

HOUSE OF ASSEMBLY
Thursday 21 June 2012
ESTIMATES COMMITTEE A

Chair:

Mr T. Piccolo

Members:

Hon. I.F. Evans

Hon. S.W. Key

Ms F.E. Bedford

Ms Z.L. Bettison

Mr M.R. Goldsworthy

Ms R. Sanderson

The committee met at 09:02

DEPARTMENT OF TREASURY AND FINANCE, \$67,538,000
ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,
\$1,799,067,000

Witness:

Hon. M.F. O'Brien, Minister for Finance, Minister for the Public Sector.

Departmental Advisers:

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

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

Ms J. Roache, Chief Executive Officer, SA Lotteries.

Mr S. Rowe, General Manager, Super SA.

Mr K. Cantley, General Manager, South Australian Government Financing Authority.

Mr M. Walker, Commissioner of State Taxation.

Mr A. Martin, Executive Director, Corporation Services, Department of Treasury and Finance.

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

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

Mr D. Reynolds, Executive Director, Budget Branch, Department of Treasury and Finance.

The CHAIR: The estimates committees are a relatively informal procedure and, as such, there is no need to stand to ask or answer questions. The committee will determine an approximate time for consideration of proposed payments to facilitate changeover of departmental advisers. I ask the minister and the lead speaker for the opposition to indicate whether they have agreed on a timetable for today's proceedings for this part of the examination. Yes, they have.

Changes to committee membership will be notified as they occur. Members should ensure that the Chair is provided with a completed request to be discharged form. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary no later than Friday 21 September 2012. This year, the *Hansard* supplement, which contains all estimate committee responses, will be finalised on Friday 12 October 2012.

I propose to allow both the minister and the lead speaker for the opposition to make opening statements of up to 10 minutes each, if they so desire. There will be a flexible approach to giving the call for asking questions based on about three questions per member alternating each

side, unless, of course, members on my right wish to surrender their questions. Supplementary questions will be the exception rather than the rule. A member who is not part of the committee may, at the discretion of the Chair, ask a question.

Questions must be based on lines of expenditure in the budget papers and must be identified or referenced prior to questions being asked. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the House of Assembly *Notice Paper*. There is no formal facility for the tabling of documents before the committee; however, documents can be supplied to the Chair for distribution to committee members. The incorporation of material in *Hansard* is permitted on the same basis as applies in the house. All questions to be directed to the minister, not his advisers. The minister may refer questions to an adviser, or advisers, for a response. I indicate there is television coverage of these proceedings. All yours, minister.

The Hon. M.F. O'BRIEN: I will dispense with the opening statement.

The CHAIR: Member for Davenport, do you wish to make an opening comment or just go straight into questions?

The Hon. I.F. EVANS: Straight into questions. Page 48 of Budget Paper 3 sets out the tax collect for the government through RevenueSA, including payroll tax. I am wondering if you can explain to me why RevenueSA was costing the Liberal Party's payroll tax policy/small business policy during the caretaker period of the last election?

The Hon. M.F. O'BRIEN: I am totally unaware of that occurring. I will take it on notice and get back to you in due course.

The Hon. I.F. EVANS: Under FOI, the agency released a document to the opposition. The opposition announced its election policy on 2 March 2010, which is fair and square in the caretaker period, then under FOI there is a document released through your agency titled, 'Revenue Section, Revenue, new elections, 2010, Liberal Party small business policy payroll tax costings', and it sets out the costings for the Liberal Party election policy, which had been announced on 2 March. I am wondering whether your agency would like to comment as to what they were doing costing the Liberal Party's election document in the middle of the caretaker period of the election?

The CHAIR: Before you answer, minister. What was the reference?

The Hon. I.F. EVANS: Page 48, Payroll tax—top line—\$704 million.

The CHAIR: Is this one of your long bows, member for Davenport?

The Hon. I.F. EVANS: No. This is an election document about payroll tax which goes to that line.

The Hon. M.F. O'BRIEN: What occurred was that the Department of Treasury and Finance prepared briefings for the purpose of incoming government briefings, both on your policies and Labor Party policies. The work that was done on your policies was not made available to the government, it was done so that if you were to have won government you would have had a substantial briefing made available to you on the first day of coming into government.

The Hon. I.F. EVANS: What stopped the agency giving it to the government? In the middle of the election campaign the agency has done the work. What stopped the agency handing up the work to the government?

The Hon. M.F. O'BRIEN: I suppose just ethical considerations, but I have been informed by the Under Treasurer that that material was not made available to us, and I certainly have not been made aware that it was made known to us. I think it is a logical thing to do. An incoming government, particularly with a change of government, wants to be adequately prepared from day one, so work ought to be done in advance on what is required to implement the policies of the incoming government. I would say that ethical considerations would have come to the fore and that information was not made available to the government.

The Hon. I.F. EVANS: Is it the caretaker convention guidelines (the protocol that is sent out to the Public Service) that prevents the department giving it to the ministerial office at the time?

The Hon. M.F. O'BRIEN: I am not aware of the detail of the convention but I would say that it was very much within the—

The Hon. I.F. EVANS: When the government put out its caretaker protocol last election, you did not read it? You were not given a copy? My understanding is it is sent to all chief

executives and all ministers that the caretaker period is now put in place. Are you saying at the last election you did not get it?

The Hon. M.F. O'BRIEN: I was aware, and we abided by the conventions, to the extent of—and this is a previous portfolio area—basically not using the officers on weekends or after hours. We were quite rigorous in our adherence to the protocols, and I would say in answer to the question that you have asked that this behaviour would have been very much determined by the protocols.

The Hon. I.F. EVANS: What is Mr Rowse's understanding of the protocol? Could he ring up and discuss our policy, or email and talk to the government of the day about our policy during the caretaker period?

The Hon. M.F. O'BRIEN: I will give that over to Mr Rowse because I am not going to answer on his behalf.

Mr ROWSE: I have worked at the commonwealth level, Victorian government level and South Australian government level and it is quite common practice in the lead-up to elections for agencies to prepare incoming government briefs for both sides of politics so that an incoming government has adequate briefing on implementing its policies once it is elected. So, everything that the Department of Treasury and Finance in South Australia did in the context of the run-up to the 2010 state election was consistent with those sorts of policies and programs. You do not discuss those issues with the government of the day when you are costing and examining the opposition's (at that time) policies. You prepare a briefing in case that party is elected at that time and there is a briefing ready for the next day once the government is elected.

The Hon. I.F. EVANS: Your answer is that this happens in other governments—that is your experience—and the protocol says that you cannot discuss it with the current government during the caretaker period. If minister O'Brien's office wanted to ask questions about our policy during the caretaker period, that would be off limits? You could not go there because that would be against the protocol?

Mr ROWSE: I believe that to be the case, yes.

The Hon. I.F. EVANS: Minister, RevenueSA's annual report sets out the amount of tax collected by RevenueSA on behalf of the government. I am just wondering whether you have found the extra \$300 million in payroll tax that RevenueSA has collected that is not reflected in your budget.

In 2008-09, RevenueSA claimed to have collected \$1.089 billion in payroll tax: the actual figure reflected in the final result in the budget of 2008-09 was \$914 million. In 2009-10, RevenueSA claimed to have collected, according to the annual report, \$1.088 billion in payroll tax: the amount reflected in the Treasury document as the final result for 2009-10 is only \$900 million. In 2010-11, RevenueSA claimed to have collected \$1.145 billion in payroll tax and the budget shows \$951 million. I am just wondering how those figures reconcile.

The Hon. M.F. O'BRIEN: Yes; we will find out. I have conferred with Mike Walker, the Commissioner of State Taxation, and we are unaware of the report from which you are quoting.

The Hon. I.F. EVANS: It is appendix 6 of the RevenueSA annual report. It is Mr Walker's annual report, which states, 'Revenue collections by RevenueSA.' It is DTF.

Mr ROWSE: You are referring to DTF's annual report?

The Hon. I.F. EVANS: Yes.

Mr ROWSE: Sorry; you were saying 'RevenueSA'.

The Hon. I.F. EVANS: Well, the RevenueSA section of DTF's annual report; so, it is the agency's annual report. I can only assume that RevenueSA signed off on it. Department of Treasury and Finance, page 108.

The Hon. M.F. O'BRIEN: We will come back to you on that. We will have to do some reconciliation on that.

The Hon. I.F. EVANS: It is only 300 and something million.

The Hon. M.F. O'BRIEN: I take it a little more seriously than that, member for Davenport. If that is small change to you, well, so be it.

The Hon. I.F. EVANS: While we are on the same issue, on the same page of the annual report—

The Hon. M.F. O'BRIEN: Just bear with me for a minute.

The CHAIR: Member for Davenport, can you just clarify. Are you quoting from the budget papers or an annual report?

The Hon. I.F. EVANS: I am asking a question about page 48 of the budget paper, which refers to payroll tax, and then I have referred it back to the annual report because the budget figures do not reconcile with the annual report figures.

The Hon. M.F. O'BRIEN: Member for Davenport, I believe that we have an explanation, but we will come back. The explanation that I have been given is that the figures in the budget papers are grossed up in that they also include payroll tax paid by government agencies—I am sorry, it is the other way around—and the lesser figure is total tax collection minus payroll tax paid by government agencies, but we will come back to you on that one.

The Hon. I.F. EVANS: How then do you explain the land tax variations in the same annual report; and, again, page 48 sets out the land tax collections? For instance, in 2008-09 the annual report talks about \$466 million of land tax being collected, and it actually splits it up for us: \$332 million private, \$178 million from public, yet in the state budget for that year the final collect was \$510 million. There is a \$50 million variance there, and that includes both public and private.

Then in 2009 it is \$553 million, according to the annual report, and that is around the mark. In the next year, 2010-11, again, it is \$595 million and the budget papers show a figure of about \$575 million. Given that they include both public and private, what would be the reason for the difference in the figures there?

The Hon. M.F. O'BRIEN: Member for Davenport, we will provide a reconciliation.

The Hon. I.F. EVANS: While I am on this line, as all shadow treasurers are very interested in what RevenueSA is collecting, with respect to the stamp duty figures: conveyance on property for 2008-09, \$734 million (the budget shows \$726 million); the next year, 2009-10, \$793 million (the budget shows \$790 million); and the next year, the budget shows \$794 million and the annual report \$803 million. So, those figures do not reconcile, either.

On all the major tax lines into the government, the collection agency annual report does not reconcile with one line in the budget. If there is a reconciliation issue, why do they not present the annual report to reflect the finals in the budget?

The Hon. M.F. O'BRIEN: Fair point. We will take that on notice as well. The explanation I have been proffered is that they are done on a different basis, but I take your point that there ought to be a consistency between them.

The Hon. I.F. EVANS: Minister, you handle in this section, under South Australian government insurance, SAICORP. I notice in the SAICORP report there was a reference to the Mullighan inquiry claims. Could you outline for the committee the number of claims that have been made, the number that are outstanding, and the number that have been settled, if any? I do not want names of claimants.

The Hon. M.F. O'BRIEN: I will call Kevin Cantley, General Manager of SAFA, if he could come forward. Member for Davenport, there have been approximately 200 claims made against the state by persons allegedly abused while in state care. Around 106 of these claims have now been resolved through commercial settlement.

The Hon. I.F. EVANS: And the total amount of the commercial settlement? I do not want to know the individual amounts, but the total amount. How many millions have been paid out as a result?

The Hon. M.F. O'BRIEN: We would have to take that on notice.

The Hon. I.F. EVANS: Not even a ballpark figure? 106 claims—an average of \$50,000 each, or an average of \$100,000 each?

The Hon. M.F. O'BRIEN: The difficulty that we have is that if I was to give you that figure and then you were to make the simple mathematical exercise of a division, you would probably determine the average settlement. Mr Cantley has told me that we are still in the throes of resolving outstanding matters and really do not want to flag the quantum involved.

The Hon. I.F. EVANS: How does the settlement process work? What I am really interested in is this point: is it possible for someone to go to court with an alleged abuse case, lose the court case, in other words the abuse not be proved in court, and then still get a settlement under this provision?

The Hon. M.F. O'BRIEN: These matters have been done by way of settlement to avoid the cost of going to court. I have got a figure here for what we believe we may have saved. To avoid horrendous legal expenses we have settled by way of an agreement out of court. Those agreements, the 106, I think have been satisfactorily settled, and no-one, to my understanding, has been dissatisfied with the settlement. But if it was to proceed to court, then the court would be the final determinant of what of the payout figure should be.

The Hon. I.F. EVANS: What I am asking is this: is it possible for someone to go to court making an allegation about abuse in care, lose the court case, and then come back to the government and say, 'I now want to try and get a payment out of this line,' in other words, negotiate with the government?

The Hon. M.F. O'BRIEN: No, that—

The Hon. I.F. EVANS: So the minister can confirm that no-one who has gone to court and lost on a child abuse case, alleged abuse in care, has received a payout through this mechanism?

The Hon. M.F. O'BRIEN: That is the advice I have been given, to the best of our knowledge. In the hypothetical case—because I am not really sure that it actually has occurred—they have had their day in court but they have been unsuccessful. So there would be no basis for the government entertaining that.

The Hon. I.F. EVANS: Does the payment in the settlement of these alleged abuse cases come out of the victims of crime levy or does it come out of a different pool of money? If so, what line does it come out of?

The Hon. M.F. O'BRIEN: It is met from the SAICORP Insurance Fund 2, and the discussion I was having with Mr Cantley in advance of your question actually alluded to payment from the Victims of Crime Fund. But no, this is a separate fund.

The Hon. I.F. EVANS: Is that the reason the government has had to top up the No. 2 fund by about \$7 million in the last year?

The Hon. M.F. O'BRIEN: Mr Cantley can give a bit of clarification.

Mr CANTLEY: Further to the minister's comment, we are talking here about settlements to disputes that are through the SAICORP Insurance Fund 2. In managing these claims we are taking a compassionate approach and being mindful of what individuals have been through, so clearly it is a government approach, I suppose, of being compassionate in dealing with the claims. There are some claims that may be settled through the Victims of Crime Fund before they come to us to defend as part the court process.

With Fund 2 itself, we have an indemnity from the Treasurer, so he will top that up each year; either pay us or, if it is in surplus, we will pay that amount back to the Treasurer. For budget purposes, in the line where the \$7 million is quoted, that is what we've just got in the budget. What it will be, you will see that one year it was zero because we paid back some money. So there is a sort of long-standing arrangement that \$7 million is budgeted, but for what it actually is I can refer you to SAFA's annual report, if you want to see what it was last year.

The Hon. I.F. EVANS: I have read the annual report, thank you. Minister, Mr Cantley has just advised the committee that some of the alleged victims could get payment through the victims of crime levy. Would you take on notice the same question: that is, have any of the people paid through the victims of crime levy previously gone to court, lost the case, and then still got a payout for the alleged abuse under a victim of crime payment through the victims of crime levy?

The Hon. M.F. O'BRIEN: As you asked, we will take that on notice.

The Hon. I.F. EVANS: I have a question regarding Super SA.

The Hon. M.F. O'BRIEN: Nothing else on SAICORP?

The Hon. I.F. EVANS: I'm not sure yet; we've got another 30 minutes. The Super SA annual report goes through the various super schemes and the assets under management. I notice the assets under management in the 2007 to 2009 period dropped \$2.2 billion, or 20 per cent. Then it has climbed again in the years 2010 and 2011. There seems to be a different result for

each super scheme. The Triple S scheme, during that period, dropped around \$400 million, which is only about 8 per cent, if you look on page 16 of the annual report, Mr Rowe. Then the pension scheme itself dropped \$1.4 billion, or 22 per cent. I am just wondering why the schemes perform so markedly differently.

The Hon. M.F. O'BRIEN: I will take the question, although strictly speaking it is not a budget matter.

The Hon. I.F. EVANS: In fairness, minister, Super SA manages the super entitlements of our Public Service and Super SA needs to be comfortable that the investor is actually doing a good job. I am coming to this line of questioning from the viewpoint that Super SA is in charge of the schemes. The investment result affects ultimately the performance of the scheme, so Super SA, I am sure, would have discussed at board level the significant drop of assets under management during that period.

The Hon. M.F. O'BRIEN: I do not have an issue with answering the question, but this actually is an estimates committee meeting with the intention ultimately of giving passage to the budget. We are not here to actually discuss the annual reports of various agencies, but I will ask Stephen to answer that. You will get your answer but it could be ruled out of order.

The Hon. I.F. EVANS: It couldn't, actually.

Mr ROWE: I suppose going back to 2007-08 and 2008-09, we had the GFC on and there was considerable volatility in investment markets. That explains a lot of that fluctuation in levels of assets across those funds. In fact in the period 2007-08, earnings were down \$1.225 billion across all the schemes at the height of the GFC. In 2008-09, earnings were down \$1.75 billion, so there are really quite considerable drops there in levels of assets based on earnings.

To some extent, the impact of that was reduced in terms of total funds under management as a result of contributions from members across the schemes and the efforts of the office to drive contributions—both voluntary contributions and salary sacrifice and the like. There were some flows in and flows out. Certainly those returns were quite disappointing in that period, but they were pretty typical across the industry and reflected movements mainly in equity markets but also property type returns. As you mentioned, in the last two years, that has come back up quite nicely.

The Hon. I.F. EVANS: Through you, minister, does the Super SA board go out to the market and check against industry standards? My understanding is that, in the property sector in particular, they were particularly hard hit during that session where there is a drop of nearly 40 or 50 per cent. NAB property section during the same period only dropped 20 per cent. I am just wondering, do you actually go to the market and look at the comparative performance of the investments?

The Hon. M.F. O'BRIEN: Stephen can answer that.

Mr ROWE: During the GFC, the property market returns really depended very much on whether you were invested in listed property or direct properties. The listed markets were heavily impacted during the GFC because they were quite heavily geared. A lot of funds invested only in direct properties, so they were less impacted. I think that explains that return, but I think probably a better answer could come from Richard Smith of Funds SA in terms of the detail.

The Hon. I.F. EVANS: Minister, the unfunded super for the public sector has blown out to \$11.9 billion. Is that actuarial calculation done through Super SA or through Funds SA?

The Hon. M.F. O'BRIEN: My understanding is that it is a collaborative exercise, but the lion's share of the work is done by Super SA and government accounting.

The Hon. I.F. EVANS: On page 37 of the budget paper it talks about the long-term determinant being the commonwealth bond rate, which we heard yesterday has dropped. Page 76 assumes an unchanged bond rate of 4 per cent across the forward estimates and then the assumed earnings rate is 5.6 per cent, according to footnote (c) on page 77, while on page 76 the earning rate across the forward estimates that they have used is 7 per cent. Can you explain to me what the difference is between the assumed earnings rate of 5.6 per cent and the use of the earnings rate of 7 per cent across the forward estimates? Why are there two different figures?

The Hon. M.F. O'BRIEN: The way that it is calculated is that on a particular date—and I have been advised it may have been March or April—we used the actual year-to-date figure and then for the balance of the year we used this figure of 7 per cent. The weighted average of the year-to-date to March or to April and the 7 per cent for the balance of the year—the weighted

average is the 5.6 per cent, and then ongoing we rely on the 7 per cent. It was commonwealth budget day that the figures were locked in.

The Hon. I.F. EVANS: I think you are telling me you earned 5.6 per cent last year and you think you will get 7 per cent across the forward estimates; is that what you are saying?

The Hon. M.F. O'BRIEN: Yes, that's correct.

The Hon. I.F. EVANS: Is it 7 per cent above inflation or 7 per cent including?

The Hon. M.F. O'BRIEN: It is 7 per cent nominal and it is a figure provided to us by our actuarial advisers.

The Hon. I.F. EVANS: Can we move on to Fleet SA?

The Hon. M.F. O'BRIEN: We can do that, yes. I have just been given an explanation to earlier questions where you had the DTF annual report and then contrasted it with budget figures. On the land tax reconciliation we will give you a more detailed response, but there are adjustments made for the government sector, which I explained, but also accruals and then refunds. So, that is where the movement occurs. We will give you a detailed reconciliation, but that is the broad explanation.

The Hon. I.F. EVANS: The government is now privatising Fleet SA; is that right?

The Hon. M.F. O'BRIEN: I think the correct explanation would be outsourcing.

The Hon. I.F. EVANS: Outsourcing what exactly?

The Hon. M.F. O'BRIEN: Management of functions.

The Hon. I.F. EVANS: So you are not selling Fleet SA?

The Hon. M.F. O'BRIEN: No, we are not.

The Hon. I.F. EVANS: When the government outsourced the management of SA Water, is it true to say that was not a sale, that was just an outsourcing?

The Hon. M.F. O'BRIEN: That is not really my portfolio area but I know specifically in relation to—

The Hon. I.F. EVANS: No, but at the time your party—

The CHAIR: Member for Davenport, the question is not relevant to the minister's portfolio.

The Hon. I.F. EVANS: Well, it is, actually.

The CHAIR: No, it is not.

The Hon. I.F. EVANS: I am asking him about Fleet SA.

The CHAIR: You can ask him about Fleet SA, not about other matters.

The Hon. I.F. EVANS: Mr Chair, you can argue all you want in front of the camera; it does not worry me.

The CHAIR: There will be no argument. That is my ruling: that the minister will not be required to respond to that question.

The Hon. I.F. EVANS: Can the minister explain how outsourcing Fleet SA's management as per the budget announcement is not privatisation when previously the Labor Party said, when it outsourced SA Water's management, that it was a privatisation? Can you explain the difference, please?

The Hon. M.F. O'BRIEN: Not taking into consideration any elements relating to SA Water, we have a situation where we continue to purchase motor vehicles and continue to lease them, but the day-to-day operation in terms of the servicing and contact with members of the public sector is done by the private sector. So, they are performing a management function currently undertaken by government that we retain ownership of the asset. As far as I am concerned, it is a solid example of outsourcing got right, and there are significant financial benefits to government through this particular move.

The Hon. I.F. EVANS: Fleet SA, according to the SAFA annual report, makes a profit before tax of about \$23 million a year. What do you think will be the benefit of the outsourcing to the budget? What is the impact on the bottom line?

The Hon. M.F. O'BRIEN: We are just getting the numbers.

The Hon. I.F. EVANS: While you are finding that, for how long is the outsourcing, who has won it, is it a five year or a 10-year deal?

The Hon. M.F. O'BRIEN: The arrangement is three, plus option of renewal of a two plus two, so that could take it out to seven years. LeasePlan will perform the management function currently undertaken by Fleet SA and Pickles will undertake the option function currently carried out by Fleet SA.

The Hon. I.F. EVANS: And the budget bottom line?

The Hon. M.F. O'BRIEN: According to the previous years' budget figures, savings in the current year are 0.334 million. The following year, 2012-13, \$4.864 million; 2013-14, \$5.627 million; and 2014-15, \$5.756 million.

The Hon. I.F. EVANS: So you are saving \$4 million or \$5 million a year on those figures.

The Hon. M.F. O'BRIEN: Yes.

The Hon. I.F. EVANS: It was this government, of course, that brought Fleet SA back in under government ownership in its earlier years. During the State Bank debacle, Fleet SA was outsourced and then, under Kevin Foley, Fleet SA was brought back in under government because it was going to save money. Which argument stacks up: that you can save money by running it within government or that you can save money by running it outside of government?

The Hon. M.F. O'BRIEN: The issue you refer to was a decision that you correctly identified as being made by the previous treasurer, where I think the Commonwealth Bank Finance Corporation basically took over Fleet SA operations on the basis that there were substantial sales tax benefits to both the Commonwealth Bank Financing Corporation and the state government with the introduction of changes to tax arrangements, including the abolition of sales tax and the introduction of the GST. Those benefits evaporated, so it was then brought back in because it was of no benefit to the Commonwealth Bank Financing Corporation or to the state government to allow the arrangement to remain in place.

The Hon. I.F. EVANS: In relation to the previous savings measures; that is, the fleet mix and the increased utilisation, do they still hold or have they now been wrapped up in this outsourcing?

The Hon. M.F. O'BRIEN: Just bear with me a minute, member for Davenport, apparently I have to make clarification.

The Hon. I.F. EVANS: Is Mr Rowse quoting from a government docket?

The Hon. M.F. O'BRIEN: No; it is the previous budget, which apparently I have quoted the savings but not the potential losses of revenue. Perhaps so that I am correct on the record—

The Hon. I.F. EVANS: There is a loss of revenue how, minister? How are we losing revenue by outsourcing Fleet SA?

Mr ROWSE: We will get David to clarify.

The Hon. M.F. O'BRIEN: Yes; David Reynolds. It is really a kind of cash flow issue more than anything else.

Mr REYNOLDS: The numbers as presented in the budget papers show a reduction in revenue and that is a reduction in revenue from the government agencies' payments to SAFA as manager of the fleet, because it goes from the general government sector to SAFA as a public financial corporation. There is a reduction in flow from the agencies to SAFA and then a reduction in the cost that SAFA has in terms of administration of the scheme. So, those two numbers net together to give you a saving of \$1.7 million per annum from the outsourcing of the fleet.

The Hon. I.F. EVANS: So, it is roughly a \$1.7 million saving per annum to budget across the forward estimates?

Mr REYNOLDS: Yes.

The Hon. I.F. EVANS: Do we have the Procurement Board?

The Hon. M.F. O'BRIEN: We have Andrew Blaskett, Director, Government Accounting Reporting and Procurement, DTF.

