditional manufacturing areas, which historically we have had in South Australia, are in decline. Jobs are moving from those low-skilled, labour-intensive manufacturing industries, which South Australia historically relied on, and moving into high-end manufacturing, including defence and high-tech areas, and we are seeing job creation in those areas.

We are seeing a shift in the workforce, which is entirely a good development as our economy changes. There are new opportunities. We are moving from being a low-wage, low-skilled economy, which we have been historically, into a high-wage, high-skilled economy with new opportunities and resources in defence and high-end manufacturing.

**Mr PISONI:** How do you reconcile the promise of 100,000 new training places when there are now 1,400 fewer South Australians in training than there were five years ago? An NCVER research paper, which came out on 1 June, showed that not only were fewer South Australians in training but also that we had suffered the largest decline of all mainland states with national growth at 13 per cent and South Australia at 1.9 per cent?

**The Hon. J.J. SNELLING:** I am advised that there are two sets of data that the NCVER puts out: one is based on enrolment numbers and one is based on student numbers. I think the member for Unley is quoting from the student numbers rather than the enrolment data. The preliminary data for 2010 indicates that the increase in the number of training places, or course enrolments, in South Australia, compared with a 2009 baseline, was in line with the targeted increase of just over 7,500.

Course enrolment information provides the best measure of the extent to which people increase the level of their qualifications, broadening or up-skilling through specific skill sets that are required to either gain employment or improve their productivity at work. This increase in training places is due to the Productivity Places Program component, the additional 100,000 training places, and the additional funding of \$194 million provided by the state government will begin to impact on the 2011 student numbers. Data on course enrolments will be published in the report of the COAG Reform Council. It is also a key output measure in the national agreement on skills and workforce development. This report should be released later this year.

In terms of achievements to date, the 2010-11 additional training places will be achieved through the Productivity Places Program—as I said, the additional \$194 million over six years. So by the end of 2010-11 it is expected that the additional job strategy investment will have achieved:

- 580 additional training places at TAFE SA at high-level VET qualifications, so that people can improve their jobs and industry can increase its productivity;
- 330 additional training places in environmental sustainability skills, in solar electrical;
- 1,200 additional training places in priority industry areas, including automotive manufacturing, child care, agriculture, horticulture, mining, electro-technology and utilities;

- 1,500 additional foundation skill places through adult and community education providers, to open up entry pathways into further training and employment for people without skills;
- 50 participants in the Aboriginal mining program; and
- 10 trainees as part of the Aboriginal Pathways to Excellence employment program for graduates at the South Australian Aboriginal Sports Training Academy in partnership with the AFL and SANFL.

The annual target for additional job strategy training places will increase to 19,000 additional training places in the 2011 calendar year.

**Mr PISONI:** I do not think it matters whether you are looking at enrolments or students. The facts are that the NCVER report said that we have the largest decline of all mainland states, with only a 1.9 per cent growth when the national growth was 13 per cent. Again, how do you reconcile the promise of 100,000 new training places when, 15 months in, we are doing worse than any other state in training enrolments?

**The Hon. J.J. SNELLING:** If you look at commencement data—which I think really tells you what is going on with the vocational education and training sector—in the year ending 31 December 2010 there were an estimated 23,500 apprentices and trainees who commenced their training in South Australia. That was 16.9 per cent higher than the 20,100 commencements in the preceding 12 months. Nationally, there was an increase of 15.7 per cent for the same period, so in terms of commencements we are doing better than the rest of the country.

**Mr PISONI:** This refers to Budget Paper 4, Volume 2, page 192, Objective. The first objective on that page is that DFEEST:

is to develop the skills and capability of the state's workforce to support the application of science and technology to maximise the opportunities for all South Australians to engage in work and enhance economic development and social inclusion.

I want to take you to the Strategic Plan which has this target:

by 2010 increase by 15 percent the proportion of students receiving a Tertiary Entrance Rank...or equivalent with at least one of the following subjects: mathematics, physics or chemistry.

They are all obviously important subjects for dealing with that objective.

When the baseline was set in 2003, 39 per cent of students reached that; by 2006 it went down to 35 per cent; and, currently, the latest figure is 37 per cent. I am interested to hear whether you are concerned about the fact that we are not reaching those targets in our TER (or ATAR, as it is now known), and what effect that may have in delivering your objective to support the application of science and technology to maximise opportunities for all South Australians?

**The Hon. J.J. SNELLING:** In brief, it is the responsibility of the minister for science. It is a question that needs to be directed to the minister for science and the Minister for Education.

**Mr PISONI:** It goes back to the Premier's statements in his press release about the 100,000 new jobs, where those jobs would be. They are in areas that need maths and science: defence, mining and technology all need maths and science. The Strategic Plan is obviously failing to deliver those outcomes. As a matter of fact, in the year 2000, 44 per cent of students achieved an ATAR pass in the subjects of mathematics, physics and chemistry.

**The Hon. J.J. SNELLING:** Again, it is a question that really needs to be directed to the minister for science. He carries responsibility, as the Minister for Education, for these areas as well. Of course it is a concern. We need to do more to get more students studying science. You will not have any argument from me on that. The decline in the number of students undertaking studies in physics and chemistry is part of a national phenomenon. We see it across the board, right across the nation. I do not think you will get any argument from the minister for science that more needs to be done and more will be done to increase those figures.

**Mr PISONI:** Is your department engaged with any other department in trying to address those concerns?

**The Hon. J.J. SNELLING:** It is, but it is through the science part of the department's responsibility, for which the department reports to the minister for science.

**Mr PISONI:** Budget Paper 4, page 203, Targets, dot point 5, 'supply of skills in accordance with industry demand'. What is the current situation, after talks with the Construction Industry Training Board, regarding the transfer of approximately \$3 million from the training fund to

government? Last time the member for Davenport asked that question—I think, in March—a precis of your answer then was that discussions had begun. I am wondering if you are able to inform us as to where they might be?

**The Hon. J.J. SNELLING:** In regard to the Construction Industry Training Board, there is an initial saving of \$200,000, which is expected to be achieved in 2011-12 through the termination of a support grant that it receives as an industry skills board. So, all industry skills boards—I think all of them—up until now have received a \$200,000 grant to cover their administrative costs. Because the CITB collects the levy, we expect it to fund those administrative costs out of what they collect from the levy.

The CITB will continue to have a critical role in advising government for training, work and development needs. The construction industry will continue to collect a significant levy on construction activity in South Australia through the CITF to fund training for the South Australian construction workforce. That is between \$16 million and \$20 million annually. By 2013-14, further savings of \$4.5 million will be achieved through rationalising of direct funding to the CITB for training and building construction companies supported by state recurrent funds. It is expected that total funding for construction industry training will, however, increase significantly under Skills for All.

So, really the policy rationale has been away from having individual buckets of money for particular industries, and towards an entitlement which is available for everyone, which is demand driven. That is why we are going down this path. With regard to the Construction Industry Training Board, we are still working closely with them, but it is not secret that I have some concerns—not that they spend the money in any way that is at all inappropriate, but simply that a lot of the levy is spent on employer inducements, to provide inducements to employers to take on apprentices and trainees, and also on up-skilling, and that not enough of the money that is spent by the CITB is spent on entry-level qualifications into the construction industry.

So, we are talking to the CITB about that and about them more aligning the way they spend the levy to policies of government.

**Mr PISONI:** That is pretty well similar to the answer that you gave on 8 March.

**The Hon. J.J. SNELLING:** Nothing has changed.

**Mr PISONI:** There has been no advances; nothing has changed, is that what you are saying?

**The Hon. J.J. SNELLING:** The department is still in discussions with the CITB. The only saving, as such, is the \$200,000 admin grant which I have outlined.

**Mr PISONI:** This refers to page 193 of the same budget paper—workforce summary. I refer to the latest published senior management structure and reporting arrangements matrix. How many staff are employed at ASO7 level or above under the Director of Employment Programs?

**The Hon. J.J. SNELLING:** We do not have that information on us but we are happy to take that on notice.

**Mr PISONI:** I am happy for it to come back, minister.

**The Hon. J.J. SNELLING:** I should point out, though, that the department is going through a restructure at the moment and so that number may well change.

**Mr PISONI:** Could I also have the total staff numbers for Director of Employment Programs?

**The Hon. J.J. SNELLING:** I am advised: 88.8 FTEs as of May 2011.

**Mr PISONI:** Could I also have any other executive or manager positions that are not shown on the DFEST senior management structure and reporting arrangements table, as of February 2011? On the table, we have directors of traineeship—

**The Hon. J.J. SNELLING:** Can you tell us what you are referring to, exactly?

**Mr PISONI:** This is off your website, minister. This is the DFEST senior management structure and reporting arrangements as of February 2011, so it is a—

**The CHAIR:** Member for Unley, I would point out again, for the second or third time, that you are referring to quite detailed documents, and you are referring to them in detail. These are documents that no-one here has, apart from you. Now, you are more than welcome to supply



copies of those documents to myself and, indeed, to the other members in the committee, should you wish to do so.

**Mr PISONI:** These are publicly available documents and I am referring to—

**The CHAIR:** They may be publicly available documents, member for Unley, but—

**Mr PISONI:** —and I am referring to workforce: the workforce summary.

**The CHAIR:** Member for Unley, they may be publicly available documents but there are thousands, if not millions, of publicly available documents. We cannot read your mind and we do not know which of them you are going to bring in. So perhaps, out of courtesy, you could supply those, as other members do, to the chair and to the committee.

**Mr WHETSTONE:** Millions?

**The CHAIR:** Well I am sure there are millions of bits of paper out there, member for Chaffey, and this is all I am trying to say.

**The Hon. J.J. SNELLING:** If the member for Unley wants to provide us with exactly what it is that he is referring to, we will be able to answer his question fully.

**The CHAIR:** Yes, exactly.

**The Hon. J.J. SNELLING:** I have the chart from the annual report, which I presume is perhaps what he is talking about.

**Mr PISONI:** Could the—

**The Hon. J.J. SNELLING:** Pages 27 and 28 of the annual report has an organisational chart—

**Mr PISONI:** Could the attendant produce copies?

**The Hon. J.J. SNELLING:** I think you could just show it to us; we could just confirm whether it is the same thing.

**The CHAIR:** I would like a copy, actually. I would like a copy myself, because the member for Unley has not indicated which question—which line in the budget—this specifically refers to.

**Mr PISONI:** Workforce summary, ma'am; I did indicate that.

**The CHAIR:** That would be volume?

**Mr PISONI:** As far as I know, an organisational chart is part of a workforce.

**The Hon. J.J. SNELLING:** I think you are asking: are there any other executives who do not appear on that organisational chart?

**Mr PISONI:** That is correct—or managers.

**The Hon. J.J. SNELLING:** There would be other executives who do not appear on that organisational chart.

**Mr PISONI:** So I am asking for the list.

**The Hon. J.J. SNELLING:** We can provide you with a list. The reason for them not appearing on the organisational chart would be because they do not head up a directorate. That only has executives who head up a directorate on it, so there are other executives who do not head up a directorate. There is an organisational restructure going on at the moment in the department, so that would affect that. That chart—

**Mr PISONI:** We can make it as of today. That would be fine.

**The Hon. J.J. SNELLING:** That chart—if you would just let me finish—probably has about another week's life in it.

**Mr PISONI:** Yes, well, as of today. We will take a snapshot today; that will be fine.

**The Hon. J.J. SNELLING:** With regard to the Director of Employment programs, the number of ASO7 and above in the current structure is 34, but under the new structure, that will reduce to 29.

**Mr PISONI:** Can I also have an employment matrix or table of each director's staff.

**The Hon. J.J. SNELLING:** We are happy to do that.

**Mr PISONI:** By level.

**The Hon. J.J. SNELLING:** Do you want just corporate or do you want TAFE as well?

**Mr PISONI:** Basically, where you have managers. You have the managing director of TAFE South, North—those staff.

**The Hon. J.J. SNELLING:** Yes, we can do that.

**Mr PISONI:** That would be great; thank you. I refer to the objectives on page 201. The government has made a commitment for 15 per cent of staff working on government projects to be trainees or apprentices. Are you able to confirm whether the consortium for the new Adelaide hospital will need to comply with that requirement?

**The Hon. J.J. SNELLING:** It does not apply to the new Royal Adelaide Hospital project because the project went out for tender before the 15 per cent policy was introduced. However, the department has had discussions with Leightons and Leightons are certainly very committed to meeting that 15 per cent target.

**Mr PISONI:** Will that be monitored at all?

**The Hon. J.J. SNELLING:** Yes, it will be.

**Mr PISONI:** Will the results be available publicly or will they have to be obtained through freedom of information?

**The Hon. J.J. SNELLING:** We will have to look at that. I cannot give any guarantees here and now.

**Mr PISONI:** I refer again to page 201, dot point 2: ensuring a high quality of vocational education and training, although this may now be referred to Mr Kenyon perhaps because it refers predominantly to TAFE, so we might come back to that one.

**The Hon. J.J. SNELLING:** Well, you ask it and if I cannot answer it then I will get minister Kenyon to come down.

**Mr PISONI:** What is the government's position on the fast tracking of apprentices announced by the federal government in the federal budget? We have had a number of group trainers, in particular, in South Australia, as well as small business people, expressing concern about the lack of on-the-job training that would come with the fast tracking of apprenticeships. The MTA, for example, has said that it believes that the scheme could lead to more complex trades becoming less attractive. Its argument is that motor mechanics is getting very complicated now and if there was going to be any adjustment to the length of an apprenticeship then you would make it longer not shorter. The Plumbing Industry Association is also concerned as to whether apprentices now, after four years, are qualified to be registered with OCBA because of how complex the industry has become.

**The Hon. J.J. SNELLING:** There are two components of what the federal government is proposing, both of which we are broadly comfortable with, and that will certainly assist South Australia in its workforce development. The first is that the attainment of qualifications be competency based, and that is something that has been in operation not only in South Australia but across Australia for a very long period of time.

The other element of what the commonwealth is proposing is that workers receive recognition for prior knowledge. So, a worker who has been working in a particular area without a trade qualification can have that qualification fast tracked because they are recognised for prior knowledge, both of which I am entirely comfortable with and both of them align with the government's policies.

**Mr PISONI:** So you do not share the concerns that the Plumbing Industry Association or the MTA may have on shortening of apprenticeships?

**The Hon. J.J. SNELLING:** It certainly would not be the first time that Mr Chapman and I have disagreed on a matter, as much as I esteem him.

**Mr PISONI:** APIC was one you disagreed on.

**The Hon. J.J. SNELLING:** As much as I esteem Mr Chapman, it would not be the first time we have had a disagreement. The important thing is that under the competency-based system, it would have to be signed off by the employer, the registered training organisation and the student so, broadly, we are very comfortable with it.

**Mr PISONI:** I refer to page 193, Workforce summary. In the budget papers, there is an estimated result in 2010-11 of 3,303.4 FTEs in the department but you have budgeted for an increase of about 27½ for the 2011-12 year. I notice that the estimated result reflects the established FTE caps. Are you able to explain where those extra employees that you budgeted for are coming from? Will they be new employees or will they be redeployed from other departments?

**The Hon. J.J. SNELLING:** The 27½ is basically an increase in lecturing staff. Essentially it is because of an increase in teaching staff, primarily due to growth in TAFE as we unroll Skills For All and the \$194 million investment that the government is putting into training in South Australia over six years. There is a decrease in corporate staff of around 40 FTEs as part of the department's savings measures so, really, what we are seeing is a shift in the department from corporate staff (staff employed in DFEEST and the department). There is a decrease in the number of FTEs in the department and an increase in the number of teaching staff at the coalface in TAFE.

**Mr PISONI:** What is the process? Are there opportunities for those staff whose positions are no longer required to move into the TAFE system? Is there training offered?

**The Hon. J.J. SNELLING:** They would need a qualification. The reduction would be achieved either through natural attrition—people who are retiring and are not replaced—or some of them will be achieved by the take-up of TVSPs. Some of them would become redeployees. You cannot just shift someone from working in the department in a corporate role and throw them into TAFE and give them a toolset and expect them to start teaching a trade qualification.

**Mr PISONI:** I would not buy that piece of furniture.

**The Hon. J.J. SNELLING:** No, indeed. I do not think there would be much opportunity for those staff who become redeployees to take up a TAFE position because of the nature of those positions. Certainly the government, more broadly speaking, and as part of the budget, announced a system whereby redeployees would be more intensively case managed and trained up to make them able to apply for alternative positions in the public sector. Because of the specialised nature of being a TAFE lecturer, I do not think it would be as TAFE lecturers.

**Mr PISONI:** Would any teachers who took up the Minister for Education's \$50,000 burnt-out bonus and left the education system be disqualified from applying as TAFE lecturers?

**The Hon. J.J. SNELLING:** I am not sure what it is under that particular scheme. With a TVSP there is a three-year period where you cannot apply for an alternative public sector position. If you have accepted a TVSP I do not know whether the same provisions apply for this; it is a different scheme that the member for Unley is talking about. You would have to ask the Minister for Education.

**Mr PISONI:** No; your department would be employing them. I do not know why you would want to take on people who have told one minister that they are no longer interested in teaching to come into the TAFE system. That would be a policy decision of your department, surely.

**The Hon. J.J. SNELLING:** You would need to ask the Minister for Education about what the criteria are—

**Mr PISONI:** I understand what the criteria are for receiving the \$50,000 payment and leaving the system—I understand what that is. What I am asking you, minister, is whether those teachers would be automatically disqualified from becoming TAFE lecturers.

**The Hon. J.J. SNELLING:** You would need to ask the Minister for Education, because it is his scheme, the money to encourage what you refer to as 'burnt out' teachers to retire. It is his—

**Mr PISONI:** They're not my words; they're the words of the minister.

**The Hon. J.J. SNELLING:** —scheme, he has designed it, and he would be the best person to ask about what restrictions there are in place with regard to those people who accept such a payment from subsequently applying for an alternative public sector position and whether it is the same for TVSPs. I do not know; you need to ask him.

**Mr PISONI:** How many TVSPs have been offered since the announcement was made of reductions to the department, how many have been taken up, and at what cost?

**The Hon. J.J. SNELLING:** There have been 64 TVSP offers made to excess employees as of the end of May 2011; 36 TVSPs offers have been accepted and 25 rejected. A further three TVSPs offers are awaiting a response from employees and a further eight are with payroll for calculation.

**Mr PISONI:** I refer to the Sustainable Industries Education Centre. Last year the completion date for the centre was listed as the June quarter 2012, and it had a budgeted amount of \$11.88 million to be spent this year. However, the budget papers tell us that only \$1 million was spent, and this year the budget papers tell us that the completion date will be the December quarter of 2013. Can you explain to the committee what has changed in that nine months?

**The Hon. J.J. SNELLING:** The reason is the master planning of the site. We were waiting on the department of trade to complete the master planning of the site; so that has caused the delay. The other issue is that the nature of the development, not only for the Sustainable Industries Education Centre but everything going on that site, is moving towards an adaptive reuse of the big shed that Mitsubishi had.

Originally, it was envisaged that the shed would be demolished and then, essentially, we could start from scratch on a cleared site. That is no longer the case, so that enormous structure is going to be reused, and the Sustainable Industries Education Centre will be housed in it along with the rest of the development. That means that there is less money being spent in 2010-11 because of the shift in the project towards an adaptive reuse rather than clearing the site; but we still expect the opening date to be the same. The delay will not affect the completion of the project.

**Mr PISONI:** It has, according to last year's budget papers. Your explanation is that it is Mr Koutsantonis's fault and you have changed your mind.

**The Hon. J.J. SNELLING:** No. I do not know why the member for Unley seems to be difficult. It seems to be in his DNA.

**Mr PISONI:** I just like to use simple language.

**The Hon. J.J. SNELLING:** No, you are using pejorative language. The target is that the design will be complete in September 2011. The design has had to change because of a change towards adaptive re-use. In October the building documentation will be prepared, in November we will take possession of the site, in January 2012 building will commence, and in January 2014 we expect to be able to commence delivery of teaching at the new centre.

**Mr PISONI:** If I can take you to page 210—

**The Hon. J.J. SNELLING:** Madam Chair, I have to leave to take questions on WorkCover.

**The CHAIR:** You certainly do, due to recent changes.

**The Hon. J.J. SNELLING:** Does the minister for Unley have any quick questions before I hand over to minister Kenyon?

**The CHAIR:** It is exactly 2.45 so perhaps, if the member for Unley has any further questions, he could table them, member for Unley.

**Mr PISONI:** I do not have anything quick.

**The CHAIR:** Minister Assisting the Minister for Employment, Training and Further Education, would you like to make any introductory statement or introduce any new staff who you may have with you?

**The Hon. T.R. KENYON:** No, ma'am. I am happy to go straight to questions.

**Mr PISONI:** We might go back to the minister's office and explore what the responsibilities will be for the minister assisting the minister. Perhaps you could explain what your responsibilities will be. If I am asking questions in parliament, what areas would I ask you about and what areas would I ask minister Snelling about?

**The Hon. T.R. KENYON:** If it is to do with TAFE and employment, ask me. Everything else, essentially, is regulatory, and policy is for the Treasurer.

**Mr PISONI:** Employment figures and employment programs?

**The Hon. T.R. KENYON:** Yes.

**Mr PISONI:** I am looking at the DFEEST senior management structure and reporting arrangements as at February 2011, which I believe you have a copy of at the table, through Mr Garrand. Under the current structure, are you responsible for all those areas under the Deputy Chief Executive, Employment and Training Services?

**The Hon. T.R. KENYON:** Everything listed under Elaine Bensted would be reported to me, with the exception of traineeships and apprenticeships because there will be a change in

structure from 1 July. What you are questioning me on now, this structure which you have in front of you and which I have, will change on 1 July; so, what, two days from now.

**Mr PISONI:** What will the new structure be?

**The Hon. T.R. KENYON:** TAFE will be devolved into the Office of TAFE for the operations of TAFE colleges. That will report to me. Once we have the structure finalised we will get that to you, which will be next week.

**Mr PISONI:** You have the Office of TAFE but not for apprenticeships? How does that work if you have one minister dealing with apprenticeships and another minister dealing with TAFE when TAFE, in fact, is part of apprenticeships?

**The CHAIR:** What is your reference? Page 192?

**Mr PISONI:** Yes, page 192, ministerial responsibilities.

**The Hon. T.R. KENYON:** The operational side, the actual teaching, will be under me. The colleges themselves and the way in which they are run will be under me. The regulation, funding and the policy will all be done by minister Snelling. The paperwork side of things will be sorted out essentially by minister Snelling, and I will make sure that the colleges are run appropriately and that they teach what they are supposed to teach.

**Mr PISONI:** Who will be responsible for private providers, or those people who may be in competition to TAFE?

**The Hon. T.R. KENYON:** I would say that would be taken care of under regulation, which will be the Treasurer.

**Mr PISONI:** Sorry?

**The Hon. T.R. KENYON:** Minister Snelling will take care of funding of them and also the regulation of them. Obviously, they will run themselves so there is no need for me to be involved in that.

**Mr PISONI:** Policy?

**The Hon. T.R. KENYON:** Him.

**Mr PISONI:** Who will group training organisations see when they have issues they wish to raise? Will they see you, minister Kenyon, or will they see minister Snelling?

**The Hon. T.R. KENYON:** Minister Snelling—training and apprenticeships, so they will report to him.

**Mr PISONI:** I refer to page 204 and 'proportion of graduate unemployed'. You can see there, minister, that a proportion of graduates unemployed before their TAFE SA course found work after training. You budgeted for 55 per cent of those people in 2010, but the estimated result has dropped out at 45.4 per cent. Are you able to explain the reason for that, and also the fact that you have only budgeted 46 per cent for the 2011-12 year, bearing in mind that the government has a policy of 100,000 new training places and 100,000 new jobs?

**The Hon. T.R. KENYON:** The short answer is: because of the GFC more people are looking for training who do not have a job and they are coming in. So, the number of people coming into the TAFE system who are unemployed already is increased.

**Mr PISONI:** Is that consistent around the country? Is that a figure that is consistent around the country?

**The Hon. T.R. KENYON:** I couldn't tell you.

**Mr PISONI:** Is that something you can bring back to the committee?

**The Hon. T.R. KENYON:** We will try to find it; if it is available we will get it to you.

**Mr PISONI:** I also want to discuss the expenditure per full-year training equivalent—same page, last line on that table. Back in 2009-10 you spent \$10,224 per full-year training equivalent. You had a budget of slightly less than that for the next year and you spent only \$9,400; that was the estimated result for the 2010-11 year. This year you have budgeted only \$9,000. Have training costs come down or is funding coming from elsewhere? If so, what is the source of that funding?

