

**HOUSE OF ASSEMBLY****Monday, 27 July 2015****ESTIMATES COMMITTEE A****Acting Chair:**

Hon. T.R. Kenyon

**Members:**

Ms N.F. Cook

Mr S.J. Duluk

Mr J.P. Gee

Mr E.J. Hughes

Mr V.A. Tarzia

Mr T.J. Whetstone

*The committee met at 10:00**Estimates Vote***DEPARTMENT OF STATE DEVELOPMENT, \$674,320,000****ADMINISTERED ITEMS FOR THE DEPARTMENT OF STATE DEVELOPMENT, \$7,629,000****Minister:**

Hon. M.L.J. Hamilton-Smith, Minister for Investment and Trade, Minister for Defence Industries, Minister for Veterans' Affairs.

**Departmental Advisers:**

Dr D. Russell, Chief Executive, Department of State Development.

Dr P. Heithersay, Deputy Chief Executive, Department of State Development.

Mr M. Johnson, Executive Director, Investment, Trade and Immigration, Department of State Development.

Mr R. Janssan, Executive Director, Strategy and Business Services, Department of State Development.

Ms N. Slivak, Director, International, Department of State Development.

Mr M. Pegoli, Director, Investment and Capital Markets, Department of State Development.

Mr M. England, Director, Programs, Department of State Development.

**The ACTING CHAIR:** As per normal in estimates, it is a relatively informal procedure. There is no need to stand to ask or answer questions. I understand the minister and the lead speaker of the opposition have agreed on approximate time for consideration of payments which will facilitate a change of departmental advisers. Changes to committee membership will be notified as they occur. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 30 October 2015. This year estimates committee responses will be published during 17 November sitting week in corrected daily *Hansard* over a three-day period.

I propose to allow both the minister and the lead speaker for the opposition to make opening statements for approximately 10 minutes should they wish to do so. A flexible approach will be taken

based on roughly three questions per member, alternating each side, with supplementaries being the exception rather than the rule. A member who is not part of the committee may ask a question at the discretion of the chair. Questions must be based on lines of expenditure in the budget papers and must be identified or referenced at the beginning of the question. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the House of Assembly *Notice Paper*.

There is no formal facility for the tabling of documents before the committee; however, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted on the same basis as applies in the house, that it is purely statistical in nature and limited to one page in length.

All questions are directed to the minister, not the minister's advisers, and the minister may refer questions to advisers for a response. During the committee's examination, television cameras will be permitted to film from both the northern and southern galleries. I declare the proposed payments open for examination and refer members to the agency statements of Volume 4. Minister, if you would like to make a statement, you may do so now. I ask you at the same time to introduce your advisers.

**The Hon. M.L.J. HAMILTON-SMITH:** Thank you, Mr Chairman. Could I welcome members of the committee to this hearing and thank them for the work they have put into preparing. I am accompanied today by, on my right, Mr Matt Johnson, Executive Director, Investment, Trade and Immigration, with whom I deal most closely. On my left is Mr Don Russell, Chief Executive, DSD and Dr Paul Heithersay, Deputy Chief Executive, DSD. Our agency is a part of DSD and we thank DSD for all they do for us. Sitting behind me is Mr Rick Janssan, Executive Director, Strategy and Business Services; Ms Narelle Slivak, Director, International; Martyn England, Director, Programs; along with Mario Pegoli, Director, Investment and Capital Markets.

I would like to make a very brief opening comment before throwing it open to the opposition because I think this is a day for the opposition to ask questions and I am happy to take as many as they have. Could I just say that in the 12 months that I have been minister, with the help of Mr Johnson and Mr Russell, we have reorganised very substantially the government's approach to investment and trade.

For a start, based on the good work of others before us, we have regularised our engagement strategies with China and India; that is, we have booked a regular outbound and inbound mission each year going forward with both China and India so that people can plan ahead, so that people can budget, so that people can organise themselves in both China and Australia for that engagement, and in India of course as well.

We will do an outbound every year in around May to China and have an inbound mission every year from China in around September to coincide with the Royal Agricultural Show. We are testing those arrangements this year. It has gone very well and they will endure in the years ahead. I would strongly encourage the opposition, and we will get you much more involved in this strategy in the years ahead, to consider that as an ongoing bipartisan approach because it will do a lot to create jobs and promote investment in small business in our state.

In India we have built around a regular outbound mission in August, which is about to occur, and an inbound mission in late January every year to coincide with the cricket. We have tested those arrangements again this year and hope that will go well.

The other thing we have done is completed our South-East Asia strategy. We are executing that for the first time shortly. The mission will be in a week and a half, or two weeks. We will be going to Singapore, Malaysia and Thailand. Again, we hope to regularise that and have that occur each year at the same time. Of course, we are working away on a North Atlantic and North Asia strategy. I know the shadow minister has raised the North Asia strategy and I agree with him completely: Japan and Korea are very important. We are stepping forward on those fronts as well. Everything we are doing is all about jobs, investment and helping South Australian workers and small businesses to prosper.

The other thing we are doing on the investment side is forming a new investment agency, which has been announced in fairly thorough detail, to harness and focus governments across the

whole-of-government effort on investment attraction. We can talk more about that during the course of the estimates, but can I just say in summary that it has been a busy 12 months. We have reorganised things fairly substantially. We have re-energised them. We need to prove our work around the cabinet table in budgetary terms and establish the good work we are doing to build and grow investment in this part of what government is doing going forward, but that is what we are doing. That is all from me. I am very happy to have questions.

**Mr WHETSTONE:** No statement from me, Chair.

**The ACTING CHAIR:** Straight into questions then.

**Mr WHETSTONE:** Thank you, Chair, minister and your staff. I guess we will touch on China, Budget Paper 4, Volume 4, page 105, Financial commentary. The budget highlights increased expenditure for 2014-15 for overseas strategies and envoys. Can you provide a breakdown of the \$1 million in spending?

**The Hon. M.L.J. HAMILTON-SMITH:** Can I clarify exactly where the shadow minister is going here? You mentioned page 105.

**Mr WHETSTONE:** Yes, I did, under financial commentary.

**The Hon. M.L.J. HAMILTON-SMITH:** Which particular line?

**Mr WHETSTONE:** It is just a breakdown of the million dollar spend. Obviously this million dollars of spend was not budgeted.

**The Hon. M.L.J. HAMILTON-SMITH:** Is this the South East Asia Engagement Strategy you are talking about, the first line under commentary?

**Mr WHETSTONE:** We will start with the China trip.

**The Hon. M.L.J. HAMILTON-SMITH:** I want to make sure I have got exactly what you are asking for, so which particular line in financial commentary are you referring to?

**Mr WHETSTONE:** Expenses—'increased expenditure in 2014-15 on overseas strategies and envoys (\$1.0 million)', third dot point after the 2014-15 Estimated Result/2013-14 Actual.

**The Hon. M.L.J. HAMILTON-SMITH:** I am struggling to find that reference. So it is page 105. The third dot point says, 'commencement of the South Australia—South East Asia Engagement Strategy in 2014-15 (\$0.8 million).'

**Mr WHETSTONE:** No, page 105. If you go down to 2014-15 Estimated Result/2013-14 Actual, 'The \$3.8 million increase in expenses is primarily due to:'—the second dot point.

**The Hon. M.L.J. HAMILTON-SMITH:** Yes, 'increased expenditure in 2014-15 on overseas strategies and envoys (\$1.0 million)'. I will give a general overview and then I will ask Mr Johnson to elaborate if it is needed. However, in 2014-15 we commenced work and investment on the South-East Asia strategy. That has been posted online and I think copies have been sent to the shadow minister. That strategy will be exercised for the first time with our outbound mission in August to Singapore, KL, Penang and Bangkok. Of course, we have also started a process of reviewing China and India.

**Mr WHETSTONE:** This is for the previous year, minister. This is increased expenditure in 2014-15, not about your South East Asia Engagement Strategy. It is the dot point above what you are generalising on at the moment.

**The Hon. M.L.J. HAMILTON-SMITH:** It says, 'increased expenditure in 2014-15 on overseas strategies', which includes all of them, and I have just explained South-East Asia and China and India, 'and envoys (\$1.0 million)'. On the envoy, there is only one envoy, and that is Sir Angus Houston, who has accepted an appointment as our special envoy for international engagement. The others, Brian Hayes QC and Sean Keenihan, assist us with India and China respectively, and they are special advisers. I can explain to you, in regard to Sir Angus Houston's appointment, the arrangements for that if you wish. I can also separately explain on each of those strategies—China, India and South-East Asia—exactly what we are doing, then I will ask Mr Johnson to go through

exactly how that million dollars is broken up once that is done. Which would you like me to start with, China, India or South-East Asia?

**Mr WHETSTONE:** I really wanted to know what the increased expenditure on strategies of \$1 million were. I understand that Sir Angus Houston is part of that team, and so is Brian Hayes and Sean Keenihan. I will ask you what budget those two appointments are to the taxpayer.

**The Hon. M.L.J. HAMILTON-SMITH:** Let me go through them one by one—first of all, the China strategy review and the main mission. China continues to be South Australia's largest two-way trading partner, making up 22.4 per cent of the state's total exports. You would be aware of the official signing of the China free trade agreement on 17 June which, of course, is very important to South Australia. We are very active in making sure we optimise the benefits of that for South Australia.

In 2014-15, South Australia attracted significant investment from China into wineries, property development and agricultural businesses. You would be aware that, in May, the Premier led the state's most ambitious outbound mission to Shandong, where 256 delegates travelled to Jinan and Qingdao to meet with counterparts across a number of business streams. That has required some additional investment, some of which would be within that \$1 million that is mentioned in that budget line.

The areas we focused on included tourism, culture, health, environmental services, resources, agribusiness and wine, and local government. There were 160 delegates from the private sector, many of them from electorates represented here in the committee, 27 local government representatives, where the Chinese are very keen to engage with us, nine Austrade reps, five BioSA delegates and 49 state government public servants in one form or another. Individual members of the delegation have reported commercial outcomes across a range of sectors:

- South Australian produce into 300 supermarkets worth \$10 million a year and \$500 million in 2018 was agreed to;
- the Bank of China has agreed to open a branch in Adelaide in 2015;
- the Chinese consulate is to open in South Australia in 2016;
- a \$10 million deal with Seppeltsfield to export \$1.5 million worth of premium wine was done that week;
- the \$12 million Balco agricultural partnership was entered into;
- Hagen Stehr sold, I think, 40 tonnes of tuna that week, \$1 million worth, based on that one visit;
- the South Australia-Shandong local government training program was initiated;
- the State Library and the Shandong library have even agreed to a financial collaboration;
- biomedical research arrangements were entered into; and
- \$4.5 billion worth of resources projects were advanced.

I could go further. Some 30 MOUs were signed, so part of that \$1 million to which you are referring relates to, if you like, an upscaling, an increased effort load, in regard to the China strategy.

Then of course there is India. Some of that \$1 million is being deployed to improve our India strategy. At the request of minister Robb, I attended, with Mr Johnson, his Australia-India business week in January which was a grand affair organised by the federal Coalition. It was very good, I must say, and I commend minister Robb for the work he is doing. We treated that as a reconnaissance for the mission we are organising next month, but it did require some additional investment and effort, because we are quite serious about India.

We intend to take what is probably going to be the biggest mission South Australia has ever had to India in a few weeks' time. There is quite a lot of effort involved in it. We have announced a review that was released at the Committee for Economic Development Australia event on 16 April.

The review received a number of contributions from the private sector and various degrees of involvement in India.

The contributions have now formed a part of an updated India strategy and costs will be incurred for the review of the India strategy and are in the process of being paid: for example, the launch of the review for the outbound mission; contacting South Australian businesses as part of a telephone survey; coordination of feedback, desk research and drafting of revised strategy—\$15,000; in addition, printing and design of the discussion papers and costs. These are indicative of the sorts of ways in which that \$1 million is being deployed.

Of course, I can talk separately about the South-East Asia strategy if you want to ask me a separate question on that. I am more than happy to answer questions as well about Sir Angus Houston, if you want to go there.

**Mr WHETSTONE:** I just want to touch on outcomes on that trade mission which you were saying happened on the mission—the Cleanseas tuna negotiations, the Balco negotiations, Seppeltsfield wine. Those negotiations have been ongoing for up to four years, and I guess the truth of the matter is that it was a photo opportunity, more than being about a real outcome. I know that Hagen Stehr, Malcolm May and the Seppeltsfield group had already negotiated and had the deal done. It was a matter of a photo opportunity for you and the Premier, really. It was four years in the making. It was not one day or one trip.

**The Hon. M.L.J. HAMILTON-SMITH:** I am really disappointed to hear the shadow minister characterise the trip to China as a photo opportunity. The very large number of businesses that attended might be a little offended by that comment. I will rattle off—

**Mr WHETSTONE:** I know that Seppeltsfield were offended.

**The Hon. M.L.J. HAMILTON-SMITH:** No, listen. You asked the question; I will provide the answer.

**Mr WHETSTONE:** They were offended by the negotiation of bulk wine.

**The Hon. M.L.J. HAMILTON-SMITH:** You asked the question; I will provide the answer. Relationships with overseas countries and doing deals, as you point out, take time—it takes time. I cannot make any judgement about the assertion that the shadow minister just made that every single one of those deals that was done was under negotiation, I think you said, for four years.

**Mr WHETSTONE:** Three or four years.

**The Hon. M.L.J. HAMILTON-SMITH:** I will check with each individual as to whether or not that is truthful and accurate because you have just said that every single one of those was under negotiation for four years.

**Mr WHETSTONE:** I named three.

**The Hon. M.L.J. HAMILTON-SMITH:** Which are they?

**Mr WHETSTONE:** The tuna Cleanseas, Balco and Seppeltsfield.

**The Hon. M.L.J. HAMILTON-SMITH:** I will check with the proprietors of each of those, and I will find out if that is correct. It may well be, but these things take time. The question is: when was the deal done? When was the agreement reached? I can tell you that if you want to speak to Warren Randall from Seppeltsfield I think you will find a man very happy with that mission. Let me just run through some of the companies that attended the photo opportunity the shadow minister just mentioned.

You might want to talk to—where does it start?—Austofix Group Limited, Asian Agribusiness Consulting, and Artlab. You might want to talk to Belvidere Winery. You might want to talk to BHP Billiton. You might want to talk to the seven biomedical companies that attended with BioSA or to Brothers in Arms Vineyards, Carpentaria Exploration, CASAR, Caudo Vineyard, Cavitus Pty Ltd, C Technologies, and Chinatown.

There are a number of local councils who have grouped together businesses within their council districts to do business in China in very clever and innovative ways, all of which are great

advocates for this engagement strategy and thought the trip was the best thing they had ever attended. It has helped them to advance projects within their council districts, many from the country.

You might want to talk to the fashion industry that attended and Deloitte Tax Services. You might want to talk to, as I mentioned, a number of district councils, or to Dinko Tuna Farmers. You might want to talk to Dover Fisheries, Don Alan Pty Ltd, Ellex Medical Lasers, Elwa Pty Ltd, Finlaysons Lawyers, Food and Beverage Australia Limited, Gaetjens Langley Australia, Glen Eldon Wines, Grain Producers SA, the Hahndorf Inn—which is are doing some fantastic work in China, by the way—Hassell, He Yi Advisors, Health Industries, HenderCare, and Hilton Australia. You might want to talk to Iron Road, Knight Frank, Mallee Estate Wines and Masonic Homes. You might want to talk to Nova Vita Wines and Pernod Ricard. You might want to talk to Red Lion Australia, Renmark Paringa council's CEO—

**Mr WHETSTONE:** You do not have to go through them, minister. I have talked to most of these people.

**The Hon. M.L.J. HAMILTON-SMITH:** Have you told them that you thought their mission to China was a photo opportunity?

**Mr WHETSTONE:** I talked about three businesses. I did not talk about the entire delegation.

**The Hon. M.L.J. HAMILTON-SMITH:** The point I am making to the shadow minister is that building these relationships, if you read the strategies, takes time. What the trade missions do is create an opportunity for companies to do deals to bring to a conclusion negotiations they have been making that have hitherto struggled.

To give you just one example, and this is a very important example, a major miner in this state has been negotiating an offtake agreement with a Chinese company. They were having trouble getting to the chairman and the president; they were about three levels down in the management chain in their negotiations. I was able to put them together with the chairman and the president of the Chinese buyer because government to government opens doors; government to government makes it possible for deals to be done.

When the Governor of Shandong or the party chairman stands beside the Premier of South Australia and says to businesses, 'We want you to talk to South Australian companies,' deals get done. You will find, if you have spoken to the companies that attended the China mission, that they were overwhelmingly pleased and impressed with the doors that opened for them as a result of intervention by the Premier and the government on their behalf through the mission.

Things do not happen in China unless it is government to government, and that is also the case in large parts of South-East Asia. To suggest that these businesses had the deals all done and did not require any assistance from the government at all is simply wrong, and I think they would be the first people to straighten you out on that. By the way, all the companies involved paid their own way to attend this 'photo opportunity' that you have just described, and I must say that the opposition's characterisation of the China mission as a waste of time, a waste of money, a photo opportunity, a junket, has not gone over well in industry.

**Mr WHETSTONE:** Who said it was a waste of time? Who said it was a junket, minister? Tell us names, name them.

**The Hon. M.L.J. HAMILTON-SMITH:** I think your leader did.

**Mr WHETSTONE:** No, that is so not true.

**The ACTING CHAIR:** Order!

**The Hon. M.L.J. HAMILTON-SMITH:** Just look at the media. I think your leader and your party described government officers attending as a complete and utter waste of the taxpayers' money, or words to that effect.

**Mr WHETSTONE:** Words to that effect.

**The Hon. M.L.J. HAMILTON-SMITH:** I will come back to you on that. I will get my staff, in fact while we are here, if they can put it together, to provide me with a summary of some of the

negative commentary the opposition provided on the whole China mission. I can tell you there were people over there who were just gobsmacked in disbelief.

You are either on side with Australian jobs and Australian industry or you are not as an opposition. My strong advice to the opposition would be to support our small businesses, our farmers, in their efforts to sell their products in China and not be as dismissive of it either during estimates or separately as the opposition has been. This has achieved fantastic outputs. You do not go off to China on a trade mission and generally come back with the absolutely amazing results that we came back with. It takes time afterwards, and further negotiations are underway.

If you take the example of Seppeltsfield, the proprietors tell me that since the mission they have actually gone further with sales agreements all based around the mission. Go and talk to Hagen Stehr. Not only that, but in September we are expecting a reasonably substantial delegation to arrive from Shandong Province headed up by the party secretary. I do not think a party secretary has visited South Australia in 13 or 14 years, and this is a huge thing. This is a province with a population in the order of around 90 million; it is one of China's biggest provinces.

This is all based around the success of May. It was the biggest mission Shandong had ever hosted from anywhere in the world, it was the biggest mission we have ever conducted and it took more companies overseas than this state government has ever done before in its history, all of whom are now negotiating to create jobs and enterprise through this special relationship with China. Can I say that for the very small amount of money we are spending in this portfolio which is all about jobs, jobs, jobs, we are getting a disproportionate result.

**Mr WHETSTONE:** Is there a budgeted allocation for the cost of travel for the minister and his department that comes directly out of the Globally Integrating the South Australian Economy program?