The Hon. I.F. EVANS: The facilities management contract was extended to Spotless for a number of other government facilities, health facilities in particular, without going to tender. I am wondering on what basis it was extended without going to tender, given the size? The extension itself was a contract worth tens of millions of dollars. On what basis did it not go to tender?

The Hon. M.F. O'BRIEN: The situation, if I could describe it this way, was that the head contract was held by DPTI and there was the capability, or capacity, to extend the contract to other agencies. It was extended to health under the head contract held by DPTI and for that reason there was no reason to take it to tender.

The Hon. I.F. EVANS: What was the value of the extension that did not go to tender? The Procurement Board would know, I assume.

The Hon. M.F. O'BRIEN: I will take that on notice. You described it as an extension and I know what you are saying, but it is not an extension in terms of the time of the contract being extended: it was the scope, if you like.

The Hon. I.F. EVANS: The scope was extended to include vast new facilities.

The Hon. M.F. O'BRIEN: And because the capacity (or ability) was there, it did not come back to the Procurement Board. So I will take that on notice and I will ask that that figure be secured. But, as I indicated, it did not come to the Procurement Board and, strictly speaking, does not sit within my ambit.

The Hon. I.F. EVANS: But the Procurement Board signed off on the purchase of the facilities management.

The Hon. M.F. O'BRIEN: For that reason, I will secure a response.

The Hon. I.F. EVANS: Can you advise me what process the Procurement Board goes through to check the performance of Spotless, in this case, before signing off on the extension? I assume they would dig down and have a look at the performance of Spotless and its existing contract—whether there were any complaints, whether there was any overcharging.

The Hon. M.F. O'BRIEN: The arrangement is that we receive an annual review of the performance of contracts, in this case, the performance of Spotless, and those reviews have indicated satisfaction with the manner in which Spotless have performed their obligations.

The Hon. I.F. EVANS: Would you advise the committee how many noncompliance items were identified with Spotless in the three years prior to the extension of the contract? My understanding is that there were a number of major and minor noncompliances found with the Spotless contract to do with air conditioning. There was Legionnaire's disease discovered in some of the air conditioning systems. I am just wondering, given the large number of noncompliance items, on what basis it was extended without going to tender.

The Hon. M.F. O'BRIEN: Essentially, there was no extension. The contract period had come to an end and a decision was made that we were going to run it for an extra two or three years. The fact was that there was an ability to extend the contract to agencies other than DPTI. DPTI is the administering agency but there was a capacity for other agencies to avail themselves of that particular contract. So there was an expansion in scope but it was something that was always envisaged as being a possibility and, for that reason, it did not have to go to contract.

The Procurement Board is given an annual performance review on this particular contract by DPTI and that is the agency that ultimately determines the level of satisfaction with performance.

The Hon. I.F. EVANS: Before the Procurement Board signed off on it, were they made aware of the number of noncompliance items, the number of dispute items and the level of overcharging by Spotless?

The Hon. M.F. O'BRIEN: Under the Procurement Act the CEs of agencies have responsibility for the procurement activities undertaken by their agency. The Procurement Board, to a very large extent, is there to set high-level policy, but ultimately responsibility for administering the contract comes back to the CE. So, the Procurement Board receives annual reports but it does not sign off. The responsibility ultimately resides with the CE.

The Hon. I.F. EVANS: So the Procurement Board is not digging deep into the agencies about these procurement measures. This is a contract worth probably close now to \$80 million or \$90 million. It is not a chicken-feed contract. If the Procurement Board is simply getting an annual report and not going into the agency and asking questions about the performance of the contractor,

how then is there any probity on the process from the Procurement Board's point of view? I mean, I can just sit there and get a report and say, 'That's fine. I've done a good job,' but isn't that lax? Shouldn't they be digging in, asking questions, not just looking at the annual report?

The Hon. M.F. O'BRIEN: My view, member for Davenport—and I am not sure how long I have been the responsible minister—is that the highly decentralised structure that we have in government at the moment works well in terms of empowering agency CEs and senior management teams, but there is a requirement for a higher level of across-government monitoring and coordination, and this became apparent to me in relation to the printer cartridge situation.

I have had discussions with the Procurement Board, and it is my intention that it becomes more proactive, if you like, in assisting CEs in the performance of their responsibilities under the Procurement Act in managing the procurement function within their agencies. What I have got to be cognisant of is the fact that the decentralised structure that we have in place is probably the most appropriate way to run modern government; and I will be applying a soft touch, but there will be a touch.

The Hon. I.F. EVANS: Minister, just on land tax, which is on page 48, again, under the tax collections, I am just wondering whether you recognise that South Australia has a problem with its land tax system. For instance, the Urban Development Institute wrote a letter to the Treasurer back in March giving this example: land tax on a \$1 million property in Western Australia is \$1,610, in Queensland it is \$4,500, in New South Wales it is \$9,908, in Victoria it is \$2,975 and in South Australia it is \$9,446.

Land tax on a \$2 million property investment in Western Australia is \$7,710, Queensland is \$21,000, New South Wales is \$25,908, Victoria is \$11,975 and South Australia in \$45,770. How do we expect businesses to compete when our land tax regime is twice as severe as any other state in Australia at that level? Do you recognise that we have got a problem and are you intending to reform it?

The Hon. M.F. O'BRIEN: I am of the view that it is probably timely that a thorough examination be undertaken, and it is being undertaken at the federal level in terms of both the national—and by that I mean the commonwealth—and state government tax bases. I am of the view that reform in this area is well overdue. I will be looking with great interest at the recommendations that come out of the inquiry that is currently underway for the Australian tax system.

Unfortunately, particularly as a result of the uniform tax cases that were run during the second world war, the state governments lost their ability to levy income tax by the commonwealth utilising the defence powers. Since that point onwards we found at the state level that our ability to raise taxes has been increasingly diminished and just come down to a small number. I acknowledge it is an issue, and I am hoping that there will be some resolution as a result of the inquiry.

The Hon. I.F. EVANS: Isn't it true, though, minister, that what is being proposed by the states through the body set up through Mike Baird and treasurer Snelling, is that the federal government returns the excise payments to the states on the basis of for every dollar of excise back the states reduce stamp duty take by 50 per cent? Isn't that the proposal that is going to be proposed, and how does that fix the land tax issue in South Australia?

The Hon. M.F. O'BRIEN: They were some comments attributed to Mr Baird, but we as a government have not entered into any discussion with Mr Baird as to whether we find that particular proposition acceptable.

The CHAIR: I declare the examination of the proposed payments concluded.

DEPARTMENT OF THE PREMIER AND CABINET, \$113,059,000

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,
\$20,551,000**

Membership:

Mr Pisoni substituted for Ms Sanderson.

Witness:

Hon. M.F. O'Brien, Minister for Finance, Minister for the Public Sector.

Departmental Advisers:

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

Mr B. Morris, Executive Director, Corporate Operations and Government, Department of the Premier and Cabinet.

Mr J. Loulas, Manager, Financial Performance and Strategy, Department of the Premier and Cabinet.

Mr A. Mills, Chief Information Officer, Office of the Chief Information Officer.

Mr P. McMahon, Director, Service Delivery, Shared Services.

Mr P. Welling, Director, Service SA.

Mr J. Damin, Director, Financial Strategy Enabling, Shared Services.

Mr W. McCann, Commissioner for Public Sector Employment.

Mr B. Cinnamond, Director, Public Sector Management Division.

Mr T. Ryan, Director, State Records.

The CHAIR: I declare the proposed payments open for examination. Minister, do you wish to make any introductory remarks?

The Hon. M.F. O'BRIEN: No.

The CHAIR: We can proceed with questions.

The Hon. I.F. EVANS: Budget Paper 3, page 35, is a general reference; it is all about the Public Service—and every issue in the budget papers refers to the Public Service. Minister, for the last decade the government has provided for an increase in public sector employee numbers in each budget year. Each subsequent year the government has had to significantly increase the budgetary provisions because of a failure to comply with the initial estimates.

Last year's budget provided for a reduction in the general government sector employees of 261. Instead—and I refer to Budget Paper 3, page 33, table 2.9—the 2012 estimate exceeds the budget by 2,355. This means that instead of reducing the public sector by 261 employees the government has actually increased the public sector by 1,960. What is the cost to the taxpayer of this increase? How does the government intend to ensure that the departments comply with job cuts, given that there has been no enforcement or control to date?

The Hon. M.F. O'BRIEN: The increase has been in priority areas, particularly health, education and law enforcement. These have been government priorities. I will read this verbatim because the explanation is contained therein and I will not try to extract it.

The estimate of FTEs in the general government sector as at June 2012 is 82,214. This represents an increase of 2,355 FTEs since the 2012 estimate at the time of the 2011-12 budget, primarily reflecting the transfer of the Rail Commissioner and the 913 FTEs from the public non-financial corporations sector into the Department of Planning, Transport and Infrastructure and an additional 835 FTEs in Health and Ageing, associated with over-spending and delays in achieving savings. The explanation in relation to the 913 FTEs from the Rail Commissioner, I think, largely explains that increase, but there has been some difficulty, given the demands on Health, to bring back numbers.

The Hon. I.F. EVANS: From the same budget line, minister, the demands on health are going to go on every year, so on the basis that you have not been able to control your Public Service numbers any year you have been in government, why should we believe the forward estimate figures that suggest that you are now going to reduce Public Service numbers? Will there not be the same health pressures next year and year after year after year?

The Hon. M.F. O'BRIEN: I will intrude partly into the responsibility of the Minister for Health, and I do not think he is going to have any objection. Health runs a system called e-recruitment, and I actually had a presentation some 10 or 12 weeks ago. We have supplied one individual from the Department of the Premier and Cabinet to assist Health in the running of the

e-recruitment function. I have been advised that that program will be fully utilised come the commencement of the next financial year.

In part what that program does is entail sign-off for recruitment purposes and it will bring a degree of management over the health agency that has not been there in the past, given the size and complexity of Health. The software is impressive in its ability to manage the recruitment and replacement of staff. I am confident that, as of the commencement of the coming financial year, which is only weeks away, we will get that control that has not been there in the past.

My interest is also in that when Health procured this particular software, there was an indication from other government agencies that they may ultimately avail themselves of the software and it could actually have an across-government application. We now have a tool and Health is doing in-depth mapping throughout their hospitals and the department of employment, and that mapping will be basically an enabler, if you like, for the application of the software.

The Hon. I.F. EVANS: Minister, in your earlier answer, you said that cabinet had made certain decisions about increasing employee numbers in Health, so the new computer system you are talking about is not going to help solve that matter. Is it not your problem that cabinet cannot control its expenditure in employing extra public servants in certain areas? It is cabinet that is making these decisions knowing full well that it is outside of their budget.

The Hon. M.F. O'BRIEN: Member for Davenport, I think you will find—and you probably know—that all agencies bar Health have managed their FTE reductions, and a large number of agencies have actually gone beyond the budgeted figure. Health has been the issue and, as I said, I have devoted some time to this and so has the Department of the Premier and Cabinet to assist Health in getting this particular software solution ready. I have to say that I was quite impressed with the degree of utilisation that had already been made of the e-recruitment software that they have, but they will have the tool in place, and I am of the view that we will get this under control.

As I said, we have placed one individual from the Department of the Premier and Cabinet in Health, who has knowledge of the e-recruitment software, to assist Health in meeting the commencement of the next financial year deadline for utilising the software for recruitment.

The Hon. I.F. EVANS: In Budget Paper 3, page 35, there is the issue of the 1,000 extra FTE reductions. I note that 700 of them are for the next government to worry about. I note that the expenditure initiatives mean that there are an additional 395.8 employees, which means that the net FTE reduction is actually only 620, not the 1,000 the government has claimed. Does the government intend to address the 380 FTE deficit through any other policy or is it the intention of the government to actually only reduce it by the net figure?

The Hon. M.F. O'BRIEN: I think you have read it correctly. The 620 is the net.

The Hon. I.F. EVANS: Can we have Shared Services?

The Hon. M.F. O'BRIEN: Before we go on to Shared Services, you asked me about what I as the responsible minister intend to do about managing public sector numbers. I have had a series of discussions over the last couple of months looking at the e-recruitment proposition and the reporting of public service numbers to see whether we can have the reporting on a quarterly basis as opposed to the annual report that—

The Hon. I.F. EVANS: Does Treasury get a monthly report?

The Hon. M.F. O'BRIEN: They do, but it excludes a number of agencies that sit outside, and we will bring those in. My view is that we ought to be able to monitor a lot more tightly what is going on. You are correct that it is a simple process. You just go to a payroll run, which is largely provided by Shared Services, and you know the number of pays that have been generated in that run. So, it is not rocket science.

The Hon. I.F. EVANS: Which agencies are outside of the reporting to Treasury on a monthly basis?

The Hon. M.F. O'BRIEN: Largely the GBEs—SA Water and the like.

The Hon. I.F. EVANS: So, all the trading enterprises?

The Hon. M.F. O'BRIEN: That is right, because they run their own payroll functions.

The Hon. I.F. EVANS: Public non-financial corporations and the PNFCs.

The Hon. M.F. O'BRIEN: We are pulling all that together.

The Hon. I.F. EVANS: The 82,000 figure that we are talking is the general government sector. They have been reported to Treasury on a monthly basis.

The Hon. M.F. O'BRIEN: That is right, yes.

The Hon. I.F. EVANS: Minister Foley put in a cap. So, even though they have been reported to Treasury on a monthly basis the government still have not been able to control them. How is bringing in the trading enterprises going to help control of the government sector?

The Hon. M.F. O'BRIEN: It just gives a more complete picture of what is happening across the sector. As I said, we are looking at e-recruitment; a better understanding on a quarterly basis as to what is happening right across the public sector, but I am also considering a number of other options that I have yet to put to cabinet. I am looking at what is being done elsewhere in Australia and overseas by way of mechanisms. It really comes down to mechanisms and dealing with the experience of places like the UK, where you try to control your numbers and the response by agencies—this has been the experience of the Cameron government in the UK—is that you have a significant rise in the number of contractors and consultancies and it becomes largely self-defeating.

So, I am looking at what has been done elsewhere so that we can put in place a proposition that avoids all of the pitfalls that seem to follow from going in with a rough and ready set of propositions for controlling public sector growth and bringing numbers down. That was just an answer to an earlier question. Would you like to turn to Shared Services?

The Hon. I.F. EVANS: Minister, why did Treasury transfer its tranche 4 IT staff to Shared Services in September 2011 and then, three months later, transfer them back to Treasury? To explain it a bit further for you, the opposition obtained under FOI a document from the Under Treasurer to the CEO of Premier and Cabinet dated 31 January, which states:

DTF transferred its tranche 4 staff to Shared Services SA in September 2011 in the expectation that tranche 4 would proceed as planned. Given the change in the role of Shared Services, I intend to roll back the decision I made in September 2011 and transfer DTF staff who provide tranche 4 services back to DTF.

So, they went across and, three months later, they came back.

The Hon. M.F. O'BRIEN: There were two factors at play. Firstly, Shared Services sat within the Department of Treasury and Finance and there was a change of government decision that applied to those employees. Shared Services employees became attached to the Department of the Premier and Cabinet. So we had that and also the fact that we decided we were not going to proceed with tranche 4. So, you have a group of 15 individuals working within Treasury and Finance who move across to Shared Services—but are still under the umbrella of Treasury and Finance—to take over some of the very basic ICT functions. The decision was made not to progress that particular initiative with the tranche 4, and there was also a decision made at around the same time that Shared Services move into Premier and Cabinet. So, it makes sense that those individuals moved back to their home agency.

The Hon. I.F. EVANS: Why was Shared Services moved out of DTF into Premier and Cabinet? What was the advantage to government in doing that?

The Hon. M.F. O'BRIEN: In large part, member for Davenport, because we were of the view that the first couple of years of Shared Services' existence was about bedding down, consolidating and making the financial gains outlined in the original business plan. All of the transitional work had occurred. The functions were bedded down and the time had come to give it more of a service focus, so it was felt that it was more appropriate to bring it into Premier and Cabinet. The announcement we made in the last week, whereby Shared Services and Services SA has basically been conjoined, if you like, under a government service leadership, is basically a manifestation of that earlier decision. So it is more to get a service focus both towards agencies and the general public.

The Hon. I.F. EVANS: In March last year, Damian Bourke, the then executive director of Shared Services, said that 10 new people had been recruited to join the tranche 4 ICT transition program. Are those 10 still employed or have they now finished?

The Hon. M.F. O'BRIEN: My understanding is that the 10 remain and that they are on contract. There may be two who have recently left, but we will come back to you with written advice. The decision to abandon tranche 4 took away—if I could describe it this way—the compulsory aspect, but there are a number of agencies that use Shared Services to manage their very basic ICT functions, and those individuals would be involved in—

The Hon. I.F. EVANS: So, we recruited 10 people to handle the ICT tranche 4 when it was going to be compulsory, and now it has gone to a voluntary system do we still need the 10 people? Are there still 10 people on contract?

The Hon. M.F. O'BRIEN: They are on contract, and when the contract runs to its end the extension of those contracts will be reviewed. They are being utilised.

The Hon. I.F. EVANS: They are being utilised?

The Hon. M.F. O'BRIEN: Yes.

The Hon. I.F. EVANS: Doing what they were contracted to do, or have they been found other work because they are contracted and you cannot get rid of them?

The Hon. M.F. O'BRIEN: I will pass over to Mr Phil McMahon, the Director of Service Delivery, Shared Services.

Mr McMAHON: Most of the 10 are being re-used in other programs. There was also, in the Mid-Year Budget Review, an announcement that some agencies may choose to opt in to ICT services, despite the fact that that was rescinded. So, we have retained some budget from the existing tranche 4 budget to assist agencies to opt in, but right now most of those people are operating in other programs.

The Hon. I.F. EVANS: The other programs that are operating, could they have been done by people at a lower cost? You have recruited these people because of their ICT skills and you now have them doing other work because there is not enough work in the ICT area. Could the work they are doing now have been done at a cheaper rate? Are we getting them to do the work because they are on contract and we have to keep them busy doing something?

Mr McMAHON: Most of that work is in the machinery of government changes that were announced recently, so it is high value work. Those people are, typically, project managers and business analysts who are being utilised in the machinery of government changes.

The Hon. I.F. EVANS: When it was compulsory, there was a \$29 million a year saving out of the tranche 4 proposal. Now it is voluntary, what is the estimate of savings to government?

The Hon. M.F. O'BRIEN: Just by way of explanation, the Treasurer has imposed those savings across the board. So, the savings that were to have been achieved by tranche 4 by agencies using the Shared Services function, they now have to find those savings internally. As far as Shared Services is concerned, we expect savings across the board of \$1 million in 2013-14, \$3 million in 2014-15 and \$6 million in 2015-16. To give you a breakdown: distributed computing support services, \$2 million; client computer and server equipment, \$1 million; document output devices, \$1 million; mainframe computing services, \$.3 million; telecommunication service panels, \$2 million; a total of \$6.3 million.

The Hon. I.F. EVANS: So the Treasurer has just mandated the \$29 million a year saving and the agencies find that how they want?

The Hon. M.F. O'BRIEN: That is my understanding, and it probably goes back to this decentralised model that I alluded to when I was talking about the Procurement Act. That is really the way that we operate—

The Hon. I.F. EVANS: But it does not have to come out of ICT: it can come out of anywhere?

The Hon. M.F. O'BRIEN: I think it is an ICT saving. They have got to find it from—

The Hon. I.F. EVANS: So let me be clear. The \$29 million a year that has been mandated has to come out of ICT and no other area?

The Hon. M.F. O'BRIEN: The \$29.363 million has actually already been realised from procurement savings. The \$6 million-odd that—

The Hon. I.F. EVANS: Not ICT?

The Hon. M.F. O'BRIEN: It was ICT procurement, and that is the figure to which you were referring. Those savings have already been made; and the \$6.3 million is related to ICT.

The Hon. I.F. EVANS: So, when the government first announced Shared Services, it was going to save \$130 million, I think, by 2009-10. What is the total estimated level of savings for the 2012 total, as at the end of this financial year? What is the estimated level of saving?

The Hon. M.F. O'BRIEN: The savings for 2011-12 are projected at \$47.115 million, for 2012-13 at \$49.745 million, and I have a total figure from the implementation of Shared Services from 2007-08 to 2015-16 of \$384.143 million. The savings will ultimately be realised: it is just a question of the timing. They have come through a little slower than was originally predicted. One of the holdups has been the slow rollout of Oracle within Health. That is the procurement proposition, and I think there is a delay of savings there.

The Hon. I.F. EVANS: In the Auditor-General's Report 2010-11, the auditor reported that the level of savings for 2010-11 was going to be \$50.348 million. You just told the committee that you are \$3 million short in that saving and it is only \$47.115 million. The Auditor-General reported that the savings for 2012-13 were going to be \$56.539 million. You just reported to the committee that the savings are now only going to be \$49.7 million, so you are another \$10 million short of your savings target.

The Hon. M.F. O'BRIEN: The two reasons for that are, first, the decision not to proceed with tranche 4, and the other is the slower rollout of the e-procurement Oracle proposition within Health. There are quantifiable and identifiable reasons for that shortfall—T4 and Health Oracle.

The Hon. I.F. EVANS: But the Auditor-General's Report actually refers to that issue—the rollout of Oracle and the delay. Having reported on the delay—so the Auditor-General is aware of it—the Auditor-General then goes on to report that the level of savings is still expected to be \$50.3 million and \$56.5 million respectively. I understand it to be that the Auditor-General has already taken into account the delay of what is the debacle of Oracle in Health?

The Hon. M.F. O'BRIEN: The observations made by the Auditor-General were correct at the time, but they actually predated the decisions in the Mid-Year Budget Review in respect of tranche 4, and also the decisions that were made with Oracle when it was realised that those savings would not be realised on time.

The Hon. I.F. EVANS: So when do you think that Health will get Oracle up and running? When do you think that e-procurement will be in Health?

The Hon. M.F. O'BRIEN: I have been informed that they are aiming for two years, and I have seen a table, which I do not think I have got with me—

The Hon. I.F. EVANS: Two years from now?

The Hon. M.F. O'BRIEN: For the total rollout. They are actually implementing it in stages through various centres. I have just been advised that Oracle has to be rolled out in its entirety before the e-procurement function can be utilised. There are three pilot sites, and my understanding is that implementation is reasonably well progressed, but it is not really within my portfolio area.

The Hon. I.F. EVANS: How late will Health be then from the original time frame? E-procurement was signed off, I think, to save \$23 million originally. I think that Health is going to be four years late if it is two years from now?

The Hon. M.F. O'BRIEN: Just referring to Budget Paper 6, page 89, there is just a comment that the Oracle procurement system is now expected to commence realising savings from 2015. I really do not have the information in front of me that would indicate when it was originally expected to kick in.

The Hon. I.F. EVANS: So, the head of Shared Services cannot tell us?

Mr McMAHON: The program is a Health program and obviously we provide assistance, but right here right now that is not a date that we can give you.

The Hon. I.F. EVANS: Through you, minister, to the head of Shared Services, the agency went to cabinet and said, 'Look, we can deliver this e-procurement reform,' and cabinet signed off on it. There must have been a date as to when the e-procurement was going to be implemented. What I am asking for is that date.

The Hon. M.F. O'BRIEN: Member for Davenport, I will come back to you with a written and informed response, but in the Mid-Year Budget Review we made a decision to back out those savings. My expectation would have been that initially we would have expected those savings to have kicked in around now. The earlier answer that I gave is probably correct and that Health is running around two years behind schedule, but I will certainly get back to you with something a little more definitive than that.

The Hon. I.F. EVANS: What was the actual level of savings in the year 2010-11? The initial implementation cost to Shared Services was expected to be \$60 million, which was provided for over four years in the 2006-07 budget. This outlay was expected to achieve savings of \$130 million over three years. The annual report of the Auditor-General for 2010-11, Part A, page 13, confirms that there is a \$52.823 million shortfall over that period. This is followed by a further actual shortfall of \$19.974 million in 2010-11. The \$30.66 million projected shortfall for the 2011 to 2015 period resulted in revisions of the savings targets in what can be described—or what some might think—as an attempt to conceal the failure of Shared Services to deliver on its savings program. What will the actual savings be for 2010-11, and was the Auditor-General's revised target of \$40.026 million achieved?

The Hon. M.F. O'BRIEN: For 2010-11 the savings are \$40.026 million. Again, it really comes back to a timing issue. The savings were not achieved in the earlier years, but are now being realised. We are talking about a savings lag, but Shared Services will ultimately get there and then consistently deliver the savings outlined in the original business plan. It is just that we are running a few years behind schedule, but we are not that far away from being able to realise those savings.

In the budget we have indicated that there is an upgrade of the CHRIS system, the software that we use to pay payroll. It may well be that, as a result of that upgrade and associated issues, we may be able to achieve even more savings.

The issue that Shared Services has had to deal with is that it has taken all of the accounts payable, all of the accounts receivable, all of the payroll functions from each of the agencies and shifted, if you like, the teams undertaking those functions from their agencies, relocated them in the new office accommodation with the computer technology and the software.

Effectively, they have operated for a number of years using the same techniques, the same technology that they would have been using two or three years previous in their agency. I think to achieve the savings that we did against that background is laudable. What we are now looking at doing is rationalising the number of databases, the number of payroll runs, I think, from something like 96 separate ones.

The Hon. I.F. EVANS: Is the implementation of the CHRIS project completed now?