**The Hon. T.R. KENYON:** It is an attempt, with some success, at achieving greater efficiency, trying to reduce the cost per student that we spend. That seems to be a good thing to

me. Our training effort is up 15 per cent, and now 17 per cent cost reduction. It costs us less per student to educate them.

**Mr PISONI:** How have you achieved that in that short time? I have not seen a press release; normally when there is good news there is a press release.

**The Hon. T.R. KENYON:** That is a good idea; I am happy to do that. I like the way you are thinking.

**Mr PISONI:** Can you explain how you achieved it?

**The Hon. T.R. KENYON:** I am told that a lot of it is corporate restructuring. It involves changes in management structures, and there has been an increase in class sizes as well. Historically, our cost per full-year training equivalent (FYTE) has been higher than the national average. It is much closer to that now, and that is a good thing. There is still a little way to go, but we are better than Queensland, our estimated figure is probably on par with Western Australia or maybe just a little below it, it is better than Tasmania and the Australian Capital Territory, and way better than the Northern Territory, and better than the average. We would hope to be able to improve on that figure as well, to be honest; probably targeting 9,000 (I think you said that anyway).

**Mr PISONI:** The figure of 9,000 is in the budget. I also note in the forward estimates that you are planning to transfer costs of training by increasing fees by \$53.9 million: an extra \$6.3 million this year; \$11.8 million the following year; \$16 million more in 2013-14 than you are collecting this year; and \$19.8 million in the final year of the forward estimates, 2014-15. That is nearly 20 per cent more, I think, in fees that you expect to collect, totalling \$53.9 million in extra fees over the forward estimates.

**The Hon. T.R. KENYON:** It is true that there will be some fee increases; they were flagged in last year's budget. That will be especially true for diploma courses. In 2012 we will also introduce a HECS style arrangement, so you defer the fee and pay it off as your income comes in. We will increase concessions for disadvantaged students, and other students will have their fees increased. That is one of the reasons we are trying to reduce our costs: so that we can minimise those fee increases.

**Mr PISONI:** Are there any plans to change industrial arrangements through reduced costs in TAFE?

**The Hon. T.R. KENYON:** We are bound by our existing enterprise bargaining agreements and we will rely on those.

**Mr PISONI:** But they run out, so have any plans or discussions taken place with the AEU to negotiate a change to the enterprise agreement that covers lecturers?

**The Hon. T.R. KENYON:** That EB still has a way to go. In June 2012 it runs out. We are not due to start negotiations—

**Mr PISONI:** Next year?

**The Hon. T.R. KENYON:** Yes, but we are not due to enter negotiations for a little while yet. I imagine towards the end of this year we will get into that.

**Mr PISONI:** Will you do that; or will Russell Wortley, as industrial relations minister?

**The Hon. T.R. KENYON:** We will have some input and I will lead that, yes.

**Mr PISONI:** When will those negotiations start?

**The Hon. T.R. KENYON:** We have not got a firm date yet but towards the end of the year. It would be prudent, I think, to begin before Christmas.

**Mr PISONI:** Have you had any advice—

**The Hon. T.R. KENYON:** Not yet.

**Mr PISONI:** —that there needs to be changes to the industrial conditions in order for contestability to be introduced into TAFE funding?

**The Hon. T.R. KENYON:** It is no secret that we will be looking for increased flexibility as we get into the Skills for All program. As Skills for All rolls out, we will need flexibility because there will be increased competition in the market. We will do that through the enterprise bargaining process. We will know clearly what we are trying to achieve when we go into that process, and we will negotiate our way through that.

**Mr PISONI:** Have you had any advice that you will need to change industrial arrangements in order to be competitive; that is the question.

**The Hon. T.R. KENYON:** I do not recall any, not yet; so I have not had a briefing on it yet.

**Mr PISONI:** Has your department had any advice?

**The Hon. T.R. KENYON:** It seems fairly obvious to me that if we keep reducing the costs of TAFE we are going to have to look at our staff costs, and that means we will need more flexibility out of our staff which will have to be done through the enterprise bargaining arrangements.

**Mr PISONI:** That being the case, will you start the enterprise bargaining agreement earlier, considering the two-year fight that the former minister for education and the industrial relations minister had with AEU?

**The Hon. T.R. KENYON:** We will start when we start and that will be at the end of this year, in good time.

**Mr PISONI:** The strategy for dealing with a more competitive TAFE: I notice that in the last couple of weeks we have seen advertisements in the daily paper for iPads being given away to those who apply for TAFE courses before 24 June 2011—'Apply and you could win one of five Apple iPads.'

**The Hon. T.R. KENYON:** Maybe I should enroll!

**Mr PISONI:** Are we going to see an emphasis on gifts and prizes for trying to compete with the private sector, or will we see an emphasis on delivering a better service?

**The Hon. T.R. KENYON:** Again, as we come into a more competitive system we are going to have to market TAFE a little bit more aggressively. The main selling point of TAFE has always been and will remain its quality, and TAFE will be maintained as the highest quality provider in the state. We currently have a 92 per cent satisfaction rating with students. That is the highest in Australia, I am told. I am not going to stop them offering incentives. I am not even going to criticise them for offering incentives, if that gets them into more of a competitive situation; if that is what attracts attention, there is nothing wrong with that, I would think.

**Mr PISONI:** So will we see a budget line for prizes, gifts and raffles in future budgets?

**The Hon. T.R. KENYON:** I imagine there will be a strategic marketing and promotional line in the budget of the office of TAFE when it is set up. It makes sense. Any registered training organisations we will be competing with would have that same budget line in their budgets, and we will not tie our hands behind our back by not having one.

**Mr WHETSTONE:** Thanks, minister, for your first estimates as a government minister. I refer to Budget Paper 4, Volume 2, pages 201 to 203, financial commentary. The fourth dot point refers to lower commonwealth revenue for the Berri Trade Training Centre of \$3.7 million, while on page 219, under the heading Income, the second dot point refers to higher commonwealth revenue of \$3.7 million in 2010-11. Has the government received a commonwealth contribution of \$3.7 million towards the Berri centre one year early?

**The Hon. T.R. KENYON:** Yes, we have—\$3.68 million, approximately \$1.9 million of which has been allocated to construction work and \$1.7 million for new equipment.

**Mr WHETSTONE:** I refer to page 220, the statement of cash flows. The second paragraph states that the \$44.2 million increase in cash outflows is partially offset by projects completed or near completion, including the Berri Trade Training Centre at \$3.3 million. It appears as though the government received an extra \$3.7 million contribution for the Berri centre from the commonwealth in 2010-11. The government spent \$3.3 million less on the project in 2010-11. Was this the case and, if so, why?

**The Hon. T.R. KENYON:** Again, the answer is relatively simple but perhaps a little undesirable—the project was delayed. The tender process was delayed until November 2010, when the formally signed funding agreement was eventually received from DEWR. Tender and tender assessment processes were undertaken over December 2010 and January 2011. In February 2011, approval was given to enter into a contract with Aceline Constructions to undertake the Berri project works.

In parallel with the construction works, processes for acquisition of new equipment will commence. Construction works commenced in March 2011 will be undertaken in two main stages

and are scheduled to be completed in 2011. Both stages are scheduled to be completed in August 2011, just a couple of months away, and it is expected to be completed within budget.

**Mr WHETSTONE:** I have just one more question on the Berri centre. I refer to Budget Paper 4, Volume 2, page 219, under the heading Income it states that the \$16 million increase in income is partially offset by higher commonwealth revenue in 2010-11 for the training centre. Was it the total commonwealth contribution for the project, or was it the total cost for the project?

**The Hon. T.R. KENYON:** It is both—the total federal contribution and also the total cost of the project. So it is entirely federally funded.

**Mr WHETSTONE:** Okay, thank you. And, do you have any idea when this project is to be completed?

**The Hon. T.R. KENYON:** August 2011.

**Mr PISONI:** This question refers to page 203, Skills for All training, which we know is used in conjunction with TAFE, so I am trying to clarify where this inquiry will go now, with the split of responsibilities in the department. St Patrick's Technical College, as we all know, is run by Catholic Education. It was handed over to Catholic Education from the federal government when they decided they were no longer going to fund the Australian technical colleges.

School fees, I think, when it was an Australian technical college were somewhere around \$500 or \$600 a year but, unfortunately, school fees are now between \$2,000 and \$3,000 a year because it is a privately-run college. It does, in actual fact, offer VET training in Certificate I, II and III, and has established links with TAFE SA and industry to track and record over 350 apprenticeship contracts signed—identified skills, needs and areas in schools.

The question is whether they would still qualify although they are not a registered training college, and whether there would need to be a special exemption made for them, because they are a unique college—there is a sister college down south—to have access to the skills for training guarantee subsidy. They met with minister Snelling last year and they wrote to minister Snelling in March of this year: would they continue their negotiations with minister Snelling, or would they now need to move to minister Kenyon, because they do work in conjunction with TAFE SA?

**The Hon. T.R. KENYON:** Where it relates to funding, and whether or not they are going to receiving funding, they will need to talk to minister Snelling about that.

**Mr PISONI:** They work in conjunction with TAFE SA through the vocational education in schools management agreement to provide professional and vocational training access across a range of trades up to Certificate III level. So, working in conjunction with TAFE; that is not your responsibility, that is minister Snelling's responsibility?

**The Hon. T.R. KENYON:** Once they have come to an arrangement with minister Snelling about how it is going to be funded, and then they have a problem or a question about the way that training will be delivered by TAFE—the actual service delivery of TAFE—they need to come and talk to me at that point.

**Mr PISONI:** This question refers to Budget Paper 4, Volume 2, page 208, dot points 1 to 3. Just see whether that relates to you, minister. TAFE does offer automotive courses. As to the position regarding automotive certificates offered to trainees, in particular foreign students, I know that TAFE does offer training to foreign students. The biggest employer in the motor industry is the Motor Trade Association, which is uncomfortable with the TAFE course and the private providers.

What is the minister or the department's view or attitude to an industry such as the Motor Trade Association, which believes that a traditional apprenticeship is the best means of training motor mechanics? What does the minister plan to do in order to deal with that difference of opinion between his department and TAFE and his department and the MTA on motor trades?

**The Hon. T.R. KENYON:** Our apprenticeships are governed by federal rules, national rules, industry skills councils, and they determine the packages. If the Motor Trade Association wants to change the rules nationally as to how that training is delivered then it needs to go and see those councils, and we are happy to abide by their edict, as it were.

**Mr PISONI:** Can I take you to page 201, apprentice travel and accommodation allowances, under Sub-program 2.1: Vocational Education and Training, Description/objective, dot point 2, learning workforce participation and workforce development. I have not had to pull the bow very far with this question. How is TAFE going to provide support for regional employers who may



now, under the new Fair Work Act, be forced to pay travel for employees attending block release at TAFE?

**The Hon. T.R. KENYON:** How are we going to assist employers?

**Mr PISONI:** Employers are very concerned about the new Fair Work Act. There is some suggestion that employers of apprentices from regional South Australia who may travel on a Sunday afternoon for a couple of hours to start TAFE on the Monday morning for a two-week block may be forced to pay for travel time at penalty rates. People in the industry are saying that this may have a very big impact on training in regional South Australia.

What will TAFE do in order to deal with that situation so that we do not see a reduction in employers who are prepared to take on apprentices in regional and rural South Australia? Already the department offers travel allowances. Are travel and accommodation allowances for apprentices and trainees your responsibility, or is that the other minister?

**The Hon. T.R. KENYON:** No, apprentices and training is the Treasurer, and he is here again, so if you mark that one down he will be able to—

**Mr PISONI:** How will you equip TAFE to deal with those extra costs on employers?

**The Hon. T.R. KENYON:** I cannot. I do not equip TAFE to deal with costs for employers. That is a bit crazy.

**Mr PISONI:** So that is of no interest to you?

**The Hon. T.R. KENYON:** No, but that is not something I do. If you want to talk about how we will deal with the apprentices, you need to ask the Treasurer. That is his area. Just put a little sticky note on it, and Jack will get to it when he is here. I think we probably have some if you would like to borrow one.

**Mr PEDERICK:** I refer to Budget Paper 3, page 23, Table 2.5: Full-time equivalent impacts of new initiatives as at 30 June 2015. Will the projected full-time equivalent reduction in DFEST affect TAFE SA campuses on Eyre Peninsula and West Coast; if so, will there be an impact on courses offered at the Ceduna, Cleve, Port Lincoln and Wudinna campuses?

**The Hon. T.R. KENYON:** We have no changes planned, but I will note that we are moving to a demand-driven system so that, if demand drops away, TAFE has two options and that is to either provide courses that people want to study or not offer courses anymore. That will be the choice. We want to provide more training; we have budgeted more training for next year.

We have funded more training next year and TAFE would like to participate in that training market. That means we are going to be trying to provide the courses that people want to study, remembering that they will be open to competition as well, so that if a registered training organisation wanted to go out to Cleve and set up its own course, it could choose to do that.

**Mr PEDERICK:** What you are telling me there, minister, is that if there were a demand for a TAFE service on Eyre Peninsula or West Coast, your frontline staff would still be in place after 30 June 2015?

**The Hon. T.R. KENYON:** If there is demand for the courses, of course we will keep funding them. That is what we are trying to do: provide the courses that people want to study.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 2, page 201, Vocational Education and Training. Does the government plan on closing any regional TAFE campuses? I note that the following campuses do not have any courses listed on the TAFE SA website: Cleve, Jamestown, Kimba, Narungga and Wudinna.

**The Hon. T.R. KENYON:** We have no plans to close any of those campuses that you mentioned and the reason that no courses are listed is that we have an administrative person at each of those sites who registers interest and then lecturers travel to deliver the courses that people are interested in doing, so it is already a fairly demand-driven process over there. We just wait to find out what people want to study and then send the appropriate lecturer there.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 2, page 194, Investing expenditure summary. How much of the budgeted \$4.155 million expenditure on campus refurbishment will be spent on campuses in the Eyre Peninsula and West Coast region? Can the minister provide a campus by campus breakdown?

**The Hon. T.R. KENYON:** I will take that on notice and get back to you with an answer.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 2, page 203, targets 2011-12, dot point 4, 'establish the Office of TAFE SA to provide TAFE SA with increased flexibility, autonomy and greater commercial accountability and by July 2012 establish TAFE SA as a separate government owned statutory authority'. This line refers to the establishment of the office of TAFE SA. Will the office of TAFE SA have any regional presence as far as administrative affairs are concerned?

**The Hon. T.R. KENYON:** The office of TAFE SA will be an administrative body of four people, and it will be a transfer from the department into that office set-up. It is not a particularly big office. All those people are currently located in Adelaide, and they will remain in Adelaide and they will travel regularly. Most TAFE sites, I am assuming, are regionally administered and that will remain.

**Mr PEDERICK:** How will that provide the appropriate TAFE SA with increased autonomy if you do not have anybody in those senior roles based in the regions?

**The Hon. T.R. KENYON:** We already have regional managers based right around the state, and they will stay where they are and have the same autonomy. The whole point of setting up TAFE SA is to gradually set up processes and internal structures that will allow us to report like a statutory authority. It is a transitional arrangement to a statutory authority, where they need to report on a more commercial basis—annual reports, financial accounts, that sort of thing. We need to move towards that. It is essentially taking the resources that we need out of the department and separating them out so that we have a separate unit.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 2, page 219, summary of major variations. In reference to the variation between the 2011-12 budget on the 2010-11 estimated result, I refer to the higher commonwealth revenue in 2010-11 for Better TAFE Facilities and Training Infrastructure Investment for Tomorrow of \$1.6 million. Will any of that higher commonwealth revenue be used to improve TAFE facilities on the Eyre Peninsula and the West Coast regions of the state?

**The Hon. T.R. KENYON:** The two sites that received that extra funding were Mount Gambier and Whyalla. They were the two sites that best met the criteria for commonwealth funding.

**Mr PISONI:** Madam Chair, we have some more questions for the minister 'not' responsible for TAFE. I understand he has made himself available, so perhaps we might read in our omnibus questions as we are conducting the changeover.

**The CHAIR:** That would be a good idea.

**Mr PISONI:** The questions will cover the whole DFEEST department.

**Mr PEDERICK:** The omnibus questions for budget estimates 2011-12 are:

1. 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?

2. For each department or agency reporting to the minister how many surplus employees were there as at 30 June 2011, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

3. 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, and how much was approved by cabinet?

4. Between 30 June 2010 and 30 June 2011, will the minister list the job title and total employment cost of each person (with a total estimated cost of \$100,000 or more)—

- (a) which has been abolished; and
- (b) which has been created?

5. For the year 2010-11, will the minister provide a breakdown of expenditure on all grants administered by the 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?

6. 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?

7. 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, 2013-14 and 2014-15?

**The CHAIR:** I understand that minister Snelling has made himself available and come back from the other chamber to answer more general questions. You have come back to answer questions in relation to DFEST?

**The Hon. J.J. SNELLING:** I am happy to answer any questions, yes.

**Mr PISONI:** This relates to Budget Paper 4, Volume 2, page 210, highlights, and dot point one dealing with an increase of international student enrolments. That point shows a highlight as an increase in international student enrolments of 1.4 per cent, compared to a national decline of 1.8 per cent. The figures on the performance indicators show that in 2009-10 we had 5.6 per cent of Australia's share of overseas students. We targeted 6.8 per cent for 2010-11 but only produced an estimated result, according to the budget papers, of 5.6 per cent in 2011.

The strategic plan, using the baseline 2003 figure of 4.5 per cent, said we would double South Australia's share of overseas students by 2014. However, here we are in 2011 and, according to that, we should have 9 per cent of Australia's students but, according to our own budget papers, we have 5.6 per cent.

The budget papers tell us that the high Australian dollar has been a cause of disappointment and a lack of affordable accommodation. That is an issue that I think South Australia has been dealing with for a while in relation to international students. I know there has been media coverage and debate in this parliament, certainly since I have been here, about affordable accommodation. Damage to the education brand through violence against students and negative media coverage are also listed as reasons for not meeting that target.

However, if we look at Adelaide's Reputation on the Rise release by StudyAdelaide, in which you are quoted, minister, 3,500 current prospective students and 200 parents were surveyed about their experiences here in South Australia and they listed things such as this being a safer place to live, the cost of living being better, we are friendly and welcoming, and tuition fees are lower. All the indications would be that, under those circumstances, when all the nation is suffering from the higher Australian dollar and concerns about violence against students, that would be a big competitive advantage for South Australia but, in actual fact, we have seen a reduction in our share of international students from your budgeted figure, and we are a long way from that Strategic Plan target set eight years ago. Are you able to inform the committee what the reasons specific to South Australia might be for being so far away from reaching that Strategic Plan target?

**The Hon. J.J. SNELLING:** I think that is about the longest question in estimates I have ever heard.

**Mr PISONI:** It was alright, wasn't it? It is all there; all in *Hansard*.

**The Hon. J.J. SNELLING:** Yes; maybe we should swap places.

**Mr PISONI:** Yes, I would be happy to.

**The Hon. J.J. SNELLING:** There is no doubt—

**Mr PISONI:** I wrote this one myself, Jack.

**The Hon. J.J. SNELLING:** Sorry? You wrote that one yourself?

**Mr PISONI:** Yes. I wrote that question myself.

**The Hon. J.J. SNELLING:** Excellent. I thought that the trainee in your office might have done it. The simple fact is that the original target in the State Strategic Plan has turned out to be overly ambitious. I think that, given when that target was drawn up, we did have phenomenal growth in overseas student numbers, and it was thought then that that was a realistic target, but for a number of factors that has proven not to be the case. The principal reason would have to be the high Australian dollar, which is making it increasingly difficult for us to attract a high share of overseas students both in South Australia—

**Mr PISONI:** It is the same currency in every state.

**The Hon. J.J. SNELLING:** Yes, indeed.

**Mr PISONI:** I do not understand that; it is the same currency in every state.

**The Hon. J.J. SNELLING:** I let the member for Unley drone on for almost 10 minutes uninterrupted. I expect him to show me some courtesy in allowing me to answer the question without interruption. The simple fact is that the high Australian dollar is having an enormous impact on overseas student numbers both in South Australia and interstate and that the growth in international students has slowed markedly because of that.

I think that, with regard to the student numbers, it is important to note that it refers to raw student numbers. I think it is also important not just to look at raw student numbers but also to look at the value those numbers bring. You might have a smaller number of student numbers, but, in terms of the amount that they are paying to do the courses they are enrolling in, I think we are probably holding up fairly well compared to the rest of the country.

I should point out that, aside from the high Australian dollar, the other significant factor is that the changes announced by the federal government to the visa requirements for overseas students have had an enormous impact on total student numbers. The processing times and the changes with regard to students being able to get permanent residency after they have done studies—all those things—are having a large impact.

In terms of what we are doing to address it, there are a number of things. As I was saying before, I think that we have a strong focus not only on raw student numbers but also in terms of attracting higher-value students in terms of the courses that they enrol in. I think that we are finding that those higher value courses are holding up a bit better; it is the lower end, I think, which is dropping off most substantially.

We are seeing, I think, student numbers in the university sector and those high-value courses, like ICHM, doing okay. That is not to say that they are not suffering a loss but they are holding up compared to the rest of the country. I think that South Australia is holding well compared to the rest of the country because we have traditionally had a focus on the higher end of the market, whereas states like Victoria have tended to attract students who are basically enrolling in a course not with a view to completing a qualification but to attain permanent residency.

Our numbers have held up reasonably well. As I said at the outset, I think that original target has proven to be unachievable because, when that target was drawn up, those two factors were not anticipated; that is, the high Australian dollar and the changes to visa requirements.

In terms of what we are doing, we are doing a number of things. We are working with Education Adelaide, particularly to try to look at the pastoral care we give to overseas students. One of the first things I did on becoming minister was to appoint Mr Hieu Van Le, the Chairman of the Multicultural and Ethnic Affairs Commission, to the Education Adelaide board to work closely with our multicultural communities in regard to the good work they do in making sure that international students feel welcome and that they have people from the same birthplace and culture who can assist them in adjusting to life in a new country. We are working very closely with them.

We have also established an international students round table, which has had one meeting so far with representatives of international students from across different sectors. They will be doing very good work in terms of assisting the government in coming up with policies to ensure international students have a more enjoyable experience.

One of the things I asked Education Adelaide to do was not just to focus on international students and attracting international students purely as a marketing exercise but also to work closely with the multicultural and ethnic communities to provide that sort of pastoral care so that international students who come to South Australia to undertake study have a very good story to tell about their experience in Adelaide when they return home.

We are doing a number of things to try to address it, but I have to say that overseas education (and I cannot remember the date when this happened) became the second largest export earner for South Australia, earning over \$1 billion in export income for the state. While it is under significant pressure, without a doubt, it is nonetheless holding up relatively well.

**Mr PISONI:** My next question refers to page 208 of the same budget paper and volume—Regulatory services, accreditation and registration fees. What fees, if any, are paid to your department for regulation of universities administered through the Department of the Premier and Cabinet, such as Carnegie Mellon, University College London, and Cranfield University? Are they subject to the same regulations as the—

**The Hon. J.J. SNELLING:** They pay a one-off fee upon application.

**Mr PISONI:** Do they report to your department?

**The Hon. J.J. SNELLING:** The initial application a university makes, if it wants to operate in South Australia, is at the moment assessed by the regulatory division of my department, the Department of Further Education, Employment, Science and Technology; however, that is being moved into a national agency. Once they are accredited and operating, and they have paid that initial application fee, they are then subject to regular auditing; that is done by a national organisation called the Australian Universities Quality Agency (AUQA). Again, that Australian Universities Quality Agency will itself change and become TEQSA as of 1 January. I am not sure what you mean by department—

**Mr PISONI:** They do not send you annual reports or—

**The Hon. J.J. SNELLING:** No, the department does the initial accreditation at the moment, but that is about to change and become a national function. They do that, but the ongoing auditing of those universities is done by this national organisation, AUQA.

**The CHAIR:** I am aware of the time. Member for Unley, is your final question extremely short?

**Mr PISONI:** It can be taken on notice. Is the minister able to advise the committee of the total number of retrenched Mitsubishi employees who have found employment? This relates to retrenched workers on page 206, of Highlights.

**The Hon. J.J. SNELLING:** I do not have the exact number, but it is roughly 75 per cent.

**Mr PISONI:** Could we have that figure brought back in numbers rather than as a percentage?

**The Hon. J.J. SNELLING:** We would have to check to see whether we have that figure, but it is roughly 75 per cent. However, if we have it we will give it to you.