**The Hon. M.L.J. HAMILTON-SMITH:** I am pleased that you have asked this question, because I am happy to take as many questions on travel as you want to ask. I will take them all on notice, and I will get back to you with some cogent and accurate information. I would just say that we have an hour and a half to ask questions about how we can create jobs and enterprise from trade and for you to inquire of the government about whether it could do more to create even more jobs and enterprise. We can spend that hour and a half talking about travel or we can spend it talking about how we work together to create jobs; but, yes, there is. If you have a budget for travel, and I think if you ask the Hon. Julie Bishop, the Deputy Prime Minister or the Hon. Andrew Robb, the trade minister, whether they need to travel to be the minister for trade and the minister for investment—

**Mr WHETSTONE:** That wasn't the question, minister. It was a simple question.

**The ACTING CHAIR:** He can answer the question how he likes. The member does not get to interject on him.

**The Hon. M.L.J. HAMILTON-SMITH:** No, you asked me whether there was a budget for travel. I will stun you and say that, yes, for the Minister for Investment and Trade, yes, there is a budget for travel. In order to promote trade investment, yes, you do need to travel to the countries with whom we trade; yes, there is a budget. I am more than happy to answer any questions you may have on it.

**Mr WHETSTONE:** You talk about the extra programs, the export missions that are outbound and inbound. Why isn't there extra funding in the budget for overseas trips, considering we now have this regular calendar?

**The Hon. M.L.J. HAMILTON-SMITH:** There is a budget that picks up all of the needs for our outbound and inbound trade missions, including the requirement for ministers and government officers to travel to and from those destinations. Let me give you an example: the way I like to do things is as professionally and as competently as is possible. For that reason, before organising the May outbound mission, and at the request of the Chinese government in Shandong, I went there in November for a planning mission with key staff, during which we went through all the arrangements for May. We did the same thing in India, where at the request of federal minister Robb, who was particularly keen to get state ministers up there, we went to India on a planning mission on our

outbound mission to India. That is to make sure that when we go up there our companies get maximum value out of it; so that is precisely how we do it.

We then will have a regular planning mission with the Shandong government every November, during which we will go over the arrangements for the following year. What our government is focused on is jobs, jobs, jobs. I went to a Food SA expo recently, and there were about 20 or 30 companies there, and I spoke to every single one of them. There were 10 jobs here, 20 jobs there, 30 jobs there, and when you added them up, the 30 food producers that were at that expo were employing more people than Holden—more people than Holden. If every one of them can increase their sales and their exports by, say, 20 per cent, that is 20 per cent more jobs.

We are methodically setting about creating jobs from sales of our wonderful products to overseas destinations, and that does require going to those destinations. For example, we participate in SIAL, the food expo in Shanghai and we go HOFEX in Hong Kong to help promote and support our food producers, many of whom are represented by electorates from those opposite. We are out there helping our farmers and our food producers sell their things and create jobs and, yes, that does involve getting our people, our officers, overseas to help them, with our companies, do that very thing.

**Mr WHETSTONE:** I would like to come back to the core of the question, which I do not think I got an answer for. Where will the money for these trade missions come from in the future if it is not in the budget?

**The Hon. M.L.J. HAMILTON-SMITH:** It is in the budget. I refer the member to the 2015-16 budget estimated result net cost of services, an increase of \$0.5 million is predominantly due to 'the commencement of expenditure in 2015-16 for the Industry Attraction Fund'. Then it goes on: additional expenditure 2015, \$0.3 million, 2014-15 to \$1.3 million, and '2015-16 to implement the South Australia—South East Asia Engagement Strategy'.

Bit by bit the budget spells out how the existing budget is going to be deployed to execute the strategies I have mentioned. It is all spelt out there in estimated result and expenses on those relevant budget pages. If you see a dollar amount put alongside a strategy, or for a supply in services, or an employee entitlement or a grant and subsidy linked to one of those strategies, that is what it is all about.

**Mr WHETSTONE:** Did that include the cost of the China mission?

**The Hon. M.L.J. HAMILTON-SMITH:** Yes, all the costs of the China missions are included in the China strategy. I might ask Mr Johnson to elaborate a little and give more of a detailed breakup mission by mission.

**Mr JOHNSON:** Our missions are budgeted for and reflected in the respective geographic strategies that we have, and I thought I would provide some information on what the existing budgets are. For China, we have an allocation of \$1.18 million at the moment. For India, we have \$0.8 million. For the ASEAN region, the new funding that the minister referred to, we have \$1.3 million.

In response to your earlier question that you opened up the session with about the increase of \$1 million, I wanted to give you a bit of information on some of the new things we are spending money on. We have \$300,000 which we put towards the development of the South-East Asia Engagement Strategy that we are now moving into implementation. We spent just under \$50,000 on the India visit which was supporting those South Australian businesses that took part in Australian Business Week in India under minister Robb's leadership. We have a new strategic adviser in India who has provided support to us throughout the 2014-15 year, and that is costing us about \$70,000 a year. With the China mission, which you have asked questions about, to this point we have spent \$187,000 on the mission in 2014-15. That is an estimated result. There are still some invoices and payments to settle.

**Mr WHETSTONE:** Of the \$187,000, where did the budget line come in to take the departmental people, the minister's office, to China? Where is that budget line?

**The Hon. M.L.J. HAMILTON-SMITH:** Let me start on that one because I can see where the shadow minister is going. The shadow minister's view is that any public servant travelling to China is a waste of the taxpayers' money.

**Mr WHETSTONE:** You are saying that.

**The Hon. M.L.J. HAMILTON-SMITH:** I can see that is where—

**Mr WHETSTONE:** No, you are saying that.

**The Hon. M.L.J. HAMILTON-SMITH:** Let's just see where you take the question line, but can I explain to you that I attended that mission and I think one of my policy advisers dedicated to China came on that mission and I am pretty sure that was it from my office. The others who attended that mission were principally officers of government.

Everything in the Chinese economy involves the government. A lot of the enterprises in China are state-owned enterprises. It is a nation where a lot of the business opportunities—the buyers and customers—are government-owned, so you cannot interact with the Chinese without doing it to some extent at a government to government level. For example, for the mining and energy forum, Dr Heithersay was due to come, but I think had to pull out at the last moment. We had senior officials from the department hosting and running that. It was the same with agribusiness as the CE of PIRSA came because that opened doors. In the arts and cultural area we had officers from the relevant departments, and so it went on.

It is not right to imply that those people were on some sort of a junket or were unnecessary. In fact, if you talk to the businesses concerned, you will find that having those officials there was the very thing that opened the doors for them—it was the very thing that made it possible for them to then interact—because, until the Chinese government officials say, 'Yes, let's engage,' it does not happen. That is why it is so important that our public servants, particularly in the case of China, are part of our missions. If they are not, things do not move as well as they should.

Their travel costs, to cut to your point, were largely met from within the respective departmental budgets. Not everyone who attended, attended from within our budget line: some of them would have attended from within their own, and they are questions that could be asked of them in their respective estimates hearings.

**Mr WHETSTONE:** The China and India advisory councils, Budget Paper 4, Volume 4, page 105 under highlights. The state government has reviewed the China and India strategies. What is the cost of these reviews?

**The Hon. M.L.J. HAMILTON-SMITH:** Before going on with that question, you inferred that no-one in the opposition had been critical of the public servants attending—

**Mr WHETSTONE:** Minister, no-one has been critical of your department taking public bureaucrats and public servants on the trip, no-one. To date, you are the only one who has inferred that the public servants should not have gone or it was a waste of money. You are the only person here today who has inferred that they are a waste of money, no-one else.

**The Hon. M.L.J. HAMILTON-SMITH:** Can I respond to that assertion which is in the form of a question, because the shadow minister is completely and utterly wrong. Let me read an extract of what he said in an article reported by Andrew Hough in *The Advertiser* on 12 May at 3pm. This is a direct quote:

Opposition Trade and Investment spokesman Tim Whetstone criticised the trip.

It then quotes Mr Whetstone:

While it's important we build a better relationship and understanding of China as a trade partner, it is outrageous that the Government is sending more than 80 publicly funded employees on one trip.

Then it goes on:

They are stripping money from trade offices overseas and small business programs at home, while they are spending big on airfares and hotel rooms.

And it goes on. They are your own words, shadow minister, so you are completely and utterly wrong. You are the one who said sending those 80 publicly funded employees on the trip was outrageous, so I have just answered your question.

**Mr WHETSTONE:** No, you have not. One in four: did you get good value for money?

**The Hon. M.L.J. HAMILTON-SMITH:** Your claim was that I was the only person who criticised the attendance of those public servants on the trip. In fact, you were.

**Mr WHETSTONE:** Minister, you have answered the question. Budget Paper 4, Volume 4, page 105 under highlights. The state government has reviewed the China and India strategies. What cost was it to the taxpayer for these reviews?

**The Hon. M.L.J. HAMILTON-SMITH:** I will start, first, with the India strategy review because I think your question cuts to the cost of those reviews. It has been about two years now since we wrote the India strategy. We said we would review it after a couple of years. We commenced the process on 16 April when I launched a discussion paper. Submissions closed on 22 May and we are currently compiling those submissions and will be releasing a revised strategy in the near future, particularly after the visit coming up next month. The following costs were incurred for the review of the India strategy and are in the process of being paid:

- the launch of the review of the strategy in addition to the launch of the outbound mission to India, \$3,150;
- contacting South Australian businesses as part of a telephone survey, \$1,500;
- coordination of feedback, desk research and drafting of a revised strategy, \$15,000; and
- printing and design of the discussion paper costs, \$3,085.

The updated strategy, I hope, will be released after our mission in August. It is being developed in consultation with Brian Hayes QC, strategic adviser on India (who, I must say, has been a wonderful help to the government), and other key stakeholders, including those within the commonwealth and state governments in the Consulate General in India. I think you can see the costs for the India review have been quite modest.

In respect of China, the engagement strategy is undergoing a review to take account of changing circumstances and the emerging opportunities between South Australia and China. The need to take a strategic approach to maximise economic opportunities is clear, given the competing attention for the Chinese investment and trade from other countries and Australian jurisdictions. The Premier has invited senior Shandong leaders to bring a delegation, as I mentioned. As to the review and in terms of the actual costs, I do not have the detailed breakdown but I expect it to be in the order of those that I ran through for India. My approach as the minister has been to steer away from consultants. I do not like the idea of paying consultants large amounts of money to do these things.

**Mr TARZIA:** What about Brian Hayes?

**The Hon. M.L.J. HAMILTON-SMITH:** You might want to ask me a question on that separately. I am talking about the sort of consultancies that involve the usual consultancy companies to produce glossy reports and brochures for government that arguably could have been produced internally. For that reason I am relying on our special adviser, Brian Hayes, and my own staff largely to do the India review. We have some consultancies underway on India on separate but related matters, but generally I am trying to get my own government officers and departments to do the work rather than to expend the taxpayers' money on the usual large consultancy companies because I just think it makes for better government.

In regard to China, ChAFTA has 900 pages of tariff schedules, timelines for reductions and other information on non-tariff concessions for Australian exporters and it is quite a significant task to translate these into policy and action proposals under our China Engagement Strategy and, for that reason, some consultancy costs are unavoidable because you simply need to break through copious details and information. For example, in regard to China, we are going to engage the Institute for International Trade to help us with that and I think a consultancy has been agreed to. About \$50,000 has already been paid in 2014-15—it would be about \$137,000 overall—to make sure that we get it right in regard to optimising opportunities from the ChAFTA for South Australian companies. Where possible, I am trying to steer away from consultancies but when there is copious amounts of detailed information that needs analysis, it is unavoidable.

**Mr WHETSTONE:** Minister, I understand you are trying to steer away from private consultants and work with the state government's advisory councils.

**The Hon. M.L.J. HAMILTON-SMITH:** We get fantastic support from our special advisers, Brian Hayes QC on India and Sean Keenihan on China. Mr Alfred Huang, former lord mayor of Adelaide, also helps us with China. Generally I am trying to use those people to guide our strategy forward rather than to bring others in, although as I have mentioned there are still consultancies that are needed from time to time to wade through the mass of information and the statistical data that we need to diagnose.

**Mr WHETSTONE:** Essentially, if they are so important, why has the China Advisory Council not met for 15 months at a time when the free trade agreement with China has been signed and South Australia's delegation has travelled to China?

**The Hon. M.L.J. HAMILTON-SMITH:** My advice is that the advisory council was important at the initial stages of the development of the China strategy. I think what is happening now is that Sean Kunihan and Dr Alfred Huang are consulting informally with members of those organisations on an ongoing basis.

The Premier has made a conscious effort to try to reduce the number of boards and committees in government, to get rid of both the cost and complexity of government, and I commend him for that. Our part of that has been to try not to tangle up our approach to investment and trade with too many boards, committees and quangos. In fact, rather than have a dedicated China, India, South-East Asia council, I am looking to have one that brings all of them together, with subcommittees, if you like, to work on individual countries.

What we found is that we learn a lot from each other. For example, what we are doing with China applies to what we are doing with India and South-East Asia. As we develop North Asia, the North Atlantic and other strategies, they will feed off each other, if you like, in terms of ideas and information. I am looking to try to reduce that to one committee, not a multiple of them. So, there is plenty of informal communication going on.

**Mr WHETSTONE:** The China Advisory Council—as important as the free trade agreement has been to be signed and the state's history-making delegation to China—did not meet for 15 months. If we look at India, they met once in nine months. So, you are obviously looking to move onto a new model.

The South-East Asia strategy, Budget Paper 4, Volume 4, page 105, financial commentary. Further funding has been allocated for the South East Asia Engagement Strategy, but with very little detail to date. Can you provide a breakdown of how that funding will be spent, and how many Austrade officers will be employed under this initiative?

**The Hon. M.L.J. HAMILTON-SMITH:** Thank you for the question. The region of South-East Asia has enormous economic potential for the state, with exports presently valued at around \$1.9 billion in 2013-14. The government said it would develop a South-East Asia strategy. It has delivered on that election promise. There were a series of public consultations held across Adelaide and four regional areas. Submissions and feedback were received from Australian diplomatic posts and South-East Asian heads of mission in Australia, as well as from the business community. The result is the strategy that was launched by the Premier on 19 March, and it is aligned to the 10 economic priorities of government.

In June 2014, as part of the 2014-15 state budget, the South Australian government committed \$1.1 million over four years to develop the engagement strategy. In March 2015, following development of the strategy, the government committed a further \$1 million as additional ongoing annual budget to the DSD, commencing in 2015-16, to support the implementation of the strategy. Expenditure of \$255,463 in 2014-15 consisted of: salary components of staff, \$92,000; and project expenditure, \$163,463.

In 2014-15, targets have been set, along with 2015-16. We are now planning a business mission to Singapore, Malaysia and Thailand in August, as I have mentioned, leveraging on the new relationships formed through my April visit when we went up and did a reconnaissance talk to all of the Austrade staff, to all of the key players, and we have set up what I think will be a very good mission. Of course, it will be led by the Premier, supported by myself and Sir Angus Houston. We

expect the mission will comprise 40 businesses, as well as being heavily represented by the University of South Australia, the University of Adelaide and Flinders University.

Again, with this mission we have taken a whole-of-government approach to the program, with representatives of agencies engaged with South-East Asia providing support. There will be four main sectors: defence, aerospace, electronics and advanced manufacturing; food, wine and agribusiness; liveable cities, health and aged care; and tourism, arts and education. We did have some assistance with this strategy from PricewaterhouseCoopers.

South-East Asia, of course, is defined as 10 countries, the 10 countries of ASEAN. We are going to have a separate approach in regard to the others, in particular Indonesia, Cambodia, Brunei Darussalam, Laos, Myanmar, the Philippines, Vietnam and Timor-Leste. It is a big area. We cannot group them all as one and we cannot visit them all in one mission, so we will have more announcements that we will be making in the fullness of time about that.

You also asked about embedded officers. We are considering embedding someone with the respective Austrade offices in Singapore, Malaysia and possibly Indonesia, but we are at the very early stages of that. The cost for doing that would be around \$570,000. We have found embedding officers with Austrade to be extremely cost effective. The government did previously experiment with having its dedicated offices overseas. We had one in Shanghai and we had one in Chennai, India, and it did not end well. I think the government was rightly criticised from time to time about the cost of those offices. We have gone for a much more economic and simple model, and other states are now starting to follow our lead.

**Mr WHETSTONE:** How many individuals made submissions to the South-East Asia strategy?

**The Hon. M.L.J. HAMILTON-SMITH:** I might have to seek help with that one. I think I will have to take that one on notice, if I may, because that would require the search of some papers to find out who we engaged with on that.

**Mr WHETSTONE:** I could suggest that there were none, minister. Trade strategies in Budget Paper 4, Volume 4, page 106—

**The Hon. M.L.J. HAMILTON-SMITH:** Excuse me. I have found in this business that assertions and throw-away lines are then represented as fact.

**The ACTING CHAIR:** Order! Just before you do that, minister, it is questions and answers, not snide comments and then questions, so if you want to say something then say it in the body of your question.

**Mr WHETSTONE:** I—

**The ACTING CHAIR:** If you want to say something, say it in the body of your question. I remind everybody, just so we maintain some decorum for the rest of the day, that standing orders that allow me to boot people out still exist under the committees. If you want to get all rowdy, you can, but people can also leave. Carry on, minister.

**The Hon. M.L.J. HAMILTON-SMITH:** Thank you. To clarify that issue, I would be confident that that assertion by the shadow minister is completely and absolutely factually wrong, but I will get back to the committee with an answer.

**Mr WHETSTONE:** Make sure you make it public, minister, because the FOI tells us that there were zero.

**The Hon. M.L.J. HAMILTON-SMITH:** Well, we will check.

**Mr WHETSTONE:** I refer to Budget Paper 4, Volume 4, page 106, under targets 2015-16, referring to the target to develop trade engagement strategies with North Atlantic and North Asia. Is there any funding for these strategies to be developed in the 2015-16 budget?

**Mr TARZIA:** Can't find it; it doesn't exist.

**The Hon. M.L.J. HAMILTON-SMITH:** I want to make sure the information I give is accurate. My understanding is that I think in the order of \$160,000 has been put aside for the North Atlantic

strategy, and that is well advanced by the way. One of our officers in our mission in London is working on that fairly assiduously. I have met with him. He has been out here and I have seen the early drafts. We are making good progress on that.

What the government wants to do is make better use of our office in London to run our activities in the US and Europe more extensively. The budget assigned in 2015-16 for the North Atlantic engagement strategy is \$182,000, including: Director, North Atlantic, \$100,000, appointment in January 2016; strategy implementation and potential reconnaissance visit, new investment agency, possible involvement in G'DAY USA, outbound mission in January, around \$82,000. Cabinet approval will be sought for an additional implementation cost to be identified during the strategy development phase in 2015-16.

New strategies are being considered for North Asia and the MENA regions. Budget is allocated for the development of these strategies in 2015-16, including \$60,000 for the North Asia strategy, with the MENA strategy yet to be determined. The throwaway line from one of the members opposite is clearly wrong again. You just have to get your facts right in this business.

I would say this: under previous governments, when the Liberals were in, there were no strategies for any of these regions—none at all. I am just making that point. The approach this government has taken is to develop strategies for each region. We are taking a far more professional approach, and we believe that, by writing a strategy, funding the strategy and then organising the strategy, we can get better results.

That does not mean that we and South Australia businesses are not actively engaged already in trading in Europe and the US. In fact, there is daylight between the US and Europe and the rest in terms of inbound investment; most of it comes from the US and Europe. A lot of Australian and South Australian companies are up there busily working away in Europe and North America, with the full support of our office in London, which is doing a very good job backing them up. Similarly, previous ministers have led missions to the Middle East and extremely well too and also, in the past, we have been active in North Asia.

South Australian companies are active and the South Australian government is helping, but what I would like to see is better-funded strategies for North Asia—and I know the shadow minister would agree with me on that, because he has raised it publicly—and also for the Middle East (MENA) and the North Atlantic. I think in the fullness of time we may need to look elsewhere around the globe as well.