The Hon. M.F. O'BRIEN: No; the funding for that was contained in the budget. That hopefully will be approved by the parliament, and then I am looking at leveraging that investment to enable a whole range of additional savings to be accrued. By way of example, as I said, things have been done within Shared Services as they would have been done two or three years ago, the same within Health, where time sheets come in and there is a lot of manual data entry from the timesheets.

It may well be that sometime hence all of that data can be dumped electronically by FileShare and we can drive down significantly the amount of manual data entry that is required within Shared Services, and also the number of individuals that are required to do that work. We will end up with a more streamlined, a more efficient and a more reliable system. But the first step is contained within the budget.

The Hon. I.F. EVANS: In relation to the project involving CHRIS, the Auditor-General's Report says:

This project is in the early implementation phase, with the completion expected in the first quarter of 2012.

And you are saying that, now in June, the money is just being allocated in the budget and you hope the parliament passes it. How has that project fallen so far behind?

The Hon. M.F. O'BRIEN: That reference was to a scoping study, which I believe is running just a matter of months late. I will be receiving that scoping study tomorrow, which basically outlines all the additional opportunities that will flow from the budget decision to allow the upgrade from earlier versions of CHRIS.

The Hon. I.F. EVANS: The financial services reform strategy that commenced in March 2011 and that was meant to be completed by the end of 2012; is that still on target to be completed by 2012?

The Hon. M.F. O'BRIEN: I have been informed that that is on track.

The Hon. I.F. EVANS: The funding for Wakefield House has been allocated every year up until 2013-14. What is the intention post 2013-14?

The Hon. M.F. O'BRIEN: It is no longer funded by a separate budget appropriation but is encompassed in charging arrangements to agencies. The agencies pay for the function to be performed—

The Hon. I.F. EVANS: So the cost of your accommodation of Shared Services is built into the cost of the charge to the agencies to pay their bills?

The Hon. M.F. O'BRIEN: Which I think is an appropriate business model.

The Hon. I.F. EVANS: I am just trying to understand how it works.

The Hon. M.F. O'BRIEN: It is, yes. Basically it is bringing in all overheads into—

The Hon. I.F. EVANS: The intention is to stay in Wakefield House?

The Hon. M.F. O'BRIEN: At this point in time.

The Hon. I.F. EVANS: In Shared Services in the last 12 months, what has been the level of turnover of employees—other than Mr Bourke himself, of course?

The Hon. M.F. O'BRIEN: We will take that one on notice.

The Hon. I.F. EVANS: If you are going to take it on notice, can we have the level of staff turnover each year since Shared Services commenced and a breakdown of staff that are tenured and the number that are on contract each year?

The Hon. M.F. O'BRIEN: Yes.

Mr PISONI: I refer to Agency Statements, Volume 4, page 62, and the objective of the Office of Public Employment and Review, under the heading Public Sector Performance. I note that the latest report from the Department of Immigration and Citizenship on the use of 457 visas, a State/State Territory Summary Report, points to this South Australian government being the largest employer—in percentage terms, 20.7 per cent—of 457 visas for its own employees. The report says there are 300 state government employees employed on 457 visas out of a total of 1,480 in South Australia throughout the non-government and government sectors. I am happy for you to take this on notice, but can you provide a list of the occupations that are being filled by 457 visas in the South Australian government?

The Hon. M.F. O'BRIEN: I will take it on notice. It actually sits within DFEEST but we will get the answer for you.

Mr PISONI: And the process departments go through in order to determine whether they need to bring outside or foreign labour into the public sector?

The Hon. M.F. O'BRIEN: We will take that on notice as well.

The Hon. I.F. EVANS: While we have Mr McCann here, and in regard to the Public Service, the state lost a High Court decision in the last 12 months regarding contract teachers. Up until 2005 they were employed inappropriately under section 9(4) of the Education Act. Has that matter been budgeted for and, if so, what is the cost to the government for not paying people correctly under section 9(4) of the Education Act?

The Hon. M.F. O'BRIEN: Member for Davenport, it is a question that I will take on notice and refer to the Minister for Education. At this particular point in time, we are still working our way through that particular matter.

The Hon. I.F. EVANS: But is not Mr McCann the commissioner of public employment or the equivalent? Would this not be a matter of concern to Mr McCann, who reports to you, that the government has been rolled in the High Court? I am assuming that there is no way out of it. Usually when the High Court decides something, you have to follow it, so I am assuming that the government has to go back and pay these people extra leave.

The Hon. M.F. O'BRIEN: The simple fact of the matter, member for Davenport, is that cabinet is yet to resolve its position and a working party has been established.

The Hon. I.F. EVANS: What is the purpose of the working party?

The Hon. M.F. O'BRIEN: Basically to determine our response to the High Court decision.

The Hon. I.F. EVANS: Can't the response only be that the government has to pay it?

The Hon. M.F. O'BRIEN: I think it comes down to the manner in which it will be paid.

The Hon. I.F. EVANS: Is the government thinking of not paying it out in monetary terms but paying it out by extra days off?

The Hon. M.F. O'BRIEN: Member for Davenport, I really do not want to speculate. It is not in my portfolio area.

The Hon. I.F. EVANS: But are you not the minister for the public sector?

The Hon. M.F. O'BRIEN: Yes.

The Hon. I.F. EVANS: And aren't teachers in the public sector?

The Hon. M.F. O'BRIEN: A degree of complexity—

The CHAIR: Minister, you are not required to answer that question. You are quite right. If you use the public sector as a definition, then the minister should respond to every agency because the Public Service is in every agency. Members on my left are able to ask the Minister for Education that question.

The Hon. I.F. EVANS: On that basis, I cannot ask the minister a question about any agency because I have to ask the agency minister—the department of transport would be a matter for the minister for transport. That's a nonsense ruling.

The CHAIR: No; matters of a general nature right across agencies the minister can respond to.

The Hon. M.F. O'BRIEN: I will just make one concluding comment on this matter. My understanding is that a large number of individuals who are impacted by that particular decision have actually retired from the Public Service. They are no longer employed, so we have that complexity to contend with. We have people who are currently employed as teachers and we have people who have taken retirement, and may have been retired for some time; so we are just going to have to work through that.

The Hon. I.F. EVANS: Are there any other agencies that have the same leave issue or is it only restricted to the education department?

The Hon. M.F. O'BRIEN: My understanding is that it is only a decision related to education.

The Hon. I.F. EVANS: Who is on the work party?

The Hon. M.F. O'BRIEN: We will have to take that one on notice as well. I think it is a DECD working party, from memory.

The Hon. I.F. EVANS: Just in relation to the new leave retention entitlement that the Public Service are getting—I assume I can ask you that one about the Public Service—

The Hon. M.F. O'BRIEN: You can ask me whatever you like and I will try as best I can but, in some instances, I do not have the requisite background knowledge to give a fulsome answer.

The Hon. I.F. EVANS: The opposition FOI'd some agencies about retention relocation allowances and we got information back where the Public Service already has access to retention allowances, to the tune of 20 per cent, 30 per cent, 40 per cent, and I raised this in last year's estimates. Can you confirm for me that those public servants who are currently receiving a retention allowance will be eligible for this new retention allowance announced in the budget?

The Hon. M.F. O'BRIEN: The answer is yes. It has been factored into the budget and you received a pre-budget briefing in which you were told that fact. You may well have forgotten it.

The Hon. I.F. EVANS: I had not forgotten it, minister.

The Hon. M.F. O'BRIEN: I know you would not be trying to trip me up.

The Hon. I.F. EVANS: No, not at all. I was not trying to trip you up, but I wanted to get it on the public record from the minister that the Public Service are now going to be retained and retained. Someone who is getting a 40 per cent retention allowance to be retained in the Public Service is now going to get another retention allowance through the form of these extra days' leave. I wanted to make sure that the briefing I was given was your understanding so that we get it clearly on the record. Given that we already have retention allowances within the Public Service, what productivity gain do taxpayers get for the extra retention allowance, given that they already have a retention allowance?

The Hon. M.F. O'BRIEN: I will take that one on notice. I will make the point that there are only 460 employees, of the total of 100,000 plus, who are in receipt of the attraction and retention allowance, so it is a small number and they are obviously highly valued. I will be having discussions with Mr McCann on whether there will be productivity gains as a result of this measure.

The Hon. I.F. EVANS: Is the government still committed to maintaining its no forced redundancies to the election, but after the election cancelling the no forced redundancies policy?

The Hon. M.F. O'BRIEN: That is as things stand.

The Hon. I.F. EVANS: That is as things stand?

The Hon. M.F. O'BRIEN: That is our stated position and there has been no discussion to the contrary, and I believe that is the position of the opposition.

The Hon. I.F. EVANS: Can the minister advise how many excess employees are currently in the Public Service, what is the cost to the taxpayer and how are these employees being managed?

The Hon. M.F. O'BRIEN: The current data, as at 31 May 2012, is that there were 319 excess employees, and this is a net reduction of 24 per cent since June 2011. This represents a net reduction of 100 excess employees and a saving of \$7.2 million in corresponding salary costs. During the period 1 July 2011 to 31 May 2012, 344 excess employees were added to the excess list and 444 were placed or separated.

The Hon. I.F. EVANS: What is the obligation on ministerial staff who receive briefings from ministerial advisory committees to formally store any written communication received by that ministerial officer in the State Records?

Mr HALLION: I think the answer is, if there is a record created, then there is an obligation for that to be stored, but it does not have to be stored by everyone. Often records are created by multiple people and so long as that is stored by one of those people then that is normally the practice. Terry might have something to add to that; he is the keeper of the state records. Can you add any comment to that?

Mr RYAN: The records related to the official business of the agency—in that case the minister's office—have requirements under the State Records Act, like all other agencies.

The Hon. I.F. EVANS: I will read in the omnibus questions. Minister, you do not need to answer them.

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2011-12 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 in 2011-12 please provide the number of public servants that are (1) tenured and (2) on contract, and for each category provide a breakdown of the number of (1) executives and (2) non-executives.

3. For each department or agency reporting to the minister, how many surplus employees will there be at 30 June 2012, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

4. In financial year 2011-12 for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2012-13, and how much was approved by cabinet?

5. Between 30 June 2011 and 30 June 2012, 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?

6. For the year 2011-12, will the minister provide a breakdown of expenditure on all grants administered by all departments and agencies reporting to the minister—listing the name of the grant recipient, the amount of the grant and the purpose of the grants, and whether the grant was subject to a grant agreement as required by Treasurer's Instruction No. 15?

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

8. For each department or agency reporting to the minister, how many Targeted Voluntary Separation Packages (TVSPs) were or will be offered in total for the financial years 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16?

The CHAIR: You have no other questions?

The Hon. I.F. EVANS: I can ask more?

The CHAIR: You can have one more.

The Hon. I.F. EVANS: If someone wanted a matter investigated about records not being submitted or kept by the government, to whom would the complaint be lodged?

The Hon. M.F. O'BRIEN: That issue would be referred to Terry Ryan.

The CHAIR: There being no further questions, I declare the consideration of the proposed payments closed.

[Sitting suspended from 11:02 to 11:17]

DEFENCE SA, \$23,225,000

Membership:

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

Mr Hamilton-Smith substituted for Mr Pisoni.

Mr van Holst Pellekaan substituted for Mr Goldsworthy.

Witness:

Hon. J.J. Snelling, Treasurer, Minister for Workers Rehabilitation, Minister for Defence Industries, Minister for Veterans' Affairs.

Departmental Advisers:

Mr A. Fletcher, Chief Executive, Defence SA.

Ms G. Elston, Acting General Manager, Corporate Affairs and Government Relations, Defence SA.

Mr R. Barnett, General Manager, Corporate Services, Defence SA.

The CHAIR: The estimates committees are a relatively informal procedure. Changes to committee membership will be notified as they occur by a request to be discharged from. There is no need to stand to ask or answer questions. There will be a flexible approach to giving the call for asking questions based on about three questions per member alternating each side. Supplementary questions will be the exception rather than the rule. A member who is not part of the committee may, at the discretion of the Chair, ask a question.

Questions must be based on lines of expenditure in the budget papers. All questions are to be directed to the minister, not the minister's advisers. The minister may invite his advisers to answer on his behalf. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the House of Assembly Notice Paper. All answers to questions taken on notice must be submitted to the committee secretary by no later than Friday 21 September 2012.

There is no formal facility for the tabling of documents before the committee; however, documents can be supplied to the Chair for distribution to committee members. There are no TV cameras; I think they are busy somewhere else at the moment. I understand the minister and the lead speaker for the opposition have agreed on a timetable for today's proceedings. I propose to allow both the minister and the lead speaker for the opposition to make opening statements of up to 10 minutes each, if they so desire.

I remind members that microphones are on at all times because of the temporary nature of this situation, so I caution members about private discussions.

The Hon. J.J. SNELLING: Defence SA is responsible for the growth of defence and sustainable defence industries in South Australia, for the realisation of economic and business opportunities across the maritime, land, aerospace and systems sectors. The \$8 billion air warfare destroyer project is presently the largest defence procurement project ever undertaken in Australia and will be transformational to our state's economy, providing many opportunities for local industry and long-term jobs for South Australians. Across Australia, 2,300 people currently are working on the AWD project, with about 1,400 people directly working on the AWD project in South Australia alone.

The past year has seen many significant developments and achievements. Before outlining aspects of Defence SA's budget for 2012-13 I would like to highlight some of the significant developments and milestones that Defence SA has achieved in the past 12 months. Defence SA:

- secured re-commitment for assembly of future submarines in Adelaide;
- secured establishment of advanced aerospace components manufacturing and processing capabilities in South Australia;
- continued the high profile South Australia—the Defence State marketing campaign;
- released defence industry performance results for 2010-11 which demonstrated strong continued growth;
- promoted and contributed to a strategic and integrated whole-of-state approach to workforce development efforts;
- continued to facilitate delivery of the state's commitments to workforce development assistance to support AWD project requirements, in particular, through the Maritime Skills Centre;
- worked in conjunction with the Defence Teaming Centre to promote defence industry skills needs to government agencies and education and training providers to help strengthen the state's position as a hub for future advanced defence industry;
- continued targeted marketing to potential Techport Australia tenants;
- managed regular third-party commercial use of the Common User Facility; and
- commenced undergrounding of Mersey Road powerlines, the first stage in opening a transit corridor for the Common User Facility expansion site.

The new initiatives for Defence SA for 2012-13 are a commitment of \$2 million over four years to the Defence Teaming Centre, reinforcing the state's long-term commitment to the defence sector, and a \$2 million capital investment for the Common User Facility expansion to ensure continued growth in the maritime sector in South Australia.

The year 2012-13 presents new challenges and opportunities for Defence SA. This government remains firmly committed to the growth of the defence industry in South Australia and will:

- progress early opportunities arising out of the Future Submarine Project and other shipbuilding programs;
- position for military vehicle defence global supply chain opportunities;
- facilitate expansion of Defence's Cultana Training Area;
- represent South Australian interests in the Defence White Paper 2013 process;
- progress Woomera mining and defence coexistence framework with Defence and DMITRE;
- contribute to the implementation of national Defence Industry Workforce Strategy and the state's Science, Technology, Engineering and Mathematics Skills Strategy;
- contribute to the development of the Future Submarine Industry Skills Plan;
- participate in governance and oversight of the Advanced Technology Industry—School Pathways Program and of the Maritime Skills Centre;
- support the AWD consolidation activity at the CUF;

- extend site utilities and common infrastructure to the CUF expansion land, including power, water, sewer, communications, stormwater and fencing; and
- install power converters to commission and test onboard systems during ship construction, and to supply shore power to visiting ships.

Mr MARSHALL: I will not make an opening statement: I will just go straight into questions. Has Defence SA done any modelling of the implications for defence industries in South Australia following on from delays in federal government programs and, in particular, the delay of the 2009 white paper?

The Hon. J.J. SNELLING: Defence SA does not do economic modelling, as such, but I am sure we could give some insight into what we think might be the repercussions for South Australia. Would you like to take that up, Mr Fletcher?

Mr FLETCHER: Yes, minister. We have not done any direct modelling because, as yet, we do not know how the programs will roll out. The immediate program in the shipbuilding area does show a gap in the build program through from about 2015-16 to the early 2020s. We are working with the commonwealth, and the commonwealth itself and Defence are working hard on looking at how that gap might be mitigated to some extent, or to a large extent. Until we understand what those options are to mitigate that gap, we really cannot give a precise answer to your question.

Mr MARSHALL: Has Defence SA done any work specifically with the federal government around the possibility of bringing a fourth air warfare destroyer contract to South Australia to fill that hiatus between the conclusion of the air warfare destroyer contract and the start of the future submarines' contract.

The Hon. J.J. SNELLING: We have certainly lobbied for it. The current commonwealth government has not been receptive to that lobbying. We clearly are concerned about there being a gap between the wind down of the air warfare destroyer project and the start-up of the future submarine project. We have therefore been working very closely with both the commonwealth government and the Defence Teaming Centre about strategies for skill retention in that hiatus between the two projects.

Obviously we strongly believe that the fourth air warfare destroyer would help fix that, but the commonwealth has not been receptive to that argument. However, we have been working very closely. Certainly we have made it clear to the Defence Materiel Organisation; and I have had meetings with Warren King, the Chief Executive, and put to him directly our concerns about that, because it is going to be an issue both for South Australia and for the commonwealth, and we are looking at other strategies that we might be able to formulate in order to overcome that problem.

Mr MARSHALL: Minister, you talk about strategies. Can you give any more detail with respect to what you said about workforce retention, I think you said? What other strategies are you putting in place, because we are hearing from the defence industry sector in South Australia that they are extremely worried with the movement out to the right, as they say, of a lot of federal government defence spending. A lot of the companies, of course, have spent a lot of money on tooling. Are there any other government support or strategies that you have got in place to assist these companies during this difficult period?

The Hon. J.J. SNELLING: There are many things that we are working on. One of the main issues that we are keen to pursue with the commonwealth is the Collins sustainment and, in particular, the issue of what you do if you want to prolong the life of the Collins. Obviously if there is a delay in the procurement of the future submarines, then there is a good chance that the current Collins class submarines are going to have some major refits in order to extend their life beyond what it currently is.

There are opportunities there. If the commonwealth makes a decision that there is a way of filling the gap between the end of life of the Collins and taking delivery of the future subs, then that is going to require some fairly major overhauls of those subs in order to prolong their life. There are major opportunities there for us. As to other strategies, the Defence Teaming Centre has been working very closely with Skills Australia in developing the Defence Industry Workforce Action Plan. Mr Fletcher has been intimately involved in these plans; I will let Mr Fletcher expand.

Mr FLETCHER: Minister Clare has established a Future Submarine Industry Skills Plan committee headed by David Mortimer. The membership of that committee includes the four major shipbuilders in the nation and other prime defence contractors. It includes three states. I am on it for South Australia, there is representation from Victoria and New South Wales, and there is some

union membership of that group. That group is not so much about focusing on the preservation of the skills build-up that will flow after the AWD program occurs, but more about the continuity of the skills capability, to hold it in place for the future submarine program, whenever that might come onstream.

There are a number of other activities we are conducting, as the minister said, in conjunction with DTC and the educational groups in the state. I will ask my colleague Georgia Elston to speak.

Ms ELSTON: We are working closely with DTC and Skills Australia on the development of their Defence Industry Workforce Action Plan, which is broader than Future Submarine's. Their mandate is to look at the requirement for delivery of defence projects over the next 10 years and to find the key skill sets that are required across the nation and map that against demand and actual supply of those sets.

Mr MARSHALL: I would love to know what the requirements are going to be over the next 10 years; they seem to be changing quite a bit. That is the feedback that we are getting from industry.

Briefly on the capital budget that is included in the budget papers, South Australia has historically made some fairly significant capital investments in the defence industry infrastructure. This year it is just \$2.3 million. Is this an indication of waning interest by the state government in providing the requisite infrastructure for our defence industries in South Australia?

The Hon. J.J. SNELLING: No; that simply reflects our capital spending overall. There is very little new capital spending in the budget as a whole, and that reflects the current revenue environment the state is pursuing. We have also got major capital commitments right across the state that we are currently rolling out. That is the first issue.

The second issue is that we have made an over \$300 million investment in the Common User Facility at Techport. They are substantial investments. If the member for Norwood wants to talk about waning interest in this issue, perhaps he might like to take that issue up with his leader who is yet to respond to my correspondence to her asking for a bipartisan approach when it comes to the future submarine project.

Mr MARSHALL: Nevertheless, you have got a \$7.5 million depreciation charge and only a \$2 million reinvestment back in the critical infrastructure for this sector. It just does seem to be somewhat out of kilter.

The Hon. J.J. SNELLING: When you have got new infrastructure and \$300 million worth of it and that is new, yes, your depreciation is always going to be large. There is nothing new in that, nor particularly insightful.

Mr MARSHALL: Earlier in the year in January the minister put out a press release, I think with the Premier, announcing a commitment to a housing and land-based propulsion testing unit here in South Australia. Yet, in the forward estimates over the next four years there is no capital introduced to the budget for that project. Could you perhaps let us know what you were thinking when you made that press release in January this year?

The Hon. J.J. SNELLING: It is in there; it is a contingency, so it is not disclosed in the budget papers, but we have a contingency for it. It is yet to be agreed to by the commonwealth. At such a time as the commonwealth agrees to our offer, then will make that public. But, generally—and I know the member for Norwood is new here, so I will take him through the budgeting—we made an offer to the commonwealth to co-invest in such a facility. We have provided a contingency in the budget for that but until such a time as the commonwealth agrees to it and we come to an announcement we will not disclose what that is. That is the way these things are normally done.

Mr MARSHALL: What is the time frame for that announcement, and how is that project looking at the moment?

The Hon. J.J. SNELLING: We have made the offer to the commonwealth. Have we heard anything back? Mr Fletcher can reply to that.

Mr FLETCHER: The commonwealth has commissioned a study on this facility, an independent study being carried out by Babcock. They have presented a draft report and the final report on recommending what this facility should look like will be presented in August. I was speaking to the CEO of Babcock in the last couple of days, and my understanding is that there will be no recommendation in the final report about location. So, we still have a lobbying effort to do in that.

Mr MARSHALL: Are we competing against any other states for that project?

Mr FLETCHER: There is interest from Victoria in the thing, because the Victorian side of DSTO has expressed some interest. But in talking with the defence folk and the ship construction industry, it is clear that there is a very clear difference between our research and development facility, where new things are tried and developed, and a test and evaluation centre. What this is about is an engineering test and evaluation centre where different elements of the drivetrain can be plugged and played to see how they interact, both for the Collins sustainment and for the future submarine project.

Georgette points out quite rightly that the commonwealth has committed to making a decision by the end of the year. So therefore, whilst our lobbying efforts will continue, we will not know the exact size, shape and nature of this beast until the end of the year.

Mr MARSHALL: Are you aware whether Western Australia will make a bid for this project as well?

The Hon. J.J. SNELLING: My advice is no. Western Australia basically does the lube and grease sustainment for the Collins, whereas the deep level sustainment for the Collins is done here. Of course, the commonwealth has already announced that the assembly of future submarines will be here so we have every reason to believe that will be successful, but we await a decision from the commonwealth.

Mr MARSHALL: Can you advise the committee of the approximate capital value of this investment? Not what our contribution would be but—

The Hon. J.J. SNELLING: Total investment?

Mr MARSHALL: In a land-based propulsion testing facility.

The Hon. J.J. SNELLING: It would be in the tens of millions of dollars, but until Babcock makes its report to the commonwealth we will not know.

Mr MARSHALL: Earlier in the year you announced state government support for Rosebank Engineering relocating a facility—or maybe just creating a new facility, I think—for titanium coating here in South Australia. Can you update the committee on the progress of that? What money was involved, and where is that contained in the budget?

The Hon. J.J. SNELLING: We do not disclose it, for a couple of reasons. First, when the agreement was signed between that state, Rosebank and BAE a clause of that agreement was that that figure not be disclosed, or at least that we cannot disclose it without the agreement of all parties involved. Secondly, when we provide industry assistance generally we do not disclose, as a general principle, because when we are trying to entice or attract companies to invest we do not want them to know what we have provided to other companies—otherwise we lose an advantage that we have, by providing that information.

Mr MARSHALL: Has it been provided yet?

The Hon. J.J. SNELLING: The deed has been signed. Sometimes with this sort of industry assistance the money is paid in instalments at key milestones, sometimes it is paid as a lump sum. I will have to get back to you on exactly the nature of the payment, but Mr Fletcher might be able to give you an update as to where the project is at with BAE and Rosebank.

Mr FLETCHER: At the moment Rosebank is out to tender for the components of the coating facility, and that is an ongoing process. We are not privy to the detail of that.

Mr MARSHALL: Do you know where they will be locating?

Mr FLETCHER: They are looking at several options, but we strongly suspect it will be near BAE at Edinburgh Parks.

Mr MARSHALL: Do we have a likely date that they will begin operations there?

Mr FLETCHER: Yes, I have been told by David Allott, the CEO of BAE Systems that they intend producing first product in January or February 2014.

Mr MARSHALL: I fully understand that you do not want to disclose the amount, but I suppose my query is: is it contained in the schedule which is on Budget Paper 4, Volume 1, page 194, Grants and subsidies. Is it included there or is it in a separate account with Treasury and Finance?

The Hon. J.J. SNELLING: Because it is administered by SAFA, it would be contained in SAFA's budget papers. Whether it is specifically disclosed in any particular line, I would have to get back to you.

Mr MARSHALL: What I am trying to determine is: is this the entire budget for Defence SA or is there quite a large number of grants sitting in somebody else's statement which makes this look artificially low?