**Mr PISONI:** Thank you. You must have it if you know the percentage; you need a number to start from.

**The CHAIR:** There being no further questions I declare the examination of the proposed payments for the Department of Further Education, Employment, Science and Technology adjourned and transferred to committee B.

*[Sitting suspended from 15:46 to 16:00]*

**LEGISLATIVE COUNCIL, \$5,245,000**

**HOUSE OF ASSEMBLY, \$8,026,000**

**JOINT PARLIAMENTARY SERVICES, \$14,462,000**

**Membership:**

Ms Redmond substituted for Mr Pisoni.

Mr Venning substituted for Mr Whetstone.

**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 of the House of Assembly.

Mr K. Nelson, Chief Finance Officer.

Dr C. Stanley, Parliamentary Librarian.

Mr P. Spencer, Leader, Hansard.

Mr C. Grantham, Catering Manager.

**The CHAIR:** Good afternoon. Estimates committees are relatively informal procedures and, as such, there is no need to stand to ask or answer questions. Changes to committee membership have been notified. If the Premier undertakes to supply information at a later date, it must be submitted to the committee secretary by Friday 30 September. There is a flexible approach to questions, based on about three questions per member, alternating on each side. The questions must be based on lines of expenditure in the budget papers and must be referenced. I would like to reiterate that to both sides: please remember to reference your questions. Not everyone in the chamber has a copy of the budget papers in front of them.

There is no formal facility for the tabling of documents before the committee, but documents can be supplied to the chair for distribution to the committee. Questions should, of course, be to the Premier and not to his advisers. Premier, do you wish to make a statement before we begin?

**The Hon. M.D. RANN:** As the father of the house, and having worked in this building since the end of 1977, and having been a member of parliament since the end of 1985, I think it is important for us to acknowledge the huge amount of work of the parliamentary staff in all of the different divisions. One year I listed them and left one out so I will not do it this year. But the fact is that we could not do our job without them. It is a stressful position: parliament tends to be a pressure cooker. Obviously nothing gets much more exciting than estimates—and I have often wondered why they are not televised. But, seriously, I think we are extremely well served by hardworking staff who have to have infinite patience as well as professionalism, commitment and dedication, and I wanted this recorded on the *Hansard*.

**The CHAIR:** Thank you very much, Premier. Leader, do you have an opening statement, or would you like to go directly into questions?

**Mrs REDMOND:** No, I do not have an opening statement. I want to endorse the comments of the Premier in terms of the wonderful service provided to often grumpy, irritable and not necessarily always polite members in this place. I think they do a terrific job and I endorse the comments made by the Premier.

**The CHAIR:** Thank you. So you would like to begin straightaway with questions; is that correct?

**Mrs REDMOND:** I would indeed, Madam Chair. Perhaps it might be more sensible in the first instance if I can just read the omnibus questions for this session into the record—and that will get us off to a flying start. They are:

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2010-11 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?

2. For each department or agency reporting to the Premier how many surplus employees will there be, or were there, as at 30 June 2011, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

3. 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, and how much was approved by cabinet?

4. Between 30 June 2010 and 30 June 2011, will the minister list the job title and total employment cost of each position with a total estimated cost of \$100,000 or more—

(a) which has been abolished; and

(b) which has been created?

5. For the year 2010-11, will the minister provide a breakdown of expenditure on all grants administered by the 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?

6. 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?

7. 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, 2013-14 and 2014-15?

Those are the omnibus questions. If I may, I will move straight onto questions concerning the first line, which is the Legislative Council, House of Assembly and Joint Parliamentary Services.

**The CHAIR:** Certainly.

**Mrs REDMOND:** I refer to Budget Paper 3, page 138. At page 138 there are three lines in that whole list of payments from the Appropriation Act, and towards the bottom are the lines for House of Assembly, Joint Parliamentary Services and the Legislative Council. In the Legislative Council, there has been a significant increase, that is, from \$5.134 million—as the estimated result this year, according to the budget—to \$5.245 million. Could the Premier explain what is the reason for the budget increase in the Legislative Council?

**The Hon. M.D. RANN:** It has just been explained to me that it is a standard increase to do with enterprise bargaining, plus the CPI of 2.1 per cent.

**Mrs REDMOND:** I thought that could be the sort of answer that would be forthcoming so then I was wondering why the House of Assembly, on the other hand, has gone down?

**The Hon. M.D. RANN:** It shows that the House of Assembly estimated result for 2010-11 was \$7.854 million. The actual result was \$8.026 million.

**Mrs REDMOND:** I accept that, but, if you look further along the line, there was a budgeted amount of \$8.034 million that has gone down to \$8.026 million. So, there has been a reduction in the budget and I am looking for an explanation in both parts, as I had another part to my question. Why has the budget gone down and why was the whole budget not spent? What caused that slight discrepancy last year?

**The Hon. M.D. RANN:** There is a data correction. Maybe if I could invite Kent Nelson, the Chief Finance Officer, to explain.

**Mr NELSON:** You will note that the 2010-11 budget has gone down \$180,000 for the House of Assembly and for Joint Parliamentary Services it has increased by \$180,000. There is no actual budget impact; there was just a data correction from a historical error. So, \$180,000 got shifted from House of Assembly budget into the Joint Parliamentary Services budget. It is just fixing up an error.

**The Hon. M.D. RANN:** It is there but it is in a different line—it has been transferred over.

**Mrs REDMOND:** Thank you. I was going to ask why there was the change in the Joint Parliamentary Services. Can you explain what the historical error was that caused it to be House of Assembly instead of Joint Parliamentary Services?

**Mr NELSON:** It evidently happened about a decade ago. It appears that some staff were transferred from the House of Assembly and the funding was not, and so there has been an error for numerous years, and we have corrected it this year.

**The Hon. M.D. RANN:** Just to explain to everybody, obviously there are staff who are specific to the Legislative Council, there are staff who are specific to the House of Assembly, and there are staff who are shared. I think this is a demarcation issue that was 10 years ago and that has now been put in the right column.

**Mrs REDMOND:** That, in fact, brings me to my next question: could I get an outline of how many staff belong to the House of Assembly, how many to the Legislative Council, and how many to Joint Parliamentary Services?

**The Hon. M.D. RANN:** For Joint Parliamentary Services, in terms of the established full-time equivalents, it is 65.1; for the House of Assembly, it is 29; and, for the Legislative Council, it is 19.

**Mrs REDMOND:** Premier, do you have any plans to hold a regional sitting of parliament before the 2014 election, and will it appear as an item for Joint Parliamentary Services or for the House of Assembly, if it is only the House of Assembly?

**The Hon. M.D. RANN:** I have to say that there has been no decision; I know that the Speaker is very keen. The only time in our history we have ever held a session of parliament outside Adelaide and this building was in 2005 (I think it was in May 2005) in Mount Gambier, and

that was under the speakership of Bob Such. I have to say that I thought it was an outstanding event. It was for the House of Assembly, and it was held at the Robert Helpmann Theatre.

I think that all of us know that the feedback, in a bipartisan way, from the people of Mount Gambier and the South-East was terrific. In fact, I think it was particularly appreciated by local schools, who had an opportunity to come and see parliament in action. I think the members particularly felt the heat of the lights on the stage, rather than the heat of question time; in retrospect, we should have sorted that out.

I know that the Speaker was very keen for us to go. Because we went to the biggest city outside Adelaide, which is Mount Gambier, the Speaker is very keen for us to go to the next biggest city, which just happens to be Whyalla; I am sure that is a coincidence. My view is that we should, but I think it is subject to negotiation with the opposition and agreement with the opposition. My view is that shifting the parliament to another location should involve a decision made by government, opposition and, indeed, the Speaker.

However, I think that this is the 175<sup>th</sup> anniversary of the founding of this state, and we celebrate it in a few weeks' time—in one sense, unofficially on Kangaroo Island because that is where the first settlers went, and then of course on Proclamation Day, more formally, on 28 December. Given that this is a time for making some decisions that reflect our past as well as point to the future, I would strongly support holding a regional parliament in Whyalla.

We have had the South-East; it would be time for the Spencer Gulf. As I say, it has to be worked out. No decision has been made, and I think it is something that we should agree amongst ourselves so that there is a consensus. The last thing any of us would want is to have a regional parliament that did not have the support of both sides. I am sure the Speaker would agree with me.

**Mrs REDMOND:** Can I say that the last thing I would want is a regional parliament that does not have a real sense of the parliament. I seem to recall that, in that visit to Mount Gambier, there was not as much rigour in the debate as there might sometimes be in this place.

**The Hon. M.D. RANN:** I thought we were on our best behaviour.

**Mrs REDMOND:** Yes, we were all on our best behaviour, which meant that it was not a realistic look at what actually goes on here.

**The Hon. M.D. RANN:** I think the reason we were on our best behaviour was that we were so hot. It felt like we had—

*Mrs Vlahos interjecting:*

**The Hon. M.D. RANN:** Yes, that's right.

**Mrs REDMOND:** Can I perhaps move onto another question. How funding was provided to the Parliamentary Network Support Group (PNSG) in 2010-11, and how much funding will be provided to it in 2011-12?

**The Hon. M.D. RANN:** It comes under the Department for Transport (DTEI), but maybe I could ask Malcolm Lehman to give a brief comment and then we can get back, if necessary, with a report.

**Mr LEHMAN:** The Premier is correct, PNSG is a dedicated unit of the Department for Transport, Energy and Infrastructure. It receives funding from that department to the tune of, and I will check, but I think it is \$2.75 million and, from memory, I think its operating budget is something like \$3.75 million, so it relies on a line of funding from the parliament of about \$800,000 to \$1 million, in a typical year.

**Mrs REDMOND:** Are Legislative Council, House of Assembly or Joint Parliamentary Services employees eligible for the latest round of TVSPs?

**Mr LEHMAN:** We were not an agency identified for savings in the budget before last in relation to TVSPs, so we have not been in a position to offer any.

**Mrs REDMOND:** Although I think it belongs under this heading I could not find a line for it, and that is, can I get an update on the redevelopment of Old Parliament House, what works will occur, and also if there are any works planned for the main part of Parliament House?

**The Hon. M.D. RANN:** Perhaps just before I invite Mr Lehman to comment, obviously Old Parliament House is not only an historic building for our state it is also an historic building for our nation. People would be aware that back in the late seventies, from memory, it was substantially



upgraded. It had deteriorated terribly. In fact, I think that during World War II, someone told me that, and Ivan might remember, it was used—not Ivan personally.

**Mrs REDMOND:** Ivan probably remembers it from World War II!

**The Hon. M.D. RANN:** I am sorry, I just thought that you might remember the debate about it. It was used, I think, for Army recruitment.

**Mr VENNING:** Women's Corps.

**The Hon. M.D. RANN:** Yes, Women's Army Corps. It was upgraded in the 1970s to become the Constitutional Museum.

**Mrs REDMOND:** One of only three in the world.

**The Hon. M.D. RANN:** One of only three in the world, and later on it was closed and has been used as parliamentary offices. As I understand it, there has been considerable concern about its deterioration and that is why works were necessary, but maybe Mr Lehman could comment.

**Mr LEHMAN:** There is an additional \$9,059,000 in the capital works budget line in this year's budget. Work last year consisted mainly of putting together an engineering report. We were concerned about the deteriorating state of some parts of the building and the age of some of the services: air conditioning, wiring, fire safety services. A concept plan has been put together by an architectural firm engaged by the parliament, and DTEI has commissioned, and taken delivery of, a conservation management plan and the engineering survey has been completed.

The concept plan, the engineering survey, the conservation management plan and the costings for the project are now with the Department for Transport, Energy and Infrastructure, awaiting a cabinet submission relating to governance and endorsement of the plans for the renovation and then, of course, it will need to go to the Public Works Committee for approval before any further work can continue.

**Mrs REDMOND:** Can I also ask, through the Premier, and maybe the Premier knows but I think that Malcolm Lehman may well know, the office that you are now occupying, which is blocking the corridor access, is the plan going to open that up again in due course to allow access to Old Parliament House?

**Mr LEHMAN:** Yes, bearing in mind that we are working at this stage with just concept plans rather than final proposals. The concept plans have that walkway reopened. I am there simply because it was, when we did not have ownership of Old Parliament House, an office. It was the old head attendant's office and I moved there to accommodate those members we moved from Old Parliament House into Parliament House. It is a temporary move and that will be restored as a means of accessing Old Parliament House under the new plans.

**Mr VENNING:** I would just like to ask the Premier: I have come back from the Victorian parliament and we know that all other parliaments now have full television provision and this one has not. I know there has been a lot of work done and a lot of talk. We seem to be logjammed somehow and it does not seem to happen.

**The Hon. M.D. RANN:** I think it all comes down to money and priorities. I know that the *Hansard*, of course, is put up on the net and I am sure that there are people all around the world who look at question time in South Australia. Maybe Malcolm Lehman could just tell us what the Joint Services have in mind in terms of ensuring that there is greater access.

Just going back to the leader's question about a regional parliament, this is the people's parliament—it is their house, not our house—and one of the great benefits of a regional parliament is that it gives people in regional centres a real opportunity to see the parliament in action, to understand the legislative processes.

One of the great things about Mount Gambier, which I am sure would be the case in Whyalla, is that it gave us all an opportunity to meet with interest groups, associations, the CFS and others as well as do site visits, so I think it is a real opportunity to put the focus on our regions, given that the regions are becoming increasingly the dynamo of the state's economy with what is happening in mining and renewable energy.

Obviously part of that access also involves IT, and maybe Malcolm could advise us about whether there are any plans for television images of us in action that people in New Guinea, London and New York can marvel at.

**Mr LEHMAN:** That is certainly the point we want to end at. When now treasurer Snelling was the speaker, he commenced a program to upgrade the audio for both the chambers. It was commenced a couple of years ago, and we have completed the replacement of the audio in the Legislative Council chamber and House of Assembly chamber from analog to digital and the next stage of the project will be taking the IPTV signal and streaming that on the web: first of all, the audio signal, which is a reasonably achievable project pricewise, and then the big budget item, which would be the installation of cameras and the streaming of the video as well.

**Mr VENNING:** Do you have a figure for that?

**Mr LEHMAN:** We think the streaming of the audio would come in at something like \$20,000 to \$30,000 and the cameras at something like \$1.8 million.

**Mr VENNING:** It is a lot of money.

**Mr LEHMAN:** The cameras require some fairly sophisticated production facilities, and clearly it will require, like most parliaments have found, some post-production facilities as well.

**The Hon. M.D. RANN:** I doubt whether, if we are put on television, there will be summer repeats. I just cannot see that, but anyway.

**Mr VENNING:** We had better put a gym on so we get us all a little fitter.

**The Hon. M.D. RANN:** We might get a lower rating than the test pattern.

**Mrs REDMOND:** Madam Chair, could I perhaps move on to the Governor's establishment.

**The Hon. M.D. RANN:** There are a couple of things I was meant to say. There are a number of achievements that should be recognised: a new security system which provides a safer and more secure worksite; photo ID and record, limiting access to offices; also maintaining parliament's status of critical infrastructure.

Also, I want to mention in particular Muriel Matters. Muriel of course was one of the great suffragettes and a South Australian who played a major role in the suffrage movement in Britain and, in her own way, the first woman to speak in the House of Commons. The fact that we have been through the negotiations of two members, who are with us here today, for the grate and chains, from England, of Muriel Matters—

**Mrs REDMOND:** Are you suggesting these two women should be put in chains now?

**The Hon. M.D. RANN:** No, we want them to re-enact Muriel Matters' balloon flight over London, and this has been a challenge for them both. There has also been significant work on plant and equipment to maintain the heritage building—air conditioning, electrical supply, painting and plant.

**The CHAIR:** I declare the examination of the proposed payments completed. Now we can move on to the State Governor's Establishment.

#### **STATE GOVERNOR'S ESTABLISHMENT, \$2,897,000**

##### **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 J. Hallion, Chief Executive, Department of the Premier and Cabinet.

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

Mr L. Jones, Director, Corporate Affairs, 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.

**The Hon. M.D. RANN:** Thank you, and I apologise for the delay. I want to introduce the new Chief Executive of the Department of the Premier and Cabinet and in so doing congratulate him, Mr Jim Hallion. Of course, Mr Hallion was formerly the head of the Department for Transport, Energy and Infrastructure, and before that Primary Industries, and before that he was in DTED, whatever its name was—industry and trade.

If I could just make a brief opening statement about the Governor and the State Governor's Establishment. I think that over the years South Australia has been extraordinarily well served by its governors. By their very nature, governors like governors-general, have to be non-partisan and enjoy bipartisan support. I think that has been the case whoever has held that office.

The current governor, of course, was appointed just under four years ago—Rear Admiral Kevin Scarce—and he and Mrs Liz Scarce have done an exemplary job. They have made a real point of going out to the regions, to country areas. They have also significantly opened up Government House for public occasions in terms of honouring groups, whether they are Meals on Wheels or Trees for Life, the Country Women's Association, or others. On countless occasions Government House and its gardens are used very appropriately. For years it hosted, in the gardens, the Australia Day breakfast for South Australian of the Year, which I think is now held on the evening of the night before. We have seen recent governors significantly expand the opening up of Government House to the people of our state.

The Governor himself has also, of course, played a very important role in defence industry matters as a former rear admiral in the Royal Australian Navy and also as the former head of the Defence Materiel Organisation. He was appointed after magnificent service to our state with the winning of the air warfare destroyer contract, and he continues, as Governor, to be involved in promoting South Australia as a defence state.

Indeed, last night, he spoke at a VIP dinner, attended by the Leader of the Opposition and me, the Minister for Defence Industries (Kevin Foley), the federal Minister for Defence (Stephen Smith), and many leaders of the defence industry from around Australia and, indeed, overseas. I met people last night from the United States and India. The Governor spoke and can speak with great authority. He has travelled overseas on defence-related matters.

Each governor brings something different. Under the Liberal government of the past, Sir Eric Neal was a senior business leader (head of Boral and chairman of Westpac) involved in leading trade delegations. I think it is appropriate that, in fact, each governor has, in a sense, moulded their period in vice-regal office not only to suit the times but also their own background and expertise. I particularly want to commend the Governor and Mrs Scarce for their outstanding work over the past nearly four years, and we look forward to working with them in the future.

I also should mention that the Lieutenant-Governor, Hieu Van Le, is not only the first person of Vietnamese descent anywhere in the Commonwealth of Nations to take up a vice-regal position but also on a number of occasions has acted as the Governor's deputy, as Acting Governor. As Lieutenant-Governor, as well as being chair of the Multicultural and Ethnic Affairs Commission, he plays an exemplary role and I think one which helps build a bridge to people who are migrants or refugees. It is interesting, I think, that the Lieutenant-Governor arrived here as a boat person. He arrived as a refugee, as a young 23 or 24 year old with his wife Lan, and I think that his story of how he has risen to the second highest position in the state tells of the opportunity that we have in Australia.

**Mrs REDMOND:** I begin by congratulating Jim Hallion on his recent appointment. Although the Premier and I may not agree on many things, I endorse his comments about the excellent service we have had from our governors and especially note the wonderful service that our current Governor and his wife provide to the state.

In particular, I congratulate the Governor on his speech to the Defence SA dinner last night, which I think sent a fairly strong message to the two federal ministers who were present about looking at the long-term interests of the defence of the whole of Australia but, of course, also very much acknowledging and recognising the importance of South Australia in that. I congratulate the Governor on the work he does generally and on his preparedness to take a stand on a number of issues.

Premier, in those comments you actually mentioned the fantastic way in which the Governor does open up Government House for public occasions, but I notice that last year there was to be a cut, which was going to mean that the annual event for volunteers and charity workers that was held at Government House was not going to be held. Am I correct in understanding that that has been reinstated and that it will be able to continue?

**The Hon. M.D. RANN:** Earlier this year the Governor cancelled a function for volunteers that was scheduled to be held at Government House and cited the impact of budget savings measures as the main reason for his need to contract that role. As part of the 2010-11 state budget savings, measures were applied to the State Governor's Establishment appropriation. The quantum of these measures are \$65,000 in 2010-11, \$124,000 in 2011-12, \$126,000 in 2012-13 and \$132,000 in 2013-14.

The initiative provides savings of \$447,000 over four years from a reduction of resources to Government House. In a full year, this represents around 4.5 per cent of the Government House budget of around \$2.9 million. The current status is that the 2010-11 budget applied a range of new savings measures totalling \$2 billion over four years across the entire public sector.

To achieve these savings, the government had to make a number of tough decisions, and it was necessary for all departments, authorities and institutions to be included in these savings measures. Once you start the process of saying, 'Oh, no, this group will be exempt,' or what have you, it means that you cannot achieve the targets.

Since the budget announcement, my department has been working with the staff at Government House to ensure that the modest savings measures applied to Government House do not unduly affect the Governor's official program, and that the grounds and facilities of government house are maintained to a level befitting such a residence and its importance to the people of the state.

**Mrs REDMOND:** The last line on page 138 of Budget Paper 3 under the payments from the Appropriation Act shows the State Governor's Establishment, and there is a very minor increase from the very exact amount. Last year they budgeted \$2,882,000 and they spent exactly \$2,882,000. There is a \$15,000 increase to the budget this year, but that would seem to be not a very large increase given that, when I was asking you earlier about the House of Assembly and the Legislative Council, the indication was that the increase was basically to accommodate an increase in the salaries and so on.

Is the same number of staff being employed at Government House and, if so, where then are the cuts being made that will enable the budget to be kept to a mere \$15,000 increase if presumably those staff also would be subject to some sort of salary adjustment?

**The Hon. M.D. RANN:** The minor increase in appropriation of \$15,000 between the 2011-12 budget and the 2010-11 estimated result primarily reflects wages parity funding as per the 2010 enterprise bargaining agreement, which would have been \$26,000, and partly offset by decreased funding arising from the long service leave reform announced in the 2010-11 budget of \$6,000. I will ask my officers.

**Mr MORRIS:** Thank you, Premier. It is a slight increase but, as the Premier announced, there are some offsets which also include the absorption of that annual year's savings measure of approximately \$56,000 for that year, which would see the State Governor's Establishment still budgeting to maintain its current FTE numbers of about 19.2 or 19.5, thereabouts.

**Mrs REDMOND:** In the next few months we will come to the date for the celebration of the Diamond Jubilee of Her Majesty's ascension to the throne. I have already, at the request of my party room, written to the Governor to ask what is going to be done by Government House and the Governor's Establishment in terms of commemorating that event. I did receive an indication from the Governor that they can basically only afford one vice-regal function at Government House. Is any provision being made elsewhere in the budget that I have not found for particular celebrations which seem to me to be most appropriately dealt with vice-regally rather than by partisan politics?

**The Hon. M.D. RANN:** I will certainly discuss this with the Governor. Obviously, we have a number of things to celebrate, with the 175<sup>th</sup> anniversary of the founding of European settlement being the first cab off the rank. In terms of Her Majesty's Diamond Jubilee, we will obviously be involved in looking at different ways we might celebrate that. That does not necessarily involve a lot of money. One of the things that is terrific about the 175<sup>th</sup> anniversary functions that we have planned is that they are not costly, but I think all of us would like to commemorate Her Majesty's Diamond Jubilee and I am sure we will come up with some terrific ideas.

**Mrs REDMOND:** So hip hip hooray, it won't cost us anything. I have only one other question on the State Governor's Establishment, and that relates to Budget Paper 5 at page 35. On Budget Paper 5 there is a whole range of things which are listed as annual programs. Included in those is a proposed expenditure for the coming year of \$104,000 (which is a one-off, apparently).

Could I could get some explanation as to the nature of the annual program \$404,000 for the State Governor's Establishment?

**The Hon. M.D. RANN:** As I understand it, the proposed minor works to be funded through the 2011-12 Government House annual appropriation include continuing work to enhance Government House's information management systems and to implement electronic data capture technologies as part of a phased improvement project. Additional work is required to address rooftop workplace safety issues and installation of irrigation lines to reticulate the Glenelg-Adelaide pipeline recycled water supply throughout the site.

People will remember that we spent about \$30 million, and that was matched by the commonwealth, to put in the purple pipes that bring the water in from the Glenelg Treatment Works to the Parklands. I think the idea is to make sure that Government House is part of that; also, a staged implementation of the north-west garden beds redevelopment. I understand there are only a couple of gardeners who work at Government House on a contract basis, but they do a brilliant job. We quite often go there and Government House is dressed appropriately for each occasion, in terms of flowerbeds. As I understand it, that is what that appropriation would entail.