I would like to see better strategies better funded in all those areas, but what I have to do, as a member of cabinet, is argue my case for resources. To do that, I have to prove that we are creating jobs and enterprise from the actions and the activities we are undertaking. There are many competing demands on the budget, and I have to argue that case. We are fully engaged with the resources we have at the moment with our India, China and South-East Asia strategies and developing North Asia and the North Atlantic, but I would dearly love to see strategies for all the regions we are trading with underway and better funded.

Every minister would like more money in his portfolio, and I think there is a very strong argument that can be made for more money to be put into this portfolio, but I have to compete with the demands of the health system, the education system and everything from primary industries through to science and technology for every dollar that is available, and that is what I will be doing.

**Mr WHETSTONE:** I refer to the investment attraction fund, Budget Paper 4, Volume 4, page 108, sub-program 9.2. What is the overall cost to establish the investment attraction agency and how many FTEs will be dedicated to this agency?

**The Hon. M.L.J. HAMILTON-SMITH:** Thank you for the question. The government is of the view that it is timely to reorganise its approach to investment attraction. It had previously been undertaken across government. The Department of State Development was involved and the offices of international trade, Health Industries, Tourism Commission, Primary Industries and Defence SA were all involved in investment attraction.

For that reason, some work was undertaken by the EDB that involved consultations with the economic development board of Ireland and their investment agency. Recommendations were put

to the economic development committee of cabinet and ultimately accepted. The net result is that we are going to form our own new agency. It will be modelled on world's best practice in investment attraction agencies, following consultations with Singapore and Ireland, as I have mentioned.

On 13 July, the state government announced that Mr Rob Chapman will become chairman of the new agency. The CEO will be selected and appointed through a global search; in fact, that is underway. Dr Don Russell, CE of DSD, will be acting CE, and is acting CE at the moment under the interim arrangements. The new agency will report directly to the Minister for Investment and Trade and will lead major transformational investment attraction.

As outlined in the budget, the new agency will administer a new fund of \$15 million over two years: that is \$5 million for the remainder of this year and \$10 million for next year, and that is a start-up. I have made it clear that I will be pitching for at least \$20 million in the subsequent years per annum, and that was a recommendation of the EDB in its work, but we have not budgeted that as yet. We want to get this thing up and running first, have it prove its worth and then review the situation, and then there will be further announcements.

I would like to see around 6,000 new jobs from inbound investment over the next three years; that will not be easy. The national and international economic environment is tough at the moment, but I will make sure that this agency makes its contribution towards that target. The investment attraction agency will be established this financial year to provide a coordinated and central point of contact within government for investment attraction, aim to create new jobs and investment through targeting projects, develop and market suitable projects for investment, identify and facilitate potential investment and target strategic new head offices in the state.

Can I add that it was found during our work on this that 80 per cent of the attraction in coming to South Australia need not be financial; that is to say, a lot of it is about facilitation, not offering money. Can I say that I am personally very negative about offering cash to companies, and we will not be doing that.

**Mr TARZIA:** OZ Minerals?

**The Hon. M.L.J. HAMILTON-SMITH:** What was that?

**Mr TARZIA:** OZ Minerals, you offered them money to come to Adelaide.

**The Hon. M.L.J. HAMILTON-SMITH:** If you want to ask a question about OZ Minerals, I am happy to answer it. If you look at the way that was done, I think you will find the money has not been given to OZ Minerals. It has been done far more intelligently than that, and it has been put into R&D. I think there are other ways to help companies identify South Australia as a base for their operations other than to offer them money. We have set up the investment attraction agency to do that, and we are prepared to do that as part of our offerings, but I think there are a lot of other things that we can pursue as well.

The financial data reflected within the Agency Statements do not include the operating costs of the new agency. At the time of preparing the budget papers, the scope and organisation had not been determined, and that is still a little open. Subsequently, cabinet has approved that the agency will be operationalised within existing budget resources. The base operational funding will be \$2 million in this initial set-up period which has been found from other agencies, so there is no net increase for its day-to-day operating expenses.

To break that up further, that \$2 million comprises a \$550,000 contribution from DSD, for which we are very grateful to Dr Russell; Defence SA has contributed \$450,000; PIRSA has put in \$325,000; DPTI has put in \$225,000; DPC, \$250,000; and DEWNR, \$200,000, comprising the \$2 million required to get things started. Requiring funding to support operational costs beyond that tranche is still subject to further consideration.

Additional resources will be drawn, however, from other agencies because we will need more, and it will be subject to the chief executive and the chief executive agreements, using the machinery of government framework. In other words, there is going to be a process of moving money from other agencies into the investment attraction agency so that there is no net additional cost to the taxpayer. The Treasurer quite rightly required this of me and other ministers, and we were more than happy to do that, so that the \$15 million that is there is for investment attraction initiatives.

The business support cost for the agency will be provided by the Department of State Development which will act as an umbrella agency for the IA. By the way, based on Defence SA as a guide, the chair will be remunerated at around \$75,000; the deputy chair, \$60,000 to \$69,000; and ordinary members, \$30,000 to \$39,000. I am particularly keen to put together an international board here. We do not want a board that is local for this: we want a board that has reach into our target markets for investment; for that reason, we will be looking internationally for people, and we are already putting together a list of names.

**Mr WHETSTONE:** As the investment attraction agency, is it taking over from InvestSA?

**The Hon. M.L.J. HAMILTON-SMITH:** Yes, InvestSA will be subsumed into the new investment agency, and Mario Pegoli is here with me today. InvestSA was an earlier initiative of the government which the government would readily acknowledge probably did not work quite as we had hoped for a range of reasons. One of those reasons is that, to do this properly, there must be buy-in and engagement across the whole of government.

As minister, I have been very careful to engage with all of my ministerial colleagues, and I know that Dr Russell has likewise with this colleagues at CEO level, and we have had great support from the Premier and CE of Premier and Cabinet. We want to make sure that when we set this up everyone has purchase and buy-in to it. That will involve discussions that will be occurring in the months that follow about people moving from various other agencies into the new investment agency, and I think you will see people move from InvestSA into the agency.

In other cases, it may be that the resources or the money is moved and new people are sought because we may need to go out and find some new people with skills that do not presently exist within the existing basket of people that we have available. There will be some people move into the agency, there will be some money moved into the agency which will be used to find new people, but, where possible, we are funding this from reallocating resources that already exist across the whole of government rather than to put a new burden on the taxpayer.

**Mr WHETSTONE:** Will the state government continue to operate the interstate investment business awareness campaign?

**The Hon. M.L.J. HAMILTON-SMITH:** I am advised that that program will fall into the basket of programs that will be reviewed by the new agency. We will look at the way we have been doing things; we will look at the way we should be doing things; we will decide what will go, what will stay, and what will be introduced as a new initiative; and we will be very happy to brief the shadow minister on that fully further down the track. I am not quite sure what form our interstate activities will take in terms of inbound investment, but certainly the agency will be looking at attracting investment from the Eastern States and from other states into South Australia, as well as internationally. I will have to update the house on that once the situation is clearer.

At the moment, the focus has been on getting a chair, and we have done that—tick. We now need to identify a CEO. Once we have a CEO, the chairman, Rob Chapman—who has thrown himself at this with complete enthusiasm and is a fantastic person for the job—and the CEO need to sit down and work out the form so that we can answer that question for the shadow minister at a later time.

**Mr WHETSTONE:** Will the \$15 million over two years of the investment attraction be available to businesses currently operating in South Australia?

**The Hon. M.L.J. HAMILTON-SMITH:** It is possible that that is the case because businesses that are already here may seek to expand and grow and they may see an opportunity. For instance, let us say we win the submarine and surface ship program and some of the defence primes here want to grow their footprint. An international corporation like a Lockheed Martin, a Raytheon or a Hewlett Packard may seek an opportunity to grab something from elsewhere in the global network and bring it to South Australia. They may well come to us with a proposal, so it is possible.

What I am going to be very sceptical about is any request for support that is an attempt to hang on to jobs here to stop them from going interstate because the fundamentals of that business are in trouble. I would rather put the investment into the fundamentals of a business that is thriving than to try to throw money at a business that is struggling to survive to keep it here. I must say, I

have seen a fair bit of that over the years that I have been in this parliament, going right back to 1997. We will make sure that this fund is not milked by businesses that are in difficulty and seeking a cash handout.

We are looking here to bring in businesses for whom the economic fundamentals in South Australia are good. The rules or the guidelines as to what will frame a successful application will be determined by the chairman, the CEO and the board, who will provide advice to me that I can then provide to cabinet, through the EDCC, so that we have the right approach to investment. But, the answer to your question is yes, it is possible for existing companies to grow their footprint here by making application, as well as companies not presently in South Australia to come in using this fund.

**Mr TARZIA:** I refer to Budget Paper 4, Volume 4, Program 7: Opportunities for Small Business. There are over 100,000 small businesses operating in South Australia. Can the minister outline how many small businesses closed down in South Australia in the last period, 2014-15?

**The Hon. M.L.J. HAMILTON-SMITH:** I am not the Minister for Small Business, although I do co-chair with the Treasurer the Small Business Round Table, so I do not have that information, but I would have to ask you to refer that to the Minister for Small Business during his estimates hearing. I would, in answer to your question, agree with the member that this portfolio of investment attraction and international engagement and trade is vital to small business. One of my aims, having been in small business myself, will be to do everything I can to optimise the opportunities for small business from this portfolio, but on the broader snapshot of how small business is travelling across the state you will need to refer to the Minister for Small Business.

**Mr TARZIA:** Getting back to Budget Paper 4, Volume 4: Opportunities for Small Business, within your area of ministry, total expenses for this program were over \$2 million. I would like to know how many small businesses closed down in 2014-15 in SA and how many opened in 2014-15 in SA. I put it to you that the net number of business exits in 2013 was over 18,000. Could the minister outline to me, in regard to that program—and I appreciate if you do not have the data if you come back to the house—on page 100, what training services will be available to train employees and in what sectors of the business sector will this be concentrated?

**The Hon. M.L.J. HAMILTON-SMITH:** What budget page is the member referring to?

**Mr TARZIA:** Page 100, Opportunities for Small Business, State Development.

**The Hon. M.L.J. HAMILTON-SMITH:** I think you have just referred to a program which is not open—

**Mr TARZIA:** Expense line \$2.277 million, which—

**The Hon. M.L.J. HAMILTON-SMITH:** No; what I am getting at is that you have referred to a part of the budget paper which is not open for consideration in this session. Page 100, Program 7: Opportunities for Small Business, is a page in a program which is open under the auspices of the Minister for Small Business, so, obviously, I do not have the office for small business here with me today. It is a good question, but it is a question that is appropriately put to the Minister for Small Business, who is on tomorrow. So, if you can hold that question with baited breath for tomorrow, I am sure he would be delighted to answer it. Now that you have given us the head's up, we will make sure we pass it on so that he comes well prepared.

**Mr DULUK:** I refer to Significant Investor applications, Budget Paper 4, Volume 4, page 107, which is under consideration today. I note that, while fewer significant investor visa applications are expected due to changes in the qualifying investment criteria, increased applications are expected overall in 2015-16 as the federal immigration department will relax some of their business criteria. Can the minister outline why changes in the qualifying investor criteria are expected to result in fewer SIV applications, and which type of migration visas are expected to increase?

**The Hon. M.L.J. HAMILTON-SMITH:** Excuse me, can I ask the member for Davenport to refer me again. Is it page 107?

**Mr DULUK:** Correct.

**The Hon. M.L.J. HAMILTON-SMITH:** Is it business migration? Is it 892 and 839 visas or 132 and 188 visas that are you particularly interested in or both?

**Mr DULUK:** Both, but the significant investor applications associated with those.

**The Hon. M.L.J. HAMILTON-SMITH:** I thank the member for his question. This is something we are working quite hard at trying to improve. We can always do better. More new business migrants were nominated in this program than last year with 187 compared to 130. Of the 187 nominations, 46 were significant investors who were required to make a minimum investment of \$5 million each. Potential outcomes from these business migrants are \$167 million in investment and the creation of 369 jobs.

We promote these visas during trips to China by migration officers. There were four. In Malaysia there were two visits and they helped to achieve higher business migration nomination outcomes. The interim nomination target for 2015-16 is 200. This is achievable with the commonwealth introducing more favourable eligibility requirements for the business innovative visa.

Unfortunately, low numbers of significant investor visa applications are expected due to the new \$5 million complying investment requirements and a focus will remain on the attraction of high net worth 132 business talent migrants. Over the last two financial years, Immigration SA has been provided with an additional \$300,000 per year to reinvigorate the business migration program. From 1 July 2015, revenue from application fees will be used to maintain business migration promotional activities.

For your information, I have around 12 people working in this area within my agency, so it is an area that we value. Of course, the key decisions and policies here are determined by the commonwealth. Our job is to make sure that South Australia punches well above its weight and that we compete. However, I am advised that we feel some of the new visa requirements do favour the Eastern States a little, particularly in the way that they are structured.

**Mr DULUK:** In that regard, as the minister are you going to work in collaboration with the federal minister to maybe change some of that criteria to make it more attractive to South Australia?

**The Hon. M.L.J. HAMILTON-SMITH:** The commonwealth has been conducting a review of these arrangements with which we have fully engaged. We provided a submission on the visa reviews and we did express the view that we thought that the criteria disadvantaged South Australia to some degree. We have sought some special consideration for South Australia given our remoteness and those sort of interactions are underway and ongoing. I wrote personally to minister Robb about it.

**Mr WHETSTONE:** Moving on to international education, Budget Paper 4, Volume 4, page 71, targets. How many submissions did the state government receive for the formation of the South Australian International Student Strategy?

**The Hon. M.L.J. HAMILTON-SMITH:** I would just ask the shadow minister to indicate the page number again please?

**Mr WHETSTONE:** Page 71.

**The Hon. M.L.J. HAMILTON-SMITH:** I point out to the shadow minister that that program within DSD falls to the Minister for Higher Education (Hon. Gail Gago, in another place) and that her budget estimates are being managed by another minister, not by me, so it would be better to direct that question to her because she has the government officers and resources to answer it. However, can I say that minister Gago has been very supportive and engaged in our activities. There is an interconnect between international student attraction and what we are doing and we work very closely together, but she is in a better place to answer that question for you than me.

**Mr WHETSTONE:** Budget Paper 4, Volume 4, page 104 under Program summary. An extra \$500,000 was spent on employee benefit expenses in 2014-15. What area was that spent on?

**The Hon. M.L.J. HAMILTON-SMITH:** Employee benefit expenses have increased by \$0.5 million due to the transfer of two FTEs from the Greater Europe Desk and Research and Development Collaboration Unit within the Department of the Premier and Cabinet to the Department

of State Development in 2014-15. That was \$0.3 million, and funding for staff to administer the introduction of immigration application fees was the additional \$0.2 million.

To explain that further, my aim as minister has been to ensure that DPC and the office of the Premier have full confidence in our office and they rely on us to do the work, if you like, on international engagement. Partly as a consequence of that, two FTEs have been moved from DPC to DSD. I think our job is to make sure that the needs of Premier and Cabinet are met, so we are trying to make ourselves as useful as we can. It is an internal reorganisation of people moving from one agency to another. It bumps up our employee figures but there would be a corresponding reduction in DPC.

**Mr WHETSTONE:** I refer to page 58 of Budget Paper 4, Volume 4, Ministerial Office Resources. Your ministerial office budget is \$1.491 million and last budget period was \$1.446 million, which I presume your ministerial travel was funded from. I am led to believe that on 17 May you flew to Dubai on an Emirates flight, first class. If so, what were the arrangements for the booking, were your tickets upgraded and at what cost? Did anyone else travel with you and what were the ticket arrangements?

**The Hon. M.L.J. HAMILTON-SMITH:** Let me answer the back half of your question first. I will need to check that. I think you will find that all ministerial travel is business class. I will need to check but, from memory, I think you are correct that I and, I think, the CE of Defence SA, were both asked to go up to first class, which often happens when they want to bump extra people on. In economy or business class they push you up, and I assume we were asked to go up. A business class airfare was paid for and booked. I will need to check that. If we were upgraded, then that would be the reason. It would have been at the request or suggestion of the airline, but a business class airfare was paid for. I need to check if that is correct because I am not actually sure we were put up but, if we were, that would be the reason.

Yes, I remember this flight actually now that you mention it. Halfway through the flight, by the way, somebody had a heart attack in economy. Gracefully, in front of them was sitting the manager of the ambulance station in the Barossa Valley who was on holiday with his wife, and he was able to resuscitate the person. The plane was diverted to Thailand where we sat on the tarmac for several hours while the patient was removed and the plane was refuelled. We got to Dubai quite late, missed our connection and had to spend the whole day in Paris. Remembering that flight, it was not all that chipper really. I think the details that I have given you are accurate. So, to confirm, that was a business class flight and, if there was any reallocation, and I think there was, that was at the request of the airline or at their suggestion.

**The ACTING CHAIR:** The time having expired for further questions, I declare the examination of the proposed payments adjourned until later today.

*Sitting suspended from 11:31 to 11:45.*

## **DEFENCE SA, \$18,636,000**

### **Membership:**

Mr van Holst Pellekaan substituted for Mr Whetstone.

Mr Goldsworthy substituted for Mr Tarzia.

### **Minister:**

Hon. M.L.J. Hamilton-Smith, Minister for Investment and Trade, Minister for Defence Industries, Minister for Veterans' Affairs.

### **Departmental Advisers:**

Ms J. Barbaro, Acting Chief Executive, Defence SA.

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

Mr F. Eske, General Manager, Defence Industries, Defence SA.

Mrs M. Davis, Manager, Marketing and Communications, Defence SA.

Mr K. Naughton, Chief of Staff.

**The Hon. M.L.J. HAMILTON-SMITH:** I thank everyone involved in preparing for today on both sides of the house and staff. I am accompanied today by the acting CE of Defence SA, Ms Julie Barbaro, on my right. Mr Rob Barnett, General Manager, Corporate Services, is on my left. Also here are Mr Fred Eske, General Manager, Defence Industries, and Madeleine Davis, Manager, Marketing and Communications.

I will make some brief opening remarks before throwing it open so that the shadow minister can have a clear run at it. I want to use estimates today as an opportunity to state the South Australian government's position on the forthcoming defence white paper. That document, which is expected in the third week of August, is going to be the most important job statement this state and this country has considered for a very long time. It is very important that it not only defend the nation but that it defend jobs.

There are a number of things the South Australian government will hope to see in the white paper, and that affects everything we are here to discuss today in terms of budget. The first thing is that the submarines and frigates must be built in Australia. The South Australian government wants the white paper to rule out an overseas build of submarines or frigates, or a hybrid build where half of them are built overseas and half of them are built here. We believe that a hybrid build cannot be trusted. To tool up an overseas dockyard for an initial two or three submarines will invite a later decision to complete the entire run overseas.

So, that is our first point: they must be built in Australia, both frigates and submarines. The second is that the shipbuilding industry needs a continuous build. That means that there must be a continuous deal flow of surface ships and submarines; that means that we will need to have 12 submarines, not eight with a suggestion that there might be four to follow at a later time. History tells us that never happens. We were promised a fourth air warfare destroyer and it did not come. When the Oberons were built, there was a suggestion that there be further submarines and they never happened. It must be 12 submarines. Only in that way can we guarantee a continuous build, and it must be a continuous build of both submarines and frigates. That is the second point: a continuous build.

The third point is that there must be at least 70 per cent Australian content in whatever we build. We need to define what an 'Australian build' means. For the Collins, the commitment was to 70 per cent of the Collins submarines being Australian; some part of that was South Australian and other parts were around the nation, but 70 per cent was Collins. In the case of the Anzac frigates, 82 per cent of the Anzac frigates was local—some component of it was from New Zealand because we were building for them as well—and 82 per cent for surface ships is a reasonable guide, but it should be a minimum of 70 per cent. That flows through to major projects like LAND 400 and combat vehicles, a \$10 billion project. In our view, it really should have had around 70 per cent local content, whereas it actually has zero content in mandated terms, and that is unacceptable.