The Hon. J.J. SNELLING: Defence SA does not have a large pool of funds for this sort of industry assistance. In fact, even the pools of funds that DMITRE has are relatively small. Generally when the government wants to give any sort of industry assistance, it goes to cabinet as an issue in its own right and cabinet makes a decision and it comes off the budget bottom line.

There are very few dedicated funds for this sort of industry assistance. They are done in their own right. They are not drawn from existing funds and when they are drawn, normally, particularly for any larger sums of industry assistance, they are administered by the South Australia Financing Authority, who do the necessary negotiations and draw up the contracts, and I sign a deed as Treasurer, not as Minister for Defence Industries.

Mr MARSHALL: Again without going into specifics, can you provide the committee with an indication of the total quantum of other funds that the government is providing to defence industries that are not contained within your defence portfolio budget?

The Hon. J.J. SNELLING: We would have to take that on notice and get back to you, because some of them go back some years and some of them, of course, have been granted by DMITRE rather than Defence SA.

Mr MARSHALL: Minister, can you confirm whether the state government has offered assistance to BAE Systems for their titanium-milling expansion which is planned to begin later this year?

The Hon. J.J. SNELLING: When we made the announcement in January, there were two grants: one to BAE Systems for their part in the project and one to Rosebank for their part in the project.

Ms BETTISON: I refer to Budget Paper 4, Volume 1 Program 1, page 194. Minister, can you tell the committee about the opportunities for increased Army presence in South Australia?

The Hon. J.J. SNELLING: I can. The Australian Army has a long and distinguished presence in South Australia. From the 1960s, it has been home to the 350-strong 16th Air Land Regiment and their families at Woodside. This unit provides the ground-based air defence capability for the Australian Defence Force. At present, about 40 soldiers from the regiment are based in Afghanistan defending the Australian forces against incoming rockets, artillery and mortars. I am sure that our thoughts are with them and their families, and we wish them a very safe journey home.

About 110 soldiers from the South Australian-headquartered 9th Brigade are currently providing the Australian contribution to the international Regional Assistance Mission to Solomon Islands. They deployed in March and are expected home in August 2012. Recently, honourable members may recall that South Australia welcomed soldiers of the Army's 1st Brigade and their families from Darwin to Horseshoe Barracks at Edinburgh.

To capitalise on the successful relocation of the 1st Brigade Battle Group and the upcoming fourfold expansion of the Cultana Training Area, the government commissioned the 'Army presence in South Australia' report to identify further opportunities for Army to expand its presence in South Australia. The report identified the following medium to long-term principal Army attraction opportunities for South Australia:

- additional elements of 1st Brigade (those equipped with heavy vehicles that are unable to train in Darwin during the wet season);
- consolidation of relevant 6th Brigade units, including: Queensland-based 7 Signals Regiment (electronic warfare); 20 Surveillance and Target Acquisition Regiment (remotely piloted air systems), who train at Woomera; the Sydney-based 6th Brigade Headquarters; and relocation of the 16th Air Land Defence Regiment from Woodside to Edinburgh;
- research and integration centres: the Victorian-based Force Development Group (within Land Warfare Development Centre), Army's principal conceptual research branch; and proposed Combined Arms Fighting Systems Centre; and

- various units of the 16th Aviation Brigade, who are currently dispersed in Darwin, Townsville, Brisbane, Sydney and Oakey to facilitate improved integrated training at Cultana.

The pursuit of additional Army relocations to South Australia remains a sound economic strategy. By the end of 2012 there will be about 1,700 regular soldiers serving in South Australia. Recent economic modelling suggests the 7RAR mechanised battalion and other elements of 1st Brigade will annually contribute \$100 million to the state's economy and provide flow-on socioeconomic benefits to immediate communities. This government remains committed to supporting the Army in South Australia and I will continue lobbying to ensure South Australia is considered favourably by Army when it considers the future basing of its units.

Ms BETTISON: I refer to Budget Paper 4, Volume 1, Program 2, page 198. Can the minister outline to the committee the potential benefits to the state from the Common User Facility expansion?

The Hon. J.J. SNELLING: The government has made substantial commitments to build an internationally-competitive ship building precinct at Osborne to assist the AWD Alliance to build the Royal Australian Navy's next generation of warships and attract other ship building and repair opportunities. The precinct remains the central plank in our expanding naval ship building capabilities.

The centrepiece of the state's commitments, the \$255 million Common User Facility, is a world-class strategic asset. The Common User Facility was delivered on time and on budget in February 2010, in line with the Air Warfare Destroyer production schedule. The site includes: a 213-metre long wharf; a 9,300 tonne capacity shiplift, the largest in the Southern Hemisphere; a runway and dry berth; a ship transfer system; and an administration building and shiplift control building.

The facility is capable of supporting multiple concurrent projects, providing flexible access for companies, contractors and subcontractors. Commercial users include Svitzer and Kangaroo Island SeaLink (for multiple survey and maintenance activities), Manitowoc (crane delivery and consolidation), and Inchcape Shipping Services. Waverider Energy has constructed and launched a prototype wave energy converter.

The government has invested a further \$2 million to extend the CUF to provide the state with maximum flexibility to continue to pursue other shipbuilding and repair activities, as well as supporting the full needs of the Air Warfare Destroyer project as it enters peak production. Works are already underway to underground Mersey Road powerlines, the first stage in opening a transit corridor to the CUF expansion site. This work includes extending site utilities and common infrastructure, including power, water, sewer, communications, stormwater and fencing.

The government remains committed to supporting sustainable defence industry growth in South Australia and I will continue lobbying to ensure South Australia is considered favourably by the commonwealth government for future maritime contracts.

Mr HAMILTON-SMITH: Minister, you have just mentioned a figure of \$255 million, I think, as being the total investment so far in the Techport. Could you just—

The Hon. J.J. SNELLING: No, it is more than \$300 million, isn't it?

The CHAIR: Do you wish to finish your question?

Mr HAMILTON-SMITH: Yes, I actually do want to finish my question because that might help the advice that you are getting. I want to get a handle on the total investment that the state taxpayer, or commonwealth taxpayer under state government tutelage, has made down there for the CUF, the Techport and the Maritime Skills Centre—all of our investments as a total down there to date.

The Hon. J.J. SNELLING: The total government investment there is probably about half a billion dollars. Our investment in Techport is over \$300 million. The investment for the Common User Facility was budgeted at \$260 million; it came in under budget and was delivered for \$255 million. The commonwealth has invested at its Australian Submarine Corporation \$120 million, and there are some other investments that the commonwealth has made to do with the Collins sustainment issues, which we are not privy to.

Mr HAMILTON-SMITH: The Maritime Skills Centre?

The Hon. J.J. SNELLING: That is included in the \$300 million. The breakdown is about \$5 million.

Mr HAMILTON-SMITH: Regarding ship building, the government has produced a document that portends the figure of around a quarter of a trillion dollars to be spent on naval ship building over the next 30 years. Given recent federal government decisions, is that figure still on track? Is that not the real issue rising above the current debate about the submarines? Is not the real issue that we should be looking at the entire fleet over 30 years and developing a strategy to see a ship rolling off the cuff every year—whether it is a submarine or whatever—as part of a 30-year strategy? Are we getting bogged down in a nitty-gritty argument about submarines when we should be looking at the whole picture?

The Hon. J.J. SNELLING: I agree with what you say in part, and it is what we are pursuing. With regard to the first part of your question about the total investment by the commonwealth in maritime assets for the Navy, what the commonwealth has done is not reduce that figure but shift it to the right. So, it has been delayed rather than scaled back. The entire fleet of 48 ships will have to be replaced.

Mr HAMILTON-SMITH: My point is: what action is the government taking to articulate and advance this debate? The opposition has suggested previously that one avenue the state government may choose to take would be to raise this matter at COAG. That is a significant nation-building amount of money and it is the sort of investment that the commonwealth ought to be discussing with the states at some forum, such as COAG, and working out who is going to get what and whether they are going to be assembled here and shared around. Your predecessor expressed some concern about that approach. There may be other vehicles or other devices that the state government can use to advance that argument, but if we just leave it to fate—

The Hon. J.J. SNELLING: We are certainly not leaving it to fate. With regard to future submarines, the commonwealth will make a decision based on national security and strategic policy. That will be the overriding prerogative. To an extent, we have been attempting to advance that debate while recognising, of course, that that is the province of the commonwealth, not the state. Nonetheless, we have been advancing that debate. We worked very closely with the Kokoda Foundation for the recent report it did. I attended the launch of that, about the Future Submarine Project, which articulated both the national security arguments for that project as well as the capability issues.

The thing about the submarine project, and particularly with the building of the 12 submarines, is that it is unlike the Collins class. It will not be a defined project—or the AWE project—where, once it is completed, that is it, you move onto something else. With a submarine fleet that large, by the time you start building your 12th submarine, the first is due for replacement. So, it is not just a one-off project. It will, in fact, be a rolling project where we are constantly building. We have a submarine building industry.

The member for Waite is correct in terms of the other opportunities. We are pursuing opportunities with regard to the replacement of the Anzacs, which is currently scheduled for the early 2020s, but with the new white paper that might change; and 20 offshore patrol vessels and replacements for some of the supply ships. We are not putting all of our eggs in the Future Submarine Project basket. We have made a substantial investment of over \$300 million because we see it as being a naval shipbuilding hub for the country, and that is what we are pursuing.

Mr MARSHALL: Minister, you said, in answer to a previous question, that approximately half a billion dollars had been put into the Techport Common User Facility and the Maritime Training Centre.

The Hon. J.J. SNELLING: Commonwealth and state; yes.

Mr MARSHALL: On the balance sheet at the moment, the total non-current assets in Defence SA is something like \$270 million. Can you explain why we have—

The Hon. J.J. SNELLING: Because it is commonwealth and state investment. When I said \$500 million, I made it pretty clear that it was commonwealth and state. Our investment was \$300 million. I guess the 270 probably includes—

Mr MARSHALL: Depreciation.

The Hon. J.J. SNELLING: The reason for that figure would be the land, which previously resided with Defence SA. Defence SA had carriage of the development of that land and the

development of a defence precinct. That function has been passed from Defence SA over to the new Urban Renewal Authority.

Mr MARSHALL: With regard to Techport, Budget Paper 4, Volume 1, page 198 is the page that deals with the Techport operations. The current year has an estimated sale of goods and services, which I presume is revenue on that site, of \$2.8 million, and next year it is projected to increase to \$4.3 million. What is the basis of that projection and is it realistic?

The Hon. J.J. SNELLING: Mr Fletcher can answer that.

Mr FLETCHER: There are a number of infrastructure investments we are making on behalf of the commonwealth; for example, the upgrade of the power arrangements. There are two or three other infrastructure programs that we do for them because of expediency and our ability to cost control, and they then refund us through the ASC. So, that figure is inflated in that year to the degree of some of these refunds we are getting.

Mr MARSHALL: It is difficult to ascertain from these documents, but would it be fair to say that the Common User Facility, even if you eliminate the depreciation of the non-cash item, is costing us more each year to run than we are currently recovering? Over the past couple of years, it has cost us about \$1.5 million to \$2 million a year to run that facility over and above what we are bringing in. What is the extent of non-ASC use at the Techport Common User Facility, and is there a real expectation that we are going to be able to increase income to offset that cost?

The Hon. J.J. SNELLING: It would be fair to say that the commonwealth receives, essentially, a discount on it and that is part of our strategy of having the air warfare destroyer project here. Those rental arrangements will cease at the conclusion of the air warfare destroyer project and then the commonwealth would have to pay what we would expect to be commercial rent for those premises.

Mr MARSHALL: Is there any hope, with other users, to recover some of that fixed cost?

The Hon. J.J. SNELLING: I will let Mr Fletcher take that. We have certainly been actively pursuing third-party use of those facilities to supplement—

Mr MARSHALL: A list of people used it last year but, obviously, there is still a deficit of \$1.5 million to \$2 million a year. Are we always going to have this line in the budget subsidising the Common User Facility?

Mr FLETCHER: Our intent is not to. The third-party use is charged at full commercial rates. It is a growing business. At the moment, as the minister said, we have got tugs and SeaLink ferries, and other opportunistic things that occur from time to time. The mining industry is looking at using us. We are also renting, at full commercial rates, space to the commonwealth on other pieces. They have recently constructed a blast and paint facility on the CUF for which we are being paid. The work over on the expansion lands, that we are talking about, will be charged at commercial rates. So the intent is to build up to a break-even and profitable situation, but I suspect, given the consumption of the site at the moment by the AWD, that will not occur until after the AWD program has been completed.

Mr MARSHALL: For clarity, that will not occur until 2017-18?

Mr FLETCHER: Earlier than that. Our ability to start will be earlier than that.

Mr MARSHALL: On subprogram 1.2 on page 196, there are no full-time equivalents allocated to that project, which is called Workforce Development. Is that because, essentially, that work is outsourced to third parties? I am wondering whether this is where the DTC money is in the budget.

The Hon. J.J. SNELLING: I will let Ms Elston take that question.

Ms ELSTON: The funds contained in that subprogram were a separate program last year and, to reflect transparency, we have created it as a subprogram here. There is a director of workforce within the agency. His funding is reflected in the other subprogram Defence State Development. This subprogram largely reflects the AWD workforce assistance requirements and commitments.

Mr MARSHALL: Who is that money paid to?

Ms ELSTON: Largely to ASC and the rest of the commonwealth, and the operational costs of the Maritime Skills Centre.

Mr MARSHALL: So, this is the recurrent expenditure for the Maritime Skills Centre?

The Hon. J.J. SNELLING: Partly it goes to the ASC as part of our commitment to the commonwealth to make a contribution to training, to the AWD Systems Centre, and it partly goes to the Maritime Skills Centre as well.

Mr MARSHALL: Minister, is it possible to get a break-up of those payments?

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

Mr MARSHALL: I just go back to the full-time equivalents. Under Program 1.1 you have got 19.3 full-time equivalents, but what you are saying is that some of those are also used for sub-program 1.2?

The Hon. J.J. SNELLING: One of them is.

Mr MARSHALL: One? Can we get a breakdown of the other 18.3 and generally what part of the business they are working in? One of the things that is difficult to ascertain is that, in your previous annual reports, you have had these other areas which have been called 'corporate services' and 'corporate affairs' and 'government relations'. Is all that stuff and those business units part of the 19 who are under sub-program 1.1?

The Hon. J.J. SNELLING: The answer is yes.

Mr MARSHALL: Thank you. I presume that those business units do not exist anymore, then, so can you give us a breakdown of the 18.3 and how many are involved in marketing, how many are involved in corporate services and how many are involved in corporate affairs and government relations?

The Hon. J.J. SNELLING: Yes, we can do that. We are happy to take that on notice.

Mr MARSHALL: While we are on that, does Defence SA use Shared Services?

The Hon. J.J. SNELLING: Yes, it does.

Mr MARSHALL: I presume that would be also in this area rather than spread across the three programs; and, if it is in this area, would it be contained in the supplies and services line on page 194?

The Hon. J.J. SNELLING: Yes.

Mr MARSHALL: Can you give us the quantum of how much you are spending on Shared Services each year?

The Hon. J.J. SNELLING: We will take that on notice and get back to you.

Mr MARSHALL: In previous appearances, both at budget estimates committees and the Budget and Finance Committee, there has been some discussion regarding the Sustainable Budget Commission's targets for Defence SA. To be quite honest, it is a little difficult to track those now that a substantial part of Defence SA has moved over to the URA. Some of the things it had previously set targets for regarded a reduction in overseas travel for staff, a reduction in the use of external agencies, ceasing sponsorships and a raft of those sorts of suggestions.

Can you tell me whether or not there are still outstanding budget savings targets for Defence SA for this current financial year, whether they have been met and whether there is any residual ones remaining for future years and what the quantum of those would be?

The Hon. J.J. SNELLING: Even with the move of those staff to the URA, the fact is that the savings do not occur in one single year: they are rolled out over a number of years. There are still savings that are to be achieved, but the savings targets that they have are being met.

Mr MARSHALL: How does that work? Do you need to recalibrate the original savings targets that were given for the new body, and so—

The Hon. J.J. SNELLING: You are talking about the move of the staff to the URA?

Mr MARSHALL: Yes.

The Hon. J.J. SNELLING: Essentially the savings are done on a pro rata basis. With respect to the budget and the FTEs that are being transferred over, the pro rata savings to that bit that has been moved over will now have to be achieved by the URA.

Mr MARSHALL: You have a revised savings target for Defence SA for this year, next year and the year after; and then you are saying that, for this one, you are on track to achieve for this year. Is the savings target that you have been set incorporated into next year's budget? Have you taken that expense out of the budget already or is that something that you have to achieve over and above the budget which is actually in here?

The Hon. J.J. SNELLING: It is already incorporated into the budget.

Mr MARSHALL: So we will be able to see the success of it based upon the actuals against the budget?

The Hon. J.J. SNELLING: Yes.

Mr MARSHALL: It is incorporated into the budget. One of the recommendations the Sustainable Budget Commission made was to try to recoup expenditure on expo stands for participating companies. Was it something that you achieved?

The Hon. J.J. SNELLING: I presume the member for Norwood is quoting from the SBC report. The cabinet did not adopt all the recommendations in that report. Just because it is in the SBC report, it does not mean it is necessarily a savings we are trying to achieve. With regard to that particular issue, I will ask Mr Fletcher to expand.

Mr FLETCHER: With regard to things like our expo stands, we invite the DTC and others to put forward members from the defence community to participate in the stand. We always ask for a contribution, but it is not the full cost of the stand, because we think it is an ideal way of showcasing South Australian industry at these functions.

The Hon. J.J. SNELLING: Particularly the SMEs who otherwise would not have the capacity to do it.

Mr MARSHALL: I understand. Does Defence SA provide any funding to other state government departments for joint initiatives; for example, export marketing or South Australia's overseas trade offices?

The Hon. J.J. SNELLING: We do not provide any funding for overseas offices. We have, I think for quite a while, provided funding to the G'Day USA event, and that would be about it. Occasionally, there are requests for the Defence Teaming Centre to make contributions. They are done on a case-by-case basis, but there is not a regular payment that goes to other agencies. There are no ongoing programs being conducted by the government agencies that are being funded by Defence SA.

Mr MARSHALL: Is Defence SA continuing to support the G'Day USA initiative?

The Hon. J.J. SNELLING: No firm decision has been made, but it is something we would consider, and it is certainly something that we are pretty favourable towards.

Mr MARSHALL: How much was spent on that in the current financial year?

The Hon. J.J. SNELLING: We will have to take it on notice.

Mr MARSHALL: Can the minister provide details of any conflict of interest which may exist with the state government's stated position regarding the mining and defence coexistence for the Woomera Prohibited Area?

The Hon. J.J. SNELLING: Sorry?

Mr MARSHALL: The government has put out its position regarding the Woomera Prohibited Area that mining and defence should be able to coexist. I am just asking from the Defence SA perspective whether or not there is any perceived or actual conflict of interest between those two departments' activities.

The Hon. J.J. SNELLING: You can only have a conflict of interest if there is some decision-making power that resides with you. The decision-making over the coexistence of mining and defence in Woomera entirely resides with the commonwealth. Defence SA do not have any powers; they act as advocates. Defence SA and DMITRE have worked very, very closely on this. Defence SA is a very strong supporter of coexistence.

Mr MARSHALL: They do not see any conflict for the defence sector in South Australia for the implementation of mining in that prohibited area?

The Hon. J.J. SNELLING: What you are saying is not so much is it a conflict of interest but I think your question is better framed: is Defence SA concerned about the ability of mining and defence activities to coexist in Woomera? And the answer to that would be no.

Mr MARSHALL: No? With regard to the budget paper, page 194, and the item Grants and Subsidies, is it possible for the minister to outline in detail what the \$2.6 million was spent on this year? I presume the more sensitive grants are handled through SAFA, but can we get an understanding of what is included in the \$2.6 million for this year and the \$1.14 for next financial year?

The Hon. J.J. SNELLING: I do not have the breakdown, but basically that line would cover money that is paid to ASC for recruitment, money that is paid to the Defence Teaming Centre and other sponsorships, things like that that Defence SA does.

Mr MARSHALL: Is it possible to get a detailed breakdown of the sponsorships?

The Hon. J.J. SNELLING: I will take that on notice. We might be a bit reluctant to disclose exactly how much we pay to various organisations.

Mr MARSHALL: Even just the breakdowns of DTC, ASC and then sponsorships maybe, just a broad—

The Hon. J.J. SNELLING: We will try to provide as detailed information as we can.

The CHAIR: I declare the examination of the proposed payments for Defence SA closed. I thank the minister, members and all the advisers.

ATTORNEY-GENERAL'S DEPARTMENT, \$89,409,000

ADMINISTERED ITEMS FOR THE ATTORNEY-GENERAL'S DEPARTMENT, \$43,344,000

Membership:

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

Mr Venning substituted for Mr Hamilton-Smith.

Witness:

Hon. J.J. Snelling, Treasurer, Minister for Workers Rehabilitation, Minister for Defence Industries, Minister for Veterans' Affairs.

Departmental Advisers:

Mr R. Thomson, Chief Executive Officer, WorkCover Corporation.

Ms Y. Deally, General Manager, Operations, WorkCover Corporation.

Ms G. Fraser, General Manager, Strategy, WorkCover Corporation.

The CHAIR: Do you have any introductory comments?

The Hon. J.J. SNELLING: I am happy to go straight to questions.

The Hon. I.F. EVANS: These all relate to the one area of WorkCover in the budget, which I think is Budget Paper 4, Volume 1, page 54. It has been four years now since the Workers Rehabilitation and Compensation Act was amended. The scheme is still staggering under its growing unfunded liability. We were told in 2008 that the average levy rate would drop to 2.25 per cent by 2012 and the unfunded liability would be reduced substantially. Neither of those two things have happened.

The most recent available actuarial figures to 31 December 2011 put the unfunded liability at \$1.174 billion, a sharp rise of \$222 million over the previous six months, and South Australian employers are still paying the highest levies in the nation. Our scheme is also producing the worst return-to-work rates in the nation. Can the minister explain exactly what the 2008 amendments have delivered to the financial position of the scheme and to the workers and employers of South Australia?

The Hon. J.J. SNELLING: I will give an initial response and then I will ask Mr Thomson if he can elaborate more, but with regard to the unfunded liability, it is important to look at what the drivers are for that underfunded liability. As a whole, the performance of the actual scheme has been pretty good and has improved. I will let Mr Thomson go through the technical parts of that, but the performance of the scheme has been good.

The drivers of the unfunded liability have been basically the reduction in the discount rate, which of course had a similarly profound effect on the unfunded superannuation liability that the state holds as well. In fact, it has also affected the Motor Accident Commission. It does not have an unfunded liability—it is fully funded—but when it has had to set the compulsory third-party premiums, the changes to the discount rate have also had an effect there for them. That has been one of the key drivers.

The government is trying to make further changes to the legislation with our new employer payments scheme, which I think will go a long way to further improving performance of the scheme, because it will build in incentives to medium to large employers to reduce the incidence of workplace injuries and to improve those return-to-work rates as well. We have made substantial changes to the way the scheme operates to try to build in those incentives which we think are essential to further improving the performance of the scheme. I will ask Mr Thomson if there is more he can add, particularly with regard to information about improvements in the performance of WorkCover.

Mr THOMSON: Thanks, minister. I think it is fair to say that certainly the cash flow of the scheme has been positive in the last period of time and builds on a positive cash flow so the scheme is cash-flow positive. Certainly in the performance of the scheme and the last six months' figures which link to the 1174 deficit that you were talking about, there was a \$36 million release which we control which is the performance of the scheme from the claims management side. It is the seventh out of the last eight actuarial valuations where there has been a positive release from the underlying performance of the scheme through the claims management arrangements.

In regard to the 2008 reforms, initially the focus was on dealing with the redemptions and that applied up to the June 2010 period and since then there has been an increased focus certainly around the return-to-work performance and some of that links into the way we have restructured the remuneration arrangements for the existing agent and certainly linking forward to the new contractual arrangements that will come into place from 1 January next year. As the minister has already touched on, that also links in with the new experience premium arrangements which will commence in just on nine days.

The Hon. I.F. EVANS: Minister, I thought you might go to the global conditions argument.

The Hon. J.J. SNELLING: It is the discount rate.

The Hon. I.F. EVANS: Yes, which is impacted ultimately by—

The Hon. J.J. SNELLING: Yes, definitely. That does make 10-year commonwealth bonds more attractive and therefore drives a lower interest rate that is on those commonwealth bonds and of course that flows into our unfunded liability.

The Hon. I.F. EVANS: Each year for the last 10 years, the unfunded liability has increased. Are you seriously going to suggest that for the last 10 years, it has all been discount rate that has been driving at the unfunded liability. Is it not the reality that the scheme has been poorly managed over 10 years, the unfunded liability is the highest it has been, with the worst return rate and the highest levies? It is just a debacle.

The Hon. J.J. SNELLING: I will ask Mr Thomson to respond.

Mr THOMSON: In the last 10 years there has not been a deterioration in each of those 12 months. It was only 12 months ago when the scheme actually did return a profit, so there was a positive improvement. The deficit actually reduced 12 months ago. Technically, the statement you made is not correct because the scheme did actually see an improvement and a reduction in the deficit over 12 months or so ago.

The Hon. I.F. EVANS: As I understand your answer, you are saying that for the first nine years of this government it did not return a surplus?