**Mrs REDMOND:** I have no further questions on the State Governor's Establishment.

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

**DEPARTMENT OF THE PREMIER AND CABINET, \$124,559,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,**  
**\$9,733,000**

**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. G. Portolesi, Minister for Aboriginal Affairs and Reconciliation, Minister for Multicultural Affairs, Minister for Youth, Minister for Volunteers, Minister Assisting the Premier in Social Inclusion.

**Departmental Advisers:**

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

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

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

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

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

Mr T. O'Loughlin, Commissioner for Renewable Energy, Department of the Premier and Cabinet.

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

Ms S. Ziersch, Executive Director, Sustainability and Climate Change Office, Department of the Premier and Cabinet.

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

**The Hon. M.D. RANN:** First of all, I welcome minister Portolesi, Minister Assisting the Premier in Social Inclusion. The minister is also Minister for Aboriginal Affairs and Reconciliation and also Minister for Multicultural Affairs because, in terms of our social inclusion push, one of the

things that we are most keen on is to see that there is a social dividend from economic growth—for instance, in the provision of major contracts, for road building, but also in terms of mining.

When we talk about a social dividend, obviously as part of that we are particularly keen to improve Aboriginal employment, and I am delighted that recently, when social inclusion arranged a number of awards, including an award for the mining industry, we saw a number of companies competing to get that award—employing Aboriginal people as 20 per cent of their workforces. Obviously that social dividend work is a key part of what social inclusion is doing, and I thought it was very appropriate that minister Portolesi as Minister for Aboriginal Affairs and Reconciliation should assist me in the area of social inclusion.

**Mrs REDMOND:** I refer to Budget Paper 4, Volume 3, page 146. This is a page which highlights for 2010-11 and targets for 2011-12. The third dot point of the targets is 'Host the Zero Carbon House Competition in collaboration with the Land Management Corporation'. I was wondering if I could get an explanation as to just what that is, what is involved in hosting, and is there any cost in it?

**The Hon. M.D. RANN:** I think that there would be minor costs. What we are trying to do across the board is improve the state's position in terms of renewable energy. In the last week or so, we have had the announcement by national authorities showing that we now have more than 20 per cent of our power coming from renewable energy, which is at a rate per capita five times more than Victoria and ten times more than New South Wales.

Other things we have been doing are about improving energy efficiency. You would have noticed that we have changed regulations to mean that every new house has to have a five-star energy rating and that new houses have to have plumbed rainwater tanks and solar hot water systems. Bit by bit, we have been working to improve the energy efficiency of the built environment. It is interesting that during a time of fairly strong economic and employment growth we have seen the fastest reduction in greenhouse gas emissions on the mainland. I think what this is about is that there will be a total cost of about \$94,000.

The Integrated Design Commissioner, Tim Houghton, is very much involved in this. There will be prizes awarded for the best designs, but it is about seeing how we can have places like Lochiel Park, which is in the minister's electorate, and it is an extraordinary development in terms of reducing carbon emissions, better use of water, better use of solar power, and so on. This is a competition which is designed to encourage architects, builders and developers to develop zero carbon homes.

**Mrs REDMOND:** Just on that, given the desire to improve the state's position with respect to renewable energy and the idea of developing zero-carbon homes, can the Premier advise what his position is on the carbon tax?

**The Hon. M.D. RANN:** My view has always been—and I have made it very clear on repeated occasions—that I strongly support an emissions trading scheme. Maybe to go back on the history of it: three states (New South Wales, Victoria and South Australia) developed a discussion paper some years ago which was about how an emissions trading scheme would work. This was during the time of the Howard government. As the inaugural chair of the Council of the Australian Federation—which is sort of COAG but without the feds—I commissioned Professor Ross Garnaut's report.

Later, with the election of the Rudd government, Professor Garnaut's work was then taken up by the federal government, but it was actually initiated by the Council of the Australian Federation during my chairmanship. I have to say that I thought the attacks on Ross Garnaut last week by Lord Monckton, coming out and saying 'Heil Hitler' and using the swastika, said much more about Lord Monckton than it did about a distinguished Australian. I thought Lord Monckton just contributed to his international reputation as a clown without substance.

In terms of the carbon tax, obviously I think it is deplorable that we saw the Liberals federally, along with the Greens and others, vote down an emissions trading scheme. So now the federal government, having had it voted down on a series of occasions, is looking at a carbon tax that would provide a range of compensatory mechanisms for trade-exposed industries so that we do not lose industries offshore, where they will still pollute into an environment.

We are waiting for the details of those compensatory arrangements. In the meantime, on a number of occasions, as I did last year with the mining tax, I have been in negotiations with federal colleagues, including Martin Ferguson and Greg Combet, on behalf of companies such as OneSteel and also Nyrstar at Port Pirie.

**Mrs REDMOND:** Thank you, Premier. You have been very clear about your support for an ETS but, like you, I have been discussing these things with Nyrstar, and, indeed, when I was up in Port Pirie about a week ago, they indicated that the CO<sub>2</sub> omissions from Nyrstar are producing a tonne of lead using world's best practice—which they do there—are approximately half the CO<sub>2</sub> emissions likely to result from that being produced overseas—and it is still going to be produced somewhere. So, can you be any clearer about your position on the proposed carbon tax, as opposed to ETS?

**The Hon. M.D. RANN:** We have not actually seen the details of the compensatory mechanisms, which I understand are going to be released in the next couple of weeks. In terms of those compensatory arrangements for trade-exposed industries and the implications of carbon leakage, then obviously I will make a definitive statement when I actually see the nature and extent of the tax, how it is going to be implemented, and who will be compensated. I should say, however, that Nyrstar, I am sure, would have briefed you on what regulations they have to comply with in their other plants in Europe. Obviously, I am sure that Nyrstar would be the first to say that what applies in Europe should apply to the environment and to the citizens here in Australia.

**Mrs VLAHOS:** I would like to ask a question about economic disadvantage, and I refer to Budget Paper 4, Volume 3, page 133. What is the government doing to support people experiencing economic disadvantage?

**The Hon. M.D. RANN:** The Social Inclusion Board is actively engaged in identifying innovative ways to reduce economic disadvantage by joining up community, government and industry to find new and innovative ways to ensure that South Australians who have historically missed out share in the benefits arising from the economic growth of our state.

Part of the government's ongoing response to economic disadvantage is in the \$9.6 million commitment over four years, between 2010 and 2014, to implement the Building Family Opportunities program. The Building Family Opportunities program uses a family-based approach to address the issue of long-term joblessness. Over the four years, the program will provide intensive family-based support to a minimum of 400 families in the three local government areas of Playford, Port Augusta and Port Adelaide Enfield.

Last August, the government entered into a \$1.5 million funding agreement, over three years, with the federal government to pilot its Family Centred Employment Project as a sub-program of the Building Family Opportunities program. Currently, the Building Family Opportunities program is providing services to 217 families, consisting of over 600 individuals. Of these families, 152 are single parent families, 70 are couple parent families and 77 families identify themselves as being Aboriginal families. To date, the program has achieved 43 employment outcomes for long-term unemployed families.

In furthering the delivery of innovative responses to economic disadvantage, on 4 May, as I hinted at before, I awarded the inaugural Premier's Social Inclusion in Mining and Energy Award to OZ Minerals for its commitment to the delivery of social benefits through its Prominent Hill copper and gold mine near Coober Pedy.

I have to say that it would have been a very difficult job for the judges because we were all incredibly impressed by what the various companies were doing to do the right thing, to make sure that we did not get an internal two-speed economy, which we have seen elsewhere in Australia, where people come in and there are lots of job at a high level but local people are left out and left behind, entrenching a disadvantage over generations.

The government has implemented this award to highlight the substantial and lasting impact that the resources industry is having and will have on our state's social landscape. The 2011 entries for the award showcase an impressive breadth and depth of initiatives that are delivering significant social benefits, including life-changing employment opportunities for people who have previously faced barriers to obtaining meaningful work.

It is an annual award and my aim is to encourage members of the industry to compete with each other every year to find new and innovative ways to ensure that the prosperity generated by our resource and energy sectors delivers benefits and opportunities for communities, families and individuals, who are often amongst our most marginalised. In addition, the Commissioner for Social Inclusion, Monsignor Cappo, and I plan to hold a round table discussion with chief executives of mining companies later this year.

In January 2011, it is required that 15 per cent of total labour hours in government building and civil construction contracts be allocated to these groups, and I think that was another great

initiative. We saw it with the Northern Expressway, in the honourable member's own area, and I think that was terrific.

In terms of the mining area, it will build upon the joint initiatives of our publication *Digging Deep* and the impetus created by the new Premier's award. We want to engage senior mining personnel in developing further partnerships with government to expand socially inclusive strategies across all operations.

As I mentioned, it is not just in mining, we are also trying to do it with road projects. We are working to increase the inclusion in our workforce of Aboriginal people, trainees, apprentices and local people in need of employment and upskilling by the implementation of the workforce participation policy, and, of course, we are now putting that into big projects like the Northern Expressway.

**Ms BEDFORD:** My question is to the Minister Assisting the Premier in Social Inclusion. I refer to Budget Paper 4, Volume 3, page 133 and ask the minister: in the highlights, it refers to the publication of *Digging Deep: The Social Benefits*. Can the minister advise what this report has found in terms of opportunities for people experiencing disadvantage, particularly Aboriginal people?

**The Hon. G. PORTOLESI:** The Premier has already touched on these issues. In my capacity assisting him in social inclusion, the Premier has already referred to the connections and synergies with my other portfolio areas, in particular, Aboriginal affairs. One of the jobs that the Premier has given me is in relation to this issue, in relation to exploring the broader benefits, for Aboriginal communities in particular, of the mining boom.

The massive growth in the mining industry in South Australia is delivering tremendous economic benefits and we want everybody to be able to share in those benefits. We know that this has been overlooked in the past and so we are very keen as a government to give it some serious attention. We are doing that, which is why the Premier has asked the Social Inclusion Board to make this a priority and he has asked me to make this a priority.

The Premier did refer to the report *Digging Deep* which was released last November and it does showcase a number of mining companies and the fantastic work they are doing. What interests me, however, having spent a lot of time on the lands, is that we often think simply about royalties but, for me, what is important is that we look at Aboriginal employment targets and that we look at sourcing goods and services locally. I am trying to drive a food strategy on the lands.

It is important that we look at mining companies and whether it is possible that they are able to participate in this, whether we look at road and other infrastructure opportunities as well and of course, mentoring schemes etc. There are lots of really good examples currently on the lands. We do have lots of other good examples in other parts of Australia where I think we have something to learn as well. I am not sure whether that answered your question, but it is something that we are taking very seriously.

**The Hon. M.D. RANN:** If I could just add to that, it is interesting that what the report also showed is that one-third of the companies that are contributing to *Digging Deep* have actually themselves set Aboriginal employment targets. Two-thirds of the companies featured in the report are actually supporting communities by sourcing goods and services locally, like buying food locally. That helps local retailers, local wholesalers and local producers. Some have ensured that the social benefits from mining will remain beyond the life of their operations by creating community trust funds and providing communities with a voice in how local mining operations can best benefit them. I have seen a number of them that are about how there can be a lasting dividend.

Obviously many of the companies support local sports as well as buying locally but also setting up community trust funds. Aboriginal employees and businesses are also receiving additional support from some mining companies through, as the minister mentioned, mentoring and shared expertise programs. Half of the companies featured in the report are providing student scholarships and work experience opportunities to create sustainable employment pathways for communities and the industry.

The report highlights the mining industry's ongoing commitment to consultation and local community engagement and this helps build support for mining operations, demonstrates that there is not just an economic dividend but also that mining companies can be very strong on environmental issues as well as very strong on social issues. The work with Aboriginal people in particular of the companies highlighted really does deserve great acknowledgement, because many people wouldn't know it.



**Mrs REDMOND:** Can I endorse that comment as well, because my experience of working with Aboriginal people out on the lands with the mining sector is that the mining sector employs far more than the normal proportion of Indigenous people in the community, and they do do their best with them.

I refer to Budget Paper 4, Volume 3, page 132, and the issue of social inclusion, in particular the Commissioner for Social Inclusion. What were David Cappelletti's total payments from the government in the years 2009-10 and 2010-11? Are they exactly the same amounts as the total payments for his role as Commissioner for Social Inclusion, or does he receive anything beyond payment for his position as Commissioner for Social Inclusion from the government?

**The Hon. M.D. RANN:** I might have to take those details on notice. I have to say that I do not know anybody who works harder than David Cappelletti. I do not know anybody who has a greater commitment to disadvantaged people in our state. His workload is phenomenal. Of course, we have just seen some of the things that we have just highlighted in terms of Aboriginal employment, but also in terms of the work through Common Ground—we are the only state to have a big drop in people sleeping rough, homeless, in our city—and also in the spectacular work that Social Inclusion does.

The Education Department has raised the school retention rate by personalising the curriculum in a way that has seen a 16-year high, from memory, in young people completing year 12, and in a whole range of areas. In his Stepping Up report, in terms of mental health, we have invested \$300 million. At Marion on the weekend we opened not only the GP Plus centre, but also the mental health centre there. Work is well under way at the Glenside site for the new 130-bed mental hospital. There are building works going on all around the city and country areas in terms of building mental health facilities.

The value of David Cappelletti has been recognised nationally, with prime minister Gillard appointing David Cappelletti to be the deputy chair of the national Social Inclusion Board and initiative and, indeed, he has also been appointed to head up the federal government initiatives on mental health, reforms on mental health. We saw a great result of that in the most recent federal budget. Finally, David Cappelletti and Patrick McGorry have been invited to address COAG. It is an extraordinary thing for someone from outside to be allowed to address COAG, but they will be addressing COAG on, I think, 15 July on mental health reform.

The Office of the Commissioner for Social Inclusion's budget of \$350,000 covered, obviously, the salary cost for the commissioner plus extra staff (including an executive assistant and an executive officer), accommodation, general administration, and so on. I will get a report on the actual breakdown for the honourable member.

**Mrs REDMOND:** Perhaps, just from that bit of information, could the Premier please advise how much of the \$350,000 is David Cappelletti's salary?

**The Hon. M.D. RANN:** That is what I said I would get—a breakdown. I think it has been made public before, but I am happy to get that; we just do not have the figure here.

**Mrs REDMOND:** I appreciate that you are going to get detailed information on notice, but can you at least tell us whether David Cappelletti receives any other payment from the government beyond his payment as Commissioner for Social Inclusion?

**The Hon. M.D. RANN:** At one stage, I think that he was paid, along with everybody else (apart from public servants), as a member of the EDB, but I understand he is now an honorary member of the EDB.

**Mrs REDMOND:** So there are no other payments to David Cappelletti beyond his role as social inclusion commissioner?

**The Hon. M.D. RANN:** As I understand it, that is right. I will check that out.

**Mrs REDMOND:** On Monsignor Cappelletti's recent trip to the ALP conference in New Zealand, why were government resources used to make the arrangements for that trip in terms of the bookings? I know they were not paid and there was a reimbursement and so on, but I want to know why government resources were used to arrange for David Cappelletti to attend a Labor Party conference.

**The Hon. M.D. RANN:** I know that he has addressed groups from all parties. He was invited by the New Zealand Labor Party, not the ALP, to be the keynote speaker in a social justice forum in Rotorua, and he basically detailed what occurred here. I understand his airfares and accommodation—I think it was one day, maybe two days—were paid for by the New Zealand

Labor Party. I should say that my own airfares, because I was the keynote speaker at the conference, were paid by me.

**Mrs REDMOND:** The question was: why were government resources used to make the arrangements for his travel?

**The Hon. M.D. RANN:** You mean someone making a phone call for the booking? I will find that out.

**Mrs REDMOND:** I am sure the people in travel think that they do a bit more than that, and I am curious, if the New Zealand Labor Party was paying for him to attend the conference, why government resources were used for a priest to go to a Labor Party conference in New Zealand?

**The Hon. M.D. RANN:** I think he was invited as the social inclusion commissioner, not as a priest.

**Mrs REDMOND:** In relation to the Social Inclusion Unit, can the Premier advise how many public servants were employed in the current year and how many are budgeted for in the next year?

**The Hon. M.D. RANN:** Funding for the Social Inclusion Unit in the 2010-11 financial year was \$8.547 million. Funding for 2009-10 was \$8.6 million. Program funding for the 2010-11 financial year was \$5.7 million, with \$5 million allocated to the integrated economic disadvantage and disability programs. The balance of \$2.8 million covers operating costs for employees and supplies, as well as services to support the work of the unit, the work of the Social Inclusion Board, the Commissioner for Social Inclusion and the Commissioner for Aboriginal Engagement. I will be able to get more details for the leader.

**Mrs VLAHOS:** I would like to ask a question of the minister in regard to government advertising and a reduction in it. I refer to Budget Paper 4, Volume 3, page 147 (I hope I am in the right section). The cost of government advertising is a point of ongoing discussion. Can the minister outline some of the changes in the way in which the government is advertising that are having an impact on cost and efficiency?

**The Hon. M.D. RANN:** On 25 March 2010, just days after the last state election, I announced the suspension of a wide range of government advertising pending the recommendations of the Sustainable Budget Commission. I think everyone would be aware that there was criticism (media criticism, political criticism and public criticism) of the amount of expenditure on government advertising, and I addressed that at the time of my announcement.

My directive to suspend many categories of government advertising caused immediate changes in the attitude and behaviours of government agencies to advertising. By the six months of suspension, the cost to government for advertising was \$7 million less than for the same period the previous year.

In September 2010, the Sustainable Budget Commission recommended for consideration by the government that the Department of the Premier and Cabinet revise the advertising guidelines so that the current terms of the suspension of advertising become permanent procedures. We adopted this recommendation, and I am very pleased to report and to announce today that, by the end of April 2011, expenditure on media, expenditure on government advertising, had reduced by \$9 million compared to the same period for the previous year.

In recognition of the significant downturn in media and government advertising arising from the suspension, the 2010-11 state budget included a measure to provide savings across government of \$18 million over four years from the reduction in government advertising. The government is constantly assessing community and media trends and attitudes to ensure that it is using the most efficient media channels to reach the target market.

This government understands that it is not limited to broadcast a message through traditional medias of print, television and radio to reach the widest possible audience, because the diversification of the media industry has provided many and varied media choices, which in most cases permit a much more targeted audience reach.

This government has a short-term priority to migrate a significant amount of its advertising from higher-cost traditional media, such as television and print, to more cost-effective media, such as online platforms. One way in which we seek to achieve this is through the Master Media Agency agreement (known as the MMA), which has key performance indicators for the contracted agencies to transact more government advertising online.

The Master Media Agency contract arrangement ensures that the government is always paying the best possible price for advertising. It also applies a professional assessment to all proposed advertising activities so that the best value and most appropriate media are chosen. The government has been able to negotiate significant discounts with traditional media based on the volume of advertising we purchase.

In this financial year, the government spend on television advertising is forecast to be 20 per cent lower than last year, radio will be 35 per cent lower than last year and print is 36 per cent lower. Online spend is forecast to be the same, however, the volume and incidence have increased. The amount of spend has remained the same because of the additional discounts applicable to the increased volume. Effectively, this equates to more 'bang for our buck'.

Other forms of media, such as outdoor and cinema, which comprise a lesser proportion of total spend, have remained unchanged. As a further measure, we have restricted recruitment advertising to online platforms and the composite advertising in *The Advertiser*. Similarly, there is now no tender advertising, except for those of significant value to the state, such as the tender for bus service providers for our public transport network.

We have also restricted public notices to those which are acquired by law. Overall, the government believes that where it can be advertised to the same market online it is not necessary to advertise in any other media. Social media is also an area of increased interest to government. It permits not only a cost effective way to serve messages but also can encourage interaction.

With respect to the current status, on 18 April, cabinet approved the methodology and process for the allocation of budget savings targets to government agencies. Functional advertising spend has been identified as the benchmark for the calculation of the recovery methodology. Notwithstanding this benchmark, agency heads may apply the savings allocation to any part of their agency budget.

The recovery has been apportioned to each government agency according to their share of total spend in functional media for the 2009-10 financial period. So, what we saw was criticism that the government was spending far too much money on government advertising in print, television and radio, and very quickly we have cut millions of dollars of expenditure, which I know will be welcomed by our critics.

**Mr VENNING:** Has the government cut expenditure in the Premier's department to the same extent that it has for the rest of the departments, particularly in relation to the public relations outfit, the so-called spin team?

**The Hon. M.D. RANN:** You will be very pleased to hear that we have cut massively government advertising worth many, many millions of dollars. I will ask Jim Hallion to respond.

**Mr HALLION:** The savings targets were applied across all departments, and the measures were both of a specific nature, so you will see a drop in the department's budget. In fact, it is probably most closely shown when we look at the actual savings targets that have been applied to the agency. In the 2010-11 budget, for example, there are full-time equivalent savings of \$22 million in a full year applied to the Department of the Premier and Cabinet, and they are effective from 1 January 2013. This itself equates to \$1.7 million per annum in savings.

Of course, you would also be aware that there were significant savings targets applied from the 2010-11 budget as a result of the Sustainable Budget Commission. The Department of the Premier and Cabinet incurred a savings target from that process of \$28.4 million by 2013-14. That has two parts: \$22 million of that was in the specific savings measures and \$6.4 million was in general efficiency measures across the department.

If you look at the total of those measures, from 2010-11 through to 2013-14 (which is the period when the 2010-11 budget obviously applied from), and add the 2011-12 budget, the total savings targets start at about \$7.4 million in 2010-11 and rise to a total of \$28.4 million in 2013-14, so that is where the \$22 million and the \$6.4 million that I raised earlier came from; if you add those two together, you get the \$28.4 million. The department certainly has a substantial and significant savings task applied to it, and certainly we are going through the process of allocating those savings targets on a year-by-year basis.

**Mr VENNING:** Could I seek clarification: are those cuts to do with the media section of that department, or is it right across?

**The Hon. M.D. RANN:** It is across the board. All parts of the system, including my own office, have to take their share, just as the Governor's Establishment did. The only area I know of

that has an increase is the opposition. I think we gave some extra money for the opposition; we made sure that you were not affected.

I have more information. The 2011-12 budget is estimated to be \$378,000 lower than the 2010-11 budget. This mainly reflects the budget improvement measure approved as part of the 2010-11 budget for the reduction in ministerial office expenditure, partly offset by indexation and salary variations. I am advised that FTEs for 2011-12 are estimated to be 6.5 FTEs lower than the estimated FTEs for 2010-11. This, too, predominantly reflects the budget improvement measure approved as part of the 2010-11 budget associated with a reduction in ministerial office expenditure across all ministers—all ministers, their offices and the ministerial advisers area. Everybody had to take on cuts, but we exempted the opposition.

**Ms BEDFORD:** My question is to the Premier, and I refer to Budget Paper 4, Volume 3, page 147. What is the benefit of the Premier's ANZAC Spirit School Prize?

**The Hon. M.D. RANN:** I am very pleased that the member for Florey has raised this question. The member for Florey has put an extraordinary amount of work over many years into veterans, particularly Vietnam veterans. She has been a great supporter of the cause of veterans and the honouring of their service.

The prize aims to encourage young South Australians to recognise, connect and maintained the ANZAC spirit by providing an opportunity to travel to the Somme battlefields of Belgium and France to examine and empathise with the remarkable sacrifices of Australian service men and women during the Great War of 1914-18.

The tour provides an educational learning experience, not simply about battles won or lost but a broader understanding of the conditions in which soldiers fought and repercussions of the war for Australia—that is, financial; generational manpower; the physical and mental incapacities of returned soldiers; the impact of war on European countries; a study of poetry written in loss or anger; and the impact, of course, most of all, on families, relatives and loved ones. It also provides an appreciation of the supreme sacrifice for the lifestyle that we enjoy today and the responsibility that we have to respect those who gave us the opportunities now available.

The students visit the townships of Dernancourt and Villers-Bretonneux, where streets and public buildings have Australian references in commemoration and gratitude to the ANZACs. These and other memorials provide, during their travel, an understanding of the importance of remembrance especially in their own country. The tour provides to the students a window of possibilities for their own future, exposure to potential career choices, further international travel and the advantage of a second language. To date, 32 students and 10 teachers have travelled on the five tours, perpetuating further school interest in providing presentations within their communities and beyond.

When I initiated this, I borrowed the idea from Geoff Gallop in Western Australia, and I have been incredibly moved by the letters, cards and speeches of the young people who have won the prize. This has a profound impact on their lives. They come back and all of those I have met have told me how it has changed their lives forever. We had a situation at one stage where, for a number of years the students would find the grave of a digger from South Australia, research their story and their family history, find out what happened to them and how it happened, and also, very poignantly, come back to South Australia and, where possible, locate their relatives.