Those are the three key things we want to see from the Defence White Paper. It is not too late. The National Security Committee of cabinet is meeting later this week to make sure that this white paper not only defends the nation but defends Australian jobs. We need both submarines and frigates to be built in Australia, the shipbuilding industry to have a continuous build of both surface ships and submarines, and for there to be a minimum of 70 per cent local content.

If those three things are delivered in the white paper, that would be fantastic news for Australian industry and Australian jobs, and that will have a big impact on the budget papers, and the budget outcome highlights we are talking about here today, because the focus of everything we are doing with our budget in Defence SA at the moment is focused towards winning the submarine and frigate work for our own country first and South Australia second.

We cannot do it without Victoria, without Western Australia and without New South Wales. The whole suggestion that we are wanting all that work for South Australia just does not wash. If you look at the frigates, the air warfare destroyers, a good part of them have been built in Victoria and New South Wales, at Forcacs and Williamstown; so the other states and South Australia are in this together.

However, we do believe that the sums of money that we are talking about here—\$250 billion over 30 years, \$50 billion for the submarines alone and 120,000 man years of work—are that big that these decisions cannot be left to Defence alone and Canberra alone: they must be made in consultation with the states—we provide the workforce, we provide the infrastructure, we provide the universities and the TAFEs that make it all possible, and we have invested \$350 million almost down at Techport to make it all a prospect for the future. We want to be part of the decision, and I think all the states and territories would agree that it is so important that we all need to be involved.

They are the things we are looking for from the Defence White Paper, which is going to be such an important document for this nation and for this state. With those remarks, I am very happy to open up the estimates hearing straightaway for the opposition.

**Mr VAN HOLST PELLEKAAN:** I will make a brief opening statement, too, on behalf of not only myself as the shadow minister but also the opposition. Let me say to start with that I agree with absolutely everything that the minister has just said. To his credit, he has not done today what he and some of his colleagues have done on other occasions, that is, to try to make it seem as if the opposition has a different view—because the state opposition actually has exactly the same view. We understand how important defence industries are in our state with regard to both the economy and jobs but also, very importantly, to the fact that it is the work that creates the equipment, and in some cases the services, that support our armed services overseas.

I think we have every right to have a very large share of that work. As the minister said, we provide the workforce, the technology and many other things. South Australia actually also provides the armed forces personnel who are working on our behalf as a nation, both within Australia and overseas, so we have every right to ask for that sort of broad thinking when it comes to actually making decisions.

Of course, it is a very complicated situation. It is very difficult to have the federal government and the Department of Defence as the customer and also as an organisation that needs to make—and, in my opinion, should be making—decisions for our nation as a whole at home, not only defence decisions but economic decisions as well.

There are a lot of complicated interrelationships. It is not simple and we all know that, but the opposition is in lock step with the government with regard to the outcomes that we are working for. Where we differ, though, is that we are not trying to use this issue as a political football. We are working quietly and constructively to the very best of our ability with the defence minister, with his team and with the federal government more broadly.

Let me just say again, because this should be very clearly understood by everybody who has an interest in this issue, that we are looking for exactly the same outcomes, but we are not trying to use the media in the way that the government is. If the federal government makes the decision we want, the state government will claim credit for it because they made a lot of noise in the media, and if the federal government does not make the decision we want the state government will say, 'See, you heard us in the media; we tried everything we possibly could.' We are looking for exactly the same outcome.

With regard to defence industries more broadly, let me just thank all those people who contribute, from the small all the way through to very large companies in our state. Also, let me put on record my appreciation and thanks to the Defence Teaming Centre and the board chair, Jack Mahoney, and CEO Chris Burns for the work they do.

With regard to complications, I would also like to say that in my opinion one significant impediment to the issue we are dealing with at the moment with regard to submarines—and, of course, that is not everything in defence industries—is the fact that the federal government, the taxpayer, owns ASC, and ASC being so integrally connected is another complicating factor. My

personal opinion is that a component of the productive way forward is for the federal government not to own ASC into the future.

That is no criticism of ASC management, their workforce or what they have achieved: it is just a complicating factor of this whole business. I can understand that there might be desires in Canberra to have control, but that control needs to be taken very selectively and very carefully, and I think that is an issue that really needs to be dealt with as part of this bigger picture. I will finish by putting on record my congratulations to Mr Andy Keough who, I understand, has been successful in being selected as the new CEO of Defence SA. I wish him all the best in that role.

My first question, referring to Budget Paper 4, Volume 1, page 195, is on workforce strategy. Minister, can you provide your and your department's best and latest understanding of exactly how many people are working directly in the defence industries sector in South Australia? Also, of those people, how many are directly involved in naval vessel building or sustainment?

**The Hon. M.L.J. HAMILTON-SMITH:** I thank the shadow minister for that question. As he knows, Defence SA is the lead agency for target 43 in South Australia's Strategic Plan, which is, 'Increase defence and defence industries annual contribution to our economy to \$2.5 billion and employment of 37,000 people by 2020', with a milestone of \$2 billion and 28,000 people by 2013.

Obviously, decisions that will be made in Canberra about submarines and surface ships will determine largely whether or not that is achievable, because a lot of the decisions are out of our hands. The defence sector, industry and government combined, employment remains steady. At 31 December 2012—these are the latest thorough figures we have, and they are a couple of years old—South Australia's defence sector employed 28,666, up from 26,882 in 2010-11.

There may have been change since then, but we have not been able to adequately assess that at this point. The 2012 result is above the milestone of 28,000 by 2013, but I do recognise that, with up-to-date information, things may have moved.

South Australian-based companies earned defence-related revenue of around \$1.95 billion in 2012. This revenue figure is a slight increase on the 2010-11 result of \$1.8 billion and is directly attributable to the air warfare destroyer project. The defence industry directly engaged 4,985 full-time equivalent people in 2012, down from 5,189 FTEs in 2010-11, reflecting the end of the major armoured vehicles program offset by increases in the AWD program. The defence industry is estimated to have contributed around \$1.014 billion to the state's economy in 2012, up from \$972 million in 2010-11.

As we know, the commonwealth is set to increase defence spending over the medium to longer term, but how that washes out depends very much on the white paper. Meeting the 2020 targets will be a challenge without a strong commonwealth commitment to a continuous deal flow for local industry and local industry participation in projects. Understanding the impact of defence industry activity on our economy and employment numbers assists the state government to identify workforce trends and to develop and implement policies to support the advanced manufacturing sector.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister, and, yes, I do understand that what happens with the submarine build will certainly have a big impact, but I do not believe that the industry or the state or federal government would have been aware of any commitment from the federal government with regard to submarines back in 2011 when the state government set its target of 37,000 people, so I think it is then fair to ask: putting the submarines aside for just one minute, how is the government tracking to achieve that target?

**The Hon. M.L.J. HAMILTON-SMITH:** First of all, just on that point, up until about a year ago, the state government and every other observer of these matters across the nation was understanding that the frigates and submarines would be built in Australia. The former federal government was planning to build an Australian submarine—12 of them. There was a change of government. In the lead-up to that election, the current federal government promised that there would be 12, so everyone has been working for many years on the basis that there would be 12 submarines built in Australia and a frigate to flow on from the air warfare destroyer.

So, the projections that we set did reflect the presumption that there would be ongoing submarine work. If the submarines are built offshore, we would expect that these job figures will not be achieved. There will be a dramatic dive off in the number of jobs in defence in the state. Similarly, if the frigates were built overseas along the LHD model where, with the helicopter-capable ships, 80 per cent of them were built in Spain at Navantia at Ferrol and only 20 per cent of the work was done here, there will be an even further dive off.

The other thing that has changed that is really worrying in regard to our job criteria is the current federal government has moved the goalposts on projects like LAND 400 as well. At the time these job projections were made, everyone was expecting that LAND 400 would be let as an entire offering of up to 1,100 vehicles.

**Mr VAN HOLST PELLEKAAN:** Back in 2011, those were the assumptions, were they—when the target was set?

**The Hon. M.L.J. HAMILTON-SMITH:** I can get further information. The LAND 400 was variously described as a project of up to 1,100 vehicles, then the numbers dropped to about 800. It was to be let as one tranche. I think, when we determined these job prospects, there was a sense that LAND 400 would be a much bigger offering than it has turned out to be, let in a different order.

Since then, the commonwealth decided to tranche LAND 400 into component parts with the first section being around 250 vehicles and then subsequent sections. There might be more information on this in the white paper; we will see.

The other important thing is that when these job figures were projected there was an expectation that there would be a level of local industry content in the LAND 400 offering. I visited General Dynamics in London, Canada, and GDLS are one of the parties bidding for LAND 400. I also visited Rheinmetall in Kassel, Germany, when I first took over as minister. Both of them told me the same thing which is that they have large organisations there to deal with local industry participation from their customers and that when nations turn up with an order they naturally have the local industry participation plan team there to build that in.

An example I was given in Kassel, Germany, was of a plant that was built in the Netherlands to build only 200 Rheinmetall vehicles, which is a similar-sized run to our first tranche of LAND 400. On that basis of a rate of production of one vehicle per week, they built a factory in the Netherlands to produce one vehicle a week for four years to fill the order, and then the factory moved into sustainment of that vehicle. So, they have actually built a capability in the Netherlands, and the Netherlands government required that.

What our government has done, what the current coalition government has done, is required zero local industry participation in LAND 400—zero. As you heard from my opening remarks, we would have liked to have seen 70 per cent; that would have ensured that we had something like the Netherlands. A factory might have been set up in the electorate of the member for Giles in Whyalla; it might have been set up in Port Augusta in my honourable friend's electorate, the shadow minister's electorate; or it might have been set up in Davenport. It could have been set up anywhere.

But by not requiring any local industry content, the federal government has signalled that the bidders do not have to put a single Australian job in if they do not want to. They can literally ship them out here, load them out, put a numberplate on and drive it away; and that has changed the ground rules for LAND 400. Now we did not know that when these job figures were forecast. So, decisions being made in Canberra are affecting those job figures. At the time when they were crystallised, we were all working on the theory that we had an Australian government that would be backing Australian industry participation. Now there are questions about LAND 400 and questions about submarines, so it will affect it.

In regard to trying to excise submarine and shipbuilding jobs from the figures, I would have to come back to you with more accurate information, but I can tell you today that the AWD project, which is now around its peak, involves 2,300 highly-skilled jobs directly employed in South Australia out of 3,120 in the national project workforce; that the AWD project will meet its Australian industry involvement target of 50 per cent—not enough in our view—about \$2.3 billion of which will be spent in South Australia; and that over peak, through until 2015-16, the AWD project is estimated to directly and indirectly contribute an average of \$317 million per annum and 2,943 jobs to the South Australian

economy. But they are just indicative figures for the AWD project alone. I imagine submarines would be far more.

Goran Roos has organised, on our behalf, economic modelling done out of Victoria which demonstrated that the submarine project would be worth 120,000 man years of employment, much of it in South Australia should it be built here. If I can come back with further information, but it might involve consultants and some fairly detailed number crunching to try and excise the shipbuilding figures because it is a complicated set of figures.

**Mr VAN HOLST PELLEKAAN:** With regard to LAND 400, you mentioned having visited GDLS and Rheinmetall; have you visited or met with any of the other potential bidders, and what have you or the government offered the potential bidders as encouragement to build the LAND 400 vehicles here in South Australia?

**The Hon. M.L.J. HAMILTON-SMITH:** The answer is, yes, I have met with other bidders. I have certainly met with BAE. I met with BAE in London and I have also met with them here in Adelaide. The other bidder, Patria, I have not met, but my agency has. We are in negotiations and dialogue with all of the bidders. As you know, BAE have a strong presence in South Australia as do GDLS, which, I think, have about 100 people working here at the moment on vehicle programs of one form or another.

In regard to negotiations with each of them, the state government has a well-publicised plan for a land combat vehicle systems park, which we would like to see constructed out in the north near Edinburgh air base. We developed our offerings for LAND 400 when we were hoping that there would be up to 1,100 vehicles and a high level of Australian industry content. I must say, the tranching of the program and the fact that the Coalition government did not demand or require any local industry participation really narrowed the honeypot significantly. Suddenly, there was uncertainty about how many jobs, if any, would be on the table to justify a state government contribution. It gets back to the question of how much are you prepared to offer to buy a job.

It raises the interesting prospect that if you have a federal government in Canberra which does not see the value in requiring Australian industry content in a \$10 billion vehicle program, why should the state taxpayers be asked to chip in and pay for what the federal government should have been doing, which is requiring Australian industry content. When you are a minister trying to justify to the Treasurer a commitment to support something like LAND 400, it does not help when your own federal government has not been prepared to get behind the program by requiring Australian industry content. In that respect, the federal government, I think, has let the program and Australian workers and Australian industry down significantly on the matter of LAND 400.

I must say that Rheinmetall and GDLS, when I visited them, and BAE as well, I am sure, were in gobsmacked disbelief that the Australian government did not require local industry content in the program. I think it was GDLS that told us—and I stand to be corrected—that every other customer they negotiated with, as government, required local industry content. They could not believe that there would be a government anywhere in the world that did not require local industry content, but we have got one. That changed things significantly.

On the details, we remain committed to our land combat vehicle systems park, and we have made a confidential proposal that involves assistance to each of the bidders. That has been done on a confidential basis. Obviously, we are competing with other states for this work, and the companies themselves are competing with one another, so it is not appropriate for me to detail any further what it comprises. The bids, I understand, close on 4 September, so perhaps after that time we may be able to be more fulsome in our explanation of what has been on the table. As you know, there will be a down-select process there at some point, and the number of participants will be narrowed. I sincerely hope that we will be able to attract that work here.

I think we are quite competitive. Our focus as a state government is to not get into a competition with other states. Our view is that the important thing, with Australian defence work, is to get the work into Australia so that Australian businesses and Australian workers get it. We would be delighted if a bit more of the LAND 400 work came to Australia, whether it was Victoria, Queensland or South Australia. Ideally, of course we would prefer as much of the work to be in

South Australia as we can, but if it is Melbourne or Queensland, South Australian companies we will still have a chance to bid for subcontract work within that program.

We will be aiming to get a slice of the action and, similarly, if it were to be built in South Australia, then Victorian or interstate companies likewise. We are in this together. We are a team, team Australia, and we would rather see the work done in Australia first but, of course, we have made an offer to try and bring the project here. The important thing about that is, if we get the first tranche here, whoever wins it will be very well positioned to bid for the subsequent tranches of LAND 400 further down the track, and that is where the true benefit may lie.

**Mr VAN HOLST PELLEKAAN:** Yes, it would be good if the request for tender included a requirement for local content. It is worth putting on the record that one of the key considerations when evaluating the tender will be the amount of local work. That is clearly in there, so it is not as if the federal government has ignored that entirely. I accept what you are saying about confidentiality with regard to the support packages that you have offered to the various bidders. Can you advise whether you have put the same offer to each of the bidders?

**The Hon. M.L.J. HAMILTON-SMITH:** Yes, we have. We have been completely straight with each of the four bidders. They have been offered exactly the same offering. We are not picking winners or losers here. We have been open to all of the bidders. I must say that the team—Julie, Fred and others on the team and Mr Callen, our land officer—have all done a brilliant job in dealing with those four bids.

**Mr VAN HOLST PELLEKAAN:** I understand that this package would be considered in the context of being an investment, but what would the all-up cost of this package be to the taxpayer?

**The Hon. M.L.J. HAMILTON-SMITH:** I cannot really indicate that to you without breaching the terms of the confidentiality agreement that we have entered into with each of the companies and without foreshadowing to other states what we have on the table and therefore disadvantaging Australian businesses and workers and South Australian businesses and workers, so it is probably not appropriate for me to elucidate on that at the moment.

**Mr VAN HOLST PELLEKAAN:** In a similar vein, with regard to future submarines, of the three countries/companies that are participating in the competitive evaluation process, what has the state government offered to them in the way of support packages to encourage them to build the submarines here? We all understand that there are three offers required, so let's just focus, if you would, on the local build perhaps.

**The Hon. M.L.J. HAMILTON-SMITH:** I thank the shadow minister for his question. First of all, we as a state government and I personally have been very active in pursuing this project for South Australia and Australia. Again, our approach to the challenge of submarine and frigate work has been that the important thing is to get the work to wherever in Australia. It is about Australian jobs and Australian industry.

Next is to get the best slice of that work for South Australia, but we have entered into a partnership, if you like, with Victoria, in particular, to work together on this because, regardless of where it is based, both of our states and our workers and our industries will benefit. That is the approach we have taken. It is a collegiate approach with our fellow states.

Secondly, one of the first things I did was to go to Ferrol in Spain to visit the Spanish shipyard doing the LHD in the frigate. I have also been to France to talk with DCNS. I have been to Germany, to Kiel, and looked at the German offering, which is substantial. I have not yet been able to arrange a visit to Japan, but my officers have. Mr Eske and Mr Andrew Jackman attended in Japan some weeks ago and we have had multiple conversations with the Japanese in one form or another about their offering. I am arranging a visit there later in the year, hopefully in September, and the indications we are getting from Japan are that they are happy to receive a visit. I note that the Hon. Nick Xenophon was up there a couple of weeks ago. I think it is very important that the Japanese offering engage.

The state government is agnostic on the issue of which model is chosen and we would be happy to see German, French or Japanese. That is a decision for the Navy. It is a decision for the coalition of the federal government. Our line in the sand, though, is that the work must be done in

Australia. As I have indicated, at least 70 per cent of that work should be done here, and we will not be wanting a hybrid build or an overseas build.

In regard to your specific question focused on what assistance package, we have not negotiated anything with any of the bidders, nor has any request of a specific nature been made by any of the bidders, except that we have indicated to all of them that we will do whatever it takes or whatever we can to assist with their bid and inquiries. We have made our good offices available to them. Defence SA has facilitated visits and reached out to make sure that we help them to do whatever they can and to assist in whatever way we can to make sure that they connect up with local companies, workers, unions and so on.

Further, the Premier has indicated publicly (noting your earlier point about ownership of the shipyard) that the South Australian government would be prepared to enter into a discussion with the commonwealth and any successful bidder about the future ownership of the shipyard, including our \$350 million investment down there. We have signalled to all the bidders that we would be happy to have that on the table. That is money we could return to the South Australian taxpayer—we do not think we need to own a shipyard—but I do think it was an intelligent investment by the state government, years ago, to make that Techport investment, otherwise we would not even be in the frame, and we are in the frame.

The answer is: there is no specific offer that has been sought or made. However, if we were successful in winning the submarine and frigate work to South Australia, I expect there would be an infrastructure commitment in some form, but the exact shape of that is yet to be determined; who would contribute and what form that might take, I think we are too early in the process at this stage to be sure about that.

**Mr VAN HOLST PELLEKAAN:** Can you commit that you would make the same offer, once those negotiations proceeded and were concluded, to all three bidders?

**The Hon. M.L.J. HAMILTON-SMITH:** Yes. We are, as I have said, agnostic on the question of which design is selected. That is for the Navy and the federal government. Of course, there are issues, as there always are, with language if you are dealing with a country that operates in another language. All the three bidders operate in another language, so they are considerations that the commonwealth and the Navy need to make when they select.

I am sure they are all very good submarines. Our job is to protect South Australian businesses and South Australian workers and their futures and to grow the state of South Australia. This is the biggest job decision this state has faced since World War II, and we have been elected to bat for the people of South Australia so it is our job to put our best foot forward, not necessarily to fulfil the dreams of others. We are looking to the dreams and wishes and aspirations of our own people here at home in South Australia.