Mr THOMSON: There was certainly a period when there have not been surpluses, and it has been a combination of not only the performance of the scheme and the return on investments, which has been generally positive, but also the economic impact of the yield curve, which the minister has already dealt with.

The Hon. J.J. SNELLING: It would be fair to say that we have seen, as a result of those legislative changes that were made, improvements to the performance of the scheme. What is driving the increase in the unfunded liability is not a deterioration in the performance of the scheme. If the legislative reforms were not working that would come through in the performance of the scheme, but what we are seeing is an improvement in the performance of the scheme but a deterioration in the unfunded liability, regardless of the improvement of the performance of the scheme. What has driven that unfunded liability are the changes to the discount rate.

Mr THOMSON: I think it is important to put it in context. If you look at us relative to other schemes across other jurisdictions, Victoria, New South Wales and Queensland have all experienced very significant deterioration in their funding positions in the last six to 12 months as an exact result of the economic conditions, the yield curves and the discount rates that the minister has talked about.

The Hon. I.F. EVANS: When the act was amended in 2008, the government claimed that the actuarial advice was that the scheme would be fully funded within five to six years. Does the minister accept the government now has broken that promise and, if so, when does he believe the scheme will be fully funded?

The Hon. J.J. SNELLING: Obviously fully funding the scheme is going to be driven very much by changes to the discount rate and the effect on the unfunded liability. I do not have any way of controlling the discount rate. If the discount rate continues at historic lows then it will take some time. We are seeing improved performance of the scheme as a result of those legislative changes and we expect further improvements to the scheme as a result of the legislative changes that I put through the parliament in December last year.

Those changes are significant, and I would like to acknowledge and thank the opposition for their support for those changes, because they provide an opportunity for employers to reduce their WorkCover premium, firstly, by improving their return-to-work rates for workers who are injured in their employ and, secondly, by reducing the incidence of workplace injuries. I am very confident that with those changes, which will come into place from 1 July this year, we will see further significant improvement in the performance of the scheme.

Mr THOMSON: I think this is important: there are some subtleties in the legislation. It is not just around experience premiums; it is actually changing the culture of the scheme. The talk of the scheme has always been, if you end up with a cut finger, that it is a disability; it is not, it is an injury. From 1 July things become an injury. It sounds a like a small thing, but it is not; it is an important thing. I had a conversation with a group of 20 injured workers last week, who have been in the scheme for some period of time, and they were very, very pleased about that change. These are some of the subtleties. There are a range of things that influence the performance and how things occur in the scheme, and it is some of those small things which we will build on and that we can use to leverage to improve the performance of the scheme going forward.

The Hon. S.W. KEY: I refer to Budget Paper 3, chapter 4, page 73. Can the minister expand on how employers are being advised with regard to the new WorkCover premium system? You have already mentioned some of that, but can you expand on it?

The Hon. J.J. SNELLING: As I mentioned, in December last year parliament passed legislation making changes to the WorkCover scheme to establish a new premium payment system for employers from 1 July this year. The new premium system provides medium and large South Australian employers with a premium allocation model that will reflect their business activity, individual claims experience and size.

In addition to the extensive consultation undertaken by the government and WorkCover during the design phase of the new approach, there has been a strong focus on communicating the changes and preparing employers for implementation of the new premium system from 1 July.

WorkCover has utilised mail-outs, emails and website information updates. In addition to these, WorkCover held information roadshows during May to provide an overview of the new Experience Rating System, to show employers how to use the premium calculator available on WorkCover's website, and to discuss the impact of the new system and how employers can influence their premium payments.

Sixteen information roadshows were held across South Australia, including regional areas such as Mount Gambier and Port Lincoln. These were attended by 468 employers and other stakeholders. This represents almost 10 per cent of employers who are expected to be part of the new Experience Rating System.

Feedback from attendees was overwhelmingly positive. For example, 90 per cent of attendees responded in a follow-up survey that they found the information easy to understand and relevant or very relevant for their business.

The Hon. S.W. KEY: I would like to refer the minister to the same budget reference, Budget Paper 3, chapter 4, page 73, and also to Budget Paper 4, pages 51 to 55, program 10. I know that this question would be of interest to the member for Schubert, because he and I are both on the Occupational Safety, Rehabilitation and Compensation Committee of parliament and we are undergoing an inquiry into return to work. I am interested to know what the outcomes are so far of the Return to Work Fund.

The Hon. J.J. SNELLING: The workers rehabilitation and compensation scheme involves interaction between many different parties, all playing a unique and vital role within the system. It also requires those involved in the scheme to reach out and look for innovative solutions, best practice injury management and better ways of working together to achieve a healthier return to work for our injured workers. That is why, in 2008, WorkCover and the government established the \$15 million Return to Work Fund to implement initiatives that contribute to the improved return of injured workers to work.

Since the commencement of the first Return to Work Fund project in 2009, 15 projects have worked with over 360 injured workers. Of those injured workers, as at 31 March 2012, 72 have returned to work, 132 have commenced training, 64 have completed training, and over 162 are still actively engaged with their projects to achieve a training or return-to-work outcome. Recommendations and learning from all the projects are being referred to WorkCover and the claims agents' operational areas for consideration, where appropriate.

The Return to Work Fund is now seeking to commission or tender for projects which will target identified issues and/or industry sectors where improvements in return-to-work outcomes are needed. Project ideas and potential external participants are currently being identified for funding in 2012.

The Hon. S.W. KEY: Madam Acting Chair, I will hold my other questions so that the opposition gets a reasonable go.

The Hon. I.F. EVANS: Thank you, member for Ashford. Does the minister agree with the Cossey Review, that the initial improvement in the financial health of the fund after the 2008 amendments was overwhelmingly due to the use of redemptions up until 30 June 2010 rather than the legislative changes?

The Hon. J.J. SNELLING: My advice from WorkCover is that, yes, that is something the corporation agrees with: that the improvement in the performance of the scheme in that period was largely as a result of the use of redemptions.

The Hon. I.F. EVANS: So, if the financial improvements have been largely due to the use of redemptions and not the legislative amendments, why has the government stopped using redemptions?

The Hon. J.J. SNELLING: That is a decision of the WorkCover board rather than a direction from the government. I will say something initially and then I will allow Mr Thompson to give a more complete answer. Firstly, the actuaries who determine the performance of the scheme, and in particular determine the unfunded liability, view the use of redemptions very negatively. So, a return or a use of redemptions on a large scale by the scheme would be viewed actuarially as resulting in a deterioration of the performance of the scheme and a deterioration of the unfunded liability.

The reason why the actuaries take that view is because they believe it creates the wrong incentive in the scheme. It creates a lump sum culture in the scheme where the focus of the scheme is not so much on rehabilitation and return to work, but on getting a payout. I have met with the actuaries who do the work on behalf of WorkCover in determining that future liability, and their direct advice to me is that any large-scale return to the use of redemptions would have the effect of a deterioration in the performance of the scheme, that is the way they would view it. Nonetheless, the decision not to have redemptions is a determination of the WorkCover board, and I will ask Mr Thomson to elaborate a little more.

Mr THOMSON: The way the legislation is, as a result of the 2008 reforms, allows the potential for redemptions if you meet three criteria, and I think we need to differentiate: self-insurers (Crown and private) have the ability to use redemptions up to a point, as long as they comply with those conditions, the registered employers scheme does not because the board has put the

position that it does not want to see redemptions used. The minister is right, it is about the culture and the incentives. The focus of the scheme should be around trying to encourage people to get the right medical treatment and, where possible, either remain at work or return to work as quickly as possible.

History has demonstrated, not just in this scheme but in others where you have the potential for a lump sum being at a two, three or four year point, that it is an encouragement for people. Certainly, the advisers are providing the advice to stay on benefits in the event of getting that lump sum. Therefore, it does not assist in the financial performance, or even assist in the right sort of outcomes for the individuals, the injured workers within the scheme.

The Hon. I.F. EVANS: With the overhaul of the levy system this year, does the minister think that the changes to the levy will have any effect on the unfunded liability in the foreseeable future? If so, why, and if not, why not?

The Hon. J.J. SNELLING: You mean the changes in the levy as a result of the employer payments, that they are designed to be neutral, basic revenue? Those changes are all designed to be revenue neutral.

Mr THOMSON: Can I add to that, if I can? The premium collection mechanism—levy or premium, the word we are moving to is premium—is about collecting the amount of money required to cover the costs of claims for that financial year. So, when we go into the 2012-13 financial year, which is where we are going, it is aimed to cover the costs of claims and all administration related to the claims incurred in that period, which will still be being paid off in 30 or 40 years time. There is no element of it allowing to pay off the deficit for previous years. That is the methodology that is used.

The Hon. I.F. EVANS: So, if there was a levy drop, for instance—we have the highest levy rate in Australia—if the WorkCover board decided, for some reason, to suddenly drop the levy rate by 10 per cent to 20 per cent, what are you saying, that it does not have an effect on the unfunded liability, or it does?

Mr THOMSON: The two things are very separate. The unfunded liability is assessed at a point in time. The average premium rate of 2.75 per cent (as it currently is) is the cost required to cover the costs of that current year. Let us assume that we have improved performance of the scheme and the underlying costs drop down, and we could drop it to 2.5 per cent, we could still move from 2.75 per cent to 2.5 per cent in an unfunded liability because the costs of the scheme would allow that. So, yes, you can move in that respect.

The Hon. I.F. EVANS: But if the scheme loses money for the year, so the amount of levies coming in do not cover the costs of the scheme for that year, does that add to the unfunded liability?

Mr THOMSON: It would, but if we collect an amount and the performance improves for that year that would assist the deficit, but the next year we may be able to reduce levies or premiums in that period on that basis. So, if we under collect or over collect relative to the assessment of claims costs against the premium we collect then that will affect the deficit one way or the other. It does have that impact.

The Hon. I.F. EVANS: Given that businesses were promised a reduction in levy from 2.75 per cent down to 2.25 per cent with the amendments that went through in 2008 four years ago, when do you think the reduction in levy will occur?

The Hon. J.J. SNELLING: Mr Thomson will answer that.

Mr THOMSON: I think there are a number of things that come into effect. We would need to see a significant improvement in the performance of the scheme and that will come, hopefully, from a number of factors—the legislative change around some of the cultural impacts and the influence of experience premium to change behaviour of employers in the marketplace. If I can give one example that came out through the focus groups through that experience premium element, where some employers were saying that, when the old bonus penalty left, they did not worry about prevention, they were not worried about injured workers because there was no impact.

What we are hoping is that this will change the behaviour and we will see some improvement flow through. But, in addition to that, you have then got the agent procurement with the tender process that is currently in place whereby, hopefully, that will allow us to see, with the remuneration structure inside that, improved performance delivery from the claims agent.

Mr VAN HOLST PELLEKAAN: Minister, as you would know, the income replacement benefits component of the scheme does not apply for employees over 65 but, certainly, employers pay a levy for employees over 65. Is any consideration being given to potential changes to that and how that might impact the budget?

The Hon. J.J. SNELLING: Mr Thomson.

Mr THOMSON: Can I clarify that? If people are injured and they are over the retirement age and they are still working, they are still entitled to benefits. They get covered for income maintenance for up to two years, and medical and ongoing lump sum payments, so it is not as if they do not have entitlements. The extent of the access to the entitlement is limited but they do have access to entitlement, so they are covered.

Mr VAN HOLST PELLEKAAN: Certainly, but the income replacement component only lasts for two years.

Mr THOMSON: That is correct.

Mr VAN HOLST PELLEKAAN: So, potentially, a 68 or 67-year-old worker does not benefit.

Mr THOMSON: Agreed, and employers pay their premium, which is where you came from. The actuaries take that into account in the way they work out their average assessments, so there is no over-collection in relation to it. They look at the overall constructed claims, where they are coming from and how they need to be dealt with, and they come up with an overall assessment and, therefore, it is averaged out across what the employers pay for.

Mr VAN HOLST PELLEKAAN: There is no intention to look to change that?

The Hon. J.J. SNELLING: Because the commonwealth has increased the retirement age to 67 from 2017, that might be something that we will have to consider, but it is not something currently under consideration.

The Hon. I.F. EVANS: The Auditor-General's Report in 2010-11 shows \$8.4 million in contracts to De Poi Consulting, up 42.4 per cent from the previous year, \$6 million for rehab services and \$2.4 million for medical expert services. What is the estimate for 2011-12 for De Poi Consulting group contracts?

The Hon. J.J. SNELLING: Can you repeat the groups you wanted?

The Hon. I.F. EVANS: All groups, but the groups we are aware of are \$6 million for rehab services, \$2.4 million for medical expert services, which is a total of \$8.4 million for De Poi Consulting, up 42 per cent from the previous year.

Mr THOMSON: This is specifically around De Poi Consulting that you are talking about, not the overall scheme?

The Hon. I.F. EVANS: No, De Poi Consulting.

Mr THOMSON: We do not actually do individual budgets or assessments of what individual providers are likely to be paid in a 12-month period, and those decisions are made by the agent who actually manages the claims and they would not necessarily do that. They would determine what they need to engage consultants for to provide those services based on the individual cases and who they assess those to, and there is no specific budget put in place for any individual provider within the scheme.

The Hon. J.J. SNELLING: They know the actuals afterwards, so at the end of this financial year we would be able to tell you.

Mr THOMSON: But there is no budget figure.

The Hon. I.F. EVANS: The Auditor-General's Report on page 1798 also reports the total expenditure of \$30.2 million for vocational rehabilitation. Is all of the \$6 million in the contracts for De Poi Consulting for rehab services included in that total?

Mr THOMSON: That \$30 million would include the amounts relative to the rehabilitation spend for De Poi Consulting. There are other aspects of the De Poi Consulting business which are not specifically rehabilitation which would potentially be included in other cost heads.

The Hon. I.F. EVANS: Is the \$2.4 million in contracts for De Poi Consulting for medical expert services included in that total; and, if not, in which budget line is the net claims pay table on page 1798 of the Auditor-General's Report included?

Mr THOMSON: The amount would not be included in the rehabilitation but would be included in the medical cost head, but I would clarify that for you—take that off line and clarify it, but my understanding is it would be within the medical costs.

The Hon. I.F. EVANS: WorkCover is currently on the verge of announcing the results of its tender for the claims agents. When EML was appointed the monopoly claims manager, South Australia was promised a massive savings in both management and costs and claim liabilities. They have never materialised. I quote from the WorkCover media release on 19 January 2006:

The new agent will make WorkCover better for everyone. [The then CEO said] Employers Mutual is committed to targets that would achieve the necessary liability reduction to deliver a fully-funded scheme by 2012-13. They convinced us they have what it takes to create the turn-around in claims liability we expect.

As previously mentioned, WorkCover's unfunded liability is now more than \$1 billion and rising. Does the minister now accept that the decision to move to a monopoly claims agent was wrong and did not achieve the benefits claimed?

The Hon. J.J. SNELLING: The evaluation process for the new tender for claims management is currently almost completed. I would expect that I would have a recommendation from the board reasonably soon, which I will be able to take to cabinet with regard to the new claims management. As to the performance of EML until now, I invite Mr Thomson to provide some comments.

Mr THOMSON: Some of this, although not being here, I am aware of. Certainly the performance of EML has been somewhat fluctuating at times.

The Hon. J.J. SNELLING: Mixed.

Mr THOMSON: 'Mixed' is probably a better word. It has certainly been focused in the short term around the redemption strategy, which came out of the 2008 reforms, and the like, and it did deliver appropriate service delivery through that phase. Its performance in other areas has been mixed and probably not as good as EML would like or we would like, but certainly what we have been doing is putting an increased focus on two elements—revising the existing and future remuneration structures—to try to ensure that we get more appropriate delivery. It has revised its business models in the last 12 months to try to ensure that there is more appropriate focus on return to work in the front-end, and the like. There is active engagement.

I think that the other thing that has changed is that WorkCover two years ago changed the model of interaction with the agent from one of partnership to one of contract management and performance management, and I think that is a significant change whereby we can actually have a greater accountability between the two as to who is responsible for what and how we move things forward.

The Hon. I.F. EVANS: EML failed to meet its targets, didn't it?

Mr THOMSON: From the undertakings that it gave, and assuming that what you have said is correct, it would not appear from the information I have that it has delivered totally on those, but it certainly has delivered in relation to the redemptions—certainly some of those figures. However, within the first two years, I do not—

The Hon. I.F. EVANS: But five minutes ago you were saying that redemptions were the problem. The actuarial advice was saying that redemptions should not be used; it was going to blow out your unfunded liability. Now you are telling the committee that EML has done a great job on the redemptions.

Mr THOMSON: No. What I said was that EML did an appropriate strategy around the redemptions which actually dealt with a significant portion of liability that existed, and that actually meant that, with respect to the people who have been on the scheme for a long period of time, they cease that. What the redemption strategy is about now is trying to stop people getting to that point and the cultural change, because if they maintain that you are likely to see—certainly on the advice from Infinity—a significant deterioration in the actuarial results if you did have redemptions in operation.

Mr VENNING: I refer to the same line as the member for Davenport. The member said earlier that we have a committee looking at WorkCover at the moment, and this claims management is one of the biggest issues. It is where the political debate is at the moment in terms

of, yes, we agree that what is there is not working properly. The options are, obviously, to have more private providers or to take it back to WorkCover. That is a political decision, minister—which way are we going to go?

The Hon. J.J. SNELLING: Can you just repeat the question, member for Schubert? Are you specifically asking about private providers?

Mr VENNING: It is an agreement by the committee on which we sit. This is a problem, and the member for Davenport just highlighted it with the EML. The situation is that being a private monopoly provider is not working. We all agree with that. So what is the solution? We question why it ever was a monopoly, that it should open up to more private providers, or the contra argument, or the government argument could be that the government agency goes back to WorkCover.

The Hon. J.J. SNELLING: Certainly, it is from the government's point of view. From my personal point of view, I think that it is better to have more providers than just one, not to have a monopoly provider. That is my personal point of view. I do not think the board have necessarily articulated yet their view on whether there should be one or more. I do have ultimate powers of direction, but it is something that I would be pretty loath to use unless there was some particular reason. Ultimately, the recommendation to me on how many providers there will be will come up to me as a recommendation from the board. I will ask Mr Thomson to elaborate.

Mr THOMSON: The process that we have put in place this time, which is quite different from the previous process, is that we have put an evaluation steering committee in place to oversee the procurement process which we are currently going through. I chair that process. Yvonne Deally on my left is part of that. We have three independent members who sit on that. So it is a committee of five, where there are three independents, who are assessing the tenders as we go through it. That steering committee then provides a report of recommendations through to the board; that will then go from the board through to the government from there.

The Hon. J.J. SNELLING: When the tender was released, the tender documents made clear that the board were open to having more than one provider. They made it clear, as part of the tender documents, that the board were open to having up to three providers.

Mr VENNING: So you've only got one.

The Hon. J.J. SNELLING: We have only one, but the contract is up for renewal at the end of this year, so there has been a tender process. As part of that tender process the tender documents have said that the corporation is open to having up to three claims managers as part of the contract.

Mr VENNING: That was your decision, was it, minister, to do that?

The Hon. J.J. SNELLING: No; that was a decision of the board, but I did communicate my preference to the chairman that it was the government's preference that there be more than one. But that ultimate decision resided with the board. There was no formal direction.

The Hon. I.F. EVANS: Just some friendly advice.

The Hon. J.J. SNELLING: Indeed.

The Hon. I.F. EVANS: Fair enough. I am sure the board will take that into consideration in due course. What powers of direction do you have? Can you direct on the levy rate?

The Hon. J.J. SNELLING: I presume I can direct on whatever I want, but it would have to be—

The Hon. I.F. EVANS: It would have to be gazetted.

The Hon. J.J. SNELLING: It would have to be gazetted. Any such direction I think might have to be tabled in parliament as well. I am advised that there might be restrictions about individual claims, so I cannot make a direction on an individual claim, but other than that my powers of direction are fairly wide ranging as long as they are gazetted, and they have to be tabled in parliament.

The Hon. I.F. EVANS: Does the minister accept that the decision to move to a monopoly legal service provider was an error, and did not achieve the benefits claimed?

The Hon. J.J. SNELLING: The legal contract has also been out for tender. Again, I have communicated my preference that there be more than one provider as part of the contract. The tender documents have gone out and have expressed that the corporation is open to having up to

three providers of that legal contract. That is not as advanced as the claims management; it still has a little way to go. Where are we at?

Mr THOMSON: The legal tender is out, and the respondents are providing their responses. They are due to have their responses back at the beginning of next month, and it will be evaluated after that process.

The Hon. I.F. EVANS: It is really all over the place isn't it, minister? You are not going to have redemptions, you are going to have redemptions, now you are not going to have redemptions; you are going to have a monopoly claims agent, no it is a single claims agent, now you want to go with a monopoly claims agent. You have multiple legal suppliers, then you went to a single legal supplier, now you are going to go back to multiple legal suppliers. The management of it, over a period of 10 years, has just been all over the place. There has been no consistency. Do you think the inconsistent approach to the management has impacted on the performance of the scheme?

The Hon. J.J. SNELLING: No, I do not agree with that proposition. I have been minister with the responsibility for WorkCover since last year and in that time we have made some considerable advances to reform of the scheme, including a new employer payments scheme. I see these new arrangements, or potential new arrangements, with regard to both claims management and provision of legal services as part of the process of reform which I have undertaken as minister.

The member for Davenport might think that the way to manage the scheme is to be completely inflexible to change and be adamant that you have it right, regardless of whatever might actually be happening. My approach as a minister has always been to see what the evidence is and be flexible to change if you think that change is going to improve the performance of the scheme. I will always take that approach as a minister. I am always open to new arguments, new evidence, and I am always open to changing my mind when circumstances demand it.

The Hon. I.F. EVANS: I was just commenting on the—

The Hon. J.J. SNELLING: The member for Davenport might see that as a weakness; I see it as a strength.

The Hon. I.F. EVANS: I did not say that. I was just commenting on the performance of the scheme over 10 years.

The Hon. J.J. SNELLING: You were describing it as being all over the shop—

The Hon. I.F. EVANS: Well it is all over the shop. It's the worst—

The Hon. J.J. SNELLING: I would not describe it that way—

The Hon. I.F. EVANS: —performing scheme in Australia and everyone knows it.

The Hon. J.J. SNELLING: I would not describe it that way; I would describe that approach as basically being open to change.

The Hon. I.F. EVANS: Mr Chairman, if the scheme is going so well under these changes that the minister has introduced, given his new evidence and new found desire to change things, can he explain why the number of complaints to the WorkCover Ombudsman continues to increase, why the number of complaints into EML's complaint handling process continues to increase?

The Hon. J.J. SNELLING: I might ask the Chief Executive to take that.

Mr THOMSON: I think some of those figures might be a little bit out of date. We are actually seeing a change where we are seeing a reduction in the number of complaints and reductions in the number of issues coming, because we are actually seeing better decision-making being made within the scheme at this point in time.

At this point in time we are seeing actual turnarounds, where the number of matters being disputed and heading through is probably occurring in this current 12-month window. Yes, there might have been some increase, but at this current point in time we are seeing improvements where there is a reduction of matters being referred to them, because we are getting improved decision-making occurring at the beginning of the process.

The Hon. I.F. EVANS: So, when the budget papers show an increase in the level of complaints, you are saying that those figures are out of date?

Mr THOMSON: That is 30 June 2011. What I am saying is that in this current 12-month window we are seeing an improvement in those sort of numbers flowing through the scheme.

The Hon. I.F. EVANS: Minister, I will now read in the omnibus questions.

1. Will the minister provide a detailed breakdown of the expenditure on consultants and contractors above \$10,000 in 2011-12 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 in 2011-12, please provide the number of public servants that are (1) tenured and (2) on contract, and for each category provide a breakdown of the number of (1) executives and (2) non-executives.

3. For each department or agency reporting to the minister, how many surplus employees will there be at 30 June 2012, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

4. In financial year 2011-12 for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2012-13, and how much was approved by cabinet?

5. Between 30 June 2011 and 30 June 2012, 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?

6. For the year 2011-12, will the minister provide a breakdown of expenditure on all grants administered by all departments and agencies reporting to the minister—listing the name of the grant recipient, the amount of the grant and the purpose of the grant, and whether the grant was subject to a grant agreement as required by Treasurer's Instruction No. 15?

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

8. For each department or agency reporting to the minister, how many Targeted Voluntary Separation Packages (TVSPs) were or will be offered for the financial years 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16?

The CHAIR: There being no further questions to the minister, I declare the examination of the proposed payments closed.

[Sitting suspended from 13:01 to 14:00]

DEPARTMENT OF TREASURY AND FINANCE, \$67,538,000

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,
\$1,799,067,000**

Membership:

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

Mr Marshall substituted for Mr van Holst Pellekaan.

Witness:

Hon. J.J. Snelling, Treasurer, Minister for Workers Rehabilitation, Minister for Defence Industries, Minister for Veterans' Affairs.

Departmental Advisers:

Mr B. Denny, Director, Veterans SA.

Ms C. Scriven, Ministerial Adviser.

The CHAIR: Minister, do you wish to make any opening remarks?

The Hon. J.J. SNELLING: I am happy to go straight to questions.

The CHAIR: Member for Kavel, are you the leading opposition member?

Mr GOLDSWORTHY: Yes, Mr Chairman. Referring to Budget Paper 4, Volume 4, pages 158 and 159, I think the whole sub-program, if you put it together, would take up one whole page, but I just want to have a look at perhaps some of the changes to the structure of the agency, in terms of it moving from one area to another. Last year the office was under the Attorney-General's Building Communities program, but obviously now it has moved to Treasury and Finance under the heading 'Support services'.