We have also seen services that are conducted at each gravesite. I remember former education minister Jane Lomax-Smith and I sitting in the Speaker's Dining Room one night, hearing the stories of these young people. I think we can be very proud of our young people from public and private schools, from city and regional areas, who have gone. They represent us with great dignity and interest, and as I said, it changes their lives forever.

The tour is not a singular experience for a recipient but one which permeates throughout families, schools and communities—because they come and tell their stories to local schools, they go to local service clubs and talk about their experiences—ensuring that the story of the ANZAC spirit remains not only relevant and real but is perpetuated in the strongest possible way. It becomes a personal story.

The tour also encourages a lifelong learning of history, where the tour teachers are able to incorporate past world events into the learning experiences due to the travel locations (i.e., not only talking about World War I, but also World War II). In fact, a number of the students generally go to the Churchill Museum, which is just off St James's Park in Whitehall. It is an interactive museum—one of the best in the world—and it also houses the cabinet war rooms that were held

underground. They also visit the Imperial War Museum. So, this is a program of which we can be proud but, more importantly, the young people involved are exemplary, and South Australians can be proud of them.

**Mrs REDMOND:** Just before I ask this next question, could I perhaps put on the record, in response to the Premier's comment about the increase in budget for the Leader's office, that the request for an increase in budget was invited from the Premier and then-deputy premier and treasurer, and a submission was made on the basis of the historical situation having been that the Leader of the Opposition's office was funded at the same rate as a minister's office, and the amount made available as extra was about one tenth of what would have brought the office of the opposition up to the level of a minister.

**The Hon. M.D. RANN:** I cannot remember getting that sort of money when I was leader of the opposition, can I tell you that.

**Mrs REDMOND:** Can I ask, Madam Chair, going back to page 132 of Budget Paper 4, Volume 3: could the Premier advise who is currently on the Social Inclusion Board, and what is the total budget for board fees in 2011-12?

**The Hon. M.D. RANN:** We will get that material. I understand that it is not regarded as a high fee by any stretch. It is not like the many other areas of government boards, even though it is a very dedicated and hard-working board. But, we will get that figure for you.

**Mrs REDMOND:** Premier, I am not suggesting that it is not hard-working and dedicated, and I assume, in fact, that all government-appointed boards are, indeed, hard-working and dedicated, and nor was I suggesting that they are over-paid. I just wanted to know how much it is.

**The Hon. M.D. RANN:** I understand that, and I did not take that inference.

**Mrs REDMOND:** I refer to the bottom of page 132 and to the top of page 133. The bottom of page 132 has the expenses for Social Inclusion, and I was a little surprised at first, to see that they had gone down by \$2.1 million. But then, at the top of page 133, there is an explanation saying that:

The \$2.1 million decrease in expenses is primarily due to the transfer of the Choices and Connections Better Pathways Service Approach for Young People with Disabilities initiative to the Department of Education and Children's Services from 2011-12 (\$2.4 million).

So, I wondered why there is a discrepancy between the \$2.4 million transferred out, and the \$2.1 million decrease in expenses.

**The Hon. M.D. RANN:** I have been advised that it is mainly due to indexation. When Social Inclusion made recommendations, for instance, for the 'Stepping Up' report, in which we have invested \$300 million, we do not hand over the \$300 million to Social Inclusion; it goes through the Health budget. It is the same in terms of the incredible work that has been done in terms of the retention rate in our schools. Social Inclusion gets things going; it is the reformist, it is the innovation and then, obviously, these services are then mainstreamed. But I will just ask Mr Hallion to give any further details.

**Mr HALLION:** Thank you, Premier. I think the primary change really was in the area that the Premier made. If you are looking at, for example, the 2011-12 budget compared with the 2010-11 estimated result, the 2011-12 budget has a lower net cost of service when compared with 2010-11, primarily due to the budget improvement measures. There were savings measures applied to this area as well as all other areas of the department, and the provision of one-off funding in 2010-11 associated with an employee termination payment as well, I think. So, they are the main reasons for the movement in that area.

**Mrs REDMOND:** Can I clarify something, because with respect, Mr Hallion, I think you have confused me more than explained it. My understanding of that reduction from the estimated result for expenses in 2010-11 to the budget in 2011-12 being so much lower was the explanation at the top of the next page, which is primarily the transfer of a program.

**Mr HALLION:** Yes.

**Mrs REDMOND:** Could I get a clarification then as to why there is such a change in the income on the next line at the bottom of page 132? We have gone from the 2009-10 actual income of \$1.1 million to nothing budgeted in 2010-11, to an estimated result of \$750,000 in the current year and then to less than half of that for the budget for this year. Is there some sort of rationale as to why that is changing so dramatically, that last line?

**Mr HALLION:** I am certainly happy to draw your attention to the movements in income. If we take the movement between the 2011-12 budget and the 2010-11 estimated result as a starting point, that is about a \$0.4 million decrease and that was primarily due to one-off funding provided in 2010-11 for the Alcohol Education and Rehabilitation Foundation funding. So, that explains the movement between those two areas.

The other big area of change was between the 2009-10 actual and the 2010-11 budget. I think the prime reason for that is also identified on page 133 of the budget papers. When you look through the 2010-11 estimated result versus the 2009-10 actual you will see that there are a series of offsets that are listed there. So, there has been quite a movement in that income number, but the major variations are explained in the middle of page 133.

**The Hon. S.W. KEY:** Premier, first of all can I say that I would like to take us back to the sustainability and climate change part of your portfolio and acknowledge that you are the first climate change minister, certainly as a leader as well, I understand, in the southern hemisphere at least.

*Mr Venning interjecting:*

**The Hon. S.W. KEY:** No, there have been some others who have followed the Premier's lead. I thought the Premier was the first in the world but I did not want to over-emphasise the importance of the position.

**The Hon. M.D. RANN:** I have always been too modest and humble to mention it before. Apparently that is right, but I have not checked that. There is now a proliferation of climate change ministers.

**The Hon. S.W. KEY:** Yes, which is excellent and I am glad to see that South Australia is leading the way in the area of climate change and sustainability. I refer to a couple of pages on from where the Leader of the Opposition was, Budget Paper 4, Volume 3, page 134, under strategic policy initiatives. I know we have had some discussion about some of the initiatives in this area, but I am wondering, Premier, whether you can follow up on the state's wind energy industry, which I think, again, is a great record for us.

**The Hon. M.D. RANN:** As I mentioned at the outset, on 23 June, I informed parliament that the state government intends to address the uncertainty created for communities in the wind industry by the recent Environment, Resources and Development Court decision on the proposed Allendale wind farm in the state's South-East. Wind energy is a sector that has achieved enormous growth in our state since 2002 and has driven South Australia's success in increasing our renewable energy generation capacity.

As I mentioned before, South Australia now has more than 20 per cent of its annual electricity production coming from renewable energy. That means that we have achieved the federal government's national target nine years ahead of schedule and our own ambitious 2014 target three years ahead of schedule. In the process, South Australia has benefitted from billions of dollars of private sector investment in wind farms.

The Allendale decision upheld a court appeal against the wind farm proceeding on the basis of impacts to visual amenity. This judgement, like an earlier judgement on a wind farm proposed for the Mid North, dismissed all other objections relating to alleged impacts, such as noise, flicker and bird strikes. Of course, I remember there was a demonstration, at the opening of either the last wind farm or the one before, where people were saying that by embracing renewable energy we are encouraging bedwetting.

The decision by the court to accept the arguments about visual amenity has created significant uncertainty for the industry in this state and nationally. It is not in the interests of communities, the clean energy industry or the state's economy for this uncertainty to prevail. The government will be announcing its response in the near future, and this will include entering into a dialogue with the main parties involved. In the meantime, we recognise that many communities and investors are looking to the South Australian government to maintain its leadership position in supporting investment in clean industry and the jobs that go with it. I know I get criticised for repeating this, but we have now gone from 51.5 per cent of the nation's wind-power generation to 54 per cent.

In doing that, the government, of course, is mindful that many of the communities have questions and concerns they would like to raise. To assist, RenewablesSA will be engaging a liaison manager this year to act as a sounding board for communities as well as a source of information and advice. The initial focus of this person's work will be on the state's Mid North, a

province for wind energy that rates amongst the leading provinces in the world. The appointee will be someone from the area who will work closely with the central region of the Local Government Association and its member councils.

The government values the role played by councils in working with their communities on issues relating to wind farms, and we see this appointment as another step in securing greater collaboration between the two spheres of government. I have to say that at one of the protests I saw I was told that some of the people who were protesting against the wind farm development had actually applied for their farm to host a wind farm but were knocked back for a neighbour. Whether this is an apocryphal story, I am not sure, but that is what the locals told me.

In addition, at the same time as the bedwetting protests—that Mike Rann was causing bedwetting in the Mid North because of my obsession with renewable energy—I noticed that one of the leaders of the protests was a very prominent person in the anti-uranium movement in the 1970s and 1980s and also, as I understand it, had been a major opponent of the coal industry and is now a major opponent of the renewable energy industry. I am not quite sure what powers her house.

I was asked a question about the social inclusion commissioner's budget, and \$131,000 has been budgeted for the commissioner's salary, inclusive of on-costs. I think that has been made public before, but \$131,000 has been budgeted for the Commissioner of Social Inclusion's salary, inclusive of on-costs. There are 15.8 FTEs, and that would include Monsignor Cappo, in the Social Inclusion Unit.

**The Hon. S.W. KEY:** To supplement the question I have just asked the Premier, I notice that on page 135 there is mention of the Green Grid project and also the possibility of large-scale wind investment. I do not know how that will affect the bedwetting issue, certainly on Eyre Peninsula. I am just wondering whether you could make some further comments on that.

**The Hon. M.D. RANN:** From the time that the government commissioned the original Green Grid study, we recognised that this was a project requiring long lead times and considerable development. The government and four companies that expressed investment interest meet on a regular basis to progress common issues such as regulatory reform and the means of attracting commonwealth government funding for new transmission lines. Two immediate priorities are to lift the profile of the project and generate additional quality data that quantify advantages and underpin the case for the Green Grid. To that end, RenewablesSA will be commissioning two additional studies.

The first will quantify the benefit to Australia of this greenfields project proceeding. It will focus specifically on showing the potential of Green Grid to offer a lower cost means for the nation to meet the commonwealth's 20 per cent renewable energy target. The point of this is that we have already reached that target as a state, but there could be considerable potential for us to feed-in to the national grid for the eastern seaboard, so that we can help those states reach the 20 per cent quota—in other words, so the nation reaches it. We would become the hub, the engine room, of renewable energy. Obviously that requires transmission.

What the original study showed was that there was enormous wind prospectivity on Eyre Peninsula, but the impediment to further growth, of a major scale, worth billions of dollars, was the need to upgrade transmission lines. This is obviously something that we have been talking to the commonwealth about, particularly to Martin Ferguson and also other ministers.

The second study will be a groundbreaking examination of the economics of electricity storage. It will focus specifically on Eyre Peninsula wind farm economics, potential for demand from mining, for instance, and other economic development opportunities. People would be aware, for instance, that the desal plant to service Adelaide will be 100 per cent powered by renewable energy. Also, of course, for the proposed Olympic Dam expansion, the desal plant that is being proposed by BHP Billiton is also following the supplementary EIS which suggested that it be 100 per cent powered by renewable energy, not just for the operations of the desal plant but also for the pumping of water up to Olympic Dam, the hundreds of kilometres.

This study will identify trade-offs between storage and investment in new transmission facilities. This will assist in understanding the potential of Green Grid to help support the economics of potential projects in the region, including new mining projects. These two studies represent another step forward in the Green Grid process, and I look forward to announcing the results later this year.

The economics of opening up a whole new province for wind generation in sparsely populated parts of Eyre Peninsula are becoming increasingly attractive. The economics compare

with the costs of installing new wind farms in areas close to existing transmission facilities. Costs of installations close to transmission lines are rising as the best available sites get taken up and as developers are needing to make further accommodations to satisfy local planning authorities. The advantages that Green Grid offers will become greater as the impact of these factors grow.

**The Hon. S.W. KEY:** As the Premier would be aware, I am the chair of the Natural Resources Committee of parliament. We have obviously be looking at the issues particularly to do with renewable energy. I refer to page 134, in relation to renewable energy. Can the Premier comment on the progress with regard to geothermal energy? We did have a report on our committee quite some time ago, but I am hoping there has been some progress in that area.

**The Hon. M.D. RANN:** Yes. Thank you for that question. South Australia is home to 87 per cent of Australia's total investment in geothermal energy development to date. This is due to the combined impact of South Australia's highly prospective geothermal resources plus a very, very supportive regulatory framework, which, in areas bordering with other states and territories, makes it easier for companies to choose to invest their development and research, worth hundreds of millions of dollars, in this state rather than across our borders.

To further support South Australia's highly prospective geothermal industry, the state government and the University of Adelaide joined forces to create a hub of geothermal energy research. This commenced in 2009, with the government providing a foundation grant of \$1.6 million for the establishment of the South Australian Centre for Geothermal Energy Research at the University of Adelaide. The centre's mission is to establish a world-class hub for practical, high priority geothermal energy research. It is now up and running under the capable leadership of its director, Dr Martin Hand. Clearly, it is in South Australia's interests to support the development of this nascent but very promising industry.

I am delighted to announce today that the government will be contributing a further \$2 million to the centre. \$1 million of the funds will be made available from the renewable energy fund which is overseen by the board of RenewablesSA. A further \$1 million will come from the departments of primary industry and resources and trade and economic development. This financial support will be applied specifically to developing tools for imaging geothermal reservoirs, improving simulation of fluid flows in the reservoirs and mapping fracture systems.

These areas have been identified as key elements in advancing the success of commercial geothermal energy generation in our state. The establishment of a vibrant local research hub was designed to complement the work previously done to provide best practice regulation. Geothermal energy offers great promise to the future energy profile and economy of our state and nation.

This new funding will help to place the Centre for Geothermal Energy Research at the leading edge of geothermal research, providing the base of support needed to achieve the centre's ambition of being a centre of international standing. Hundreds of millions have already been invested, particularly near the Innamincka area, in other areas close to the Beverley mine and also in the South-East where, of course, the hot water is much closer to the surface. Also, it is near Penola, which is within about 7 kilometres of the national transition line.

At the moment we are talking about hot rocks and also well shafts that have been dug to 4,000 metres. This is world-leading research and development and, if this is cracked, as I expect it will be, then it offers massive potential for billions of dollars of investment to produce electricity on a continuous basis, not affected by the weather, sunlight or wind. It would be pure renewable energy that is totally emission-free. Of course, that will be of massive international significance.

**Mrs REDMOND:** If we could we go back to page 133 and the explanation that Mr Hallion very kindly gave about the change in income shown at the bottom of page 132. In about the middle of page 133 there is a reference, in explaining that, to funding provided in 2009-10 from the Alcohol Education and Rehabilitation Foundation for building capacity in the South Australian community project. Can I ask: what is the Alcohol Education and Rehabilitation Foundation? Is that what is set up by the AHA with money that it uses, or is it an independent foundation?

**The Hon. M.D. RANN:** No. I think it was set up by the Howard government. There was a very distinguished professor who was, certainly at one stage, the chair. As I understand it, the Alcohol Education and Rehabilitation Foundation is a national federal body which looks at investing in projects that work around the nation. We have received, as I understand it, this funding from that independent federal body that has a range of distinguished people on it. From my memory, leader, and I will correct it if I am wrong, I first became aware of this foundation during the time of the Howard government.



**Mrs REDMOND:** On that same page, page 133, the second-last dot point refers to the Social Inclusion Committee of cabinet and then refers also to 'chief executive groups to facilitate a coordinated government approach'. Can you tell me who is on the Social Inclusion Committee of cabinet and what rights, authorities and functions does it have?

**The Hon. M.D. RANN:** Obviously, there is a Social Inclusion Board, which is chaired by Monsignor David Cappelletti and which includes Bettina Cass (who, of course, is nationally renowned), Kerry Colbung, Bill Cossey, Graeme Hugo, Mary Patetsos, Margaret Wagstaff, Lorna Hallahan, Pauline Peel (who is the deputy head of my department) and Mark Halsey. That is the board.

We also have a cabinet subcommittee which looks at social inclusion and which is chaired by me and which includes a number of ministers, because, obviously, the whole point of social inclusion is, rather than working in isolation, to have joined-up solutions. The people on the committee include ministers such as the Minister for Education, the Minister for Families and Communities, the Minister for Aboriginal Affairs and Reconciliation, the Minister for Correctional Services, the Treasurer, the Attorney-General and me.

Also, there was a question before about what was the total cost of board fees for the Social Inclusion Board, that is, for all members. To 17 June, for the financial year the total cost is \$84,720. I neglected to mention that the Leader of the Government in the upper house, the Minister for Women (Hon. Gail Gago), is also a member of the social inclusion cabinet committee.

What happens is that, with respect to a social inclusion initiative, when David Cappelletti is coming with a recommendation—for instance, for \$300 million of funding to reform mental health, or when he comes with a recommendation for saving the Parks Community Centre and reinvesting in it—it comes, obviously, to me as Minister for Social Inclusion, but then, because of the number of different agencies and ministers who are involved, it goes to the social inclusion subcommittee of cabinet.

**Mrs REDMOND:** I refer to Budget Paper 3, page 21. The first dot point at the top of the page refers to the closure of the Parks Community Centre as being one of two savings measures that are no longer progressing. Of course, just recently there was an announcement, again by Monsignor Cappelletti, I think, that the Parks Community Centre is now to undergo a \$25 million redevelopment.

Is that all to be provided by the government, and over what period of time, and can the Premier tell me where it is in the budget?

**The CHAIR:** Premier, sorry, before you begin that statement, I do apologise: we are nearly on 6 o'clock. I am just letting you know.

**The Hon. M.D. RANN:** Shall I just—

**The CHAIR:** Yes, go for it, but you can take it on notice.

**The Hon. M.D. RANN:** In October last year, I asked the Commissioner for Social Inclusion, David Cappelletti, to conduct a review of the future of the Parks Community Centre. According to the report, more than 650 people participated in the consultation process, including receiving written submissions and holding meetings with community members, users of the site, the Mayor of the City of Port Adelaide Enfield and the city manager.

The commissioner completed his report, titled *The Parks Community Centre: A Practical Approach for the Future*. The report sets out a vision to change the Parks Community Centre from a welfare centre into a community hub with recreation and sports facilities, a children's centre, a library and community centre and residential and retail options.

The report recommends the construction of a new indoor swimming pool, new playing fields and clubrooms, a new health centre, and a new library with community meeting rooms, refurbishment and extension of the sports and fitness centre and children's centre, and demolition of outmoded buildings.

According to the commissioner's report, implementation of the plan's recommendations is costed at \$24,850,000 with a recoup of \$10,352,000 from the sale of land, leaving a total cost to government of about \$14,498,000. The report also proposes that the David Campbell Performing Arts Centre at the decommissioned Ross Smith High School be retained and re-purposed as a community theatre and arts and craft space. This will entail an additional amount which is yet to be costed.

I am advised that as of 24 June approximately \$78,439.79 has been expended to conduct the consultation process and produce the report. The current status is that we have released the report and a four-year period of community feedback on the plan's recommendations has begun. It was not in the budget because it was not heard by the cabinet subcommittee (let alone cabinet) until after the budget came down, and we cannot do things retrospectively.

The Governor has responded to the report with strong support for the concept plan. However, implementation of Monsignor Cappelletti's report, as was said last week, depends on a partnership with the Port Adelaide Enfield council and the local community. Deputy Premier John Rau is coordinating the government's multi-agency response to Monsignor Cappelletti's report, including working closely with the council and the local community on its implementation.

Support of the council and the local community is needed to make the concept a reality. Key stakeholders in the local community are being encouraged to provide feedback through the Social Inclusion Unit about the report until about 22 July. The register of interest for sporting organisations or clubs interested in using the new sports hub as a home base is also being coordinated by the Office for Recreation and Sport. A critical factor for success of the plan is that Port Adelaide Enfield council submit an adjacent parcel of land to the new centre. The government is committed to making the vision of the report a reality but this hinges on the result of these consultations, conversations with the council and the response from the community.

As I say, we will make a substantial investment in the Parks Community Centre; there is absolutely no doubt about that. It will never close; it will be enhanced, made better and more relevant. It will be a much better centre but I will not insult local people by making announcements before consultation has been concluded, and it has only just started.

**The CHAIR:** Thank you, Premier. I declare the examination of the proposed payments adjourned.

**The Hon. M.D. RANN:** A point of clarification: I said that the budget for Social Inclusion Board fees was \$84,720. That is what was budgeted, but I am very pleased to announce that only \$53,042 of that was actually spent.

**The CHAIR:** Thank you. I declare the examination of the proposed payments adjourned and referred to Estimates Committee B.

*[Sitting suspended from 18:03 to 19:01]*

#### **Membership:**

Mr Griffiths substituted for Mrs Redmond.

Mr van Holst Pellekaan substituted for Mr Pederick.

Mr Treloar substituted for Mr Venning.

#### **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. K.O. Foley, Minister for Defence Industries, Minister for Police, Minister for Emergency Services, Minister for Motor Sport, Minister Assisting the Premier with the Olympic Dam Expansion Project.

#### **Departmental Advisers:**

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

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

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

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

Mr P. Heithersay, Chief Executive, Olympic Dam Task Force.

Mr P. Robinson, Director, Economic Development Board.

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

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

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

**The CHAIR:** Appearing this evening we have the Minister for Economic Development and the Minister Assisting the Premier with the Olympic Dam Expansion Project. I think that every single person here has sat through various different versions of me saying what we do and do not do in estimates. If anybody has a question please feel free to ask, but I think you probably know. Premier or minister, do you have an opening statement?

**The Hon. M.D. RANN:** I have a brief opening statement. At the start of this second decade of a new century, the South Australian economy has unprecedented opportunities for growth. South Australia's Economic Development Board (EDB) is a key independent adviser on the state's economic development, and has pointed out that we are now moving towards the future of sustained, economic prosperity. It is certainly a lot different to what minister Foley and I were presented with nine years and three months ago.

For the first time in decades, South Australia can expect to outperform the nation in a range of economic indicators, from overall growth to employment and private sector investment. The game changer, what has brought about such a dramatic turnaround in our prospects, has been the phenomenal growth in the number and value of major projects, led by, but not confined to, our mega projects in defence and in minerals and resources.

As reported in the Major Developments Directory last year, South Australia has more than \$80 billion worth of projects either underway or in the pipeline, creating jobs, opportunities and wealth for businesses, employees and communities across the state. That is a strong increase on the \$71.5 billion announced in 2009. It is almost double the \$44.8 billion worth of projects outlined in 2007; and over five times the 2004 total, when we first compiled a directory of major projects. Private new capital expenditure reached an all-time high in the year to March 2011 to be 21 per cent higher than the year before. This was almost double the nation's rise of 11 per cent.

I will just put that back there, and let's just have a look at this: private new capital expenditure reached an all-time high in the year to March 2011 to be 21 per cent higher than the year before. This was almost double the nation's rise of 11 per cent. In its report for the December quarter, the ABS stated, 'Business expectations are for investment spending to rise a further 21 per cent in 2011-12.' That is not us, that is the Australian Bureau of Statistics.

Total employment is also at an all-time high, with 821,500 South Australians in a job in May. Overall, South Australia's total employment growth in the past nine years has been more than double that of the previous decade. Full-time employment is well on the way to recovery to pre-GFC levels, with 554,600 jobs in May 2011—a new record high. Unemployment is at historically low levels—a 5.4 per cent trend with nearly record-high workforce participation at 63.7 per cent in May 2011. South Australia's improving performance sees us dramatically improving against our own past.

Total employment growth in the past decade is more than double the rate of the decade before, while the corresponding growth in full-time employment is around 20 times stronger than in the 1990s decade. Let me just say that again because I want everyone to know this. This is really important because all of us, both sides of politics, want our state to go ahead: full-time employment growth is around 20 times stronger than the 1990s decade—20 times stronger, not 20 per cent but 20 times—and we are progressively closing the gap between our performance and the nation's.

Exports have rebounded strongly. We have the nation's second-fastest growth rate after Western Australia. I wish to inform the committee that this state has hit a new all-time record for exports of \$10.7 billion in the year to April 2011, with annual growth at 35.5 per cent. The previous record of \$10.5 billion was in the year to November 2008, before the impact of the global financial crisis had begun to be felt.