**Mr VAN HOLST PELLEKAAN:** Moving forward two pages to 193, the budget last year said that the expected completion date for the common user facility at Techport was December 2014. When was that completed and were any additional expenses incurred?

**The Hon. M.L.J. HAMILTON-SMITH:** I will have a go at it initially and, if I need any support, I might ask Ms Barbaro or Mr Eske to elaborate. The approved budget for the CUF was \$254.552 million. As at 31 May 2015, \$253.963 million had been expended on the project. Installation was completed of a cathodic protection system to mitigate corrosion on the wharf and ship lift piling, and this system is now in operation and works commenced on the construction of a new building to provide office accommodation, changerooms, ablutions and other amenities for the maintenance staff employed at the common user facility since it began operations in 2010.

There are six maintenance staff currently employed, envisaged by the original CUF operating concept. Appropriate accommodation was never provided under the initial CUF construction. Personnel are currently in temporary demountable accommodation. Construction of a new building is expected to be completed in August 2015.

There were some expansion works. In 2012-13 the state government committed \$2 million to expand direct access to the CUF at Techport. Works in late 2012 have now been completed. Works undertaken include site utilities including power, water, sewerage, stormwater, site lighting,

CCTV surveillance and communications, laydown areas and fencing to land on the western side of Mersey Road.

The strategic site is immediately across the road from the existing CUF site and reserved for future naval shipbuilding work under an MOU with the commonwealth. The land is currently being utilised by ASC for the laydown of parts associated with the air warfare destroyer (AWD) program and the ability to accommodate multiple naval programs, including a second shipbuilder if required, at Techport remains critical to the commonwealth to provide for ongoing competition within Australia's naval shipbuilding industry. A central remedial dredging of the shiplift pocket to maintain operations and meet state contractual obligations in relation to AWD has been underway.

Funding of \$1.1 million was initially allocated in the 2014-15 budget; however, this has been deferred to 2015-16 following a request from the ASC and the delay will allow the ASC to undertake maintenance dredging of their own shiplift at the same time. In these circumstances ASC and Defence SA will be able to share the costs of a combined dredging program which are now planned to commence in quarter one 2016. By the way, the CUF was delivered on time and on budget in February 2010 in line with the AWD program schedule. It includes a 213-metre long wharf, 13,500-tonne capability shiplifts (largest in the southern hemisphere), a runway and dry berth, ship transfer system, and associated admin and operational infrastructure.

**Mr VAN HOLST PELLEKAAN:** So, if it is completed in August this year it will be eight months late but it will be 100 per cent completed, the expansion.

**The Hon. M.L.J. HAMILTON-SMITH:** I will ask Rob to answer this.

**Mr BARNETT:** Yes, the completion of that admin building is really the last component.

**Mr VAN HOLST PELLEKAAN:** Thanks, Mr Barnett. Minister, with regard to the government's and the opposition's strong desire to have submarines built here in South Australia—as much of them as possible built here in South Australia—are you familiar with a letter that was written by then acting defence industries minister, Jack Snelling, in January this year to the Premier recommending that the state government adjust its approach for the way in which it interacts with the federal government to give South Australia the best opportunity to win as much of that business as possible?

**The Hon. M.L.J. HAMILTON-SMITH:** I am no doubt aware of it but I would have to see the letter. You have given a paraphrasing of what you think is in the letter. I would have to see the letter.

**Mr VAN HOLST PELLEKAAN:** It is a letter provided under FOI to me from 5 January this year—so presumably that would have been the health minister as acting defence minister while you were on holidays at that time of year or something similar. Essentially, what it says is that he recommends—and this is a quote—to the Premier that:

The three-point plan release...provides an opportunity to reset productive State-Commonwealth dialogue on naval shipbuilding matters, as does the appointment of a new Minister for Defence.

That being minister Andrews. What I am getting at is that the acting defence minister clearly had a view that the way negotiations and discussions and the relationship between state and federal government was developing was not in the best interest of the state. I have never been in government but I assume that for an acting minister to write something like that to the Premier, while acting in the role, is reasonably unusual, so he must have felt fairly strongly about it. I think anybody who looks and listens to the media would agree that the state government's approach has not changed. Is that because, minister, you disagree with what minister Snelling recommended?

**The Hon. M.L.J. HAMILTON-SMITH:** I probably drafted the letter, which would be quite the norm. I will have a look at it and I will get back to you. We have, as a government, reviewed and reorganised our approach to the commonwealth on multiple occasions in the last 12 months. I probably drafted that letter. I would have to see it but whatever you have just read I would probably agree with completely.

The point of it was that the former minister, after the canoe comments, made an absolute—I will be measured in my commentary, but he was gone. I felt that the appointment of a new defence

minister presented an opportunity for us to reset our negotiations with the commonwealth on this issue, and we have, and may I say that I have found minister Andrews good to deal with.

Let me just go back and give you some background here, and I will be quite frank, I think the current federal government has been arrogant in its dealing with this state, and other states, on defence issues. I think the presumption was that these decisions would be made by the Prime Minister and the federal government without consultation with the states and the states would dutifully do whatever the commonwealth told them to do.

That was the attitude. If that meant the loss of thousands of jobs in South Australia and if that meant that people who owned small businesses who were contractors in the defence industry would lose their homes and their businesses, well who cared? I think that was their attitude. That was certainly the feeling I got under the former defence minister.

We reached out to the commonwealth in multiple ways because we wanted to have an intelligent and collegiate dialogue with the commonwealth on submarine and naval shipbuilding, but I can tell you this: the minute I found out and we as a government found out that the federal government that we have today was seriously considering building 12 submarines, using \$50 billion of the Australian taxpayers' money in somebody else's country, creating jobs and enterprise for kids in somebody else's country rather than our own, writing away the jobs of young South Australians, I tell you what, any sense of collegiate conversation went out the door.

The Premier and I, with industry and the unions, had some very frank discussions and I can tell you that we, as a state government, are not going to sell South Australia down the line because somebody in Canberra thinks it would be a good idea to build submarines overseas, using our people's money, so that our navy goes to sea in technology that has been built and sustained overseas, denying putting them at risk and putting Australian jobs at risk.

We saw a change of ministers as an opportunity and we have been engaged with both ministers, but I would say this: the federal government will get along much better with the South Australian government by engaging with us collegiately and professionally, as we have sought to do, than it would be by ignoring us. If you ignore the state government then the state government has lots of ways to get its point of view on the public and national agenda. It is much better to deal with us professionally and collegiately than it is to deal with us through the media.

So, I probably drafted that letter. I would be very happy to see it. I am sure I have before. There are no surprises there. I think we saw the change of federal ministers as being a great opportunity to improve our relationships. But I will tell you this, and I will put this as politely as I can: what the Australian people expect from their politicians is they expect us to deal with one another professionally and in their best interests.

They take a very dim view of partisan warfare, where a party of one political persuasion in Canberra chooses to thumb its nose at a state government simply because that state government is of another political persuasion. They do not want a Coalition government in Canberra to run roughshod over a state Labor government just to score political points, and I must say to you that over the last 12 months there has been plenty of that. We will stick up for ourselves and we will stick up for South Australia.

Can I add that the Australian people expect the Minister for Defence in Canberra to deal collegiately and professionally with the Minister for Defence Industries in South Australia regardless of political persuasion, party membership or allegiance. We owe it to the people of South Australia to serve them, not each other or any political agenda. In my view, under the former minister for defence, the Coalition let the Australian people down in that regard. The current Minister for Defence has done much better.

But I can tell you that I, as the Minister for Defence Industries, and this state government will fight while there is breath in our body to save the jobs and businesses of South Australia. We will argue our case to the commonwealth in whatever way we can, preferably face to face.

**Mr VAN HOLST PELLEKAAN:** Minister, you know from my opening statement that the opposition believes in that principle exactly as you have just outlined it.

However, getting back to the substance of this letter which you say you drafted, and I accept that, given that you drafted it and that you believe these sentiments, even though they have gone out under minister Snelling's signature, any observer of this issue, whether from within defence, from within defence industries or as a layperson watching from the outside, would have to know that the South Australian government's approach when dealing with the federal government has not changed at all. Does that mean that the Premier disagreed with this recommendation which you wrote and minister Snelling signed off on?

**The Hon. M.L.J. HAMILTON-SMITH:** No, I tell you what: I will have a look at the letter and I will get back to you because I think a number of the assertions you have just made—your paraphrasing or interpretation of the letter—are, in my view, completely wrong. I will read the letter and I will provide my own interpretation of what it says, not yours, because I think yours has been framed with a political view. I do not think there is anything remarkable in that letter; I agreed with it, actually. I think it was a great opportunity with a new minister, and we did reach out and I did meet with minister Andrews quite early in his tenure, and I am meeting with him again very shortly, and we have quite a constructive dialogue.

I would simply say this: if Liberals want to put the Liberal Party ahead of the best interests of the state, they do every worker and every business in this state a disservice. I would simply say this, and I will be subtle: I would expect every state Liberal MP to be telling the Prime Minister and the Minister for Defence in Canberra to deal as professionally and capably with me and with the Premier as they can in the best interests of our state. If there is any smart Alec who would advise anyone in Canberra not to deal with the Premier or myself for any reason, then they are simply chewing up South Australian jobs and South Australian businesses. That would be extraordinarily unprofessional.

You lost the last election and things are where they are. Let's now do everything we can to advance the cause of Australian workers and Australian businesses by working together. That is what I have offered to do and the Premier has offered to do from the very beginning of this dialogue. Let me tell you something: when you find out that you have a federal government that has moved the goalposts and that is going to build 12 submarines overseas and take all that work away from Australian workers, there is only one position you can take. I heard what the shadow minister said about the state Liberal Party agreeing with us that we should build the submarines here. I and the state government have said that publicly, forcefully and energetically. We have disagreed with the federal government. Why haven't you? Why hasn't the state opposition?

**Mr VAN HOLST PELLEKAAN:** We have actually made our point of view very clear, publicly and privately, and you know that to be the case.

**The Hon. M.L.J. HAMILTON-SMITH:** I am not sure that is the case.

**Mr VAN HOLST PELLEKAAN:** What this is actually about is whether it is better to work with them to get the best result or against them to get the best result, and we clearly have a different view on that, as I said in my opening statement.

My next question, referring to Budget Paper 4, Volume 1, page 194, is about grants and subsidies. Did the former CEO of Defence SA, Malcolm Jackman, propose or discuss with the minister a plan to cut funding for DTC in September? While the minister is finding the appropriate notes, I will quote from—not paraphrase—an email between senior Defence SA staff at the time, dated 28 September:

None of these seems palatable options but if the focus must be on costs then there will be consequential negative impact on what we are being asked to achieve in terms of growth. Right now, my inclination is to reduce DTC funding.

That is the reason for asking whether the then CEO discussed that with you, minister.

**The Hon. M.L.J. HAMILTON-SMITH:** Let me talk about the Defence Teaming Centre.

**Mr VAN HOLST PELLEKAAN:** Did he discuss it with you or not?

**The Hon. M.L.J. HAMILTON-SMITH:** First of all, the Defence Teaming Centre provides a very important support framework for defence industries, and the state government and the DTC enjoy a close working relationship, as we do with the union movement. The DTC represents industry;

the union movement represents workers. We have provided quite a bit of support to the DTC. That includes funding that you might refer to as baseline funding, as well as funding for certain other activities that the DTC undertakes—industry and enterprise development activities and acts to serve its membership base.

DTC provides a key leadership role in South Australia in supporting workforce development training and skills acquisition in the state's defence industry. The state, through Defence SA, has provided funding to the DTC to help it with an industry advocacy, sustainability and workforce development program.

**Mr VAN HOLST PELLEKAAN:** Minister, did you discuss cutting their funding?

**The Hon. M.L.J. HAMILTON-SMITH:** I am getting to that. I am just explaining how important the DTC is to what we do. The four-year funding agreement—

**Mr VAN HOLST PELLEKAAN:** We know that. We accept that.

**The Hon. M.L.J. HAMILTON-SMITH:** I am just making sure you know all the facts.

**Mr VAN HOLST PELLEKAAN:** It was in my opening statement.

**The ACTING CHAIR:** Order! He is allowed to answer the question in any way he sees fit. If he wants to give you background information, he is allowed to do it.

**The Hon. M.L.J. HAMILTON-SMITH:** The four-year funding arrangement concludes on 30 June 2016 and totals \$1.97 million. In addition, the state is partnered with the DTC—and this was an election promise—in a \$0.5 million per annum election commitment totalling \$1.063 million to better integrate South Australia's automotive capabilities into the defence sector.

A grant of \$325,000 over 2014-15 and 2015-16 has also been provided to the DTC to support the state's naval shipbuilding advocacy program. The funding is released quarterly to the DTC, contingent on satisfactory performance against an agreed annual project plan, which details planned outputs and initiatives.

I could go into more detail, but the thrust of it is: have there been vibrant interactions within government about our support for the DTC and what form it should take? Of course, there have been. There always are and there have been since the DTC was formed. The important thing for today's hearing is to know what decisions the government has made in regard to its support for the DTC and I have just enunciated them to you.

**Mr VAN HOLST PELLEKAAN:** I have lots more questions but, unfortunately, because of the time, I need to ask the member for Kavel to read the omnibus questions onto the record.

**Mr GOLDSWORTHY:** The omnibus questions are:

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2014-15 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 2014-15, please provide the number of public servants broken down into heads and FTEs that are (1) tenured and (2) on contract and, for each category, a breakdown of the number of (1) executives and (2) non-executives.

3. In the financial year 2014-15, for all departments and agencies reporting to the minister, what underspending on projects and programs (1) was and (2) was not approved by cabinet for carryover expenditure in 2015-16?

4. Between 30 June 2014 and 30 June 2015, will the minister list the job titles and total employment cost of each position with a total estimated cost of \$100,000 or more which (1) has been abolished and (2) which has been created?

5. For each department and agency reporting to the minister, please provide a breakdown of attraction, retention and performance allowances as well as non-salary benefits paid to public servants and contractors in the years 2013-14 and 2014-15.

6. For each year of the forward estimates, please provide the name and the budget of all grant programs administered by all departments and agencies reporting to the minister and, for 2014-15, 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, the purpose of the grant and whether the grant was subject to a grant agreement as required by Treasurer's Instruction 15.

7. For each year of the forward estimates, please provide the name and budget for each individual program administered by or on behalf of departments and agencies reporting to the minister.

8. For each year of the forward estimates, please provide the name and budget for each individual investing expenditure project administered by or on behalf of all departments and agencies reporting to the minister.

9. For each department and agency reporting to the minister, what is the budget for targeted voluntary separation packages for the financial years included in the forward estimates by year and how are these packages to be funded?

10. What is the title and total employment cost of each individual staff member in the minister's office as at 30 June 2015, including all departmental employees seconded to the ministerial offices and ministerial liaison officers?

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

**DEPARTMENT OF TREASURY AND FINANCE, \$55,722,000**

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,  
\$1,592,537,000**

**Membership:**

Dr McFetridge substituted for Mr van Holst Pellekaan.

Mr Williams substituted for Mr Duluk.

**Minister:**

Hon. M.L.J. Hamilton-Smith, Minister for Investment and Trade, Minister for Defence Industries, Minister for Veterans' Affairs.

**Departmental Advisers:**

Mr R.Manton, Director, Veterans SA.

Mr T. Crowe, Principal Management Accountant, Department of Treasury and Finance.

Mr K. Naughton, Chief of Staff.

**The ACTING CHAIR:** I declare the proposed payments open for examination, and I refer members to the Agency Statements, Volume 4. I call on the minister to make a brief statement, should he wish to do so, and introduce his advisers beside him. The lead speaker of the opposition may wish to make a statement, and then we will proceed to questions.

**The Hon. M.L.J. HAMILTON-SMITH:** Can I thank the committee and everyone involved in preparing for today for their efforts. On my right is Mr Rob Manton, the Director of the Veterans agency, and on my left is Terry Crowe, Principal Management Accountant, Department of Treasury and Finance, which administer the agency. We have all the people we need. I thank the shadow minister for the effort that has been put into preparing for today.

I do not think there is any need for lengthy opening remarks, other than to thank Rob Manton for the effort he has put in over the past year in taking over the agency. We have beefed the numbers up slightly to cater for the centenary of ANZAC, taking on an additional three people, and there is a program of activities that no doubt we will outline shortly. I will hand over to the shadow minister to ask questions.

**Dr McFETRIDGE:** Can I just start by saying that I have enjoyed working with the government and this minister in veterans' affairs. It is one of those areas where there is complete bipartisanship in supporting our veterans, particularly this year, the centenary of ANZAC, which is a very important year for all veterans, it is important that we do what we should always do, that is, recognise the sacrifice they and their families have made for this wonderful state and this great country.

Can I also echo the minister's words in welcoming Rob Manton, who has been here a while and is doing an excellent job. I look forward to continuing to work with him in the way he has done in the past in a very professional way. I also look forward to continuing to work with the new members of the veterans' advisory council, which is working exceptionally well, and I look forward to continuing along those lines.

I will ask some questions about this very important portfolio in the time we have, and I refer to Budget Paper 4, Volume 4, pages 174 and 175. Minister, can you tell the committee what are the total expenses for establishing and operating the Anzac Centenary Coordination Unit? Can you also outline the action and activities that will be coordinated under the ANZAC Day commemorative fund by the Anzac Centenary Coordination Unit?

**The Hon. M.L.J. HAMILTON-SMITH:** In January 2014, the state government committed \$1.6 million to the establishment of an Anzac Centenary Coordination Unit within Veterans SA. The unit is working closely with South Australian government departments, agencies and commonwealth government ex-service organisations, community groups and schools to coordinate and provide support for the program of activities being undertaken so that a lasting legacy is created for the benefit of all South Australians.

The ANZAC centenary South Australia website—[www.anzaccentenary.sa.gov.au](http://www.anzaccentenary.sa.gov.au)—was launched on 2 April 2015. The site focused on collating and publishing information about ANZAC Day. The ACCU has updated the push communications for Veterans SA with the introduction of a series of electronic newsletters, e-alerts and e-notices reflecting information. The unit has introduced a weekly think piece series designed to promote discussion and produced an 'upcoming events' summary on a weekly basis, highlighting events. It has produced a monthly Veterans SA e-news containing links to articles on the website relevant to the veterans and ex-services community.

The unit has also commenced work on phase 2 of the ANZAC centenary South Australia website, which involves construction of a time line specific to South Australia's involvement in World War I. This is an important point because we want to celebrate the South Australian significant dates, rather than the national dates which do not necessarily co-align. That will form part of the Anzac Centenary Time Capsule project. The ACCU is working on the coordination of a major regional engagement strategy, the ANZAC Centenary Cheer Up Hut program, which involves statewide collaboration with key stakeholders from across government.

The ACCU is also scoping production of a publication about the history of the First World War from a South Australian perspective, with a view to the publication being completed and available for distribution in hard copy and e-book around Remembrance Day 2017. The shadow minister would have seen the booklet that was produced; I hope it went to all MPs, and I hope all opposition members received copies as well. I think further copies were available, if required. It is good to get the message out.

**Dr McFETRIDGE:** As part of the celebrations, we all like to fly the flag, so can you tell us how much funding will be provided in the Flags Fund and advise the committee about what this fund actually does?

**The Hon. M.L.J. HAMILTON-SMITH:** I thank the honourable member for his question. In January 2014, the state government committed \$10,000 to the establishment of a flags fund to

ensure that ex-service organisations are available to replace and install national flags, state flags and military insignias for the ANZAC centenary. Distribution of the purchased flags has been coordinated by Veterans SA, and the take-up, I think, has been pretty good.

**Dr McFETRIDGE:** Same budget reference, can the minister provide the committee with a list and the amounts that were provided for supporting veteran-themed projects?