The agency was first established in 2008, so it has only gone on for about four or so years. Can you give us the reason why it changed from Building Communities to Treasury and Finance? Is it purely because of your role as Treasurer?

The Hon. J.J. SNELLING: Yes, it has just shifted with the minister who has the portfolio. Michael Atkinson was the original minister; he was the attorney. It just made sense for it to reside within the Attorney-General's Department while Mr Atkinson was the minister. For a period of time whilst I was the minister, my substantive portfolio was DFEEST, but nonetheless it continued just to reside from a machinery of government point of view with Justice.

Then with my being appointed as Treasurer, it just makes bureaucratic sense for it to reside within the Department of Treasury and Finance just for ease of administration. It has absolutely no impact at all on the way the portfolio is run. It is just purely for administrative expedience. The agency is also located in my ministerial office, so obviously it makes sense for it to reside in the Department of Treasury and Finance. It is purely an administrative arrangement, nothing else.

Mr GOLDSWORTHY: So is the FTE 3.6 at the moment, and is it coming down to 3.5?

The Hon. J.J. SNELLING: Sorry, say that again.

Mr GOLDSWORTHY: Are the 3.5 FTEs physically located on the same floor as your ministerial office?

The Hon. J.J. SNELLING: That is right. Part of that notional FTE allocation is for corporate overheads, so it is not actually a person. There are only three people who are actually employed, being Mr Denny, a ministerial liaison officer and an administrative staffer.

Mr GOLDSWORTHY: You might take this next question on notice because you may not be able to answer it, but Mr Denny may be able to provide some information. Part of the Sustainable Budget Commission report was to restructure existing separate units in Building Communities into a single functioning division. Veterans' Affairs has been removed from Building Communities so that has not been implemented. The measure out of the SBC was to deliver a 20 per cent reduction in FTEs across those various offices that were to be combined into the Building Communities area.

The Hon. J.J. SNELLING: Sorry, you will have to repeat that. I am trying to work out what you are trying to get at. So, it is the SBC report?

Mr GOLDSWORTHY: The SBC report stated: 'To restructure existing and separate units in Building Communities', which was the agency previously, and Veterans' Affairs was part of that.

The Hon. J.J. SNELLING: Yes, resided within that. That's right.

Mr GOLDSWORTHY: Within the AGD, presumably, in the Attorney-General's Department—'into a single functioning division'. That obviously has not been implemented.

The Hon. J.J. SNELLING: You will need to check with the Attorney-General. I think there has been a general restructure of that agency. I think the communities function has actually been moved over to the Department for Communities and Social Inclusion. I have been advised by Mr Denny that that recommendation was not proceeded with in its entirety. As to savings that have been allocated to the office of Veterans' Affairs, obviously there cannot be any FTE reductions because removing one FTE would be a reduction in the agency of one-third. When we do FTE reductions they are allocated on a pro rata basis, so Veterans' Affairs SA was too small for that. There have not been any other savings that have been allocated to the office because it is such a small office.

Mr GOLDSWORTHY: On page 159 where we are talking about—

The Hon. J.J. SNELLING: Given that there is only one page, I am happy to dispense with the reference to the budget papers.

Mr GOLDSWORTHY: We have the 2011-12 estimated result for the 2011-12 budget. I think you mentioned just before, minister, allocation of corporate overheads. There is a \$100,000 increase in expenses due to the allocation of corporate overheads to Veterans' Affairs in relation to a transition to the Department of Treasury and Finance. Having a look at the budget, I can see that there is a \$130,000 increase in the 2011-12 estimated result, obviously due to these overheads, but I do not see a reduction in the 2012-13 budget. I would have thought those overheads would have been a once-off payment to transition it into Treasury and Finance. I have not seen a reduction back from the \$684,000; it has actually gone up by \$10,000 to \$694,000. I would have thought that would have been a one-off payment.

The Hon. J.J. SNELLING: No, it is an ongoing payment. I might ask Mr Denny to elaborate.

Mr DENNY: I understand it is an ongoing payment allowed for by the Department of Treasury and Finance to provide for the remote assistance we get, being within Treasury's purview, within their family. The external—

The Hon. J.J. SNELLING: A big happy family it is, too.

Mr DENNY: —type of support, coming up and picking up our mail and taking it away and all the other sort of indirect type of support that we get from outside our small office of three, I understand, has been factored or accounted for on a general formula, depending on how many are in the organisation. Our payment each year is \$100,000.

Mr GOLDSWORTHY: So is it more expensive to have the agency in T&F instead of where it was before?

The Hon. J.J. SNELLING: No; it is just a reflection of the fact that there are people within the Department of Treasury and Finance, whether it be directly in my office or elsewhere within Treasury, who are doing work for the office of Veterans' Affairs. Obviously the mail addressed to the office of Veterans' Affairs is brought up by a Department of Treasury and Finance employee. The phone generally is answered by an admin officer in my office who is a Department of Treasury and Finance employee. So, it is just a notional allocation to reflect that fact. It is not any more expensive.

Mr GOLDSWORTHY: It must be, though, minister.

The Hon. J.J. SNELLING: It is just about transparency, that is all. The simple fact is that that always would have been the case when the office resided within the department of justice. The same arrangement would have happened. It is just that it was not reflected in the budget papers. This is just considered to be a more transparent reflection of that fact.

The CHAIR: While we are waiting, people on the right can ask the next question, if they like.

Mr GOLDSWORTHY: They were not having questions.

The Hon. J.J. SNELLING: I am happy to go for an hour.

Ms BEDFORD: It is just one and it will not take long. I refer to page 159, targets for 2012-13. Can you update us on what is happening about the Aboriginal and Torres Strait Islander War Memorial?

The Hon. J.J. SNELLING: Certainly. The Aboriginal and Torres Strait Islanders have fought in every conflict in which our nation has been involved, from the Boer War to the present day. The failure to recognise this service is regarded by many as a gaping hole in the rich tapestry of remembrance that most Australians hold dear.

The Aboriginal and Torres Strait Islander War Memorial involves the creation of a significant and culturally sensitive national memorial to be constructed in the north-west corner of the Torrens Parade Ground. The memorial project was commenced in 2008, and combined funding of \$143,000 has been provided from within the state government, including Veterans SA.

In late 2011, a fund-raising appeal committee was created to assist the memorial committee with fundraising. It is co-chaired by Sir Eric Neal and the director of Veterans SA, Mr Bill Denny. Fifteen prominent business and community leaders have joined the fund-raising appeal committee. The fund-raising efforts of the appeal committee has been very successful, with all

funds for the construction of the memorial expected to be in place by the end of this month. This project has been enormously popular within the community. The memorial committee hopes that the memorial will be completed by mid-2013.

Mr GOLDSWORTHY: I notice that the FTEs from the 2010-11 actual were 3.0, the estimated result for 2011-12 is 3.6 and then the budget is 3.5. I know it is half an FTE, so does not have any sort of significant impact on the \$15 billion budget that the state faces.

The Hon. J.J. SNELLING: If you mind the pennies, the pounds will look after themselves.

Mr GOLDSWORTHY: Exactly. Can you advise me who the agency officers are? I know that Mr Denny is the chief executive. Previously there were persons by the name of Mr Sykes and Mr Lewis. Are they still part of your staff?

The Hon. J.J. SNELLING: I will not go through the names. As I have said previously, there is Mr Denny, there is a ministerial liaison officer and there is an administrative officer, and they are the three FTEs.

Mr GOLDSWORTHY: What about the other 0.5?

The Hon. J.J. SNELLING: The 0.5 is the overheads figure, a notional allocation for overheads. There are only three people employed.

Mr GOLDSWORTHY: Can you tell me what salary bands these three officers fit in?

The Hon. J.J. SNELLING: The administrative officer is an ASO2, there is an ASO5 and an SES1.

Mr GOLDSWORTHY: I notice that in last year's budget there was a breakdown of the expenses in terms of employee costs and benefits, supplies and services and grants and subsidies, but in this year's budget figure it has all been rolled into the gross start figure of \$711,000. Can you provide a figure that represents the employee expenses?

The Hon. J.J. SNELLING: Of the total allocation?

Mr GOLDSWORTHY: Of the three FTEs.

The Hon. J.J. SNELLING: I am happy to take that on notice and provide an answer, but it would be the bulk of it. Maybe I am wrong, sorry. I am not sure that is necessarily the case.

Mr GOLDSWORTHY: Last year it was \$352,000.

The Hon. J.J. SNELLING: It would be consistent with that.

Mr GOLDSWORTHY: Last year it was \$352,000, the supplies and services were \$46,000 and the grants and subsidies were \$203,000.

The Hon. J.J. SNELLING: It would be consistent with that. There has been no substantive change.

Mr GOLDSWORTHY: So, you cannot supply the three figures: salaries, supplies and services and grants and subsidies, totalling \$711,000?

The Hon. J.J. SNELLING: I do not have that information to hand. All I can say is that it would be consistent with last year. I am happy to come back to the committee with the exact numbers.

Mr VENNING: Page 159, the health advisory council in relation to the Repat—health advisory councils do not exactly have a great name around the state at the moment—what did that replace at the Repat, is it performing any better than the current HAC, and is it any better than any other HAC in the state?

The Hon. J.J. SNELLING: That is established under the Minister for Health, so it is a question probably better directed toward that minister. It has just been pointed out to me that Jock Statton, who chairs the Veterans' Health Advisory Council, is also a member of the Veterans Advisory Council. The Veterans' Health Advisory Council reports up to the Minister for Health and the Veterans' Advisory Council reports to me.

On 27 March 2009, the former Minister for Veterans' Affairs (Hon. Michael Atkinson) and the Minister for Health (Hon. John Hill) jointly announced the formation of the Veterans' Health Advisory Council to advise the government on the health needs of ex-service men and women. The

government is working with the veterans' community on a number of health-related initiatives designed to assist veterans in South Australia.

SA Health is working closely with the Veterans' Health Advisory Council and has recently prepared a framework for veterans' health care 2012 to 2016 (called the Framework). This framework will incorporate a veterans' mental health strategy prepared by the mental health subcommittee. Such structure and composition will ensure the views of the veterans' community on health-related issues are taken into consideration. In due course, the Framework will be released by minister Hill and me.

Mr VENNING: The Repat is a very important part of veterans' affairs in South Australia and, indeed, Australia. How is the management going at the Repat? Is everything good out there? We have not heard anything in the news in the last 12 or 18 months. Minister, are you happy that everything is as it should be?

The Hon. J.J. SNELLING: The Repatriation Hospital is the responsibility of the Minister for Health, so you would probably be better directing that to the Minister for Health. Mr Denny can respond.

Mr DENNY: We have not heard of any major issues of concern out there. It seems to be going extremely well. The parking situation as it applies across all state government hospitals is yet to be implemented and that is some months off. We have not heard about any major problems out there at all.

Mr GOLDSWORTHY: Part of the \$711,000 in the budget is made up of grant funding, that is, funding that the agency provides in terms of grants. You said you will advise us accordingly what that figure would be. Do you have a list of organisations that have received grants in the last 12 months?

The Hon. J.J. SNELLING: I do. In fact, I had it prepared as a government question but I have agreed with the member for Kavel not to take such questions. I am happy to do that.

In the 2011-12 financial year, the veterans' affairs portfolio distributed \$185,188.43 in grants. This included a \$100,000 donation to the Legacy Club of Adelaide. Legacy is dedicated to caring for the families of deceased veterans. Today, Legacy has responsibility for over 100,000 widows and 1,900 children and dependants with a disability. Legacy is a voluntary organisation supported by veterans, service men and women, and volunteers drawn from all walks of life. Legacy's support and services now extend to include the dependants of members of today's Australian Defence Force who lose their lives as a result of their military service.

The remaining \$85,188.43 is from the Minister for Veterans' Affairs' annual allocation of grants. To be approved, Minister for Veterans' Affairs annual allocation of grants applications must be consistent with the following portfolio obligations:

- the education of South Australians about the state's involvement in our nation's military history (including peace-keeping and peace-making);
- to honour and commemorate the service and sacrifice of South Australian veterans;
- to assist the education of South Australian veterans' dependants; and
- any other purpose of a like kind determined by the minister.

The Veterans' Affairs annual allocation of grants were distributed in the following way during the 2011-12 financial year. Mr Chair, I seek leave to have the table inserted.

The CHAIR: Is it purely a table?

The Hon. J.J. SNELLING: It is purely a table.

Brief	Description—Grants and other services provided	Amount
2	A Coy 6RAR—Adelaide Reunion	\$1,000.00
4	70 th Anniversary of the Loss of HMAS Sydney (II)	\$750.00
5	Boer War Commemorative Service	\$1,500.00
6	The Bravest of the Brave Travelling Display that Commemorates South Australia's World War One Victoria Cross Recipients	\$1,371.11
7	Donation to Friends of the Vietnamese Invalid Veterans' Association	\$1,000.00
8	Donation to Vietnamese Orphanages	\$1,000.00
12	Maralinga Veterans—50 Year Reunion	\$279.45

Brief	Description—Grants and other services provided	Amount
13	National Servicemen's Association—Ferret Scout Car	\$3,850.00
14	The Parndana Memorial to Sapper Jamie Larcombe	\$5,768.00
15	RAR Association—32 nd Infantry Battalion AIF Memorial	\$1,736.00
16	RAR Association—43 rd Infantry Battalion AIF Memorial	\$2,345.50
17	7RAR—Laying up of Colours Ceremony	\$1,540.00
18	7RAR—Restoration of Colours	\$4,450.00
19	Royal South Australian Regiment Association—40 th Anniversary of the presentation of Colours	\$1,000.00
20	RSL—Aboriginal Veterans Commemorative Service	\$3,500.00
21	RSL—ANZAC Day Tiger Moth Flyover	\$1,200.00
22	RSL—ANZAC Eve Youth Vigil DVD Production	\$6,050.00
23	RSL—ANZAC Sporting Medals Program	\$2,051.86
24	RSL—Repatriation General Hospital (Ward 17) BBQ	\$1,903.00
25	RSL (Echunga)—Leopard Tank Dedication Plaque	\$1,066.00
26	RSL (McLaren Vale)—Connecting Spirits Program	\$1,215.60
27	RSL (McLaren Vale & District)—Peacekeepers Memorial BBQ	\$500.00
28	Salisbury High School—Aboriginal Memorial Project	\$1,500.00
31	Veterans SA—Ex-Service Commemorative Calendar	\$3,705.21
32	Veterans SA—Remembrance Day CD	\$2,892.15
33	Veterans SA—VAC Reception	\$3,335.00
34	Veterans SA—Veterans' Community Meeting	\$1,100.00
35	Veterans SA—Veterans Voice Spring 2011 Edition	\$4,729.80
36	Veterans SA—Veterans Voice Autumn 2012 Edition	\$4,144.80
37	Veterans SA—Battle of Long Tan Commemorative Tour	\$14,704.95
38	Vietnam Veterans' Association National Conference	\$1,500.00
40	Legacy—Kate Rhodes OAM Memorial Conference—'Widows Helping Widows'	\$2,500.00
	Estimate of Spend for 2011-2012	\$85,188.43

Mr GOLDSWORTHY: Minister, are the grants allocated on a calendar year or on a financial year basis? How do the funding rounds work?

The Hon. J.J. SNELLING: A financial year.

Mr GOLDSWORTHY: Is there only one round of funding?

The Hon. J.J. SNELLING: It is progressive through the year. People put in applications for funding. An initial assessment is done by Veterans SA, then advice is passed up to me and I either approve the grant or do not approve it.

Mr GOLDSWORTHY: Any ex-service organisation or any organisation that has a relationship with veterans—

The Hon. J.J. SNELLING: Mr Denny will correct me if I am wrong, but it can be a grant to anyone or any organisation as long as it is consistent with the principles which I outlined.

Mr GOLDSWORTHY: You mean the criteria you just provided before?

The Hon. J.J. SNELLING: Yes.

Mr GOLDSWORTHY: Any organisation at any time during the financial year—

The Hon. J.J. SNELLING: As long as the funds have not all been expended for that particular financial year, yes.

Mr GOLDSWORTHY: Last year it was \$185,000. How do you work out the allocation, because in the year before it was \$203,000. Is it just an arbitrary figure? How do you calculate the amount of money stacked up for grant funding.

The Hon. J.J. SNELLING: I will get Mr Denny to respond.

Mr DENNY: There is \$100,000 allocated for that discretionary grant. The other \$100,000 is to the Legacy Club. With respect to the \$100,000, which comes at the beginning of the financial year to the minister as his discretionary grant, as applications come in they are forwarded

to the minister who makes his decision. There is an issue about trying to keep the limit commensurate to the greatest good; so the limits are generally around about \$4,000.

Certainly last year the number of requests just met the amount of money available and this year we were very slightly underspent. I think that the minister is pleased to say that we have not had to refuse anyone thus far.

Mr GOLDSWORTHY: Every application which was made and which met the criteria received funding?

Mr DENNY: They might not receive all the funding that they want. Sometimes they can be over-optimistic, and sometimes they might bid for an amount of money that is pitched towards the running of a function. Within the guidelines, we cannot approve the sausages and beers but we can approve the hiring of the tents and the chairs, and that is why it is sometimes split up. They might not get all they want but they will get a significant contribution towards the items which we can justify and which meet the minister's guidelines.

Mr GOLDSWORTHY: How do you go about promoting the grants being publicised?

The Hon. J.J. SNELLING: First, there is the Minister's Message which goes out every week and which is distributed to all the veterans' organisations we have on our mailing list. It is regularly promoted in that. Also through *Veterans' Voice*, which is the twice-yearly publication of Veterans SA. I will let Mr Denny elaborate on the other ways we promote it.

Mr DENNY: It is promoted through all the ex-service organisations. Primarily the largest ex-service organisation is the RSL which produces the newspaper called *The Signal*. I think that there are four issues a year and it is promoted in that. It is promoted through the Veterans Advisory Council. The office has contact with all ex-service organisations in South Australia. It is promoted individually through their newsletters; and, as the minister said, through the twice yearly *Veterans' Voice*, which is the glossy that goes out, and the weekly Minister's Message. This week it was 164th edition of that, so that has been running for just over three years.

Mr GOLDSWORTHY: Do you promote it on a website?

Mr DENNY: I do not know.

Mr GOLDSWORTHY: You will check?

Mr DENNY: I will have to check that, yes. We have the start of a website. I am just not sure whether that is on it yet. No, it is not on it, I am advised.

Mr GOLDSWORTHY: You said, Mr Denny, through you minister, that it is promoted through the all the ex-service organisations. As we know, the Consultative Council of Ex-Service Organisations has 36 different groups as part of that body. Is it promoted to those 36 individual groups, or just through the CCESO?

Mr DENNY: It depends. The larger of the group, for instance, the Vietnam Veterans Federation and the Vietnam Veterans Association—some of those larger ones under the consultative council—have their individual access. All the others get a minister's message, and they also get access via Brigadier Lewis on the consultative council. There will be three avenues through which they can be informed at a maximum, two at a minimum.

Mr VENNING: On the same page, page 159, under the 2012-13 target: progress the development of a South Australian virtual war memorial. Can you explain what the virtual is, minister?

The Hon. J.J. SNELLING: Yes; the idea is to have it on a website effectively as a war memorial experience that can be accessed by people everywhere. It is a particular project of Mr Denny, and I might get Mr Denny to talk about it.

Mr DENNY: It is a project that has been designed on the three pillars of remembrance, community and education. As the minister says, it is a war memorial in every sense except the physical; it is IT-based. Rather than having something like the physical experience you have in Canberra, of going there first of all, and all the real estate and staffing issues, you have exactly the same experience, but you have it on the net.

Information is gathered from existing sources and new sources. It is moderated and then put onto a particular format on a website. You can go to the net at any time. Perhaps the best example of how the instigators see it operating is that you might be walking through a town in the country and you see a war memorial, and you see a name on it. When this is up and running you

will hopefully be able to reach for your iPhone and punch in the name of that person, and then, all before you on your iPhone there, linked into the virtual memorial, there will be the entire history of that particular person. Indeed, it will provide his military service, the battles he fought in, the town he came from—quite a comprehensive amount of information can be captured.

It also spreads not just to military service; it spreads into community service, it spreads into the service of women during wartime and the fact that, because the menfolk were away, the role of women changed so dramatically. That is involved in it as well, and there is a history of particular towns that have had a strong military link.

Also, if I can conclude by saying that it is linked closely to the school history curriculum 2011, the national history curriculum. As you might know, the national history curriculum is allowing individual states to have more control over what is taught to their students. Particularly when it comes to history, they can be taught more of their own history. We have found in the veterans' community that a lot of veterans' work is Eastern States-centric because that is where they can sell their books. So they produce these wonderful history books, but it tends to be all about the units in the Eastern States.

So, when you want to learn about the 10th Battalion that did such wonderful things at Gallipoli and subsequently in the Second World War, unless you go and find in a library the book that Blackburn's grandson wrote, you are not going to find the information. This is a way of creating the balance. In terms of the remembrance aspect, it will allow people to use the sites for remembrance activities, community aspect and, of course, education.

That is the gist of it. It has reached a stage where a design concept has been created and tested by the Office of the Chief Information Officer on a pro bono basis and also through the Australian Information Industry Association, who have been working with us. There is a draft concept at the moment and it is presently about to be tested by a task force that the minister has authorised to be created. That is going to look at it and validate it.

Mr VENNING: When do you think it will be up and running? Do you have any forecast?

Mr DENNY: That's the big point at the moment. There is no plan to fund this within the state regime at the moment. This is a project that is going up for the Centenary of ANZAC at this time.

Mr VENNING: How do the veterans get access? Most of them would not be computer literate.

Mr DENNY: I think they will be.

The Hon. J.J. SNELLING: The important thing is that it is not just for veterans; it is for all South Australians—all Australians, in fact.

Mr VENNING: That is a big part of it, Jack, a big part of those who want to have a look at that. It is a great idea, brilliant. I note the launch of the Bravest of the Brave, another great concept. I presume this would be travelling around the regions of South Australia. Is it happening now, is it actually underway?

The Hon. J.J. SNELLING: I launched it on 20 April down at the Torrens Parade Ground. It is just about to go to Two Wells.

Mr VENNING: How do country communities know about this, and to whom do they apply?

The Hon. J.J. SNELLING: We have been actively promoting it; in fact, there was considerable media interest at the time. We will continue to promote it. Organisations can avail themselves of it by application either to Veterans SA or to the History Trust.

Mr VENNING: When does this commemoration period actually start?

The Hon. J.J. SNELLING: In 2014.

Mr VENNING: What date, 1 January or—

The Hon. J.J. SNELLING: I think it is 1 January. It is the commonwealth that is running it.

Mr VENNING: There would be a lot of famous South Australians we should be targeting, particularly people like Vivian Bullwinkel. We could do more for Vivian, a wonderful South Australian, with lots of history. I look forward to this very much.

The Hon. J.J. SNELLING: We are very excited about it and we are doing a lot of work towards commemorating the Centenary of ANZAC.

Mr GOLDSWORTHY: Talking about the virtual memorial that the member for Schubert raised, Mr Denny provided information to the committee that there have been some concept designs worked up in relation to that and about how it might work in terms of someone seeing the name of a soldier on a war memorial in a country town, get it up on their iPad or phone and find out all the different campaigns that soldier was involved in. Is this only at an idea stage? How far progressed is the work in relation to that? Has any cost been put on it?

The Hon. J.J. SNELLING: Some preliminary costings have been done on it, our first port of call being the commonwealth. Obviously the commonwealth has its own grants to the Centenary of ANZAC and we see it as probably being funded as part of that. So there have been some preliminary costings done.

Mr GOLDSWORTHY: Do you know what they have been?

The Hon. J.J. SNELLING: Let me finish. Project initiation documents and associated specifications have been prepared by the Office of the Chief Information Officer and presented to the Australian Information Industry Association. As Mr Denny said, a task force has been created to examine and evaluate the viability of the project and investigate possible funding sources.

Members of the task force comprise representatives of Veterans SA, History SA, the Army Museum of South Australia, the Department of Education and Child Development, the Australian Information Industry Association, the Returned Services League, and a representative of the ANZAC Centenary Advisory Board, who is there with observer status. The task force will meet fortnightly for three months in order to test the project.

Once, and if, the South Australian virtual war memorial concept receives the support of the task force, a presentation will be finalised for the ANZAC Centenary Advisory Board with a view to the project being funded from federal resources. The initial costings are that the cost of the project will be \$3.6 million.

Mr GOLDSWORTHY: Just for South Australia?

The Hon. J.J. SNELLING: Yes, but it is important to point out that obviously the project would have application nationwide. It is linked up nationwide, so it would not just be South Australia.

Mr GOLDSWORTHY: That would be—

The Hon. J.J. SNELLING: It would be a national thing.

Mr GOLDSWORTHY: —total cost right across the country?

The Hon. J.J. SNELLING: I will let Mr Denny elaborate.

Mr DENNY: That is the state cost. That cost is yet to be completely validated, so it is a sort of a 'finger in the wind' type thing. It is hoped that, under the Centenary of ANZAC projects that are being done, it will be applied nationally. The model that is created here could almost—but not quite—be duplicated in the other states in the end hopefully. If it is taken on nationally, all the states would be linked. If it is not taken on nationally, then South Australia could still stand alone under the plan that has been prepared at the moment.