The government has been reviewing and revising our priorities so that we are in the best position to help South Australian businesses. We have made giant strides. It has been not from good luck but from working to a plan to get the major projects here in South Australia in the first

place. Now we must work with a strong focus on building the value chain from these major projects, capturing the highest value-added activities and anchoring them here in South Australia.

We are endeavouring to leverage our immense mining sector's future growth to ensure that we capture the opportunities to provide the high-value manufactures, technologies and services that the mining industry will require from companies here in South Australia. We are endeavouring to leverage our leadership in the future use of renewable energy to build clean technologies, manufacturing and services capabilities here in South Australia.

I would like to thank minister Foley, as treasurer, and in his other areas of defence and also on Olympic Dam, for being a major force for good and for growth.

**The Hon. K.O. FOLEY:** My modesty, Premier, would preclude me from reinforcing those comments.

**Ms BEDFORD:** Or accepting the accolade.

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

**Ms BEDFORD:** Not that modest.

**Mr VAN HOLST PELLEKAAN:** Not that modest.

**Mr GRIFFITHS:** May I commence, Madam Chair?

**The CHAIR:** Member for Goyder, don't you want to listen to this love-fest?

**Mr GRIFFITHS:** No, I am just about over it, but I do appreciate some of the fine words that were said. Can I pose a question to the Premier based on some of the comments made in his opening remarks? Therefore, they are not prefaced against anything in the budget particularly but against what the Premier has just said.

**The CHAIR:** Well they are, really, because of course, you are talking about the Department of Trade and Economic Development.

**Mr GRIFFITHS:** It will only be short.

*Members interjecting:*

**The CHAIR:** The Premier is generous.

**Mr GRIFFITHS:** Premier, you referred to a percentage increase in private new capital investment expenditure. Do you have that in dollar terms?

**The Hon. M.D. RANN:** I can get that for you. I will just remind you that the figure was 21 per cent.

**Mr GRIFFITHS:** Yes, I remember what I am told, I just wondered if you had it in dollar terms.

**The Hon. M.D. RANN:** In terms of the Major Developments Directory, it gave a dollar figure of \$80 billion worth of projects, which is five times the 2004 total. I remember when Robert de Crespigny came in to see the Hon. Kevin Foley and I when we reached the \$10 billion mark.

**The Hon. K.O. FOLEY:** Yes, we thought that was big.

**The Hon. M.D. RANN:** That was supposed to be big. Then in 2004, it was \$20 billion and now it is \$80 billion. They are hard figures.

**The Hon. K.O. FOLEY:** This is seriously big stuff.

**Mr GRIFFITHS:** It is, and I was at the launch of the report and also two years ago when it was \$71.5 billion. So, yes, I have had a chance to review those.

**The Hon. K.O. FOLEY:** Thank you for your acknowledgement of our great effort.

**The CHAIR:** Budget lines.

**Mr GRIFFITHS:** Certainly. If I can refer, firstly, to Budget Paper 4, Volume 4, page 37, Program 2: Thriving Regions. It refers to Economic Development Board advice that I hope they provided to you and it is based on a budget decision from last year to remove funding from the Business Enterprise Centres from 1 July of this year and from Regional Development Australia from 1 July 2013. Did the EDB provide advice to you, as the Minister for Economic Development, on that move?

**The Hon. M.D. RANN:** There is no specific advice from the Economic Development Board that I am aware of, but we will check that out. The advice in terms of cutting those came from the Sustainable Budget Commission, with the chair of the EDB on that commission.

**Mr GRIFFITHS:** I respect that decisions were made to support some of those recommendations and then not to support other recommendations. Do you, as the responsible Minister for Economic Development, have an opinion yourself about the effect that the removal of those funds might have on regional economic growth and, indeed, suburban economic growth?

**The Hon. M.D. RANN:** I can honestly say to you that this issue has hardly been mentioned to me when I am out and about talking to businesses. I am out and about probably more than anybody in the state. I am constantly out and about. People have not grabbed me and said, 'Do you realise that cutting this initiative has damaged my business?' So, it was recommended by the Sustainable Budget Commission, which included Bruce Carter, the head of the Economic Development Board, but in terms of negative feedback, apart from the usual flurry that occurs after every budget, I have to say that it has not been an issue. I cannot remember anyone collaring me at a function and raising those issues with me. I do not know if—

**The Hon. K.O. FOLEY:** No. I have been collared over a lot of things, but never that.

**The Hon. M.D. RANN:** There is also something to add there, that this was partially offset by an increase due to the four-year effect of the Gateway program, bringing the total of the program to an ongoing \$1 million per annum and, more relevantly, an increase in funding to Business SA to support small and medium enterprises (SMEs) in trade missions, trade education, language support and translation, business matching and development of funding assistance proposals.

**Mr GRIFFITHS:** Premier, I know you are a man who is impressed by large numbers and figures, and rightly so, most of us are. I am aware that the Business Enterprise Centre network has some 70,000 telephone contacts, or person contacts, per year in suburban Adelaide. That is a vast number of businesses that are seeking opportunities to expand their business or seeking advice on how to deal with a regulatory issue. It seems to me that the withdrawal of \$1.35 million in BEC funding, which is going to take effect in just a few days, places the majority of those BECs at risk and, therefore, puts a lot more pressure upon small business to be able to respond to either an opportunity or a challenge.

**The Hon. M.D. RANN:** Sorry, I missed the last point?

**Mr GRIFFITHS:** It puts a lot more pressure upon BECs to be able to respond to an opportunity or a challenge.

**The Hon. M.D. RANN:** One of the things that we did, and obviously this is a matter that you can raise with the small business minister, is we put funding into Business SA rather than in other ways. We also provided funding to implement a sustainable delivery mechanism for the provision of services to the small-business sector. The new integrated suite of services to small business will utilise engagement with a broad range of industry sector stakeholders to help deliver small business information, guidance and skills development as well as support commonwealth and state online initiatives. I think in the 2011-12 budget there is \$924,000 and then in the following year \$631,000.

**Mr GRIFFITHS:** Relatively small figures in relation, though, to what business opportunity might be lost if there is not a support mechanism there.

**The Hon. K.O. FOLEY:** Oh, nonsense!

**Mr GRIFFITHS:** We have talked about it. Okay, I will go to my next question. I refer to Budget Paper 4, Volume 4, page 36 this time. Premier, are you able to confirm whether the Economic Development Board had previously made the recommendation that South Australian businesses be awarded major project contracts over interstate consortia in their key role to boost economic development in our state in line with the Department of Trade and Economic Development's objectives?

**The Hon. M.D. RANN:** I cannot quite hear you. I think it might be the microphone. I am finding it hard to hear.

**Mr GRIFFITHS:** Premier, has the Economic Development Board actually made recommendations to cabinet on attitudes that should be taken in considering major projects where South Australian businesses are actually in some ways disadvantaged through a variety of issues, where they find it harder to compete with opportunities from other states and where there is some

level of acceptance that they want that skill development to occur in South Australia. Is there any preparedness within an EDB recommendation to you or to cabinet to have an amount on top of what a quote would otherwise be to give a South Australian group an opportunity?

**The Hon. M.D. RANN:** We cannot break the law, Steven. It has been a law in Australia for years.

**The Hon. K.O. FOLEY:** Preference agreement.

**The Hon. M.D. RANN:** Preference agreement, and you should know that. There has been a preference agreement under Howard, under Hawke and under Liberal and Labor governments, which means that you cannot do that. However, I will give you a couple of examples of what we do. When we had the Alice Springs to Darwin railway, we had an office that worked with South Australian business to make sure that they are in the best position to legally win projects and contracts. I think about 80 per cent of the projects, from memory, on the Alice Springs to Darwin railway came to South Australian and Northern Territory firms.

Again, the same is true in terms of, for instance, the Olympic Dam mine. There was a whole series of workshops that were organised so that local businesses here in South Australia would know what is going to be available in terms of subcontracts. There are going to be thousands of subcontracts which is why we are encouraging and have actually had a delegation that went to Chile to the Escondida mine which is currently the world's biggest mine—soon to be superseded—and to go to a place like Antofagasta which is a similar distance as the feeder regional city. It used to be in Bolivia many years ago.

**The Hon. K.O. FOLEY:** But there was a war and the Chileans took it.

**The Hon. M.D. RANN:** But the distance between Antofagasta and Escondida is similar to the distance between Port Augusta and Olympic Dam. So what we are doing is we want to encourage delegations to go to Escondida and there has been at least one—Kevin Foley himself was on one of those delegations—which is about saying this is what is required. It is not just digging things out of the ground.

Those people have to be fed and have beverages. In fact, because of the possibility of earthquakes, I think they have nine days' provision ahead of time, so every morning a flotilla of semitrailers goes up the road—a two-hour drive to Escondida—to provide all the food. There is all the cleaning, the dry-cleaning and the laundry. There is the servicing of TV sets. It is about how local industries, particularly local small businesses, can maximise their opportunities to win contracts.

We have done the same thing with defence projects. I remember the submarine project years ago when Commander James Duncan, who I actually met today at the defence contract, went to a meeting of potential suppliers. I was not at the meeting, but I am told that it went like this: a whole lot of South Australian businesses were in the room, and he was talking about all the sorts of projects that would flow on and subcontracts from a marine project.

People think in terms of missiles and high tech, but a guy stood up and said, 'I don't know why have been invited here; I'm a fencing contractor. What the hell has that got to do with submarines?' Jim Duncan, I was told, with his usual colourful language, said, 'Don't you think there's going to have to be a bloody big fence around the site?' So, it is really about bringing local businesses up to speed so that they can compete and win it legally, but we cannot break the law.

**Mr GRIFFITHS:** I am grateful for that clarification, Premier. In terms of the industry participation policy, can you give me some idea of some of the initiatives that are going to be included that ensure as much as humanly possible that South Australian businesses have opportunities?

**The Hon. M.D. RANN:** That's right. We also do it in relation to jobs, such as on the Northern Expressway, ensuring, in terms of quotas, that local people get jobs—local Aboriginal people, young people who might be unemployed, trainees and apprentices. But, in terms of industry participation, I am happy to assist.

In its March 2009 economic statement, the Economic Development Board recommended a review of the South Australian industry participation policy in order to secure increased benefits from the growing number of major investments in South Australia and to assist the transition of the state economy. The Department of Trade and Economic Development led the review which assessed the effectiveness and scope of the current policy, as well as recommending areas which can be improved through both policy development and implementation.

The review undertaken by independent consultants included a cost-benefit analysis of changes proposed to improve the policy, taking into account the impact on red tape and cost to business. The review supported the continuation of an industry participation policy. Consultation undertaken with larger contractors suggests that its existence has raised the profile of local industry participation as a key government policy position. Consultation was subsequently undertaken with business stakeholders, industry groups, union representatives, other government agencies, the State Procurement Board, the Economic Development Board, and the Manufacturing Consultative Committee.

Feedback provided from the consultation process argued for changes to contract value thresholds and the need to ensure companies winning tenders deliver on industry participation plans. Global research conducted by Professor Göran Roos, manufacturing Thinker in Residence, identified the increasing trend for jurisdictions to use public procurement as a tool for achieving industry innovation research policy objectives. Further consultation with government agencies, ministers and key stakeholders will take place on the redrafted policy, and it is expected that the final policy will be presented to cabinet. I will ask the head of the department, Lance Worrall, to run through what we do.

**Mr WORRALL:** The existing policy was introduced in 2005. You just heard about the request of the Economic Development Board to review that policy in order to give it greater effectiveness. That was seen to be an urgent matter in the light of the pipeline of \$80 billion worth of major projects and building value from those. Consultation has been undertaken and is ongoing around the shape of a new policy.

I can advise the committee that the policy has been applied to a range of public sector projects. In addition and in alignment with that policy, there are ancillary policies in relation to Indigenous employment participation and issues of that nature. It is a view that the Economic Development Board held that the policy should be applied as best it can be to those major projects that are in the pipeline, so that is the intention at this stage.

I might also say we have our Industry Capability Network, which is housed within the Department of Trade and Economic Development, which seeks to link major project proponents to local sources of supply to maximise opportunities there, and examples of success in achieving high levels of local economic participation include the construction of the Prominent Hill mine to our north.

**The Hon. M.D. RANN:** I ask your indulgence, ma'am and acting leader, to allow Jim Hallion, who has been involved at the national level on these issues and through COAG, to speak.

**Mr HALLION:** The other side of the coin to this, of course, is South Australian firms being able to compete interstate for projects as well. In the past, that has been quite difficult, particularly for smaller South Australian firms because they have had to go through a separate pre-qualification scheme to qualify for projects interstate. Each state had its own pre-qualification scheme, which meant it was a barrier, obviously, competing interstate and also a cost if they wanted to pre-qualify.

COAG, under the Infrastructure Working Group, which is chaired by minister Albanese (I am the deputy chair of that group with my Infrastructure Australia council hat), decided that we would push for a national harmonised pre-qualification scheme, and I am pleased to say that all the jurisdictions signed up to that—that is one of the faster things they have done in COAG recently, I think—and we now have a national harmonised pre-qualification scheme for major projects over \$50 million and we are looking at reducing the size of those projects down to a lower level shortly.

That has meant that companies in South Australia now can much more easily compete for project work interstate as well. I think that is another significant part of the equation. It certainly reduces the cost of doing business across Australia.

**Mr GRIFFITHS:** Thank you, Mr Hallion, for the detail on that. Indeed, Premier, with the harmonisation, once you have pre-qualified in South Australia for that value of contract and it immediately flows through, has there been any structural change to the pre-qualification requirements in South Australia to ensure that exists?

**Mr HALLION:** I am happy to answer that. Yes, there have been some changes. The first point is, if you are pre-qualified here for a particular class of work, you are pre-qualified everywhere, so you have an Australian card, if you like, and you do not have to go to another Australian state and requalify for that particular category of work. It does apply to different categories of work, obviously, but within a category of work you are qualified, and that applies across the board to all the major infrastructure projects now, Australia-wide.

We have worked very closely with industry here to ensure that the scheme that was adopted nationally was one that our South Australian companies were able to meet, and we gave them a significant transition period to move to the national scheme. It has been quite a successful arrangement for South Australian firms.

It is not a massive change. The schemes were largely similar but not quite the same. For instance, on the financial qualifications, which was one of the key areas, we work under one set of company rules in Australia and one set of books, so they should have been identical. They were near identical, but not quite. We have made them identical, which means that it was a relatively easy transition for most of our firms here.

**The Hon. M.D. RANN:** There is one other point that I think is always worth mentioning. Often, people come up to me and say, 'Why can't we have a policy of only buying a certain widget from this state,' or a certain car like Mitsubishi. I say, 'Do you think that would be really good?' They say, 'You are buying X thousand cars every year; they should all be from South Australia.' I say, 'What if another state that is five times the size of us said they were only going to buy from their state and they are the biggest buyer of cars made in this state?' Often it is raised in relation to the car industry. If I were to say, 'We will only buy cars made in this state,' the first people to shout at me over the phone would be car makers in this state because there would be retaliation elsewhere. You have to always think about the consequences of one's actions.

**Mr GRIFFITHS:** We are running out of time, and I know that the member for Flinders has a question he would like to ask the Premier.

**Mr WHETSTONE:** I refer to Budget Paper 4, Volume 4, page 36. Could the Premier indicate, please, what action he has taken to progress the proclamation of the security of payment bill to ensure that South Australian workers and businesses are paid for subcontracting work?

**The Hon. M.D. RANN:** I will ask the head of the department to respond in terms of where we are at with that at the moment. It actually would be in minister Gago's area.

*Mr Griffiths interjecting:*

**The Hon. M.D. RANN:** Of course it does, but I am just saying in terms of getting you an updated report on where it is. We will get that for you.

**Mr GRIFFITHS:** I refer to page 35, Budget Paper 4. Can the Premier give me the names and the roles of the Economic Development Board task force and subcommittees?

**Mr WORRALL:** Could you repeat the question; I did not hear it properly?

**Mr GRIFFITHS:** Could you provide the names and the roles of the various members of the Economic Development Board subcommittees?

**The Hon. M.D. RANN:** For instance, we have had subcommittees on areas such as the competitiveness group. We have subcommittees in the area of looking at Kangaroo Island and its potential. There is going to be a group that looks at the Upper Spencer Gulf in relation to the potential that comes from the mining industry. I will ask the head of the department to respond.

**Mr WORRALL:** I am happy to bring back a formal response. The Economic Development Board had a very important planning meeting on 8 April, and it has organised itself around some quite specific and hard tasks over the next two years. That reorganisation will then draw down into resources from my agency and from across government.

I am happy to give you a snapshot of where we are that will include some of the existing fora, such as the Competitiveness Council and also the work that I have just described arising from the 8 April planning day under the leadership of the new chair of the Economic Development Board, Raymond Spencer. I think that the Premier wants to update you on some of that.

**The Hon. M.D. RANN:** I must say that we have been very well served by various chairs, as well as members of the Economic Development Board. Under its new chair, Raymond Spencer, the board has decided that its immediate priorities will be:

- maximising immediate and long-term economic opportunities from the strongly growing resources sector to ensure long-term benefits across the whole SA economy;
- ensuring regional development with an immediate focus on Kangaroo Island and creating an integrated strategy and action plan for the Upper Spencer Gulf region, and I am currently considering a report from the board on the future economic and social development of Kangaroo Island;



- promoting the message of South Australia as an attractive place in which to live and invest. Board members will actively communicate South Australia's position and put some positive economic benefits to state and interstate audiences;
- proactively sourcing export opportunities and securing interstate and international inward investment, the board will aim to strengthen our export and invest attraction effort;
- ensuring that infrastructure investment is aligned with the economic and social development priorities; and
- making SA the competitive state to do business by benchmarking key competitiveness indicators.

Do you have anything to add, Mr Hallion?

**Mr HALLION:** Thank you, Premier. I think that covers the major directions that the board is going to take. Obviously, there is a keen focus on export performance on inwards investment and also on regional issues as the Premier outlined. I think that Kangaroo Island was an example of the regional focus that the EDB is taking as well. We will probably, I think, take on notice the question relating to all the subcommittees. I am sure that you are aware of the composition of the board itself, but we can get back to you. It has just recently, as a result of that planning session that Lance Worrall mentioned, focused efforts in a few key core areas of competitiveness for the state. We do not have the exact detail of membership of those here today; so, rather than recall from memory, we will provide those, I think, on notice, if that is okay.

**Mr GRIFFITHS:** That's alright.

**Mr WORRALL:** If I may simply add, too, also very close to the top of the list for the Economic Development Board, if not the top of the list, is maximising the immediate and long-term benefits from the resources boom; so, building that value chain, as we talked about before.

**Mr GRIFFITHS:** Mr Worrall, we all want to ensure that happens also. Premier, no doubt the Economic Development Board gives you fearless and frank comment regularly, indeed, about—

**The Hon. M.D. RANN:** My word, yes.

**Mr GRIFFITHS:** Are you able to update the committee on some of the concerns they have about policy that might exist in South Australia—be it infrastructure investment, taxation policy or anything like that—and the impact that is having upon our opportunity to grow our economy? Do they get down to that level for you?

**The Hon. M.D. RANN:** They do. I will go through some of the things that have happened just to explain how it works. Right at the start, Robert de Crespigny, who was fairly known for his fearless and forthright approach to giving advice, came to see me, and he spoke to Kevin Foley, and said how he wanted us to go full bore to get mining going because we were the most under-explored place other than Siberia. I think that in terms of the money that we put in—

**Mr GRIFFITHS:** I think Siberia has been explored fairly extensively now; that is something I saw on television on the weekend.

**The Hon. M.D. RANN:** Yes, they are obviously catching up. He gave us some fairly strong advice about what to do. He told us to stop doing what every previous government, Liberal and Labor, had done, that is, give handouts to companies basically to keep them going in an uncompetitive way. He said to me, 'You're going to have plenty of people come into your office asking for money, as they did all of your predecessors. They will ask for \$20 million or \$30 million and come out with \$8 million, not particularly happy but better than they thought, and then in about a year's time you will see them close down.'

We saw, for instance, a range of companies, as the previous government, investing millions and millions of dollars in call centres which then went away.

**Mr GRIFFITHS:** Premier, I hate to interrupt you, and I am grateful for the lesson on this, but my question relates to the current climate.

**The Hon. M.D. RANN:** Well, the current climate is that Raymond Spence has come to see us about the vital importance of the huge untapped potential on Kangaroo Island. I have received a report, which we are currently considering, which is about how we can unlock that potential. That involves a whole range of things, from infrastructure, promotion and elsewhere. Now it wants to do it for Spencer Gulf to make sure they get the benefits of the resources boom.

A few years ago, we got very frank and fearless advice about the need to improve competitiveness by a further round of deregulation and reducing red tape, which we did, and that was benchmarked as being worth hundreds of millions of dollars to the state because of the deregulation that we embarked upon.

**Mr GRIFFITHS:** I know minister Foley has patiently waited for 37 minutes for a question, so I will ask him one. I will direct it through the Premier, but indeed the minister might want to answer it.

**The Hon. K.O. FOLEY:** One question—I have come in for one question.

**Mr GRIFFITHS:** No, I have more than that. When is the assessment report on the Olympic Dam expansion intended to be delivered?

**The Hon. K.O. FOLEY:** Which assessment report?

**Mr GRIFFITHS:** Following all the environmental impact statements, the replies and then the review of that, when is the cabinet—

**The Hon. K.O. FOLEY:** You have to talk into your microphone, mate.

**Mr GRIFFITHS:** When is the cabinet—

**The CHAIR:** And the budget reference, sorry?

**Mr GRIFFITHS:** Budget Paper 4, Volume 3, page 179. When does the cabinet receive the report upon which it then makes a decision about proceeding or, indeed, a decision formally on what occurs at the site?

**The Hon. K.O. FOLEY:** I do not quite fully understand the details of the question, but I think I get the gist of it.

**Mr GRIFFITHS:** I am pleased.

**The Hon. K.O. FOLEY:** It will be sometime in the next year.

**The Hon. M.D. RANN:** One of the things I should mention is that the supplementary environmental impact response—and they had to deal with thousands of submissions—now comes back. We have a series of responses from them—for instance, their agreement to power the desal plant 100 per cent with renewables as well as the electricity required to pump the water up to Olympic Dam. That now has to go through a rigorous process with the state and federal governments working in parallel, and with an aim to see if we can get as much of that done as possible by September—but rather than a ticking clock, we want to make sure we do it properly.

**The Hon. K.O. FOLEY:** It will be after that that the government will then be in a position to make some more considerations.

**Mr GRIFFITHS:** So, the assessment report will be reviewed by the departments first and then—

**The Hon. K.O. FOLEY:** Sorry, again, I know I am ageing but—

**Mr GRIFFITHS:** The assessment report will be reviewed by departments.

**The Hon. K.O. FOLEY:** Are you talking about the environmental assessment?

**Mr GRIFFITHS:** Yes.

**The Hon. K.O. FOLEY:** Right.

**Mr GRIFFITHS:** The report upon which the government will make its decision.

**The Hon. K.O. FOLEY:** Well, the environmental is only one part of it. There are a lot of other parts.

**The Hon. M.D. RANN:** There is a whole range of things, everything from royalties to indenture legislation. In terms of the assessment report, it is the environmental assessment report, and we are putting Olympic Dam and its response to us—which it took a couple of years to prepare—through their paces, and we are doing it in parallel with the federal government, rather than having to go through us, and then go through the feds—we are actually doing the assessment point by point in parallel.

**Mr GRIFFITHS:** I appreciate that Premier and minister, but is work going on in conjunction, indeed, as part of the assessment report on the EIS review? Are you also considering the implications of an indenture bill at the same time?

**The Hon. K.O. FOLEY:** We are, through Paul Heithersay—well, Bruce Carter chairs our Olympic Dam negotiating committee but Paul Heithersay is also the head of our mining agency—with Paul and his team—we are spending a few million a year. We have a lot of resources, a lot of senior public servants and consultants, and we are heavily engaged on probably 50, 60, different issues about Olympic Dam. The EIS is one part of it, albeit a very large part of it, but there are also ongoing negotiations at a pace—but at a pace at which we can make the proper, correct decisions. We are not rushing this, nor would BHP want to make any errors through any lack of diligence by either party.

**Mr GRIFFITHS:** I expect nothing less, minister.

**The Hon. K.O. FOLEY:** Thank you.

**Mr GRIFFITHS:** On the basis that once the approval is given, BHP Billiton is going to want to start as soon as possible and, therefore, wants to know the state of play on all issues, for the committee's benefit, I am interested in the negotiations that have been occurring about all those side issues that are equally important as the EIS.