**The Hon. M.L.J. HAMILTON-SMITH:** Yes, I can. In 2014-15, the veterans' affairs portfolio allocated \$275,767.69 in grants to the veterans community. This included a \$100,000 grant to the Legacy Club of Adelaide and a \$100,000 to the RSL, \$25,000 of which was provided by Department of the Premier and Cabinet. The mission of the Returned and Services League is to care for the health and wellbeing of the service and ex-service community for life and to commemorate the sacrifices of the past. 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. The remaining \$75,767.69 is from the Minister for Veterans' Affairs' annual allocation of grants.

The availability of grants is advertised in the Veterans SA publications, such as the monthly veterans *Enews* and the twice yearly produced *Veterans' Voice* newsletter. To be approved, the Minister for Veterans' Affairs' annual allocation of grants applications must be consistent with the following portfolio obligations: the education of South Australians about South Australia's involvement in our nation's military history, to honour and commemorate the service and sacrifice of SA veterans, to assist the education of South Australian veterans' dependants, and any other purpose other like kind determined by the minister. Grant applications are assessed by veterans who provide a recommendation to the minister.

I have a long list here, which I could provide separately or read out, if the member wishes. To give you an idea, I will just pick out some at random. Most of the grants are fairly small, and some of them are only a few hundred dollars—for example, the Royal Australian Army Corps, Defence Health Services and Remembrance Service got \$500. Some of them are a bit larger—the RSL Macclesfield sub-branch flagpoles and remembrance garden, \$5,340, and the Repat Foundation Health Research Paper Day, \$3,500—and then there is as little as \$200 to the RSL Henley Grange sub-branch for the World War II thankyou luncheon. These are just indicative, but I would be more than happy to provide the full list if you would like me to.

**Dr McFETRIDGE:** Yes, it would be interesting to see who is in there and what sorts of grants they are applying for, the purpose of the grants.

**The Hon. M.L.J. HAMILTON-SMITH:** I will provide the full list to you. I will ask Mr Manton to write to you with the full list.

**Dr McFETRIDGE:** On funding for various projects, minister, I am sure that the committee would be pleased to hear about the progress of the Anzac Centenary Memorial Garden Walk project.

**The Hon. M.L.J. HAMILTON-SMITH:** Thank you very much for this question about this very important project. I must say that this has been an interesting project for me to manage as minister because there are so many people involved. It is a proposal to create a wonderful memorial walk that will physically and symbolically link the state's principal site of remembrance, the South Australian National War Memorial on North Terrace, with the Torrens Parade Ground and the Pathway of Honour. It is the preferred project of the Veterans Advisory Council to commemorate the centenary.

The memorial walk will be based on Kintore Avenue. It is a unique link created between the places I have mentioned and it is now in the detailed design phase. Veterans SA is the lead agency for the project, with the Department of Planning, Transport and Infrastructure (DPTI) providing project management support, and architects Grieve Gillett Dimitty Andersen engaged to design the memorial walk after a competitive tender process. Requests for expressions of interest for construction have been issued and assessment of tenders is underway so we are well down the track.

The cost of the project has been set at \$10 million. The state government has committed and put aside \$3 million, with the commonwealth government agreeing to a further \$5 million

commitment. The Adelaide City Council has committed to fund 20 per cent of the project, up to \$2 million, to include resurfacing Kintore Avenue.

Where it is at the moment is that we have our \$3 million and the council's \$2 million identified. I have written to the federal minister asking for his \$5 million. Anything that the shadow minister or members opposite could do to help me with that would be gratefully appreciated. The sooner we get that money, the sooner we can get going.

When I came into this portfolio, I must say, I found this process had taken a bit of time. The council is involved, a range of government departments are involved and Government House is involved. I must thank the Governor for his cooperation in the movement of the wall by 10 metres. There are some broader urban renewal objectives held by the council further up and down this street into Gawler Place and at one stage, I must say, this project looked like growing into an urban renewal project. It got a little bit away from its core concept of being a remembrance project, so with the wonderful cooperation that I have had from my ministerial colleagues and the council, I just had to pull this back on track which was that it be a veterans memorial project which it now is and then to lock down the funding.

The important thing is for this to be done during the centenary of ANZAC. We do not want to get tangled up in time lines and urgencies. The minute you set a date everyone wants to know whether you are going to meet it or not, but I am optimistic that this will be completed by ANZAC Day next year. If it is not, for whatever reason, there will be no tears shed. The centenary of ANZAC goes on to the end of 2018, in fact, even a bit beyond that because of all the servicemen who returned home after 1918, so we are well down the track. I must commend DPTI for their wonderful support as project managers as well. They are really moving along on the project. Their project manager, Kylie O'Leary, has been fantastic and very supportive.

**Dr McFETRIDGE:** I understand that the federal money certainly is locked in. I remember this time last year saying that I had had discussions with the federal minister about their share and being assured that the money was there. I actually did front the federal minister recently at the RSL AGM about this issue and I did ask him to present me with a cheque at the AGM. That was not quite forthcoming, but he did assure me that the money is locked in and the money is there and I will do whatever needs to be done to make sure that money does arrive because it is a very important project.

I am pleased that the council has seen fit to come in with their share. Let's hope they deliver that on time because this project is not just for any individuals or individual organisations or sections or areas in the military, it is for all veterans. Members of the committee who have not seen the design should ask for a briefing on it. It is a particularly special project and I am looking forward to seeing it progress.

On the same budget reference, can the minister provide the committee with some details about publications released this year that have been made available to the public and will there be any particular publications about the South Australian light horse regiments? One area in particular that I am very interested in is Breakout Creek and the history with the early regiments being trained down there. Certainly, as a veterinarian, I have a strong affinity for our warhorses, the waler horses.

**The Hon. M.L.J. HAMILTON-SMITH:** Thank you for the question. I might ask Mr Manton to answer it.

**Mr MANTON:** Not specifically related to that particular project that you have identified. Having said that, we are open (and this is part of the ANZAC centenary unit's task) to engaging with communities and, as they travel around the state with the Cheer Up Hut, the idea is to get communities to bring their family histories into those locations when the Cheer Up Hut is in that regional location to discuss exactly those things that you are talking about, with a view to compiling those into a more consolidated history of South Australia's involvement in conflict—not just a particular focus on a particular unit, or what have you, or conflict, but on South Australia's involvement across a century of service. I am quite happy to have a discussion with you over the next couple of weeks as to exactly how we might further the one that you have identified, because it sounds like it is something that we would be extremely interested in.

**Dr McFETRIDGE:** The same budget reference. Can the minister give some information about the regional engagement plan that is listed under the targets of veterans affairs?

**The Hon. M.L.J. HAMILTON-SMITH:** I might hand that to Mr Manton as well.

**Mr MANTON:** The Regional Engagement Strategy is actually in the draft stage with me at the moment, and that strategy is aimed at commencing coincident with the federal government's centenary of ANZAC travelling exhibition, which will be in Adelaide in March, I believe, next year. The strategy is designed to visit regional centres around South Australia. When I came into this role, the minister did not want the centenary to be focused on just one particular area: he wanted to engage the entire state. That was my aim, as well, to ensure that, where appropriate, every individual, association, organisation, centre and town had its moment in the sun, where that was appropriate, throughout this centenary of ANZAC period.

The Regional Engagement Strategy is based on the Cheer Up Hut. The way that will work is we will have access to a mock-up Cheer Up Hut that will be moved around the state. Regional areas and towns will be able to bid for that mock-up to be delivered to a location of their choosing and it will then become the focus for that area to engage in issues associated with the centenary of ANZAC. That strategy is with me at the moment and I will be passing that to the minister within the next month or so for his consideration. There are some funding impacts associated with that. We have yet to identify exactly what they are but we are very confident we will be able to deliver that.

**Dr McFETRIDGE:** In that same budget reference under targets, can the minister give the committee some information about the improved healthcare pathway for the veterans community that is being worked on with SA Health?

**The Hon. M.L.J. HAMILTON-SMITH:** Again, I will ask Mr Manton to answer that.

**Mr MANTON:** When the Veterans Advisory Council wrote its submission regarding Transforming Health, one of its requests was to have the veterans healthcare pathway to be developed along with a reassessment of the Veterans Service Guarantee, along with an updated version of the veterans healthcare framework document 2012-16. As that is a health matter, it has been passed to the Veterans Health Advisory Council which, as you are aware, is minister Snelling's council. It provides advice to him on veterans health matters. That task is underway with the Veterans Health Advisory Council, and Mr Chris Burns is now the presiding member of that council and is progressing that issue.

**Mr GOLDSWORTHY:** The same budget reference. Minister, this relates to a present release that you put out jointly with the Minister for Health back on 3 February, and I read from it. It said that you have secured \$500,000 in funding for the Repat Foundation so it can continue to serve the needs of veterans and to assist in the transition to a veterans health and wellbeing research foundation. The press release also says this will ensure that the Repat Foundation will be able to commemorate the 100<sup>th</sup> anniversary of Gallipoli with the annual ANZAC gala ball. I presume that \$500,000 is a grant. My question is: does that come out the veterans' affairs budget or does it come out of the health budget?

**The Hon. M.L.J. HAMILTON-SMITH:** That has come out of the health budget. It was a decision of the Minister for Health. I saw what I understood to have been a very inaccurate report in the media—I am not sure what the source of it was, perhaps members opposite can tell me—suggesting that the whole \$500,000 was used for a function. I just think that is laughable, utterly laughable, and whoever gave that to the media and then whoever printed it—look, to get an explanation of where that money came from in the budget line and budget paper and how it was deployed, you would have to ask the Minister for Health. My understanding is that it was for the broader mission of the Repat Foundation, which is to help fund research into key clinical issues facing veterans, which is going to be an ongoing priority for the government and veterans in the years ahead no matter what.

**Mr GOLDSWORTHY:** When you referred to that event that was reported in the media, were you referring to the ANZAC Gala Ball?

**The Hon. M.L.J. HAMILTON-SMITH:** Yes. Somebody suggested, I think quite spuriously, that the \$500,000 was—

**Mr GOLDSWORTHY:** Spent on that ball.

**The Hon. M.L.J. HAMILTON-SMITH:** Well, that is what I read. I just think that is both untrue and laughable, frankly. I do not know how anyone could make such a suggestion. I have heard lots of interesting things in the last 18 years; that is one of them.

**The ACTING CHAIR:** They must have been using only the finest wines.

**The Hon. M.L.J. HAMILTON-SMITH:** I was going to say, I don't know what you would be drinking at that one but whatever it was it would be jolly good.

**The ACTING CHAIR:** There being no further questions for the Minister for Veterans' Affairs, I declare the examination of the proposed payments adjourned and referred to committee B.

*Sitting suspended from 13:13 to 15:14.*

### **DEPARTMENT OF STATE DEVELOPMENT, \$674,320,000**

#### **ADMINISTERED ITEMS FOR THE DEPARTMENT OF STATE DEVELOPMENT, \$7,629,000**

##### **Membership:**

Mr van Holst Pellekaan substituted for Dr McFetridge.

Mr Knoll substituted for Mr Goldsworthy.

Mr Duluk substituted for Mr Williams.

##### **Minister:**

Hon. K.J. Maher, Minister for Manufacturing and Innovation, Minister for Automotive Transformation, Minister for Aboriginal Affairs and Reconciliation.

##### **Departmental Advisers:**

Dr D. Russell, Chief Executive, Department of State Development.

Dr P. Heithersay, Deputy Chief Executive, Department of State Development.

Mr L. Piro, Executive Director, Industry and Innovation, Department of State Development.

Mr R. Janssan, Executive Director, Strategy and Business Services, Department of State Development.

Ms M. Antcliff, Director, Innovation and Strategic Projects, Department of State Development.

**The ACTING CHAIR:** Given that this is the minister's first estimates, I will just make him aware of the process; being from the upper house, it will be good for him.

The estimates committees are a relatively informal process and, as such, there is no need to stand to ask or answer questions. Standing orders apply, including my right to boot people out under the House of Assembly standing orders. I understand that the minister and the lead speaker for the opposition have agreed an approximate time for the consideration of proposed payments, which will facilitate a change of departmental advisers. Are we agreed on that?

**The Hon. K.J. MAHER:** Yes.

**The ACTING CHAIR:** I confirm that the timetable for today's proceedings previously distributed is accurate. Changes to committee membership will be notified as they occur. If the minister undertakes to supply information at a later date, it must be submitted to the committee

secretary by no later than Friday 30 October 2015. This year, estimates committee responses will be published during the 17 November sitting week in corrected daily *Hansard* over a three-day period.

I propose to allow both the minister and the lead speaker for the opposition to make opening statements of about 10 minutes each should they wish. There will be a flexible approach to giving the call for asking questions, based on about three questions per member, alternating from side to side. Supplementary questions will be the exception rather than the rule. A member who is not part of the committee may ask a question at the discretion of the Chair—a very discreet Chair, too, I might say. Questions must be based on lines of expenditure in the budget papers and must be identified at the beginning of the question.

Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the House of Assembly *Notice Paper*. There is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the Chair for distribution to the committee. The incorporation of material into *Hansard* is permitted on the same basis as applies in the house, that is, that it is purely statistical in nature and limited to one page in length. All questions are to be directed to the minister and not the minister's advisers. The minister may refer questions to advisers for a response.

During the committee's examination, television cameras will be permitted to film from both the northern and southern galleries. I declare the proposed payments open for examination and refer members to the Agency Statements, Volume 4. I now call on the Minister for Manufacturing and Innovation to introduce his advisers and then make a brief statement should he wish to do so. We will then ask the lead speaker for the opposition to make a brief statement, and then we will go on to questions. Minister.

**The Hon. K.J. MAHER:** I have with me from the Department of State Development Len Piro, Don Russell and Paul Heithersay and further advisers, if necessary, behind us. For the benefit of the committee, I might inform you, Chair, that we have had some negotiations and, as you are aware, the running time for this particular estimates committee has been reduced to one hour rather than two hours for the manufacturing and innovation portfolio, with automotive transformation remaining at half an hour.

As a result of these negotiations, only opposition members will be asking questions today, rather than government members, and I do place on record that these arrangements for this year do not alter what the proceedings might be in future years for this particular portfolio. I place on record my thanks for the cooperative way in which the member for Stuart has engaged to allow this committee to run as efficiently as possible and, indeed, how he has engaged in these portfolio areas over the last six months. I will make a very brief opening statement and then hand over to the member for Stuart.

Chair and committee members, thank you for the opportunity to briefly outline the government's activity in this area in shaping an innovative economy, one in which manufacturing must continue to play a significant part if South Australia is to be competitive in a challenging global environment. In order to grow, South Australian manufacturers must increase their capabilities and their competitiveness. Not all our local businesses can easily access the tools of transformation, such as cutting-edge technologies and specialist advice, and we believe that enabling access to these resources is a sound and strategic investment in the future of South Australia's economy.

In October 2012, we launched Manufacturing Works, a strategy to accelerate the transition to a high-value, advanced manufacturing economy. The strategy has received \$11.1 million to fund a range of initiatives to help build businesses and workforce capability, to accelerate the uptake of new technologies and to identify and access new markets and increase collaboration between industry and the research sector.

As we know, there are significant challenges ahead for our manufacturing sector, particularly in Adelaide's north, which will be disproportionately impacted by the closure of Holden. The state budget provides \$5.4 million for the development and implementation of the Northern Economic Plan. The Northern Economic Plan will support the industrial transformation of northern Adelaide and deliver a vision, strategies and tangible actions to drive this transformation.

We have also committed \$2 million to the development of a new food park which will involve co-locating food manufacturers and processors with packaging specialists and storage, logistics and transport companies, with the goal of increasing efficiencies and competitiveness. These developments in northern Adelaide will be assisted by the suite of state government tax reforms which focus on removing impediments to business growth and job creation.

Our work in the north and with industry to transform manufacturing aligns with our commitment to support local industry and workers in the light of Holden's closure by the end of 2017. In January 2014, the Premier announced Our Jobs Plan which committed \$60 million over four years to prepare South Australia for Holden's exit and its consequences for business, employment and economic opportunities.

The state government's Automotive Transformation Taskforce, chaired by Greg Combet, has been established to implement Our Jobs Plan and to manage responses to the closure of the automotive manufacturing sector and the ripple effects right throughout South Australia. The task force oversees programs such as the Automotive Supplier Diversification Program, which has been allocated \$11.65 million to help auto supply chain companies diversify into the supply chains of other sectors.

There are also other programs within Our Jobs Plan that focus on manufacturing and innovation portfolio priorities, particularly by accelerating the transition to advanced manufacturing. For example, we have created industry clusters in sectors important to the future of the economy, such as defence, medical technologies, the creative industries and water. We have also implemented programs such as the Innovation Voucher Program, the Manufacturing Technologies Program and the Business Transformation Voucher Program, all of which support the implementation of new technologies, systems and practices to improve productivity.

Through Our Jobs Plan, the South Australian government is providing \$7.3 million to help workers affected by the closure of the automotive industry. This funding is administered through the Automotive Workers in Transition Program, which was launched in December last year. The program offers support, including information sessions, career advice and transition services, skills recognition, training and business start-up advice to automotive sector workers.

Earlier this year, the Career and Workforce Development Centre at Warradale was opened to deliver Automotive Workers in Transition programs for those workers based in Adelaide's southern suburbs. The Warradale centre complements the one at Elizabeth and reflects our understanding that businesses and workers right across the metropolitan area are affected by the changing economic landscape.

Finally, the government's \$253 million investment into Tonsley's redevelopment is well underway, with major research, education and training providers, TAFE and Flinders University joining companies known for their innovative approaches, including Siemens, Hills Limited, ZEN Energy and Signostics on the site. Tonsley provides an excellent representation of our government's work to foster sustainable manufacturing capabilities in sectors that will be critical to our future growth.

An environment of innovation provides the infrastructure, finance, information, institutions and people with skills and connections to support companies willing to take the risks and then reap the rewards of business change. This is what we are aiming for and, indeed, what we are achieving at Tonsley, and Tonsley will serve as a model for future initiatives across business, across industries and across the state. I welcome the opening statement and then questions from the committee.

**Mr VAN HOLST PELLEKAAN:** I have just a brief opening statement. We do need to change. Certainly, our manufacturing sector across the state needs to change, and no doubt that is happening all over the world. It is not because there is anything wrong, usually, with our manufacturing companies or our manufacturing workers. Certainly, there can be individual problems from time to time, but it is not a blight on our industry.

Even from a wages perspective, the rest of the world is starting to catch up with us. The gap we used to have between Australia and the rest of the world exists, but it is a lot smaller and it will continue to narrow; that is not really the issue. Any individual company, of course, can have its own

issues but, on average, the problem for manufacturing in South Australia as I see it is that our Australian population is not nearly large enough to achieve economies of scale of production in most cases, and we are a very long way away from the rest of the world with regard to accessing other customer bases.

Asia is closer, with Europe and North America being further away, and Africa is potentially down the track if they have the money to buy what we make. That is really the issue: that we are trapped in South Australia and in Australia needing to produce more than our market will accept but, of course, being a long way away from another market. If you are producing heavy, lumpy, chunky, expensive to transport and freight items like cars, it makes it nearly impossible.

Yes, advanced manufacturing is the way forward, but it is not the only way. I think anything that is relatively small, light, safe and easy to transport is also a manufacturing opportunity for our state. It might be that we manufacture more and more components that are exported into production systems overseas rather than completed items into the future. Yes, it will be high-tech but I urge everybody interested in this sector not to forget that light, small, easy-to-freight items are certainly an important opportunity for us as well.

Employment has to be the key and not only just keeping jobs but keeping jobs where they currently exist, trying to find alternative employment opportunities for Holden workers and other auto industry workers near where they are currently employed. That is going to be vitally important to keep the communities intact where they live and work and keep to them healthy, otherwise the ripple effect becomes pretty significant even if jobs can be replaced. Even if people were prepared to move, it does not help the local community if the jobs are elsewhere and people have to move.