Mr GOLDSWORTHY: Is there discussion that it may well be taken on nationally? It will be piloted here, designed here, established here and it could be rolled out around the country?

Mr DENNY: As part of the 10 projects that were identified by the ex-service community as being their preference for the Centenary of ANZAC—and there was a list of 10 in order presented last year—this was number two or three. To that end, a first-round presentation has been made to the state, territory and local government working committee in Canberra about two months ago and they in turn report up to the ANZAC Centenary Advisory Board. Hence the reason for keeping the two state members of the ANZAC Centenary Advisory Board in the loop, and they are part of our task force.

Mr GOLDSWORTHY: You have a task force working on it, but have you contracted an IT company to actually develop it?

Mr DENNY: It is not at that stage yet. The first project initiation document and the associated specification was created by the Office of the Chief Information Officer as a pro bono

task in concert with the Australian Information Industry Association so, from an IT perspective—because this is so heavily IT-based—they produced the vehicle that they think can do this job.

They have it now and they are presenting it to the task force for what they regard as a bench test. This task force will, over the next three months, meeting fortnightly, rigorously assess it from their own particular perspective and at the end of that three months, they will be in a position to say, we think it will work or we think it won't or it might work with this or it might work with that.

From that, the specification and the initiation document will be amended to give a final product and that final product will be taken and presented to the ANZAC Centenary Advisory Board with the view that they should fund it. We do not know just how it will go but we do know that the ANZAC Centenary Advisory Board at the moment is looking at a project which involves a semitrailer with something like this on the back which they believe will cost \$10 million, so the strongly-held view here is that this is a very valuable and economical alternative that could help the whole nation. We call it a gift to the nation, within the task force.

Mr GOLDSWORTHY: If it is developed and it comes to fruition, it will be rolled out by 2015 as part of the Centenary of ANZAC celebrations?

The Hon. J.J. SNELLING: That is the intention.

Mr GOLDSWORTHY: While we are talking about projects to celebrate the Centenary of ANZAC, I have the design plans for the walk from the War Memorial down here to the parade ground. Is it called the Pathway of Honour?

Mr DENNY: No, the Pathway of Honour is the pathway on the southern side of the Torrens Parade Ground. The one you are talking about I think is the Kintore Avenue memorial garden walk.

Mr GOLDSWORTHY: How are things progressing with that, given that I understand it has been on the drawing board for about eight years?

The Hon. J.J. SNELLING: The redevelopment of the Kintore Avenue precinct into an ANZAC Centenary memorial walkway is the unanimously preferred project of the 10 that have been put forward to the ANZAC Centenary Advisory Board. It would see a landscaped park and walkway created between the South Australian National War Memorial on North Terrace and Torrens Parade Ground, including the Pathway of Honour—the memorial heartland of our state.

The proposal has not been formally considered, nor necessary approvals sought. However, it is fair to say it has received the unanimous and strong support of the veterans' community of South Australia, led by the RSL. It has also received bipartisan support, as well as the support of the Adelaide City Council, which has recently commissioned new plans and costings for the proposal. Discussions are continuing. This is a unique opportunity to put in place a memorial that will enhance our city and truly recognise the gratitude of the people of South Australia to those who have given so much.

Mr GOLDSWORTHY: Have there been costings put on it?

Mr DENNY: The costing is \$4 million and it is fair to say that it is seen as being a truly iconic project that will be to this generation what Anzac Highway was to the World War II generation. The general belief is, from the people who are so supportive of it—and thus far it has been unanimously supported in the ex-service community—that it will have a magnificent impact on the visual aspect of the state, plus it will join the memorial heartland of the state national war memorial right down through to the very parade ground where the men left to go to war.

Mr GOLDSWORTHY: Continuing this line of questioning about the memorial garden wall, there will have to be some significant negotiations with Government House, because I understand that the wall of Government House on Kintore Avenue has to be moved in several metres. Is that right?

Mr DENNY: The concept, right from its earliest stage—and I think it has been around since 2006 or even earlier—does involve, were it to go ahead, some excision of a portion of land from the eastern boundary of Government House. It would see the movement of the non-heritage wall and removal of some of the non-heritage trees. It would move in to an area that stops right on the very edge of the lawn at the moment. The plan that is put up, which does not have any official status, would see about 10 metres of land taken from Government House. None of that land is currently used for any productive purpose, other than bark cover of some shrubs. The point I am trying to make is that it does not cut out any lawn where the tents go.

Mr GOLDSWORTHY: I have a copy of the plan.

Mr DENNY: You will see what the plan is.

Mr GOLDSWORTHY: How far is it from actually being constructed? Will it be in place by 2015?

Mr DENNY: It does not have any particular status at all at this time. It came up as requested by the national commission that was investigating how the Centenary of ANZAC would be conducted. They actually asked for thought bubbles. They asked for ideas that were not costed, where they said no approvals needed to be sought. That is how it got raised. So, it is not like a normal project. It has come forward. We are fortunate to have a costing. That came out of the Adelaide City Council project because they had been doing a lot of work in that area. It does not have the formal approvals at this point that a normal project has, so it is still in that sort of thought bubble stage. The Veterans SA oversight—all we can say is that it is extremely strongly preferred. It is the most popular project; it is number one on the list for the Centenary of ANZAC. It is the biggest project and the one they believe will really leave a strong imprint for generations to come.

Mr GOLDSWORTHY: Veterans SA is not the agency that is looking to necessarily acquire all the approvals and go through that whole process. Which agency within government is going to progress it?

The Hon. J.J. SNELLING: No, it is not. It would—

Mr GOLDSWORTHY: It is top of the pops in terms of project.

The Hon. J.J. SNELLING: It will be put up to the ANZAC Centenary board to decide whether it is worthy of funding. If the council decides to fund it, then we would find the appropriate agency in government to take carriage of it. At a guess, it would probably be DPTI, given that it is its area of expertise in terms of construction of things, but we are a long way off any finalisation of that.

Mr GOLDSWORTHY: From what I understand, it has been going on for about eight years. That is the information that I have.

The Hon. J.J. SNELLING: It has been a project that has been talked about but, in its current form, it has only been finalised fairly recently as part of the consideration for it being put forward for funding to the ANZAC Centenary Advisory Board.

Mr GOLDSWORTHY: About \$4 million.

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

Mr GOLDSWORTHY: Well, if it is going to be ready in 2½ years, we have to get a wriggle-on.

The Hon. J.J. SNELLING: We will work to the ANZAC Centenary Advisory Board's time line.

Mr GOLDSWORTHY: Should the board not take note of the fact that it is sort of top of the pops in terms of your list of projects?

The Hon. J.J. SNELLING: Yes, we have given the board the presentation, but it is board that would have to fund it. Angus Houston, the Chair of the board, was here a couple of months ago. He met with me and the Premier and he had an opportunity to look at the site.

Mr VENNING: My last question is in relation to Arthur Percy Sullivan VC, one of only eight World War I VCs. The communities of Crystal Brook, Gladstone and the Mid North are very proud of this guy. I think we should at least prepare framed photographs and replicas of these medals and present them to the community. So, minister, I was wondering whether you could initiate that. I am prepared to pay for Percy's but, because there are only eight, I think it should be a ministerial matter. You would be looking at a minimum amount of money.

The Hon. J.J. SNELLING: It is already part of the Bravest of the Brave exhibition, but we are more than happy to make a photograph available to you.

Mr VENNING: These are left within the communities?

The Hon. J.J. SNELLING: I am happy to do that.

Mr VENNING: Thank you, minister, that is a very good gesture.

The Hon. J.J. SNELLING: My pleasure.

Mr GOLDSWORTHY: I want to talk about the Veterans Men's Shed for a couple of minutes. Mr Barry Heffernan, the welfare coordinator in the Vietnam Veterans Association (VVA). Have you met with Mr Heffernan, minister, and discussed the issue with him?

The Hon. J.J. SNELLING: Mr Denny has had a lot of meetings with him and I have met with him at Parliament House. I think the member for Morphett might have arranged for me to meet him. So, yes, I have met him, I am familiar with the project and he has had a lot of meetings with Mr Denny.

Ms BEDFORD: Didn't we take photos?

The Hon. J.J. SNELLING: That is right, the member for Florey was there as well.

Mr GOLDSWORTHY: Have you inspected the site at Glenelg North?

The Hon. J.J. SNELLING: No, I have not. Mr Denny has.

Mr GOLDSWORTHY: Because I have been there and had a look. So, you are obviously supportive of it?

The Hon. J.J. SNELLING: Yes.

Mr GOLDSWORTHY: Has there been any grant application submitted for the Men's Shed?

The Hon. J.J. SNELLING: I will let Mr Denny take that.

Mr DENNY: We have had several meetings with Mr Heffernan and the office and the minister have been very supportive of that. Mr Heffernan has been guided on how to put in his grant applications and it has been indicated how much he would be likely to get were they to be successful, and he has been very happy with that. It is a good project, and it has been supported by the office and the minister.

Mr GOLDSWORTHY: You have indicated that you told Mr Heffernan how much funding he may receive.

The Hon. J.J. SNELLING: The amount that has been suggested to him is an amount consistent with normal grants that we give, particularly for projects of this nature.

Mr GOLDSWORTHY: Which is about \$4,000 set as a maximum.

The Hon. J.J. SNELLING: There are also grants available from the ANZAC Centenary Advisory Board as well, and we have referred him to that.

Mr GOLDSWORTHY: I understand that Mr Heffernan has been promoting the Men's Shed publicly through the media and so on and he has received some commitments from different companies and organisations around Adelaide to help with the construction of it, so I think that would go a long way to seeing it established.

The Hon. J.J. SNELLING: When he puts in a grant application it will be very favourably received.

Mr GOLDSWORTHY: Have you had any communication with the federal member for that area concerning that matter? I understand there has been representation made to the federal member and the federal government concerning that matter.

The Hon. J.J. SNELLING: Apparently, it was the federal member who referred him to us.

Mr GOLDSWORTHY: Have you had any involvement or meetings with the federal member?

The Hon. J.J. SNELLING: No, we have not, but as I understand it, it was the federal member who made the initial referral.

Mr GOLDSWORTHY: So, you are not aware of what the outcome of that representation may have been?

The Hon. J.J. SNELLING: You would have to ask the federal member involved. I am not privy to what the federal member does.

Mr GOLDSWORTHY: It is a simple question.

The Hon. J.J. SNELLING: We understand that the federal member has advocated very strongly on behalf of that project.

Mr GOLDSWORTHY: The last question, and I know we touched on it before through the member for Schubert, is about parking fees at the Repatriation Hospital. I know that parking fees have not been introduced as yet, but when is it planned that they will be introduced?

The Hon. J.J. SNELLING: That is probably a question best directed to the Minister for Health. The advice I have—as I say, it is a question best directed to the Minister for Health, he has the carriage of that issue—is that it is some months away, and when it is introduced it will be consistent with, firstly, the undertakings we have already given, particularly with regard to the first two hours free.

Gold card holders will need to pay for parking but will be able to have their costs reimbursed from the DVA by submitting a claim. DVA white card holders will need to pay for parking but can claim a reimbursement from the DVA for any costs that relate to the treatment of a relevant condition. Patients who have to go hospital for clinical reasons at least once a week for at least four weeks will be able to apply for an exemption, and volunteers who are approved by the general manager will be able to apply for an exemption. The general manager will be able to grant other exemptions in exceptional circumstances.

Mr GOLDSWORTHY: When it is implemented, veterans will be able to claim their entitlements through the federal Department of Veterans' Affairs?

The Hon. J.J. SNELLING: That is my advice, yes.

Mr GOLDSWORTHY: But it is actually state government revenue generation. It is the South Australian department of health that is going to receive the income from the parking fees?

The Hon. J.J. SNELLING: That is correct.

Mr GOLDSWORTHY: You have a federal department reimbursing the costs imposed by a state department?

The Hon. J.J. SNELLING: That is correct.

The CHAIR: I declare the examination of the proposed payments closed.

DEPARTMENT OF THE PREMIER AND CABINET, \$113,059,000

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,
\$20,551,000**

ARTS SA, \$123,727,000

Membership:

Mrs Redmond substituted for Mr Goldsworthy.

Ms Sanderson substituted for Mr Venning.

Witness:

Hon. J.D. Hill, Minister for Health and Ageing, Minister for Mental Health and Substance Abuse, Minister for the Arts.

Departmental Advisers:

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

Ms A. Reid, Executive Director, Arts SA.

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

The Hon. J.D. HILL: Before proceedings begin, can I correct the record from yesterday's estimates committee. I was asked a question about Aged Care Assessment Team (ACAT) assessors. I said we had 160. The advice I had was incorrect and I should have said 100. I correct the record in relation to that.

The CHAIR: I declare the proposed payments open for examination. Minister, do you wish to make any introductory remarks?

The Hon. J.D. HILL: I would like to make a few remarks, if I may.

The CHAIR: There is a preamble I need to go through. The estimates committees are a relatively informal procedure. Changes to committee membership will be notified by a Request to be Discharged form. There is no need to stand to ask or answer questions.

There will be a flexible approach to the call for asking questions based on about three questions per member, alternating each side. Supplementary questions will be the exception rather than the rule. A member who is not part of the committee may, at the discretion of the chair, ask a question.

Questions must be based on the lines of expenditure in the budget papers. All questions are to be directed to the minister, not the minister's advisers, but the minister may direct an adviser to answer on his or her behalf. Members unable to complete their questions during the proceedings may submit them as questions on note for inclusion in the House of Assembly *Notice Paper*. All answers to questions taken on notice must be submitted to the committee secretary by no later than Friday 21 September 2012.

There is no formal facility for the tabling of documents. However, documents can be supplied to the chair for distribution to the committee. I also advise that, for the purposes of the committee, television coverage will be allowed if they choose to do so. Can I confirm that both the minister and the lead speaker for the opposition agree on the timetable for this session?

Mrs REDMOND: From three till four.

The CHAIR: Everyone is agreed, good. I propose to allow both the minister and the lead speaker of the opposition to make opening statements of no more than 10 minutes, should they desire to do so. Minister.

The Hon. J.D. HILL: Thank you, Mr Chair. I am happy to do so; I will not take ten minutes, I hope. Committee, the government's support for the arts and cultural sector remains unwavering, and this budget reaffirms that. The budget delivers more than \$12.239 million in new money over four years to deliver support and certainly to our state's cultural festival, arts organisations and practising artists. This includes a range of initiatives that build on the successes this government has already achieved in nurturing the growth of the arts and cultural sector and increasing engagement by all South Australians with the arts.

Our major arts festivals and events continue to go from strength to strength, and this budget continues our commitment to support their growth through ongoing funding. The 2012 Adelaide Fringe was the biggest yet, reaching 1.59 million in attendances, a 10 per cent increase on 2011. This year the Fringe hosted a record 923 registered events involving 4,000 artists at some 362 venues. Paid performances recorded 367,000 tickets sold, which was an 11 per cent jump on 2011.

The 2012 Adelaide Fringe pumped \$48.2 million into the South Australian economy, an increase of 18 per cent on 2011's \$40.8 million. The 2012 Adelaide Festival, which was held in March, resulted in an economic impact of \$14.7 million in the state, up from \$13.6 million in 2010. An estimated 320,000 people attended events at which 58,000 attended ticketed events and about 262,000 attended free events.

Since 2006 the Regional Centre of Culture program has greatly increased participation in attendances for the arts across regional South Australia. The state's regional theatres will also benefit from this budget with \$792,000 earmarked over two years to install digital projection systems in regional theatres that currently screen movies—two in Whyalla and one each in Port Pirie and Renmark. The new digital systems will ensure that these theatres can continue to operate following the international adoption of the digital film format in 2013.

This budget provides \$256,000 per annum from 2013-14 for the continuation of the Little Big Book Club, which aims to develop early childhood reading and literacy throughout the South Australian community by encouraging and supporting parents and care givers to read regularly to their children from an early age.

The Adelaide Symphony Orchestra will continue to be supported by the government with the budget providing \$490,000 from 2013-14. The funding will allow the orchestra to maintain its current ensemble size and the performance of a full musical repertoire.

The budget also supports the continuation of the Spirit Festival, South Australia's premier celebration of Aboriginal and Torres Strait Islander arts and culture with provision of \$250,000 per annum from 2012-13. Ongoing funding will establish the position of the Spirit Festival as an annual festival within the program of the state's leading festivals.

This budget includes \$7.7 million over three years for upgrades to building and interior fixtures at Her Majesty's Theatre and the Adelaide Festival Centre. As part of the state government's investment of \$28.7 million to redevelop the Parks Community Centre, the centre's two theatres will be refurbished. Work will start in October and construction works are due to be completed in mid 2015.

Notable this year is the continued success of recent exhibitions of the Art Gallery of South Australia in the wake of the largest ever exhibition in July 2011 from London's internationally-acclaimed Saatchi Gallery. The gallery also presented *Parallel Collisions*, the 12th Adelaide Biennial of Australian Art. More than 100,000 people visited the gallery to see *Parallel Collisions*, the only major biennial dedicated solely to presenting contemporary Australian art.

A new era for South Australia's film and television industry has begun with the opening of the new Adelaide Studios at Glenside in October 2011. The state-of-the-art facilities provides massive support for the state's film and television industry and a hub for high-quality production going forward.

Overall, Arts SA's total expenditure budget for 2012-13 is \$131.2 million, up from \$128.6 million last financial year. This means that the range of funding programs available through Arts SA will continue to assist artists across the state to build sustainable careers here. Arts SA's funding programs encourage and reward innovation, creativity and engagement with diverse audiences.

This budget is a strong statement from the government that it is committed to supporting and advocating for the South Australian arts sector. It also reaffirms our commitment to ensuring that all South Australians are able to engage with the arts, which is a critical element in building a forward-looking, innovative and vibrant state.

Mrs REDMOND: I do not have any formal opening statement other than to say that obviously this is an area where there is very much bipartisan support. It is pleasing that, in spite of the government's appalling mismanagement of the economy over the last few years, they have not, as so many governments previously have done, attacked the arts industry first as an easy place to save money; so, I do at least welcome that.

My first question relates to Budget Paper 4, Volume 4, over several pages, pages 39, 43 and 44, because I have questions that concern the State Library, the Museum and the Art Gallery. Can the minister confirm that earlier this year Arts SA commissioned three studies, which were undertaken by an independent consultant, to explore and make recommendations regarding the financial sustainability of the Art Gallery, the South Australian Museum and the State Library?

The Hon. J.D. HILL: I thank the member for her question. Apart from the gratuitous insult about the government's overall economic capacity, I accept and thank her for the acknowledgement of bipartisanship. I think it is important that some areas of government are above the day-to-day tumble of politics. I acknowledge her interest in the arts and her participation, when she is available, in arts activities in our state.

Yes, there has been such a review, and I will just give you some advice in relation to it. The boards and management of the state's cultural institutions have been reporting increasing difficulty in achieving desired activity levels within the funding arrangements that we currently have in place. As a result, Arts SA undertook a review of the financial sustainability of the Art Gallery of South Australia, the South Australian Museum, the State Library, and History SA for consideration by cabinet.

The aim of the review was to conduct a zero-based budget analysis comparing the activity required of each organisation within its 2011-12 budget allocations. The review confirmed that due to a combination of reduced funding, increased operating costs and a drop in external revenue sources such as sponsorship, there is increasing financial pressure on the confidence of the institutions.

Arts SA has met with each of the institutions to discuss the findings of the respective boards and have been briefed. There are several approaches that could be adopted to address the financial situations. These include investments to increase commercial revenue, reductions in

programs or activity, internal efficiencies, and additional funding allocations. Once the reports have been finalised—they are still being considered by Arts SA—cabinet will consider the options.

Regardless of the financial environment, the state's cultural institutions remain focused on the respective objectives and have continued to deliver outstanding results. As you would know, they are highly regarded by our community and we are very determined to make sure they continue to contribute to our state's cultural vibrancy.

Mrs REDMOND: Following on from that, I am a little puzzled by the apparent disconnect between undertaking a study because you are concerned about the institutions not getting to their desired activity levels, but then the possibility that the outcome could be reductions in programs and activities. That seems to me counterintuitive to what you would do to increase your activity levels.

The Hon. J.D. HILL: It is a reasonable statement. I just said they are the options that one would have to consider. As the member knows, we are in a climate of tightened economic circumstances. I think that the leader herself announced that if she were to lead a government she would immediately embark on some sort of audit of the state's finances, which presumably is code for making reductions in expenditure across a range of areas.

That is something all governments have to look at all the time, and it is always an option that you have. It is clearly not the preferred option in the case of these organisations, but we cannot expect the organisations to do all of the things we want them to do with money which is not sufficient to provide funding for all of those things. They are the things that we would have to take into account. No decisions have been made. I am just saying that these are the options that obviously the government has to consider.

Mrs REDMOND: Are the reports going to be made public at some stage?

The Hon. J.D. HILL: Well, I have not even seen them myself, I think, at this stage. I might have seen bits and pieces of them. We will have to take that into consideration. They are being prepared for cabinet, so they have cabinet-in-confidence associated with them. Cabinet will decide whether or not they will be made public.

Mrs REDMOND: I think that my next question will get the response that you are not prepared to give me an answer. However, for each of these major cultural institutions along North Terrace, is it the case that the report shows they are financially sustainable on their current levels of funding?

The Hon. J.D. HILL: I think I made that point. No, it does not.

Mrs REDMOND: In relation to the library, I am a lover of books and am in the midst of putting a new study into my house, so I do not want to see the demise of books. But, given this week's events in newspapers and the previous week's events with a local high school deleting its books, did the independent survey, or consultation study, look at the likely future in terms of books? Obviously the library provides access to newspapers and all that sort of stuff as well. Did they look at the impact of the new digital age on the book collection?

The Hon. J.D. HILL: The advice I have is that no, they did not. It is not a business case; it is really just looking at the financial elements of the budget. It is interesting that the member should raise that question, because just an hour or so ago I had a meeting with the Chairman of the Libraries Board and the Chief Librarian, Alan Smith, and Geoff Stempel, the head of the Public Library Services. We were discussing this very issue: where do libraries go? I asked them where they saw libraries going in the next five to 10 years, and we were talking about the music industry, where there used to be lots of shops in Adelaide—

Mrs REDMOND: We used to buy vinyl, minister.

The Hon. J.D. HILL: As Ms Reid was saying to me, that is one area of growth in the music industry. It is almost impossible now to buy CDs, because there are very few shops left in Adelaide that sell them. The number of music outlets has declined. But vinyl is a growth area because there is a kind of boutique interest in vinyl, and that—

Mrs REDMOND: That is just like buying an antique car.

The Hon. J.D. HILL: These are new vinyls. By analogy (and this is what we were talking about with Alan), this is perhaps where books will go over time. The day-to-day reading requirements—the books you read on aircraft and the like, and even books you use for study—might be obtained digitally, but there will be books that you want to hold as collection pieces.

Mrs REDMOND: Every book.

The Hon. J.D. HILL: Well, some may want to do that. There might be books that are produced for limited purposes or that have great photographs, or that do things that you cannot get in a digital form. But if it is just to read, and it is something you will not want to read again, you might want to obtain it digitally.

Mrs REDMOND: I just wonder whether that has an impact. I would assume—and I have not spoken to Alan Smith about it—that a fair bit of cost is involved at the moment in simply purchasing new books for the collection every year.

The Hon. J.D. HILL: This is true. I was just talking to Alan about the One Card network which we are just setting up. That is already proving very popular, even though only half a dozen or so libraries are associated with it; pallet loads of materials are now being transferred around the place. So you have these two almost opposite things happening; you have the digitisation going on but you also have people taking advantage of the ability to borrow materials they have not easily been able to access in the past.

Mrs REDMOND: Are we sending a truck to whatever library it is?

The Hon. J.D. HILL: They already have the delivery systems for interlibrary loans, but now they are taking more materials when they do their loans. So people are taking advantage of it. One of the things that Geoff Stempel was telling me was that, once the technology is up and running and available right across the state, and all 135 libraries are plugged into it and all library users have their card, then the people who provide the technology also have a digital e-book capacity. So the library system will be able to provide access digitally to the user, through that card, to digital books.

Alan made the point that there are three things that a state library needs to do. One is to protect material, and that will always be the case. Key important historic documents going back for a hundred and something years will need to be protected. I cannot remember what the second point he made was, but the third point was about access.

He said that, over time, how you provide access has changed. It used to be brown paper packages tied up with string which were sent off to people on buses out into the country for a week or two weeks or there would be mobile libraries that would travel around. In this world we are anticipating, we will be able to do the same thing for a lot of material just digitally, and every citizen in this state will have access to it. It is really an interesting area and I have encouraged the library.

As I said there is not a lot of money around at the moment, but you never know what is around the corner. What I would like them and all of the other key institutions to do is to really use this downtime, if you like, in terms of funding availability to think through where their organisations might be in five, 10, 15 or 20 years. I think the challenges for the library in particular are the most exciting, as well as the most difficult in a way, because the technology will change the nature of the product.

It will not be so much for museums or art galleries, although potentially so, and of course the library and the Art Gallery and the Museum all want to digitise particularly the unique material that they hold which is the Australian collection and some of their other collections. All of this I think is a very interesting area and I have probably gone on about it enough, but I do thank you for raising it.

Mrs REDMOND: Just in closing on that topic, though, you have stated that you have things going to cabinet at this stage. Is it your intention to release those reports; if so, when would you anticipate releasing them and, if not, why not?