**The Hon. K.O. FOLEY:** All I can say is that there are ongoing discussions and negotiations between myself, the Premier and senior officers of BHP—from the CEO, Marius Kloppers, to Dean Della Valle and to others—but I am not going to discuss publicly those negotiations because they are being undertaken in confidence and in good faith, and it would be quite inappropriate and damaging for those negotiations and discussions to be done in a public forum.

**The Hon. M.D. RANN:** We are negotiating right now.

**Mr GRIFFITHS:** I am grateful for that and respect that but, on the basis that it is approved, is there some indication of when it is intended for an indenture bill to be introduced to the parliament for debate?

**The Hon. K.O. FOLEY:** I think your leader has been briefed, as has your shadow mining minister on the matter of an indenture. Yes, there will be an indenture. Work is being undertaken on a new indenture bill as soon we are able to get sign-off. We will be ensuring that the opposition is fully briefed on the indenture because it would be our hope and expectation that, with the full support of the opposition, we would be in a position to expedite the indenture as quickly as is possible, given the need to scrutinise. But I have given this undertaking—well, officers have given it, and I know BHP has given it—but I will give a public undertaking that the Leader of the Opposition, and whoever she deems appropriate within your opposition, will be briefed on all aspects of the indenture, and will be given an opportunity to raise with us concerns they may have before we bring it into the parliament.

**Mr GRIFFITHS:** The leader has just informed me that, while she has appreciated the benefit of that briefing, there has been no indication of timing.

**The Hon. K.O. FOLEY:** We have not landed that yet. We would like the indenture to be dealt with by this parliament before the end of the calendar year. We think that is important for the BHP board decision timelines. I am not being cute here, but we have not got to the point where I can give a definitive date as to when we would like to deal with it in parliament. As soon as we are at that point, I give an undertaking that the Leader of the Opposition will be one of the first to be consulted on that, once the ink is dry. We are still negotiating a number of aspects of the indenture. We are simply not in the position to give a definitive date, but we will once we have it.

**Mr GRIFFITHS:** Okay then.

**The CHAIR:** I would draw your attention to the time.

**Mr GRIFFITHS:** Madam Chair, can I just confirm whether I need to read the omnibus questions again? I take it that the Premier has already had them before, and that they carry through?

**The Hon. M.D. RANN:** It carries through, yes.

**Mr GRIFFITHS:** Thank you.

**The Hon. M.D. RANN:** Ipso facto.

**The CHAIR:** There being no further questions, I declare the examination of the proposed payments adjourned until 4 July.

**ARTS SA, \$122,144,000**

**Membership:**

Mrs Redmond substituted for Mr Griffiths.

**Witnesses:**

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

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

**Departmental Advisers:**

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

Ms A. Reid, Executive Director, Department of the Premier and Cabinet.

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

Ms H. Schultz, Director, Cultural Heritage and Assets, Arts SA, Department of the Premier and Cabinet

Mr J. Andary, Director, Arts Development and Planning, Department of the Premier and Cabinet.

Ms J. Layther, Director, Presenting Organisations and Initiatives, Arts SA, Department of the Premier and Cabinet.

Ms I. Pirrotta, Manager, Financial Planning and Business Advice, Arts SA, Department of the Premier and Cabinet.

**The CHAIR:** I declare the proposed payments open for examination. Premier.

**The Hon. M.D. RANN:** Thank you. I would like to introduce minister Hill, who is Minister Assisting the Premier in the Arts, but the truth of the matter is that we share the Arts portfolio equally. In fact, whereas most ministers assisting assist a minister who has all of the line responsibilities going to the senior minister, we have, some years ago, divvied up the various ministerial lines so that, for instance, I am responsible for the Museum and the Art Gallery, and minister Hill is responsible for the Library and the State Opera. I do film, and he does other areas like youth arts and theatre.

**The CHAIR:** Do you have an opening statement that you wish to make, Premier?

**The Hon. M.D. RANN:** No, Madam Chair.

**The CHAIR:** Leader, would you like to make an opening statement?

**Mrs REDMOND:** No opening statement. Can I just confirm again that the omnibus questions do not need to be repeated?

**The CHAIR:** No, because you read them in previously.

**Mrs REDMOND:** Premier, I refer to Budget Paper 5, page 34, under 'Existing projects'—and I think it must come within your purview, given your statement as to who is responsible for what in the Arts portfolio—the construction of the Adelaide Studios (the Adelaide Film and Screen Centre); there is an estimated cost revised upwards from \$44.9 million in the 2010-11 budget to \$47.1 million in the 2011-12 budget. Could you explain why the estimated total cost of the project has increased by \$2.2 million since last September?

**The Hon. M.D. RANN:** In March 2008, cabinet approved the investing budget of \$44.77 million (and that excluded GST) for the Adelaide Film and Screen Centre at the Glenside

campus. The budget allocation comprised \$42.95 million for construction and fit-out, including \$680,000 to be transferred to SA Health to construct a car park for the screen centre and \$2.5 million for the purchase of land. A separate operating budget was also allocated.

The 2011-12 capital investment statement shows an estimated total investing cost of \$47.051 million. The adjustment in this budget reflects the following transactions: the reclassification of \$951,000 of operating expenditure to investing expenditure; and additional investing expenditure of \$1.33 million allocated through the 2011-12 state budget for works that were not contemplated within the original business case for the screen centre, and these works include a new information and communications technology system for the SA Film Corporation, additional acoustic treatment to the screening theatre, additional heritage works and improved security and lighting.

Further to the 2011-12 budget, the Treasurer has approved transactions associated with the delivery of car parking associated with the Adelaide Studios. As described above, SA Health was to construct car parking facilities for the centre on the SA Health precinct at the Glenside campus and money was allocated for this purpose. Since then, SA Health has proposed an alternative plan whereby Arts SA will deliver the car parking as part of the construction project for the Adelaide Studios.

The construction of car parking by Arts SA has had an impact on the overall budget of the Adelaide Studios. The \$680,000 originally included in the Adelaide Studios budget for construction of the car park and transferred to SA Health for this purpose will now be retained in the Adelaide Studios budget and be reclassified to investing expenditure.

Investing expenditure of \$290,000 for the civil component of the car park originally included in the SA Health budget for the Adelaide Studios will be reallocated to the Adelaide Studios project budget. I am advising that these transactions have been processed and the total investing cost for the Adelaide Studios is \$48.021 million. For 2011-12, expenditure is anticipated to be \$4.33 million.

Current status. The construction phase of the project is expected to be completed in early August 2011. The South Australian Film Corporation is in the final stages of planning the move from Hendon to the new Adelaide Studios. The film industry tenants will begin moving in from late August 2011 and the first film post production activity is scheduled to commence in August 2011. So, essentially it has gone from one agency's area to another. It is a post budget adjustment.

**Mrs REDMOND:** I just heard those words 'post budget adjustment'. As I said in my question, the figure is now \$47.1 million but in your response you said it is actually now \$48.02 million.

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

**Mrs REDMOND:** So, you are saying it has gone up again since then. I understood, from what you were saying, that originally the car park was going to be built by health and now it is going to be built by the Film Corporation.

**The Hon. M.D. RANN:** Yes, by arts and the Film Corporation.

**Mrs REDMOND:** Can you identify—I did not quite catch it in your response—how much that accounts for of the now more than \$2.2 million of the increase, and could I get some sort of explanation as to why acoustic works on the theatre would not have been included in the original budget? It seems to me that if you are building a film corporation then, pretty basically, you would include acoustics in the development of your theatre.

**The Hon. M.D. RANN:** It was, and giant film studios where all the acoustics were taken into account—this is one part of it, but I will ask Ms Reid to comment.

**Ms REID:** In regard to the acoustic treatment, the acoustic treatment for obvious reasons was always contemplated for both studios and for what we call the mixing theatre—the place where engineers mix sound. Acoustic treatment to a certain level was always contemplated for the screening theatre, which is essentially a small cinema, so acoustic treatment was always included up to the level that one would expect in a cinema.

Beyond the commencement of the project, the SAFC explored the opportunities for additional use of that screening theatre beyond the screening of rushes or films in a conventional cinema environment, and there were a range of other industry opportunities associated with a screening theatre that can be brought to bear if the acoustic treatment is of a certain level. So, we decided to include a higher level of acoustic treatment in the screening theatre to allow for those additional industry functions. Picture-editing is an example.

**Mrs REDMOND:** Can I just ask you to explain what sort of other functions? If you have acoustics at the level of your average theatre, what is it specifically that you would need to add?

**Ms REID:** So-called picture-editing is editing that is done in a screening environment where you are looking at the film and manipulating sound in the context of the images on the screen. You are bringing sound into that space alongside images; hence the need for a screening theatre. It is my understanding that the kind of acoustic treatment that one would find in a cinema is not sufficient for that kind of industry function, so it is additional function, additional scope.

**The Hon. M.D. RANN:** I should just point out that I have just been advised by Mr Hallion that all but \$1.33 million was actually transferred from Health or reclassified, so it is an accounting adjustment apart from an additional \$1.33 million.

**Mrs REDMOND:** It is taking it out of a different pocket.

**The Hon. M.D. RANN:** Yes, it has come from different pockets.

**Mrs REDMOND:** What part of it is in the \$1.33 million?

**The Hon. M.D. RANN:** I will just start with this: the additional scope is the redevelopment of Precinct 2—the arts and cultural precinct of the Glenside campus—as the Adelaide Studios includes: refurbishments of the administration (the clock tower) building to provide a home for the South Australian Film Corporation as well as office space for independent practitioners who make up the broader South Australian film and screen industries; and building of new production facilities consisting of two sound stages, screening and mixing facilities, production offices and make-up, wardrobe and art department facilities.

There were a number of works not included in the original scope of the project including high-end information and communications technology equipment, additional heritage works and unanticipated health and safety issues plus the acoustic treatment to the screening theatre. The investment in information and communications technology equipment will provide high-speed broadband access, voice-over intercom protocol, telephone system, wireless capabilities and adequate storage space for the ever-expanding use of technology in film production.

The heritage and health and safety issues include removal of dilapidated and termite-infested ablution blocks to Erindale and P&O buildings. These 1960s toilets extensions are considered a safety risk and need to be removed. The extension adds no heritage value to the buildings and has been recommended to be removed in the conservation plan.

The South Australian Film Corporation has requested the inclusion of the additional acoustic treatment to the screening theatre to enable additional use and to provide additional revenue opportunities. As I say, the value of the additional works results in an increase of \$1.33 million in the investing budget.

**Mrs REDMOND:** Can I just go back to the original answer you gave, Premier, and that related to a figure you gave of \$951,000. I was just a bit confused. You made a reference to transferring some funds—I think that figure of \$951,000—from operating expenditure to capital expenditure. I am a little bit puzzled as to how, on an accounting basis, you can possibly change something from an operating expense to a capital expense, or vice versa, whichever one it was.

**The Hon. M.D. RANN:** Just to go through what I said, the 2011-12 Capital Investment Statement shows an estimated total investment cost of \$47.051 million. The adjustment in this budget reflects the following transactions: the reclassification of \$951,000 of operating expenditure to investing expenditure—

**Mrs REDMOND:** Yes; that's the bit I wanted to ask about.

**The Hon. M.D. RANN:** I will ask Ms Reid to explain—

**Mrs REDMOND:** To explain how on earth you take nearly \$1 million; operating is a very different thing from capital. I am just curious as to how, as a transaction, you can say we are going to call it capital.

**Ms REID:** It is an accounting treatment matter primarily associated with professional fees that should have been capitalised.

**Mrs REDMOND:** So it was an incorrect placement of it in the first place?

**Ms REID:** It should have been classified as capital from the beginning.

**Mrs REDMOND:** Thank you. Is there some explanation for the delay? Last year's budget showed that the completion date was going to be June 2011 and this year's budget shows that it is now going to be June 2012.

**The Hon. M.D. RANN:** The South Australian Film Corporation will move from the Hendon Studios to the Adelaide Studios on 20 July. Film industry tenants will commence moving in from late August. The original completion date, noted by the Public Works Committee, was to be April 2011. In October 2010 the Public Works Committee was advised that the project completion date would be mid-2011 and programmed practical completion is 18 July.

The delay to the original schedule has been caused by longer than anticipated lead times for development approvals and the preparation of tender documents and a delay in access to the site, because, obviously, it was still being used as a hospital and it was in the transition phase. So, there were delays in access to the site to get cracking. The first film postproduction activity is scheduled to commence in August. The Public Works Committee, including members from both sides, were informed of that last year.

**Mrs REDMOND:** How has the delay affected the income stream from tenancies that are coming into the site?

**The Hon. M.D. RANN:** I will ask Ms Reid to answer that.

**Ms REID:** There is a consideration underway right at the moment—and we can give you more detail on that if you would like—about exactly that matter. You are right: both tenant and the hirer income is somewhat delayed as a result of that—not significantly delayed, it is fair to say. In terms of the operating environment, of course, there was an assumption about the way in which that income—either tenant or hirers for the studio or mixing facilities or other theatres—would escalate up over a period of some time as people became even more familiar with centre and began to use it more.

**Mrs REDMOND:** I will come back to some further questions about that leasing arrangement. Can I just confirm something before I go on, and I think there may have been an answer at the very beginning. I refer to Budget Paper 6, page 59, the Department of the Premier and Cabinet, budget measures, about halfway down the page. There is a reference to Adelaide Studios (Adelaide Film and Screen Centre). Is the \$1.33 million that appears on that page a one-off increase that you were talking about earlier?

**Ms REID:** Yes; that is the official scope, and that is the only overall increase to the budget for the centre.

**The Hon. M.D. RANN:** Maybe I should just mention this: the initiative provides support of \$1.3 million for the Adelaide Studios to include additional heritage works, acoustic treatment to the screening theatre, external lighting for buildings and pedestrian pathways, as well as upgrading information and communication technology equipment that I mentioned before.

**Mrs REDMOND:** I will go back to the issue of the tenants coming in. What is the total anticipated income stream for the Film Corporation tenants once all the office space and working space have been let?

**The Hon. M.D. RANN:** It is oversubscribed, so we are delighted. In terms of expressions of interest, we are absolutely oversubscribed. I must say I was surprised by that: I thought it would be a slower take-up. The interest has been terrific. We will get you a report on that.

**Mrs REDMOND:** Who is managing the leasing arrangements of the premises?

**The Hon. M.D. RANN:** The South Australian Film Corporation is managing it, with the assistance of Arts SA.

**Mrs REDMOND:** Have SA Film Corporation staff participated in the selection process for potential tenants?

**The Hon. M.D. RANN:** Yes, they have.

**Mrs REDMOND:** I have been advised that there may be some question marks about that involvement, and I wonder if I can get some reassurance about the process. What has been suggested to me is that different tenants are being offered, basically, equivalent spaces on very different letting amounts, and I wonder if there is some consistency that can be demonstrated about the arrangements that are being entered into.

**The Hon. M.D. RANN:** I will ask Ms Reid to comment.

**Ms REID:** Again, we can certainly get you a fuller response to this. Arts SA, on behalf of the SAFC, took some commercial advice from a commercial letting agent. I will have to confirm who that was: I cannot remember offhand. Through that advice, a methodology for determining the rental that would apply to particular spaces was developed.

**Mrs REDMOND:** On a per square metre basis?

**Ms REID:** It is my understanding it is not on a per square metre basis in the more traditional way, but rather that prices have been applied to particular sized spaces that are consistently the same size. That is because, on balance, the per square metre rate that would apply would perhaps be prohibitive to a number of tenants in this industry. So it was determined, in consultation with the private agent that I described, that the better approach, and a perfectly legitimate approach, was to put a price on a certain size of room because obviously there are a number of different rooms—many different rooms—in the place, and they range from small rooms that are cellular in nature, given the prior use—

**The Hon. M.D. RANN:** They were a cell.

**Ms REID:** —through to cells where a centre wall has been removed, or two walls, even, through to much larger spaces that were, in the main, often wards under its prior use, and they are grouped in that way.

**Mrs REDMOND:** As I said, a film industry contact has suggested that there is certain preferential treatment going on and that certain companies, at non-market rates, are getting areas that are being offered at very different rates from other companies. Given the Premier's statement that the areas are oversubscribed in terms of people wanting to move in, it would seem that there is no need to try to entice people to get your first tenants in. Is there any explanation for why there have been such differential—

**The Hon. M.D. RANN:** We will get a report for you, leader, so that it can all be explained. It is oversubscribed, which I find particularly pleasing given that a lot of people said that it would be Mike Rann's white elephant.

**Mrs REDMOND:** In Budget Paper 4, Volume 3, page 144, the fourth dot point under the target for this year mentions the relocation of the South Australian Film Corporation to the Adelaide Studios. What is the total cost of that relocation and is that included in the overall budget for Glenside? It is the last dot point above the performance indicators on that page.

**The Hon. M.D. RANN:** Yes. You are referring to the dot point that states:

relocate the South Australian Film Corporation and the Adelaide Film Festival to the Adelaide studios at Glenside.

**Mrs REDMOND:** Yes.

**The Hon. M.D. RANN:** I understand that it is \$100,000 last year and \$100,000 this year.

**Mrs REDMOND:** So, \$200,000. That is not part of the \$48.02 million for the project?

**The Hon. M.D. RANN:** It is operating costs; the other was capital.

**Mrs REDMOND:** The \$48.02 million is the capital figure?

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

**Mrs REDMOND:** This is in addition?

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

**Mrs REDMOND:** At the top of that same page that we have now got to there are highlights for this year—this year that we are just finishing. The second dot point states, 'established a Festival Commissioning Fund to provide local emerging and professional artists'. What is the commissioning fund and how big is it? I do not quite understand why we need a fund. It would seem to me that festivals and emerging and professional artists have managed to get together reasonably successfully. I just wonder why we need a festival commissioning fund to do what it says there:

provide local and emerging professionals artists [and organisations] with new, significant opportunities to partner and collaborate with festivals such as...

It refers to all our various festivals that happen here. I am curious to know why we need a fund to do it.



**The Hon. M.D. RANN:** It is interesting that the previous round of questions from Steven Griffiths was about how we maximise local content. Of course, we have made some fairly fundamental decisions in the arts, including, obviously, WOMAD going annual, the Fringe going annual and the Adelaide Festival going annual from next year.

The Festivals Commissioning Fund is designed to provide local artists and also local arts organisations with significant opportunities to partner and collaborate with our world-renowned festivals. The new exhibitions fund is intended to assist local curators and visual art, craft and design practitioners to develop exhibitions of significant new works that will be first presented in our public collecting and exhibiting institutions.

Both funds—there are two funds—will support organisations and independent artists at emerging and professional levels. Applicants are assessed through a competitive, peer review process. The first round for both funds closed on 17 December, and 11 applications were received to the Festivals Commissioning Fund and 13 to the new Exhibitions Fund.

An allocation of \$250,000 is available from July 2011 for the first round of the Festivals Commissioning Fund, and from 2012-13 this funding allocation will grow to \$500,000 per annum. The first funding round is now complete. Two performing arts-based projects were recommended for support of \$125,000 each from the Festivals Commissioning Fund.

The Border Project has been commissioned by the 2012 Adelaide Festival to develop and present Zoo Project (which is a working title) at the Adelaide Zoo. Country Arts SA, the host of the National Regional Arts Conference and Festival, has commissioned 'If there was a colour darker than black I'd wear it' for presentation during the 2012 festival. The work is the collaboration between two small, regionally-based companies, Rising Damp (Mount Gambier) and Illuminart (Port Augusta), and a number of independent artists from across the state.

Three exhibition proposals were recommended for support from the new Exhibitions Fund. That is the separate fund; I do not know whether you want information on that. Jam Factory Contemporary Craft and Design will present a major exhibition in 2013 to celebrate its 40<sup>th</sup> anniversary; \$162,860 has been allocated towards the development, creation and presentation of an exhibition by 60 Jam Factory alumni. Tandanya has received \$197,558 towards the development and presentation of an exhibition during the 2012 Adelaide Festival by eight Indigenous artists and artist groups titled 'Deadly: between heaven and hell'. The University of South Australia Architecture Museum, in conjunction with the Australian Experimental Art Foundation and curator Vivonne Thwaites, will develop '...build me a city', an exhibition by seven artists responding to the museum's collection and addressing the conceptual connections between visual art and architecture. An amount of \$39,582 has been allocated towards this exhibition which will be presented during Architecture Week in October 2012. So the next closing date for both funds is 5 August this year, 2011, for projects commencing after 1 July 2012.

**An honourable member:** A great initiative.

**The Hon. M.D. RANN:** Thank you. It gives an opportunity for the smaller groups to take the big step up to be commissioned by festival directors—they would not be able to do it on their own and we give them that opportunity and it is terrific that they have been taken up.

*Ms Bedford interjecting:*

**The Hon. M.D. RANN:** I think the member for Florey is interjecting something about Muriel Matters.

**Mrs REDMOND:** I understand from the first part of your answer that the funding, in the case of the festival commissioning fund, is about \$250,000 and that is going to go up to \$500,000.

**The Hon. M.D. RANN:** Per annum, yes.

**Mrs REDMOND:** Can I ask is that the total cost of it? That is how much is in the fund, presumably, to be distributed but are there employees, for instance, who administer the fund? Are there other costs that add on to that and the same question I guess applies to—and I did not catch in your answer any details of the ultimate size of the International Exhibitions Fund. You mentioned a number of figures for the various organisations that are getting money from that fund but I wonder if you could tell me what is the total of the International Exhibitions Fund?

**The Hon. M.D. RANN:** So we are now dealing with the Major Exhibitions Fund—which comprises it and the New Exhibitions Fund?

**Mrs REDMOND:** No. The International Exhibitions Fund, I think is the name of it.

**The Hon. M.D. RANN:** Both together—the Major Exhibitions Fund—\$500,000 in 2010-11, \$500,000 in 2011-12, \$1 million in 2012-13; and ongoing \$1 million.

**Mrs REDMOND:** That is the International Exhibitions Fund?

**The Hon. M.D. RANN:** It is the Major Exhibitions Fund. Maybe I will ask Ms Reid to explain.

**Mrs REDMOND:** Yes, because the two things that are listed are the Festival Commissioning Fund, which I understand is starting at \$250,000 and going up to \$500,000; and then the International Exhibitions Fund.

**Ms REID:** The Festivals Commission Fund, you are correct, is \$250,000 in 2011-12, rising to \$500,000 in 2012-13 and ongoing. The Major Exhibitions Fund has two components to it: the international fund, as you describe it—we call it the Major Exhibitions Fund—and also the New Exhibitions Fund that the Premier referred to with regard to Tandanya and the Jam Factory. They were two of the recipients this year.

That fund in total, with those two parts to it, has \$500,000 in 2010-11 and \$500,000 in 2011-12. It rises to \$1 million in 2012-13 and then is ongoing at \$1 million. The breakdown of those funds for those two purposes: in 2010-11 is \$200,000 for the New Exhibitions Fund and \$300,000 for the Major Exhibitions Fund; the same in 2011-12; and then \$400,000 for the New Exhibitions Fund and \$600,000 for the major exhibitions ongoing.

**Mrs REDMOND:** Are there specific officers dedicated? The fund is set up so that is where the money for the artists is coming from—

**Ms REID:** Yes.

**Mrs REDMOND:** —or the work to be done. Is there administrative support—people who are there to administer it? Is there additional cost in those funds beyond the actual money that is in the fund to be distributed?

**Ms REID:** The cost of administering the funds is absorbed by Arts SA within existing resources, so there is no additional funding coming to Arts SA to run these programs. We do that within our existing resources and with existing officers who are already responsible for grant funding programs.

**Mrs REDMOND:** I refer to Budget Paper 4, Volume 3, Program 6, page 143, which deals with artistic product. Under 'supplies and services' in the table, I have an inquiry about whether the new art works at the Royal Adelaide Hospital come under that line or whether they are funded out of the health budget.

**The Hon. J.D. HILL:** I can answer that, Madam Acting Chair. The answer is no; they are not out of the arts budget. The total capital works project for the new Royal Adelaide Hospital is \$1.85 billion, and that includes all the art components and every other aspect of that building.

**Mrs REDMOND:** In the same volume, page 141, under Program summary—expenses and income, why has the 2011-12 budget expenses for supplies and services increased by \$864,000?

**The Hon. J.D. HILL:** I will ask Ms Reid to respond.

**Ms REID:** The increase is primarily due to the practice of holding the budget for breakdown and minor works activities for relevant arts organisations in the supplies and services line, as well as to increased operational funding for the Adelaide Studios capital project.

**Mrs REDMOND:** Does that account for why it has gone up? It is quite a big increase from the actual in 2009-10, on the right-hand side of that line, of \$1.28 million to now \$2.14 million.