Lastly, it is pretty difficult in opposition to sometimes see through all of the accounting and the budget presentation in this area—it is true of other areas too—but there is a series of successive announcements and re-announcements and I accept that is a feature of government and it has been for decades, but my questions today will really be about trying to get some detail. A very easy example of that is \$60 million back in 2014 from the state government for the Our Jobs program and then the commonwealth's \$155 million program which included state government money. So, you get two announcements, etc., and I am sure there is a prize internally in government—whether for ministers or departmental people—for how often money can be re-announced and saved, essentially, so I will be trying to get to the bottom of some of that and would appreciate the minister's cooperation.

I refer to Budget Paper 4, Volume 4, page 110, under objectives: reinforce the competitive strengths of the SA economy. Minister, how many full-time and part-time manufacturing jobs are there currently in South Australia? I do not think I picked it up in your opening statement, but what is your current best estimate of that?

**The Hon. K.J. MAHER:** Before I answer that question, I might just respond to a couple of comments from the opening statement. I agree with the member for Schubert that it is going to be essential that what we made in the past—what our grandfathers might have made—will be very different from what we do in the future where we are moving to make different things.

Traditionally, for half a century we have made big items, as you have stated—cars, white goods—and it is going to be very different. We will not be a jurisdiction that can compete solely on cost anymore; we have near neighbours in the Asia-Pacific region who will be able to make some of these things cheaper than we can. What we are going to be competing on is the value, quality and innovation of what we make.

We are starting to see us transitioning to that higher quality, higher value manufacturing area and, of course, light and small—it is much easier to transport. A really good example of that is Hegg's Pegs. These are really innovative clothes pegs that have been previously manufactured in China, and just recently the manufacturer of these pegs has brought every part of the manufacturing process back to Adelaide, which is a fantastic story. It demonstrates, with innovative manufacturing processes and also a very small item, where we can go in the future.

In relation to the specific question about the number of jobs, I might do it in two ways, and talk about the number of manufacturers as well as the number of manufacturing jobs. In 2014, there were 6,300 manufacturers in South Australia, representing 4 per cent of all businesses. Despite a small proportion, in terms of the 4 per cent of all businesses, manufacturing has traditionally

accounted, and continues to account, for a high share of economic activity in this state, including 8.3 per cent of the state economy, 8.9 per cent of state employment, 15 per cent of all wages paid to South Australians, 32 per cent of all business expenditure on R&D, and 39 per cent of all goods exported.

Manufacturing's contribution to the economy in terms of industry value-add increased 2 per cent in 2013-14 to \$7.5 billion. In terms of some very specific employment numbers, while manufacturing remains a core driver to the state economy and we are rapidly pursuing higher value-added and productivity improvements, as is probably expected with the decline in automotive and other areas, manufacturing employment has declined in the past two years by almost 10 per cent to currently about 72,500 manufacturing jobs. It should be noted, however, that the Australian Bureau of Statistics is a database survey and, therefore, is subject to great volatility. I note that many of these indicators are respondent-led answers, so people define themselves in what jobs they are in; so from survey to survey there is a fair bit of volatility. I think that answers the question.

**Mr VAN HOLST PELLEKAAN:** Of the 72,500, what share is full time versus part time?

**The Hon. K.J. MAHER:** I can take that on notice and bring back a response. I do not have that breakdown of the ABS data. I am not sure it exists, but if it does I will bring back an answer.

**Mr VAN HOLST PELLEKAAN:** We are familiar with the programs—and we will learn more about that today—but does the government have a target for manufacturing jobs growth or even a limited number of jobs lost? To be really clear, this is a question that I asked last year in estimates along the same lines. It was along the lines: we have got these programs, and there is money to be invested and effort being made, but how will you know if you have succeeded? A year ago the advice was well, 'Well, actually, no, we don't have targets and we won't know how successful we've been. We're just going to do our best.' Is that still the case, or are there targets in place to know whether this taxpayer money has been used wisely and successfully?

**The Hon. K.J. MAHER:** I will answer that in two ways: there is not a nebulous global target for jobs. Many of the programs we have in manufacturing are about new industries and leading new industries, but they do not necessarily easily lend themselves to have a KPI with a number of jobs when you are trying to develop new industries and new technologies. However, we do look at the programs that we run and make an evaluation, in some respects, of how successful they are, bearing in mind that a lot of it is about creating new industries, not necessarily a specific number of jobs.

An independent evaluation of the Manufacturing Works strategy by global consulting firm Frost & Sullivan, completed very recently, found that the strategies already generated significant benefits for the 232 participating manufacturers. These have included, from the Frost & Sullivan evaluation, an estimated 290 new jobs created to April 2015, \$88 million of additional revenue for participants, and \$26 million of value added to the South Australian economy. Perhaps, most importantly, the Frost & Sullivan review found that the companies that had received support through Manufacturing Works performed better than the broader manufacturing industry.

For example, sales income increased for participants by 2.7 per cent, compared to a decline of 6.5 per cent in the wider industry. Similar results were achieved in employment and sales per employee. Also, based on the four-year funding period, Frost & Sullivan estimate the total future impact of Manufacturing Works will be \$229 million of additional revenue, \$56 million of value added to the wider economy, and 847 new jobs. So, although there are no hard targets set down by what is necessarily a program that is aimed at creating new industries, we do, of course, as a government, look at how effective different programs are to make an assessment of what is the best way for taxpayers' money to be spent.

**Mr VAN HOLST PELLEKAAN:** That assessment of 847 jobs coming is a very small number compared to the jobs that have been lost already, but every job does count so we are grateful for every one. Does the fact that there is no particular target mean that the 30-year Plan for Greater Adelaide target, which was established at 52,400, is still relevant or no longer relevant? How does that fit in?

**The Hon. K.J. MAHER:** I can only speak for my portfolio areas and certainly what we are doing is aimed at creating jobs. There are no specific targets that involve X number of manufacturing jobs. It is about the new technologies of the new manufacturing processes.

**Mr VAN HOLST PELLEKAAN:** Those 52,400 jobs were specifically manufacturing jobs. I submit that it is relevant to your portfolio.

**The Hon. K.J. MAHER:** I can take that on notice and have a look at how that might interact with my portfolio areas.

**Mr VAN HOLST PELLEKAAN:** That would be good, thank you. Page 111 in the same book. I think we are in the same book for the whole time.

**The Hon. K.J. MAHER:** We are. We are staying on about four different pages.

**Mr VAN HOLST PELLEKAAN:** Please outline what initiatives were implemented in the manufacturing and innovation program to achieve the \$2.5 million savings for 2014-15?

**The Hon. K.J. MAHER:** Which particular line are you referring to?

**Mr VAN HOLST PELLEKAAN:** The estimated result, actual savings, where it says 'savings initiatives in general operations' which is dot point 2. It is about a quarter or a third of the way down the page.

**The Hon. K.J. MAHER:** I am advised that there are a number of components from the savings and they are associated with savings from the Small Business Innovation Research pilot program and the Strategic Industry Development Fund and also a reduction in salary expenditure to meet FTE savings targets.

**Mr VAN HOLST PELLEKAAN:** Saving money is always a good thing, but in the current situation the industry is in decline and everybody is, quite rightly, doing everything they possibly can to support the industry, because once jobs are gone they are gone and once companies are gone they are gone. Was this a deliberate savings measure or was this something that just happened by chance? How is it that you have saved this money from those programs? Wage reductions, for example? It seems to me that this is an area that the government should be going hell for leather as hard as they possibly can to effectively and usefully spend the money that is available to try to help our manufacturing sector transition.

**The Hon. K.J. MAHER:** In a perfect world I am sure if every portfolio had tens of millions of dollars more they could find ways to spend it, but in a fiscally constrained world each area of government does make savings.

**Mr VAN HOLST PELLEKAAN:** So this was a deliberate saving target and not an outcome of just not spending the money?

**The Hon. K.J. MAHER:** It is a combination of both. I can take it on notice to bring back exact details.

**Mr VAN HOLST PELLEKAAN:** That would be great.

**The Hon. K.J. MAHER:** I do not want to provide anything that might not be entirely correct, so I am happy to take it on notice. The components were money that was not spent or things that were deliberately looked at as necessary savings and, as you would appreciate, the juggling of different priorities to decide what is the most effective.

**Mr VAN HOLST PELLEKAAN:** This is not an area of trying to cut out government waste: this is an area where spending has specifically been established to try to support the decline of a sector. My view, at least, is that this is not the place to be taking deliberate savings. You do not want to waste the money, but not to take deliberate savings.

At page 110, what is the total expenditure for your ministerial offices? How many FTEs have you got based in your office?

**The Hon. K.J. MAHER:** My advice is that, as I outlined in the budget papers, my ministerial office has a budget of \$1.299 million for the 2015-16 financial year, comprising \$0.883 for employee

expenditure and \$0.466 for supplies and services. The funding provides for seven FTEs and the office has an additional six FTEs from departmental budget lines.

**Mr VAN HOLST PELLEKAAN:** So, 13 staff in total work in your office, seven directly, six MLOs and that sort of thing?

**The Hon. K.J. MAHER:** Yes.

**Mr VAN HOLST PELLEKAAN:** Are any of those staff being paid but not working for some reason or another? Everybody is on the job, actively involved?

**The Hon. K.J. MAHER:** Certainly, every time I walk through the office they all look very busy—and I am sure it is not just when I am walking through the office. I am sure they are pretty busy all the time.

**Mr VAN HOLST PELLEKAAN:** Minister, referring to page 112, targets for 2015-16, where it says 'Continue to deliver Our Jobs Plan', can you provide an update on the industry road maps for South Australia's new industries to support economic diversification?

**The Hon. K.J. MAHER:** I will have to bring back much greater detail, but the manufacturing technology, ICT and luxury food road maps are either in the process of being completed or completed. The exact details of each one of those, exactly where it is up to and what the result was, I am happy to bring back an answer.

**Mr VAN HOLST PELLEKAAN:** Do you know, yourself or through your advisers, whether the expected commonwealth government contribution was received for the industry road maps?

**The Hon. K.J. MAHER:** I have been advised that, as far as the department is aware, there have been no commonwealth government contributions, which I share your disappointment in.

**Mr VAN HOLST PELLEKAAN:** Because that was outlined in the Our Jobs Plan.

**The Hon. K.J. MAHER:** There certainly are, in this area of the state government, a large number of areas where we would hope for much greater commonwealth support that has not been forthcoming. We will not cross over portfolios but next is automotive transformation and that certainly is an area where we had hoped for and expected much greater commonwealth support than we have received.

**Mr VAN HOLST PELLEKAAN:** And, as I said before, it is sometimes very hard, certainly from opposition, to unpick all of these details. It might not be in one place, it might be in another, state and federally. I look forward to getting that answer when you provide it. I refer to page 112 and the same line, in fact. What was the total expenditure for the government's Our Jobs Plan in 2013-14, 2014-15, budget for 2015-16, and estimates for 2016-17 and 2017-18?

**The Hon. K.J. MAHER:** I do not have the actuals for 2013-14 and 2014-15 but I can provide those. I can run through the budget that was for those years and for the next two years and then bring back the actuals for the first two years that you have requested. The budget for—

**Mr VAN HOLST PELLEKAAN:** Sorry, minister. You do not have an estimated actual for 2014-15?

**The Hon. K.J. MAHER:** Yes. Sorry, I can go through what was budgeted for for all of those years, I can go through what the budget is for 15-16, what the estimate is for 16-17 and then bring back the actuals for 2013-14 and 2014-15. The budget for the implementation of Our Jobs Plan for 2013-14 was \$5.1 million; for 2014-15, \$9.78 million; for 2015-16, the budget is \$22.62 million; and for 2016-17, \$17.38 million. I do not have the information but I am sure it will not be too hard to find to bring back the actuals for 2013-14 and 2014-15.

**Mr VAN HOLST PELLEKAAN:** I agree. I refer to page 112 and the dot point beginning, 'Continue to deliver Our Jobs Plan'. Our Jobs Plan states that the South Australian government will work with the federal government to bring forward high priority economic infrastructure projects, including construction of the Northern Connector. Can the minister provide an update on how the government is progressing with bringing the Northern Connector project forward?

**The Hon. K.J. MAHER:** I am aware that discussion continues on that and a whole range of projects and ones that you would be well aware of like the Strzelecki Track and other projects that will open up economic benefit to South Australia. These are not in my portfolio areas. Obviously they are in the portfolio areas of the Minister for Transport. Exactly where those are up to in terms of those road projects would be better directed to him, but certainly I know that there is continuing discussion with the federal government on these and a whole range of other matters.

**Mr VAN HOLST PELLEKAAN:** Even though it is in the Our Jobs Plan, it is not your responsibility?

**The Hon. K.J. MAHER:** No, there are many things that will help create jobs in manufacturing that rely on a whole lot of other ministerial areas.

**Mr VAN HOLST PELLEKAAN:** Well, minister, what areas then are within your responsibility?

**The Hon. K.J. MAHER:** Do you have a specific question? Far too many—we will be here for the rest of the estimates committee, but if you have a specific question on a particular one of them that is within my portfolio that is not a road or with the Minister for Transport, I would be happy to answer it.

**Mr VAN HOLST PELLEKAAN:** Okay, so any roads—

**The Hon. K.J. MAHER:** Building a road is not within the Minister for Manufacturing and Innovation's portfolio area.

**Mr VAN HOLST PELLEKAAN:** Even if it is a target of the Our Jobs program, it is not something that you work together on?

**The Hon. K.J. MAHER:** I liaise very closely with all my ministerial colleagues on a whole range of areas but, if it is a road, it will be with the Minister for Transport. So, if there is another road you are interested in, I can pre-empt your question by letting you know it is the Minister for Transport's responsibility.

**Mr VAN HOLST PELLEKAAN:** Minister, I refer to page 112 and targets 2015-16 under the dot point beginning, 'Continue to build South Australia's industry capability to innovate through supporting cluster development, entrepreneurship and commercialisations'. Our Jobs Plan states that the state government will contribute \$5 million towards supporting new smart specialisation clusters and precincts where future industries can work together to innovate, create jobs and secure export growth. What was the expenditure for this innovation in 2013-14, 2014-15 and the forward estimates please?

**The Hon. K.J. MAHER:** As the member has pointed out, Our Jobs Plan includes funding allocated of \$5.14 million over four years to support the development of industry-led clusters in a number of areas, particularly: defence, creative industries, water, medical device and ICT (ICT in the mineral and resource sectors). The cluster program seeks to support globally competitive industries to collaborate and innovate in order to access international markets and generate wealth for South Australia.

The first cluster supported was the Aerospace Alliance. This cluster of defence supplies is engaging with the broader aerospace markets globally. In October 2014, Cobham, an aviation firm headquartered in Adelaide, secured a \$640 million contract to supply, integrate, maintain and operate search and rescue aircraft for the Australian Maritime Safety Authority, and Aerospace Alliance is going along very well. I know the members of that industry cluster are working together extremely efficiently. I think we were together at Cobham for the launch of that a number of months ago and were sorely disappointed that all the young people were not turning out for our arrival but were there for One Direction's arrival just next to Cobham.

There are two CleanTech water industry-related clusters that have been formed in collaboration with the Water Industry Alliance. The first relates to managed aquifer recharge technology and the second relates to water treatment in remote locations. A creative industry cluster focused on the nexus between music and technology has been formed, which I have visited already. The Musitec cluster supports the technologies that underpin the music industry.

In terms of specific funding allocated, what I might do is go through the budget allocations. This year's financial results have not been closed off so I will go through the budget allocation for the same four years, 2013-14 up to 2016-17, and take on notice and bring back the actuals for 2013-14 and then in about a month when 2014-15 is closed off bring back the actuals for that as well. For the cluster program the 2013-14 budget was \$715,000, for 2014-15 it was \$1.475 million, for 2015-16 it is \$1.575 million and for 2016-17 it is \$975,000. I will bring back once the 2014-15 year is closed off and also the result that we will have floating in a book somewhere for the actuals for 2013-14.

**Mr VAN HOLST PELLEKAAN:** Thank you, minister. Page 111, the second dot point under highlights, 'Delivered Manufacturing Works programs and initiatives'. Does any part of the manufacturing works strategy specifically include the electronics industry?

**The Hon. K.J. MAHER:** There is no specific line or reference for the electronics industry within that program, however, it is a very important industry to South Australia. I do not have the figures with me but we have quite a huge share of the Australian electronics industry in South Australia and we recognise that. Right across our programs are all the business vouchers and innovation vouchers. All the programs we have are open to the electronics industry. As a government, we recognise the value it provides to South Australia. Some of Australia and the world's leading electronics manufacturers and electronic component manufacturers are based in South Australia.

**Mr VAN HOLST PELLEKAAN:** That is certainly very true. It can sometimes be hidden because it can be a component, essentially an ingredient, into somebody else's success, but it can also be an export, the parts can be exports in their own right. I would suggest to you that is a sector that we are already doing very well in, but it is still a rich area for growth as well, and you do not get that at the same time very often. So, I am pleased the government is becoming focused on that.

Page 112, targets, 'Continue to deliver Our Jobs Plan programs'. The Our Jobs Plan states that the state government will contribute \$2.68 million towards supporting local entrepreneurs to turn good ideas into successful ventures through a number of start-up initiatives. What was the expenditure for 2013-14, 2014-15 and the forward estimates period? It is a similar style of question to try to get that information and I predict that you might answer it the same way.

**The Hon. K.J. MAHER:** We could spend some time here, but I fear we would be wasting your valuable time for asking questions. There are a number of programs that fall into that category, such as the venture capitalist program, the Innovation Voucher Program, the recently set up SA Micro Finance Fund, but it will take us a while to get together the estimates and expenditure for each of those. I might take that on notice, so that we do not spend five minutes here trying to pull those together for you and bring back an answer.

**Mr VAN HOLST PELLEKAAN:** I have another question that is not looking for a dollar value: how many start-ups and entrepreneurs has the government assisted to date through this program?

**The Hon. K.J. MAHER:** Again, I will take that on notice and bring you back an overall sum from all those programs. There are quite a number of them. I know I regularly see coming across my desk the recommendations that are approved for entrepreneurs and start-up. I might specifically mention one that we have just started in recent months—the South Australian Micro Finance Fund, where there are grants of up to \$50,000 for very new start-ups and for emerging technologies to use.

That was highly successful and I am hoping that we will see some very interesting work come out of that to help our start-up community. I know these sorts of accelerator and incubator programs are very successful in many other places around the world. In fact, one of the recipients of the first round of the Micro Finance Fund is currently in the MassChallenge, the world's largest of those accelerator programs. They received an SA Micro Finance Fund and have now gone on to the world's largest incubator. I think Makers Empire are in Boston at the moment developing their start-up venture.

**Mr VAN HOLST PELLEKAAN:** I will look forward to getting that information, because obviously we want to support existing industries as much as possible, but the whole economy will not achieve what we need it to achieve if we are not supporting those start-ups and entrepreneurs as well. Referring to page 12, 'Continue to deliver Our Jobs Plan'—the same area as last time—

minister, please provide an update on how the government is progressing with establishing a jobs acceleration fund to assist businesses to invest in new economic activity that creates jobs as part of the Our Jobs program.

**The Hon. K.J. MAHER:** Twenty million dollars has been budgeted for the jobs accelerator. We were hoping for some significant funding from the commonwealth that did not eventuate. However, we did use a majority of that \$20 million as our contribution to leverage off the commonwealth for the next generation program and, on top of that, there are some other areas where we have put the remainder of that \$20 million.