The Hon. J.D. HILL: As I said before, it will be up to cabinet to make a decision. I have not thought about the status of those reports and we will have to think that through. I see no particular reason why we would not make them public, but we will just have to think that through, and the boards will as well, of course.

Ms BETTISON: I refer to Budget Paper 4, Volume 4, pages 46 to 48. Minister, why is the government committed to the Little Big Book Club initiative?

The Hon. J.D. HILL: I thank the member for her question. We are very pleased that we have been able to secure the future of the Little Big Book Club—it is a hard thing to say—with funding of \$256,000 each year from 2013-14. This continues the government's commitment to this unique early childhood literacy initiative and builds on the successes already achieved over the past seven years.

The club initially develops early childhood reading and literacy throughout the South Australian community by encouraging and supporting parents and caregivers to read regularly to their children from an early age. Interestingly I was talking to the head of education, Keith Bartley, just recently about reading. As a former English teacher I was always very interested in what encouraged parents to read to their children, because it always seemed to me that that was how you promoted literacy, and that is indeed the case.

Mrs REDMOND: Or create pedants.

The Hon. J.D. HILL: Perhaps, too. I asked him whether there is research about what kind of books you should read. I was thinking verse or repetition, and Mr Bartley said really importantly books that deal with the other—so that children learn how to feel what others are feeling—produces children who adapt to the world very well and who are less likely to have mental illness and be violent and so on.

He gave the example of reading a book about a dog in icy water and saying, 'How does that dog feel? It feels cold.' Therefore you start identifying with something other than yourself. I thought that was a very profound aspect of reading which I had not really thought about—thinking about the world beyond yourself. So, in answer to your question, I suppose, there is a whole range of reasons why we would want to invest in the Little Big Book Club. One of those is to promote literacy, but it is also to promote that notion of understanding the world and developing empathy for people other than yourself.

The Little Big Book Club produces and distributes a range of resources and materials to: children's, youth and women's health clinics; hospitals; GPs and obstetricians; public libraries; childcare centres; playgroups; and outreach services—everywhere, basically, that children can be found. The picture book commissioning program is building the number of high-quality Australian publications, as well as providing opportunities to South Australian authors, illustrators, photographers and publishers. These resource materials comprise:

- 22,000 free reading packs created and distributed annually to all babies aged six to 12 months;
- a picture book commissioned each year, which is especially designed to introduce babies of this age to books and reading;
- the monthly 'It's Story Time' selection program, which recommends picture books for babies, toddlers and preschoolers up to the age of five; and
- additional programs to support and engage with children and families from diverse communities, including the New Arrivals Family Reading Pack.

From 2013-14, the funding will support the further development of a number of Little Big Book Club initiatives, including a Building Literacy Before School training program for the library and early childhood sector, reading packs for children at 18 months and four years, a longitudinal research project, and the Emerging Indigenous Writer and Illustrator project. I think that is a really good example of how arts supports the Every Chance for Every Child strategy the government has adopted.

Ms BEDFORD: That has certainly reinforced my belief that a book on Muriel Matters is essential for children. I refer to Budget Paper 4, Volume 4, pages 39 to 42. You have already touched on it a little bit in relation to the new technologies, minister, but can you elaborate on the One Card network system that is currently being rolled out?

The Hon. J.D. HILL: I mentioned it briefly and I thank the member for her question. I think this is a really exciting thing that we have done, even though it is kind of under the radar a bit. Public Library Services, in partnership with the LGA, is currently rolling out the One Library Management System for public libraries across the state. It is called the One Card network. It will link all South Australian public libraries with each other and all South Australian library users with all of those libraries.

Mitcham council was the first to go live on 3 May this year. It is being joined by Onkaparinga, Alexandrina, Marion, Playford, Salisbury, Port Adelaide Enfield and Tea Tree Gully councils, which will all be on the system by early next month. An additional 14 councils will be operational by December 2012. These include a number of regional areas: Lameroo, Pinnaroo, Karoonda, Ceduna and Streaky Bay. The One Card network will expand on the existing courier service, which I have already mentioned, which delivers to all the libraries. The One Card network will not only give our citizens access to the entire South Australian public library collection but also

allow users to borrow and return at any of the participating libraries. So, if you are on holidays down in the South-East and you borrow a book, and you live up in the north of the state, you can return it to your local library.

One Card will better connect our rural areas, particularly those in small communities, to the rest of the state, giving them equal access to over four million items that are held. In addition to the increased ease of borrowing, the network has a digital asset management system which will enable local communities to add their historic photos and other materials and have them discoverable through the catalogue. This is something that all of the communities can build on, and it will open up a new opportunity for public libraries to work with historical societies and others to preserve and make accessible the history of every town in the state.

Reservations to borrow items will be easier to manage than ever, with a mobile and Facebook application, as well as the traditional reservation methods. The libraries that will be using the system by the end of this year cover 51 per cent of the population, and there are additional libraries that are awaiting council budget outcomes to confirm commitment to the network. Public Library Services are anticipating approximately 75 to 80 per cent of the population will have access by the end of next year.

The project was officially announced by the Local Government Association at the AGM on 28 October last year and is being funded by the Local Government Association and the state government from the funding provided for public libraries through the memorandum of agreement between state and local government. So, it is within those existing arrangements. I think this is an outstanding outcome. It could so easily have fallen apart if any one of the councils decided to go on their own, and they all agreed. I have to say it is a remarkable thing when everybody lines up and agrees to something. I commend it to you all.

Ms BEDFORD: I refer again to Budget Paper 4, Volume 4, pages 43 to 45. Can the minister provide an update of Art Gallery activities and exhibitions?

The Hon. J.D. HILL: The Art Gallery is obviously one of our state's premier cultural institutions. Under the guidance and vision of the current director, the Art Gallery has had a year of great success, I believe. In April 2012, the gallery was named in the top 100 attended art museums internationally—that is amazing—and four of the Art Gallery's exhibitions were included in the international top 1,000 exhibitions for 2011.

The Art Gallery's exhibition strategy is to develop an artistic program that balances the historic with the scholarly, the contemporary with the popular, building upon the Art Gallery's distinctive brand. This strategy has resulted in an incredibly successful exhibition program in 2011-12. The Art Gallery of South Australia concluded the 12th Adelaide Biennial of Australian Art with more than 100,000 attendances, shattering previous Adelaide biennial attendances and making it the highest attended contemporary exhibition ever mounted by the gallery, which is extraordinary. I thought it was a great exhibition.

Most recently, the Art Gallery presented the Australian premiere of *Allegoria Sacra* by the internationally celebrated Russian artist collective AES+F. This stunning video work—I am sure it is not video; it must be digital—was purchased as a result of funding from the Directors Project, an initiative of the Contemporary Collectors.

Mrs REDMOND: It moved.

The Hon. J.D. HILL: It moved. A moving work, very moving. *Allegoria Sacra* was premiered at a spectacular free outdoor event on North Terrace attended by over 1,500 people, which was part of the opening of the Adelaide Fringe Festival.

Saatchi in Adelaide: British Art Now affirmed the Art Gallery's position as a contemporary Australian art space. The success of Saatchi was twofold: it elevated the Art Gallery's brand on a national scale with an Australia-wide advertising campaign marking the first cultural tourism program undertaken in partnership with the South Australian Tourism Commission and, further, the Art Gallery's reach was extended to bring a whole new audience into the Art Gallery, many being first-time visitors.

The program of events for this exhibition employed innovative strategies to reach a new and different audience, such as Saatchi Up Late, which extended the gallery's opening hours until 10 o'clock on Friday nights.

I am also really pleased with the work the gallery has undertaken in the last year in making its collections accessible to regional South Australians. The Art Gallery has committed to ensuring

that its reach extends well beyond the North Terrace precinct and it has developed programs to create a real presence, sharing the state's visual arts programs with those living in regional South Australia.

The regional touring program represents a strategic change in focus for the gallery; it is aimed at making sure all South Australians have access to the Art Gallery, regardless of where they live. The gallery's hands-on education program, where appropriate, is also touring to regional centres. Part of that, of course, is a renewed focus on access to programming for young people.

Learning and children's programs are at the core of the Art Gallery's new audience development strategy. If you have been to any of the gallery exhibitions recently, there is a hands-on site downstairs usually where children—and sometimes adults—can participate in making things.

The Balnaves Foundation has provided \$300,000 over three years for the gallery to create a new program for children under the age of 12, called START at the Art Gallery. The program aims to make the experience of visiting the Art Gallery accessible and enjoyable by engaging children with the collection through art and craft activities, performances, live music and special Eye Spy tours of the gallery. Due to the age group, START has the added benefit of bringing in parents, so whole families can enjoy the gallery together.

The gallery is also running a series of workshops titled 'Me Myself I' that invite children aged between three and six years to reflect on the portrait and self portraiture as a form of artistic expression. Presenter, Caterina Pennestrì, an Italian art educator, uses Reggio Emilia's pedagogic approach in presenting this workshop. Participants view a variety of works of art and explore the different ways artists represent others and themselves. That reinforces that earlier notion I was talking about: reading, I think. It is entirely self-funded by participant enrolment fees.

As a result of the success of the development of hands-on activity spaces, in tandem with exhibitions, the Art Gallery has recently secured a \$500,000 grant over three years from the James and Diana Ramsay Foundation. I sincerely thank the foundation, particularly Diana Ramsay, for that. This grant will enable the gallery to implement long-term and sustainable approaches for interactive arts-led learning through the creation of a dedicated activity space. So, there is lots happening.

I congratulate the chairman and members of the board for the enormous work that they do and also the Director of the gallery, Nick Mitzevich. He is breathing absolute fresh life into the gallery every day of his incumbency. He and Michael Abbott, and his team, are doing a fabulous job, in my opinion.

Ms SANDERSON: Budget Paper 4, Volume 4, page 17, Adelaide Festival Centre Upgrade. There is a \$540,000 difference between what was budgeted and what was spent in the 2011-12 year. What was the cause of the above budget spend and what was achieved with the \$740,000 spend (in total)?

The Hon. J.D. HILL: We are just checking on that. My feeling is that it was a carryover of some investing funds for the Dunstan Playhouse. There was a lot of work done to try to get the disability access right, and my thinking is that may well have been the cause of that, but I will clarify that. I might ask Mr Hallion to explain that.

Mr HALLION: If you look at the table you will see that, in the 2011-12 budget, \$200,000 was the budgeted expenditure and the estimated result was \$740,000. That is largely due to the fact that there was a carryover of expenditure into 2011-12, so the estimated result is very close to the actual spend in 2011-12—it was \$740,000 and it was the carryover expenditure that the minister raised before. So, it is timing related to the actual capital spend in relation to the upgrade.

Ms SANDERSON: That was the upgrade of the Dunstan Playhouse to make it wheelchair accessible, is that what you are saying?

The Hon. J.D. HILL: I will give you an overall picture in relation to the Dunstan Playhouse. In 2007, we committed \$8 million to refurbish and upgrade the facilities at the Dunstan Playhouse. The project comprised \$6.5 million for construction refurbishment and \$1.5 million for procurement of production equipment. To maximise the Playhouse's availability for shows it was done in stages. Stage 1, which was completed in 2008, refurbished the Playhouse auditorium with new carpet, seating and paint. Stage 2 was in March 2009, and refurbished the foyer and bistro, including a new reception desk and bar.

In March 2011, the auditorium was remodelled to address disability access and seating requirements. The completion of stage 3 in 2011 finalised the \$6.5 million construction refurbishment element of the Dunstan Playhouse project, which was completed with the allocated budget. The \$1.5 million allocated to production equipment for the Dunstan Playhouse has already provided new stage drapes and state-of-the-art sound system.

Installation of a new stage lighting system is due for completion this month. This will finalise the works fully, expending the allocated funds within the budget. There was—and I am assuming this is to do with the disability—a lot of toing and froing about how to get that right. In the middle of it all there was a change in the standards. They had designed it one way and then the standards changed so they had to reconsider it, so it was just getting it right.

Mrs REDMOND: Page 47 of Budget Paper 4, Volume 4, the last of the dot points under targets for next year states:

Commence a three-year program for high priority building works at Her Majesty's Theatre and the Adelaide Festival Centre.

What I want to know is how much of the necessary work will be done through that three year program? I appreciate that we are getting something done. My understanding, from talking to people throughout the arts sector, is that we have trouble attracting certain big shows to Adelaide, not because of the front of house stuff, for people attending the theatre it is a relatively good experience, although there may be some need for improvement in disability access—

The Hon. J.D. HILL: Which theatre are you talking about now?

Mrs REDMOND: The Festival Theatre. The Adelaide Festival Centre is what is referred to in that dot point. The back of stage stuff, where we still have manual pulleys to move things around, compared to interstate theatres where they have computerised movement and so on, means that some of the big shows that come to Sydney and Melbourne, for instance, simply will not come here. It is not a matter of Adelaide not being able to get the bums on seats in the theatre, it is a matter of the production difficulties that are confronted. What I want to know is: to what extent this three year program for what is described as high priority building works at those two theatres will address those behind the scenes issues?

The Hon. J.D. HILL: If I can talk generally and then I will give you some specific information. I think the leader's understanding is correct. The Festival Centre is now 40 years old and does need a considerable upgrade.

Mrs REDMOND: A good Steele Hall initiative—40 years.

The Hon. J.D. HILL: I know the Liberals like to believe that. The centre is really in need of a major upgrade and we are going through the process of developing the business case to do that. Of course, that will take tens of millions of dollars and the timing is not necessarily right to find that kind of money. However, there were certain things that needed to be done and we were able to find resources that would undertake some of the sustainment works; and we were careful that the sustainment works are such that they will not need to be undone when the larger project goes forward. I can tell you what is there.

There is \$7.652 million of investing expenditure over three years for building works at both the centres, and Arts SA and the Adelaide Festival Centre Trust have jointly identified a program of works to address building issues at both venues. They include:

- fire safety works, such as replacement of high maintenance centralised lead acid battery systems for emergency signage with modern stand-alone systems;
- an upgrade to the sprinkler system in Her Majesty's Theatre;
- upgrade of electrical switchboards and cabling;
- refurbishment of passenger and goods lifts at the Adelaide Festival Centre;
- an overhaul of the main and backup air-conditioning systems for both sites;
- replacement of worn seating in Her Majesty's Theatre; and
- foyer carpeting at both theatres.

These works will be staged over three years, most of the money being spent in the 2013-14 year.

Mrs REDMOND: Is the minister able to give me any indication as to how much will be required for the overall major overhaul that he referred to?

The Hon. J.D. HILL: It depends on how much you do. As the member would know, there is a range of projects, I suppose you could say, that are associated with, let's just say the Festival Centre, rather than Her Majesty's, which is another kettle of fish altogether. There are the sustenance works that we have just talked about; and the access issues around the theatre, I guess, is one lot of issues. But then there is the potential for redesigning, quite dramatically, interior spaces within the Festival Theatre to perhaps potentially create another theatre space or restore capacity for the State Theatre Company and other companies to be located there. That really would be a very dramatic remodelling of the interior. There is the issue about the car park. We, obviously, need to—

Mrs REDMOND: As in the concrete cancer underneath us?

The Hon. J.D. HILL: Yes, that is the highest priority in one sense, because we have to—

Mrs REDMOND: The building will collapse.

The Hon. J.D. HILL: I do not know about the building collapsing, but I would not want to park my car there if we do not do something in the future. You can already see there are bits that have been cancelled out. We also want to increase the capacity of the car parking there if we can. The fourth issue is really the external spaces and, in particular, the plaza out here.

Mrs REDMOND: Hajek Plaza.

The Hon. J.D. HILL: The plaza that one day will be known as the plaza which was formerly known as the Hajek Plaza.

Mrs REDMOND: It is just 'the eyesore', as far as I am concerned.

The Hon. J.D. HILL: Anyway, that is another aspect of it. If you look at all of those elements, the rough kind of figuring is that the capital expenditure would be somewhere between \$300 million and \$400 million. That is all of those elements.

Part of the issue, of course, for the Festival Centre is that it is booming now, and Douglas Gautier has done a superb job making it alive, so what we would not want to do is close it down for two years to spend \$300 million or \$400 million to do all the things that are required. Part of the business case is how you stage it in such a way that you can keep it operating. That is a real trick. It is obviously easier to close it, rebuild it, do it and start again, but you lose all of the bums on seats. They are very complex issues.

The car parking is one thing you could do separately, the plaza is another thing you could do separately, and perhaps the internal workings around the theatre spaces, and so on, could be done separately. They are the kinds of things that we need to think through.

Mrs REDMOND: At this stage there is no plan for those things to happen beyond the \$7.652 million?

The Hon. J.D. HILL: No. There is no finance at this stage. We allocated in the last budget \$750,000 to develop the business case, and that is being completed. Then, of course, it is working out how we can fund it.

Mrs REDMOND: I refer to program 9, which appears at page 46 and the Arts Industry Development and Access to Artistic Product, dealing with festivals and events. I wanted to ask you about the Come Out Festival and the departure of the artistic director. I wanted to ask specifically whether you can tell us why there was the sudden departure of someone who was engaged to do the 2013 and 2015 festivals, and what cost, if any, there was in that departure? Was he a voluntary departure or did we have to pay him out and, if so, how much?

The Hon. J.D. HILL: As the member would know, Come Out is an incorporated association so it is responsible for managing those issues. It has not reported to us any financial cost. There certainly has not been any financial impact on government. As I am advised, it would have been with whatever was in his contract. A termination would have had a clause, I suppose, which provided particular payments but I am not aware of what they were.

The contract, I am advised, was terminated on 11 May after the board engaged an independent management consultant. The consultant undertook a review and made a recommendation to the board. The board subsequently determined that its relationship with the artistic director would be terminated. As I have said publicly, it is disappointing that the relations

between the board and the director reached this point. There have been a range of public responses from individuals and organisations about this and various requests upon me, but it is really the board itself. As I have said to others, the way in which we run the arts very much is at an arm's length, and the body, particularly in an organisation which is an incorporated association, has the responsibility for doing these things.

It has brought forward a consideration of future directions for the festival, and I put out a paper a little time ago looking at a variety of options for how we would run Come Out in the future—and I am thinking from 2015. One of the options, which is the one I prefer, would be to have the Adelaide Festival Centre run it alongside all the other festivals. It runs Cabaret, OzAsia, Guitar, and so on. That is kind of about all I can really say. I have asked Arts SA to work with the board to ensure that Come Out 2013 is a success, and it is doing what it can to make sure that that is the case.

Mrs REDMOND: Minister, you mentioned the Guitar Festival then. How is that travelling financially? It started out with a fairly poor record but the government seems to have stuck with it for a couple more festivals. Is it improving?

The Hon. J.D. HILL: I don't know whether the leader attended the Guitar Festival last year, but I think that was a much better model. It started off in a different way, and I think that it has now found its proper place in the arts world. It is being curated now by Artistic Director Slava Grigoryan. This is his second festival and he will also be Artistic Director for 2014. He announced his program in April this year and it will run from the 9th to the 12th of August this year.

The event has been moved forward from the traditional timeslot in November due to the availability of the Festival Centre at the earlier time. That should allow more students to attend since it will not clash with their examine period, which is a good idea. The 2012 program represents classical, flamenco, roots, jazz, blues and contemporary genres. We contributed \$500,000 over two years (that is, the government—the taxpayers do) to make sure that it continues as a biennial event in the arts calendar. I am advised that it is going pretty well.

Mrs REDMOND: Is the minister able to tell me anything about how it performs financially given that we are putting in \$750,000 a year, and is the financial performance improving?

The Hon. J.D. HILL: Well, it is operating within the budget. I understand it is improving. I can get some further detail on it. That is all I have at this time. I will ask the CE of the Festival Centre to provide a brief.

Mrs REDMOND: I refer to the top of page 47: Arts Industry Development and Access to Artistic Product. Under the estimated result at the very top of the page there is a \$4 million increase in expenses, which I understand from the way it is written to be basically because we have gone to an annual festival. Is that the case? One of the concerns I heard was that, when the announcement was initially made, it surprised a number of the sponsors that they had not been consulted about the change from every other year to every year. There was concern expressed as to whether they were going to be prepared to up their sponsorship or whether they would simply spread their two-year sponsorship into half for each year, thus make it more intensive government funding. Is that the \$4 million that we are talking about there, or what has been the situation with the funding by particularly sponsors in relation to the annualised festival?

The Hon. J.D. HILL: That dot point does not relate to that, but I will find out what it relates to in a second; but I can answer the broader question that the member asks. The first point to make is that the announcement to make it annually was made the Labor Party rather than by the government. It was a commitment that, if we were elected, we would make it an annual event, so we did not go through the process of consulting at that stage. The advice we had was that it would be more expensive if we were to do it on an annual basis.

We increased the annual funding in part to compensate for the difficulty that they might find in the first few years of it being an annual event to pick up sponsorship. I am not sure how they going from the sponsorship point of view at the moment. I have not had any reports that they are not doing well. I can certainly get some advice for the member if she wishes. That is true, we needed to give them more money on an annual basis. They were certainly staffed up and down previously as well, so there is an ongoing funding, which makes it an easier thing to organise because you do not have to recruit and discharge people every second year. In relation to the \$4.1 million, I will ask Mr Hallion to answer that.

Mr HALLION: That is primarily related to the point the minister made that when the Festival is run every two years they are staffed up and down. The staff are upped in advance of the

Festival and then reduced in the off year. Of course, that has problems, as the minister said, of getting the right staff because you cannot give them continuity. A large percentage of that at least is due to the fact that is now held every year to keep the staff on, which gives staff more continuity; but of course it costs more to keep them on. I think that is the prime driver of that.

Mrs REDMOND: In fact, it is because it has gone to annual?

The Hon. J.D. HILL: Yes. The point is that when it was biennial it was very lumpy, so we—

Mrs REDMOND: That is a technical term.

The Hon. J.D. HILL: —yes, that's right—have just had the lumpy year, so that is why you get that increase. In the previous year it was not there, but in future budgets papers you will not get that variation.

Mrs REDMOND: Back to page 47, and speaking of lumpy things and the recurring infestation of beetles at the Museum, I am a bit puzzled by the fact that it is once-off funding to address a recurring infestation.

The Hon. J.D. HILL: I can explain this to you.

Mrs REDMOND: You go ahead, minister, and explain it to me, because I am fascinated by why the beetles are attacking the insect collection and nothing else in the Museum.

The Hon. J.D. HILL: I went and visited the beetle collection just recently. The beetle storage system is a traditional storage system for museum exhibits. They are wooden boxes in drawers, and the beetles have a needle through them and they are stuck on cardboard, and it's all very lovely and very ancient. However, during the prolonged drought I understand that things dried out and shrank, and an avaricious little carpet beetle invaded and started eating up the other beetles. It was cannibalistic kind of stuff.

Mrs REDMOND: So they were dead beetles.

The Hon. J.D. HILL: Yes, that's right. They were getting in there, it was infested by these beetles. The way they were managing it was to freeze the exhibits on a regular basis, which killed off the carpet beetles. Of course, you put them back in their boxes and you cannot recreate the boxes they were in because the shrinkage is permanent, and over time the carpet beetles would come back in. So there would be a recurring process of trying to freeze them.

The money we are giving them, which will fix it on a one-off basis, is to create a new system which protects them from the beetles. The advice is that it includes \$2.7 million to rectify the infestation. As at June this year it is estimated that \$335,000 will have been spent. Project expenditure has been delayed due to the need to resolve maximum floor loadings and options for freezer storage, and we have applied to have the money carried over.

The project includes decanting the collection into freezer storage for a period of approximately six months, which kills off all the beetles; building works to clean the roof space and seal the room; provision of new lighting; air-conditioning; fire protection; procurement and installation of new specialised storage cabinets; upgrading the collection's management database system; and cleaning and recanting the collection into new storage. That is all expected to happen by the end of next year.

It is an incredible thing, and it is important we do it because this collection is the national collection which provides the international basis of understanding the holotypes. This is the holotype collection for Australia, which is used internationally to determine what species of beetle has been found. It is a collection of the very first samples. It is equivalent to the—

Mrs REDMOND: I did not know about the carpet beetle.

The Hon. J.D. HILL: There are two million specimens. It is equivalent to the building in the Botanic Gardens that looks after all the plants, the Herbarium. That is the equivalent body. This is an international collection so it is worth protecting, even though it sounds a bit funny about beetles eating dead beetles.

Mrs REDMOND: I will read into the record the omnibus questions.

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2011-12 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 in 2011-12 please provide the number of public servants that are (1) tenured and (2) on contract, and for each category provide a breakdown of the number of (1) executives and (2) non-executives.

3. For each department or agency reporting to the minister, how many surplus employees will there be at 30 June 2012, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

4. In financial year 2011-12 for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2012-13, and how much was approved by cabinet?

5. Between 30 June 2011 and 30 June 2012, 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?

6. For the year 2011-12, will the minister provide a breakdown of expenditure on all grants administered by all departments and agencies reporting to the minister—listing the name of the grant recipient, the amount of the grant and the purpose of the grants, and whether the grant was subject to a grant agreement as required by Treasurer's Instruction No. 15?

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

8. For each department or agency reporting to the minister, how many Targeted Voluntary Separation Packages (TVSPs) were or will be offered in total for the financial years 2010-11, 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16?

The CHAIR: There being no further questions, I declare the examination of the proposed payment to the Department of the Premier and Cabinet adjourned and referred to Estimates Committee B, and the examination of the proposed payments to Arts SA completed. Thank you.

At 16:00 the committee adjourned until Friday 22 June 2012 at 09:00.