**Ms REID:** It is fairly similar to the budget for 2010-11. On the matter of the breakdown and minor works activities, those funds are held in that line before they are passed down to the grants and subsidies line, when those grants are made out to organisations for those minor works or breakdown activities, so you see that movement from actuals and budgets. On the matter of the Adelaide Studios capital project, the operational funding associated with that project is spread across all our programs in this supplies and services line and, obviously, as that project has increased, that funding has increased.

**Mrs REDMOND:** I refer to page 144, under the performance indicators (just to jump around a bit I am afraid, but that is the order I wrote them in) there is an item about five dot points

up from the bottom of that table that states 'Level of customer satisfaction: attendees at the Adelaide Festival Centre'. It is remarkably consistent and remarkably good, as well; that is excellent, but how do we assess the level of customer satisfaction? I go there a fair bit, and I have never seen any regular inquiries made of people.

**The Hon. M.D. RANN:** I understand that it is done in the same way as we do it for the Tour Down Under: they do regular surveying. I have seen it a number of times at the Tour Down Under, when people come up and ask, 'Is this your first time? What was your experience? Where have you come from? How much did you spend? Would you come again?' those types of things. I would imagine that there is a similar approach in terms of customer satisfaction for events.

I want to pay tribute to Douglas Gautier. The lights are back on at the Festival Centre, his work with OzAsia, the Cabaret Festival has grown, and we have seen increasing use of the Festival Centre. I think that that is to our state's benefit, and I think that he, the board and the staff deserve a strong vote of thanks.

**Ms BEDFORD:** My question follows on from that, with regard to the Cabaret Festival. My question is in relation to Budget Paper 4, Volume 3, page 143. We know that the Cabaret Festival has recently been held between 10 and 25 June, and I would be very interested to know some of the results from this year's festival.

**The Hon. M.D. RANN:** This year marked the 11<sup>th</sup> anniversary of the Cabaret Festival, and was the third and final Cabaret Festival to be programmed by artistic director David Campbell, although I hope we will see him come back in future years. I think he has been an outstanding success. The Adelaide Festival Centre Trust received an additional once-off grant of \$250,000 from the state government in 2010-11 for the 2011 Cabaret Festival. This funding was provided specifically to secure international artists for the 2011 program. The program offered 15 international shows, 32 Adelaide premieres, three Adelaide exclusives, seven Australian premieres and 15 world premieres.

Obviously, Olivia Newton-John headed the line-up, with New York's master of song, Michael Feinstein, legendary Broadway star Chita Rivera, Australia's sultry singer/dancer Rhonda Burchmore, ultimate songsmith and Chairman of the Songwriters Hall of Fame, Jimmy Webb, who wrote *MacArthur Park* and also *Galveston*, and—

**Mrs REDMOND:** *Wichita Lineman*.

**The Hon. M.D. RANN:** *Wichita Lineman*—thank you, leader—and *By the Time I Get to Phoenix*. Australia's much-loved country music star Melinda Schneider, chart-topper Leo Sayer, and Adelaide's international legend of rock, singer Glenn Shorrock, were amongst the star-studded line-up of Australian and international entertainers. I saw Bryan Batt, who is one of the stars of *Mad Men*, and that was a terrific performance as well.

The 2011 Adelaide Cabaret Festival was held from 10 to 25 June and achieved excellent results. Its total ticketed attendances were 37,340, while recorded attendances at ticketed and non-ticketed events reached over 95,000, which was a 19 per cent increase on last year. Net box office income was 8 per cent higher than the previous year, with 35 performances sold out.

*High School Cabaret* was again a highlight of the festival, particularly for David Campbell, who made a significant investment in his mentoring work with the participating students from Blackwood High School and Pembroke School. The other significant program initiative introduced by David Campbell was the opening night *Variety Gala Performance*, which gave audience members a taste of the festival and this year featured Olivia Newton-John.

Noted Australian singer and songwriter Kate Ceberano will be the artistic director for the 2012 Adelaide Cabaret Festival, which will be held next year from 8 to 23 June.

**Mrs REDMOND:** Before you go on, Premier, one of the other things introduced by David Campbell was the closing night special, and the Michael Feinstein concert was a real highlight.

**The Hon. M.D. RANN:** Excellent; thank you.

**Ms BEDFORD:** I have another question that relates to pages 141 and 142, which is about something I have a greatest in, that is, About Time: South Australia's History Festival, which was held in May. I wonder if the minister could elaborate as to whether this year's festival was a successful event?

**The Hon. J.D. HILL:** SA History Week, which History SA first presented in 2004, has grown annually, with approximately 60,000 people attending over 400 events in 2010. To

commemorate the 175<sup>th</sup> anniversary of European settlement this year, we provided some additional funding to expand History Week so it was a month-long history festival this year.

About Time: South Australia's History Festival, was held in May this year, and I am very pleased to report it was immensely successful. About Time had over 500 events, presented by over 300 organisations. It was truly a statewide festival, with opportunities to take part right across South Australia—virtually every region was involved. History SA is still coordinating attendance figures, but it estimates about 90,000 people took part.

There was a wide range of events, from a historically-themed dinner to workshops for children. There were guided tours on foot, by car and by bus. There were all day symposia, exhibits and displays, book launches, film screenings, performances, talks, workshops and, for the first time, digital history exhibitions. Events were held right across South Australia from Farina to Port Lincoln, Radium Hill to Maitland, Mount Gambier to Renmark, and, of course, the inner metro area as well.

Over half of all events were free, and a further 20 per cent were offered at a minimal cost of a gold coin donation. History SA printed 30,000 programs and 3,000 posters, and the About Time website recorded almost 10,000 visits and 50,000 page views, and feedback was very positive. History SA is undertaking a formal evaluation, which we will get the results from soon. I am pleased that we were able to support it and I congratulate History SA, which I think does a marvellous job focusing on history in our state.

**The Hon. S.W. KEY:** I refer to Budget Paper 4, Volume 3, Agency Statement, pages 143 and 144. Premier, I am wondering if you could report on the most recent Fringe festival. I understand that it was highly successful and certainly the bits that I went to were fantastic.

**The Hon. M.D. RANN:** I will ask minister Hill, who has special responsibilities for the Fringe, to respond.

**The Hon. J.D. HILL:** That is true, I am the Fringe minister. Thank you for the question. The 2011 Fringe, once again, broke all previous records, but one of the most important results comes from the economic evaluation of the 2011 Fringe. That report shows that the Fringe had an estimated economic impact on the South Australian economy of \$40.8 million, and that economic impact estimate is achieved through a very thorough series of calculations that consider expenditure across sales of tickets, accommodation, food and beverage, travel, artist expenditure, as well as the Fringe's operational expenditure.

The Adelaide Fringe experienced yet another year of record ticket sales, with new initiatives, venues and new shows boosting ticket sales revenue to 11 per cent higher than 2010. About 334,000 tickets were sold through the FringeTIX box office, national ticketing agencies and at Adelaide Fringe venues, compared to 245,000 or so tickets in 2010. On Friday 25 February, the Adelaide Fringe recorded its highest number of tickets sold in one day ever, with 8,268 tickets sold through FringeTIX.

The record-breaking box office, valued at over \$8 million, is great news because all of that, other than a small commission, goes to the artists, which is terrific for them. The 2011 Fringe included a record 759 events, an 8 per cent increase over the previous year, and in the 2011 festival there were 405 Australian premieres, involving almost 5,000 performances, with more than 3,000 participating artists over 325 venues.

I will not go through all of the detail, but it was an astounding event and I would take this opportunity to congratulate Judy Potter and her board and Greg Clarke, the new artistic director and general manager, who has really hit the ground running, I think.

**The Hon. S.W. KEY:** I will follow up on that. If you are the Fringe minister, are you also the Fuse minister?

**The Hon. J.D. HILL:** Yes, I am. I am happy to talk about Fuse because it is run by the Fringe for us. The 2011 Fuse Festival took place from 16 to 18 February, as part of the Adelaide Fringe. It has a focus on the development of contemporary music. It was a very successful Fuse Festival this year. It attracted 50 local, national and international speakers and industry representatives.

That is the whole point of Fuse, it is to bring people into South Australia who can interact with local (potential) industry participants and help them further their careers. It provides an opportunity for musicians, artists, managers and industry representatives, and some of those were highly inspired by what was said before them.

The conference keynote address to the 350 Fuse delegates was delivered by John Watson, one of Australia's leading artist managers. He was responsible for nurturing some of Australia's greatest musical talents, including Cold Chisel, Missy Higgins and Silverchair. The Premier would remember at least some of those performances, I am sure.

*Members interjecting:*

**The Hon. J.D. HILL:** Yes, I know. I was in bed before any of that happened. The Fuse opening interview with Australia's most prominent rock promoter, Michael Chugg, focused on 40 years of music history in Australia, and over the three nights of live music during Fuse approximately 7,000 people saw some of the best local and national talent. These showcases are also attended by key national and international music industry professionals in search of the next great sound. That is one of the best things about it, of course: our talent is able to be exposed to the very best and the most successful promoters right around Australia.

Eighty-five bands performed in a whole range of venues across Adelaide, and there have been a number of successful outcomes, I am told, with local bands securing national performing opportunities. South Australian band The Touch was selected by visiting promoters to perform at one of Europe's leading music festivals, The Great Escape, and that is the fourth year that Fuse has provided this significant international showcase opportunity for a South Australian band, so it is pretty good.

**The Hon. M.D. RANN:** Can I just mention that the Fringe, Fuse, the Cabaret Festival and the Garden of Unearthly Delights have all in some way been influenced by people who have attended John Hill's parties back in the 1970s and 1980s.

**Mrs REDMOND:** Further to minister Hill's comments on History Week, could the minister advise whether there was additional funding provided to the History Trust to run History Week for a month this year rather than running it for a week?

**The Hon. J.D. HILL:** I did in fact say that. I do not think I gave the exact figure, but we did give them an extra sum of money to help with the—

**The Hon. M.D. RANN:** It was \$175,000 for the 175<sup>th</sup>.

**The Hon. J.D. HILL:** That's right—\$175,000 for the 175<sup>th</sup> anniversary. I wish I could remember what the word is. When they originally came to see me about special funding for the 175<sup>th</sup> anniversary, I said, 'There is no such thing; it doesn't exist.'

**Mrs REDMOND:** Sesquicentenary.

**The Hon. J.D. HILL:** No, sesquicentenary is 150. I will ask the Deputy CE to tell us what that word was.

**Mr MACKIE:** Minister, that word was 'terquasquicentenary'.

**The Hon. M.D. RANN:** It may not be as well known as we thought.

**Mrs REDMOND:** If we could just say 175, it might be quicker. Speaking of extra funding, in Budget Paper 6, at page 63, which is where the additional programming is detailed, there is an estimated \$250,000 extra for this year's Cabaret Festival, which of course just finished the other night. Can I get some explanation as to what that was needed for? Given that it is such a successful festival and we did have such good attendances, what was the extra \$250,000 for?

**The Hon. M.D. RANN:** As I understand it, David Campbell spoke to the former treasurer, and in order to—

**Mrs REDMOND:** What the treasurer said over dinner about the arts would not have matched with any extra \$250,000.

**The Hon. M.D. RANN:** I understand that he discussed with the former treasurer an opportunity that might come about to bring in headline acts, and I think that would include Olivia Newton-John.

**Mrs REDMOND:** She did not come as far as Michael Feinstein.

**The Hon. M.D. RANN:** She lives in Florida. I understand that one of the deputy premier's last acts as treasurer, from memory, was to sign the \$250,000 to enable David Campbell to make a very special Cabaret Festival even more special.

**Mrs REDMOND:** On page 144 of Budget Paper 4, Volume 3, in the targets for this year the second dot point is 'Host the 10<sup>th</sup> Australian Performing Arts Market'. I understand the importance of performing arts markets in terms of getting good quality shows, and so on, but could I get some information on how much it costs us to host that market, how frequently it is likely to occur that we would host that market and whether it rolls around on a regular basis so that it goes state to state, or what the arrangements are for that market?

**The Hon. M.D. RANN:** We have done better than our share. The 10<sup>th</sup> Australian Performing Arts Market (APAM), and the last to be delivered under the current funding arrangements with the Australia Council, will be held over five days from Monday 27 February to Friday 2 March 2012 in Adelaide alongside the Adelaide Fringe and the Adelaide Festival. APAM will offer a varied program of performances, showcases, workshops and networking events for delegates from the national and international performing arts industry.

To date, 105 companies from across Australia have already registered to be considered to present their work at APAM 2012 in either the Spotlight or Searchlight presentation strands; and 15 South Australian organisations have registered, including Restless Dance Theatre, the Australian Dance Theatre and Patch Theatre Company. This year, for the first time, all registrations for participation in APAM will occur online through the new website. Successful Searchlight and Spotlight applicants will be selected at a meeting of a panel of national and international performing arts practitioners convened by the Australia Council in early August.

Douglas Gautier has been selected as a member of the peer panel. Other areas of APAM's activities, such as the development of the workshop and performance program, are progressing well, with the first meeting of the local partners group, which is Arts SA, Adelaide Festival, Adelaide Fringe, Adelaide Festival Centre, Austrade, Arts Projects Australia and the Australia Council, scheduled for 4 July. It comes around every two years in conjunction with the Adelaide Festival.

We have been successful over a number of years in securing APAM, but there is no guarantee. This is the 10<sup>th</sup> one that we have been successful in winning, but I understand that there are going to be new funding arrangements from the Australia Council, which will make it considerably more expensive, and it will be opened up for tender from all states and capital cities to grab for years 2014, 2016 and 2018. We have to look at that to weigh up, obviously, the cost benefits.

**Mrs REDMOND:** If we can go to page 143, on the estimated result at the bottom of the page (the second last line) there is a \$5.1 million decrease in expenses primarily due to the provision of biennial funding for the Adelaide Festival of Arts. Can I just get an explanation as to why there would be a decrease in funding? Also, the question that I have about the funding for the Adelaide Festival of Arts is that, obviously, we have a lot of sponsors, and by going annual there would be, presumably, an impost on sponsors for the Festival. Has there been any impact in terms of the level of sponsorship given; in other words, are they having to spread their two-year sponsorship over one year? Does government have to put in more money to make it work annually?

**The Hon. M.D. RANN:** The decrease in the 2011 budget is due primarily to the provision of biennial funding, which was \$4.469 million in 2009-10 for the 2010 Adelaide Festival. Maybe I will ask Ms Reid to explain.

**Mrs REDMOND:** I cannot follow how providing funding leads to a \$5 million decrease.

**Ms REID:** It did not fall in that year; it is in March.

**Mrs REDMOND:** Okay, so it is in the alternate year. The other part of the question was: with the funding of a festival that goes from every other year to every year, has there been an impact in terms of the sponsorships? I understand that there was some level of consternation with some sponsors. Are some sponsors saying, 'Well, we were giving this much, we are still giving this much. We will just give half this year and half next year, rather than just continuing it at the same level for each Festival.' Has that had an impact on how much the government, therefore, needs to put into the Festival?

**The Hon. M.D. RANN:** I will ask John Hill to respond to that.

**The Hon. J.D. HILL:** Perhaps I can give some information. When we decided to make it an annual event, we talked to the festival people about these kinds of issues and we set upon a figure which is greater for the annual figure than we would have given over two years to take into account the potential loss, in the short term, of any sponsorship arrangements they might have in place because it was unreasonable to expect that they would be able to double their sponsorship in

a relatively short period of time. However, they have not been in the market yet sufficiently long enough to determine whether or not that will be an issue. The next festival is the last of the biennials, so we have not got to the stage where we can take that into account.

However, I do know from the Fringe going annual, despite all the fears, that the Fringe annual event has been hugely successful and their principal sponsor has stuck with them and, in fact, provided sponsorship on an annual basis that hitherto had been on a biennial basis. One is optimistic that the festival will be able to replicate that set of arrangements, but it is a little bit early to tell; but the government has put in sufficient funds to cover any shortfall that might appear.

**The CHAIR:** I point out the time is now a quarter to 9.

**The Hon. M.D. RANN:** I should also mention that expenses are reduced in one sense by going annually—the first annual one, obviously, will be 2013—because there are people who are employed all the time by the festival but there is only one festival every two years. So it is a sensible use of resources.

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

### AUDITOR-GENERAL'S DEPARTMENT, \$13,770,000

#### 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. T.R. Kenyon, Minister for Recreation, Sport and Racing, Minister for Road Safety, Minister for Veterans' Affairs, Minister Assisting the Premier with South Australia's Strategic Plan, Minister Assisting the Minister for Employment, Training and Further Education.

#### Departmental Advisers:

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

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

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

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

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

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

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

**The CHAIR:** I declare the proposed payments open for examination. Premier, you do have an opening statement?

**The Hon. M.D. RANN:** No.

**Mrs REDMOND:** I refer to Budget Paper 4, Volume 1, at page 88, which is Sub-program 1.1: Prescribed Audits. Does the Auditor-General have any concerns about any matters arising from significant ICT reviews being undertaken by audit?

**The Hon. M.D. RANN:** Mr O'Neill will answer that.

**Mr O'NEILL:** As part of the 2010 annual audit review program, we are currently undertaking reviews of the implementation of certain significant information-related systems with the Department of Health, also in respect of Shared Services with the Treasury, and in respect of what is termed the RISTEC system (the replacement taxation system for the state revenue).

Those reviews are being undertaken. I can say that any issues of concern that may arise out of the reviews will be reported in the annual report of the Auditor-General's Department. There

are three principal reviews: the implementation of new technology systems in the Department of Health, Department of Treasury and Finance—both at Shared Services, and with the Department of Treasury and Finance proper.

**Mrs REDMOND:** One of the concerns I have, and one of the things that I have been trying to get in terms of having an ICAC in this state—one of the clear functions to me for an ICAC—would be to have preventive work done in terms of having people able to access our ICT systems and the potential for people to inappropriately use them, or appropriate money to their own purposes.

Anecdotally, I will tell you that I was on the board of a small community hospital that had a financial officer who, within a week of starting employment, began, through the computer system, to tap into the funds and was not caught until they had done away with \$470,000; ultimately, he was gaoled. The problem is that computer systems often are so complex that it seems to me that we need to have people who are capable of understanding where the potential for that sort of activity exists and try to put in place preventive measures—whether that is just crosschecking with other people, and so on. To what extent is the function of the Auditor-General capable of undertaking that role?

**Mr O'NEILL:** It is a principal audit activity. You would be aware that information systems give rise to financial information, financial data, that is core to agencies reporting on their financial operations, and, indeed, resulting in the preparation and formulation of financial statements of accountability for the agencies for which the Auditor-General has specific responsibility to audit in terms of the fairness and accuracy of those statements.

If I could say this: the government itself has an information security management framework, and information systems that are implemented should accord to the requirements and standards of that framework, and a particular component of that framework relates to what we term 'information classification requirements'. Those information classification requirements exist to ensure that systems are constructed or implemented with due regard to the matters about which you have just made mention: the privacy and security of information, the holding and the data storage, to ensure that strict controls exist over the access to that data and information.

For instance, in undertaking the reviews this year in relation to the new systems, we gave particular regard to the information security management framework of government, and particular focus is attached to aspects of system access, data access and security of information and the related assets that may be associated with those systems—and what I mean by that is physical assets or financial-related assets.

**The Hon. M.D. RANN:** I would like to ask Mr Hallion to follow up there.

**Mr HALLION:** Thank you, Premier. There are two other aspects, I think, that are worth touching on with respect to that. One aspect is that, as Simon indicated, the information security management framework does provide significant classification of information. We also have in this state a one whole-of-government gateway which ensures the security of cyber attacks on the government. We have a very strong gateway system which prevents, of course, one form of potential attack on our systems.

Also, we have a significant number of controls at the transaction level, so that in the bigger systems we look for irregular transactions, and we have been successful in detecting transactions of a nature that were over and above what would normally be the case. Obviously, for security reasons, I do not want to give full details of those, but we certainly have substantial system controls that have been successful in detecting cases of fraud and prosecuting those who were involved. The two issues really come from potential internal fraud and cyber attack, and we certainly have a very strong gateway network in this state that is quite hardened against cyber attacks.

**Mrs REDMOND:** I guess my concern is more with the internal problem, because I accept that we have the external security to stop the attack from outside. I take it from Mr O'Neill's response that mostly what we do is try to make sure that there is never a single person who has all the access and all the ability to do things. Mr Hallion, you mentioned the idea of the standout things, but for instance many years ago someone managed to get away with a lot of money out of the New South Wales public sector by simply rounding down or up to the nearest 5¢—rounding down, all the time, 2¢ and 3¢ across the whole payroll.

That is not something that would be obvious, but of course someone getting 2¢ off everyone's pay throughout the public sector amounts to a lot of money each week. What I am concerned to find out is just how much of the Auditor-General's energy can go into making sure



that systems throughout all the departments are fireproofed against all sorts of abuses that could occur.

**Mr O'NEILL:** We would hope that all systems are fireproof but there are instances of fraud. The matter that you have just related refers to things like standing data or master files. If a person has access to a master file and can change that master file without authorisation, then the position that you have indicated can occur, and has occurred. So, not only specific focused reviews of new systems are implemented but routine audits that we undertake of information systems or financial systems of agencies which have information system attributes are subject to review in the context that you have just related.

**Mrs REDMOND:** Still on page 88 and the prescribed audits, I know that the Auditor-General investigates Shared Services every year. Will there be a specific report on Shared Services for the year that is just finishing and when can we expect that? I guess, more importantly, the second part of the question is it was revealed in the Budget and Finance Committee on Monday that Shared Services implementation has now cost, so far, \$128 million compared to the initial budget of \$60 million, so more than double its original budget. Have your investigations found the same thing in terms of how far that budget has blown out?

**Mr O'NEILL:** We have not completed our review of Shared Services for me to be able to relate to you on that at the moment. I think it is important that I do relate that to the agency itself in any natural justice process before I report to parliament on that matter. You would be aware that, since the establishment of Shared Services, I have given specific focused attention to that area of government and have reported progressively on Shared Services, and I will be doing so again this year in part A of the audit.

**Mrs REDMOND:** Does that audit include any response or feedback, because my invariable feedback throughout the public sector is that they hate it, they find it inefficient and frustrating, they never get the right answers, their pay and all of those things are worse now than they were. I appreciate that what we are talking about generally is the monetary side and assessing how it is going in terms of the money. Does the audit have any capacity to give any assessment as to the efficacy of what is actually trying to be achieved, because thus far every bit of feedback I get on it is that it is not working?

**Mr O'NEILL:** We take into account a number of considerations and, rightly, you have said my mandate particularly focuses on the financial aspects of an activity, not so directly on the human aspects of it. Nonetheless, we take into account a number of considerations with respect to an activity because the human factor is very important in terms of how an organisation or an activity is undertaken, in terms of its efficiency and effectiveness.

We do take into account those factors, the human factor, but it is not a focus of my commentary in reports. I am not saying I would not but we do take that into account because it is a factor that is important to accountability, efficiency and effectiveness of public sector or public servant performance when undertaking financial operations.

**Mr TRELOAR:** How do you take that into account?

**The CHAIR:** Member for Flinders, you may ask the question, but I would just alert you to the time.

**Mr TRELOAR:** Okay, one last very quick question: further to that answer, how are you able to take that into account in your role as an auditor?

**Mr O'NEILL:** For example, if we were looking at an entity, and we were looking at a new system of implementation or, indeed, in the case of Shared Services, where you have had a lot of staff movement from core agencies transferred into Shared Services. If you look at performance indicators, if you have large staff turnover, that affects how one would operate a business in terms of its efficiency and effectiveness, and staff turnover may indicate a number of things like people are not happy. It can communicate a number of factors but we have to take that into account because it gives rise to risk.

If we have a significant level of staff turnover, then that can have implications for segregation of duties, how transactions are processed, how they are processed in terms of skill and expertise. It can give rise to risk, risk of failure of process, and risk of failure, therefore, of correctness and accuracy of processing transactions. So, you have to take into account the human factor in financial operations and financial transaction processes.

**The CHAIR:** It is now beyond nine, so I think we may call this to a close. I declare the examination of the proposed payments to the Auditor-General's Department completed.

**The Hon. M.D. RANN:** I would like to thank all members of the committee, including the Leader of the Opposition and members from both sides, particularly you, ma'am, and your staff for conducting this estimates committee in the best way I have seen in the last 25 years.

**The CHAIR:** Thank you very much, Premier. And with that happy thought we shall adjourn.

At 21:03 the committee adjourned until Thursday 30 June 2011 at 08:30.