I am happy to bring back the exact amounts and exactly where it has gone to but, certainly, when we did not receive matching commonwealth money for that particular program, we made the decision to put the majority of the Jobs Accelerator Fund into the Next Generation Manufacturing Investment Program that attracted significant commonwealth funds. I think one round of grants are about to be made for South Australian firms.

**Mr KNOLL:** There is a jobs accelerator program that was announced in last year's budget as part of the agreement with the member for Frome—the \$10 million Regional Jobs Accelerator Fund. Has any of that money been used and transferred into the next generation fund? Has that got anything to do with this portfolio area?

**The Hon. K.J. MAHER:** I am advised that is a completely different thing.

**Mr VAN HOLST PELLEKAAN:** On the same line, minister, how many business transformation vouchers has the government awarded, and what was the total expenditure for each financial year over the past two years, please?

**The Hon. K.J. MAHER:** Excellent question.

**Mr VAN HOLST PELLEKAAN:** Finally found an answer!

**The Hon. K.J. MAHER:** Your colleague in the Legislative Council, the Hon. Andrew McLachlan, regularly asks me very specific questions on this and a couple of other programs, so it is one where I have information at hand.

**Mr VAN HOLST PELLEKAAN:** He is a very thorough chap.

**The Hon. K.J. MAHER:** By way of background, the Business Transformation Voucher Program has a budget of \$4.5 million over four years to 30 June 2017. To date, the program has supported 37 companies from 76 applicants with a total of \$1.435 million to support their transformation. These companies have provided over \$2.1 million towards their business transformation projects, exceeding the required dollar for dollar cofunding ratio.

Again, I will get the actuals for the 2013-14 and 2014-15 years, but I will go through the same budgeted amounts. In 2013-14, it was \$0.5 million; in 2014-15, \$1.5 million; in 2015-16, \$1.5 million; and, in 2016-17, \$1 million. Again, I will bring back the actuals for 2014-15, once it is closed off, and I will also bring back the actuals for 2013-14.

**Mr VAN HOLST PELLEKAAN:** On page 113, I am looking at the 2015-16 budget and the 2014-15 estimated result, under the commencement of expenditure for the Northern Economic Plan, dot point 2. Please outline how the \$2.2 million is being spent on the Northern Economic Plan, which you will see about a third of the way down the page.

**The Hon. K.J. MAHER:** As the budget line indicates, it is the commencement of expenditure for the Northern Economic Plan. Only a small part of the \$2.2 million has been spent so far in developing that plan. There have been consultations with some of the significant stakeholders, including councils. Over the next few months, we will be spending a lot more of that as we have much wider consultations with industry and with the community. I am happy to provide updates from time to time on how the Northern Economic Plan is progressing.

This is one of the more significant things we need to get right as a government. As I think we both mentioned in our opening statement, the effect of the loss of manufacturing jobs is going to be felt more acutely in northern Adelaide. We are committed to engaging with, as we have, local council, with community and with industry in those areas. Only a small amount has been expended so far as

the commencement of expenditure for the Northern Economic Plan starts. It certainly ramps up much more significantly over the coming months and over the next couple of years.

**Mr VAN HOLST PELLEKAAN:** If a small amount of the \$2.2 million has been spent so far and it ramps up over coming years, when will the plan actually be completed and released?

**The Hon. K.J. MAHER:** We have the initial discussion paper which has been completed and which you would have seen. We anticipate that sometime in the next few months we will have a much broader, much bigger and more developed paper taking into account northern Adelaide's community concerns, desires and wants and also what we know from starting a consultation as to where jobs will be and what potential projects will be underway. I am loath to put an end date on something that you want to properly consult on, but I have in my mind somewhere towards the end of this year.

**Mr VAN HOLST PELLEKAAN:** No, that is helpful; that is your target, your best estimate.

**The Hon. K.J. MAHER:** And that is the development, that is for a plan. Of course, the implementation of what is in that plan will continue forward.

**Mr VAN HOLST PELLEKAAN:** That is right, that is what really counts; you have answered that, thank you. You mentioned consultation with councils. Can you delve into that a little bit more because I get the feeling from talking with councils in the northern areas that they would like more consultation. Is that because there is a difference in views or because there is more about to happen, or do you think they have had sufficient?

**The Hon. K.J. MAHER:** I have been very pleased with how I have been working with councils. There is a community leaders group which is steering the Northern Economic Plan and which comprises myself and the mayors of Port Adelaide Enfield council, Salisbury council and Playford council. An implementation group sits under that and includes the CEOs of those councils. I have visited a number of these councils and the whole of the council members to talk to them, and I regularly have meetings with these councils and their mayors.

Certainly, the mayors of those councils—and I am their chief executive—share the sense of urgency we have to make sure that we get this right in the development of the Northern Economic Plan. I am regularly getting text messages from some of the mayors about some of their ideas as they think of them, so I would hope that there is not a feeling that they are not being included because we are doing all we can to recognise that all levels of government have to work together to face the challenges in northern Adelaide.

**Mr VAN HOLST PELLEKAAN:** What input have you had from the office of the northern suburbs?

**The Hon. K.J. MAHER:** We have had a degree of input and we will have continuing input in that implementation group and as we set up subgroups in the Northern Economic Plan. The part I failed to mention as well is that, apart from myself and the mayors on that leaders group, there are a number of business leaders from northern Adelaide as well, and certainly on the implementation group there are a number of business leaders who will be critical to successfully implementing that plan as well.

**Mr VAN HOLST PELLEKAAN:** The Northern Economic Plan is obviously underway as we are discussing, but the government has a 30-year plan as well. Will the Northern Economic Plan diverge significantly from the existing 30-year plan? Obviously, it is not complete so you do not know, but in these initial stages are you finding there are new directions emerging, or will it be very similar?

**The Hon. K.J. MAHER:** I am not finding significant divergence, and if I had a crystal ball I would look in it to find out exactly where that is going and how it will look. Certainly, the 30-year plan is a plan to look at what will happen in 30 years. The Northern Economic Plan will look very specifically at some of the projects and some things we can do in northern Adelaide. It will not ignore work that has gone before and will build on any work, whether it be the 30-year plan or other work that has happened in the past.

**Mr VAN HOLST PELLEKAAN:** There is nothing coming out of the work done so far in the Northern Economic Plan that indicates that the 30-year plan needs to be adjusted?

**The Hon. K.J. MAHER:** As I say, we are just at the initial stages of the Northern Economic Plan.

**Mr VAN HOLST PELLEKAAN:** I refer to page 112, targets, coordinate the delivery of the Northern Economic Plan, the fourth dot point. What measures have been considered so far to address youth unemployment in the northern suburbs as part of the Northern Economic Plan? I understand it is still being developed, but I am sure that it must be one of the highest considerations for you.

**The Hon. K.J. MAHER:** Absolutely, and it is something that we have talked about in meetings with councils, with business leaders, projects specifically that, as you earlier pointed out, provide jobs and provide jobs where jobs are going to be lost. Youth unemployment is certainly a big issue that we will be addressing. We are at the start of this process.

**Mr VAN HOLST PELLEKAAN:** I understand that, but there are no revelations this year yet. The reason I ask is that I understand the plan will not be completed and released for a while, but youth unemployment is an extremely immediate problem.

**The Hon. K.J. MAHER:** I can absolutely assure you that if I had a magic bullet to solve youth unemployment anywhere in South Australia, I would be more than happy to share it with you right now.

**Mr VAN HOLST PELLEKAAN:** Yes, of course you would, and I would too if I had it. What I am getting at is that for an unemployed youth to wait six or 12 or 18 months for productive suggestions—

**The Hon. K.J. MAHER:** It might be helpful to point out that as we identify potential projects we are not going to wait for anything to conclude or for any stage in the Northern Economic Plan to be finalised. If there are things we identify as we go along in developing this plan that can be done, we will do them.

**Mr VAN HOLST PELLEKAAN:** Before the release of the plan?

**The Hon. K.J. MAHER:** Absolutely.

**Mr VAN HOLST PELLEKAAN:** That is great. I refer to page 111, estimated results, estimated versus actual, Advanced Manufacturing Council, dot point 6. Now that the Advanced Manufacturing Council has been transferred to the Economic Development Board, has the subcommittee of the Economic Development Board been established for advanced manufacturing?

**The Hon. K.J. MAHER:** Effectively, yes. It is a subcommittee about evaluating, which includes, very prominently, advanced manufacturing.

**Mr VAN HOLST PELLEKAAN:** Can you provide any outline of the work, any achievements?

**The Hon. K.J. MAHER:** I can certainly take that on notice. I do not have the achievements of every committee of the Economic Development Board with me, but I can take that on notice.

**Mr VAN HOLST PELLEKAAN:** When did you last meet with representatives of that subcommittee?

**The Hon. K.J. MAHER:** Within recent weeks I would have met with the board, which includes members of that subcommittee, and certainly I would almost on a weekly basis have contact with members of the EDB—or at least every fortnight—who are involved in work that is important to these areas. I would like to place on record my appreciation of the Economic Development Board and its individual members for what I think is the exceptional service they provide to this state and to this government.

**Mr VAN HOLST PELLEKAAN:** Is Greg Combet on that subcommittee?

**The Hon. K.J. MAHER:** No, he is not on the Economic Development Board and he is not on its subcommittee. While I am on the topic of thanking people for their great work, Greg Combet has been invaluable not just to me as minister but to previous ministers for manufacturing and automotive transformation. Again, Greg is someone whose knowledge in this area I would use almost on a fortnightly basis.

**Mr VAN HOLST PELLEKAAN:** I refer to page 111, highlights, continued to lead the Tonsley redevelopment. How many additional companies have moved to or started operations at Tonsley in the last financial year?

**The Hon. K.J. MAHER:** I am not certain that I will have in here the dates that companies started operations at Tonsley. I will take that on notice and maybe bring back a comprehensive reply about the dates when companies have started over the last 12 months.

**Mr VAN HOLST PELLEKAAN:** If it is alright with the Chair, I will ask you questions to take on notice. How many companies have moved to or started operations at Tonsley? During the same period (last financial year) how many have ceased operation? Were any of the companies that ceased operation grant recipients? How many other potential tenants is the government negotiating with at the moment?

**The Hon. K.J. MAHER:** I will take those on notice and bring back a reply to all but your last question. I am pretty sure I will not talk about how many we are negotiating with at the moment.

**Mr VAN HOLST PELLEKAAN:** You could not give a number to say there is six or 26? I am not asking for the substance of the negotiations.

**The Hon. K.J. MAHER:** I will take some advice from my department about the wisdom of bringing back details about how many or what we might be negotiating and bring back a reply to the others and, if appropriate, bring back a reply to that one.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister.

**The ACTING CHAIR:** While we are on the subject of Mr Combet, I also would add my thanks for his work on behalf of the government from when I was a minister. He was excellent and no doubt continues to be. There being no further questions, we will switch to the Minister for Automotive Transformation.

#### **Membership:**

Mr Goldsworthy substituted for Mr Knoll.

Mr Williams substituted for Mr Duluk.

#### **Departmental Advisers:**

Dr D. Russell, Chief Executive, Department of State Development.

Dr P. Heithersay, Deputy Chief Executive, Department of State Development.

Mr L. Piro, Executive Director, Industry and Innovation, Department of State Development.

Mr R. Janssan, Executive Director, Strategy and Business Services, Department of State Development.

Mr P. Tyler, Director, Automotive Transformation, Department of State Development.

**The ACTING CHAIR:** I invite the minister to update us on the change in advisers. Feel free to make a very brief statement on this subject and then we will rip into questions again.

**The Hon. K.J. MAHER:** We have Phil Tyler and I have no opening statement.

**Mr VAN HOLST PELLEKAAN:** I will just make a very short introductory statement on this area. I really do understand how vitally important this area is. I am not from the northern suburbs, I am from the north of the state, but there are a lot of parallels and I really do understand the criticality of this work.

I would also like to put on the record my appreciation for what I understand is still taking place at the Holden factory, which is that the management and the workers are doing an exemplary job and that they recently won an efficiency and productivity award from within the broader GM group.

I am sure that they do not hand those out just to make the people feel good who are not going to be here in a few years' time. If they wanted to use those for any other reason they would give them to the affiliates from within their company that they expect to be working with, so they really deserve an enormous amount of credit for doing an exceptionally good job under exceptionally trying circumstances. While many of their colleagues are losing their jobs more quickly than was expected, those who remain are really battling on wonderfully well.

I would also just like to put on record something of which the minister is aware. I have put in writing and in person to the Premier that I think that the automotive transformation portfolio really needs to be expanded beyond the auto industry at the moment. It is not because the auto industry has any less importance or any less urgency, but the issues that are affecting the auto industry in the north of Adelaide are month after month broadening to affect many other industries.

Exactly the same issues that affect the auto industry are affecting mining, defence industries, other manufacturing and power generation. With 8.2 per cent unemployment across our state now, the highest in Australia at the last count, I think that, with all respect to the auto industry which is absolutely vitally important, the challenges it faces are far broader now than just the auto industry and that really we have an industry and employment transformation challenge, not just in the automotive industry at the moment.

Budget Paper 4, Volume 4, page 113, sub-program 10.2: how much of the 2013-14 and 2014-15 expenditure on automotive transformation was made up of the Our Jobs funding?

**The Hon. K.J. MAHER:** Before I answer that, I was not intending to make an opening statement because I covered much of this in the opening statement for the manufacturing and innovation portfolio area. I join the member for Stuart in placing on record my appreciation for what the Holden workers are doing and have done for our state and how they continue to carry on in very difficult circumstances.

I have visited the Holden site, and Holden management and the employees at Holden are continuing very proudly, as they have for many decades, to manufacture cars. I know that the company has its own Automotive Workers in Transition Program at the Holden site that is providing exceptionally valuable resources to their workforce through what are very trying times. There have been a couple of rerates of production and associated job losses and those who remain are doing an exceptional job under difficult circumstances. In relation to your question, the answer is: all of it.

**Mr VAN HOLST PELLEKAAN:** All of it: 100 per cent?

**The Hon. K.J. MAHER:** Yes.

**Mr VAN HOLST PELLEKAAN:** The same page, looking at the financial commentary which says 'An increase in Our Jobs Plan expenditure for automotive transformation projects'. What was the expenditure for the automotive task force in 2014-15 and what is the task force's budget for 2015-16?

**The Hon. K.J. MAHER:** I will have to take on notice the exact figures for the task force. We do not have them broken down in the papers in front of us here but I am happy to take that on notice and bring back a breakdown. To clarify, do you mean the task force itself, the within-government task force, or the board as well?

**Mr VAN HOLST PELLEKAAN:** If you are going to take it on notice, please bring both back.

**The Hon. K.J. MAHER:** I am happy to do that.

**Mr VAN HOLST PELLEKAAN:** And for each year of the forward estimates.

**The Hon. K.J. MAHER:** Again, from 2013-14 right up to 2016-17?

**Mr VAN HOLST PELLEKAAN:** Yes, I think if it is going to be taken on notice, you might as well provide the lot. Page 113 again, the same line item. What was the expenditure for the Automotive Supplier Diversification Program?

**The Hon. K.J. MAHER:** I can give a reasonably comprehensive answer on the program, again on the same basis, that I can give you what was budgeted in those years and then bring back

an exact year-end figure for the two years. We will know both years in a month's time and then the estimate for the next two years.

The Automotive Supplier Diversification Program is an \$11.65 million initiative to assist the automotive supply chain manufacturers impacted by the announcement of Holden, and also Ford and Toyota, who South Australian companies supply to. The program has been delivered by the Automotive Transformation Taskforce and is designed to work collaboratively in combination with the commonwealth's Automotive Diversification Programme. The program provides a package of support to firms operating in the auto supply chain to ensure they are provided with timely and relevant assistance based on their specific circumstances. Features include:

- flexibility in the assistance package based on the individual circumstances of each firm;
- support for a wide range of activities related to diversification; and
- securing alternative revenue streams, including but not limited to diversification strategy development and associated business model development, mentoring, business and capability development, management and workforce upskilling, and retooling.

There is ongoing targeted support for firms, including mentoring rather than one-off transactional intervention.

The program has two interrelated and complementary components: firstly, the automotive supplier capability and competitiveness part, a \$7 million program that funds services and mentoring provided by specialists relating to business improvement, capability development, business development and research and, also, retooling for a diversification component: that is \$4.65 million. It is a merit based program that provides direct funding to support and assist companies to retool and implement their diversification strategies.

On that second point, I recently visited Adelaide Tooling, which was a recipient of that part. They have a high degree of exposure to the automotive supply chain and our automotive diversification program has allowed them to get into other interests, particularly cabling for the mining industry.

I have seen first-hand some of how this has helped companies that have been very exposed to the automotive supply chain. I might mention five South Australian companies that have been successful under this program. Numetric Manufacturing received \$97,250 for a project to diversify into defence industries and mining services and has received a second grant under this program of \$243,755 for a project to diversify and build aerospace manufacturing capability in South Australia. ZF Lemforder Australia received \$29,000 to assist in a project for them. Quality Plastics and Tooling received \$495,000 for a project to expand its product range. The one I mentioned and I should have read down in my brief before, Adelaide Tooling Pty Ltd received \$168,500 to diversify into the mining sector. Finally, Rope and Plastic Sales Pty Ltd has received \$200,000 for a project to expand its product range into the domestic market. There are five South Australian companies and six grants specifically made via the Automotive Supplier Diversification Program.

In terms of the amount budgeted for for this particular program, the budget for the 2013-14 financial year for that first section of the Automotive Supplier Diversification was \$1 million. For 2014-15, the Automotive Supplier Diversification component was \$800,000; the Retooling for Diversification component in 2014-15 was \$700,000. For 2015-16, the budgeted amount for the Automotive Supplier Diversification component is \$3 million; for the Retooling for Diversification, \$2.1 million. For 2016-17, the budgeted amount for the Automotive Supplier Diversification component is \$1.7 million; for the Retooling for Diversification component is \$1.35 million. The budgeted amount for 2017-18 for Automotive Supplier Diversification component of the program is \$500,000; and for the Retooling for Diversification component of the program is also \$500,000. As with the similar questions for the 2013-14 to 2017-18 financial years, I will bring back a response to the actual expenditure for 2013-14 and, in a month or so when the books are closed for 2014-15, I will bring back a response for the actual expenditure for that as well.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister. The five successful grant recipients there, no doubt all sound very worthy. How many applications did you get?

**The Hon. K.J. MAHER:** I will have to bring back a response and let you know. I know from talking to the Automotive Transformation Taskforce we expect the number of applications we receive to start ramping up and increasing as companies that are exposed to the automotive industry face the reality of the complete closure of the industry in South Australia. We expect in the lead-up to the end of 2017 for an increase in applications to occur.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister, and—

**The Hon. K.J. MAHER:** And that reflects the budget allocation in those years to reflect that reality that, as the automotive industry winds down, companies will be looking to access these things in a much greater way.

**Mr VAN HOLST PELLEKAAN:** Yes, I understand. If I have done my maths correctly very quickly, those five grants added up to \$900,000 or very close, but the budget was \$800,000. Does that mean that the budget for next year will have to be decreased by \$100,000?

**The Hon. K.J. MAHER:** I will take that on notice and bring back a reply as to if that was the case or whether there was an underspend in that first year of the budget. It is, of course, as my department reminds me, also a cashflow issue of when payments are made and when grants are received. I will bring back a reply to that question.

**Mr VAN HOLST PELLEKAAN:** So it might be that these grants, while they are handed out, they are approved essentially this year and the money might be able to move from year to year to keep the total budget on track.

**The Hon. K.J. MAHER:** I will bring back a reply to let you know exactly the circumstances.

**Mr VAN HOLST PELLEKAAN:** Same page, commonwealth government Growth Fund. In what financial year, or years, did the South Australian government make its \$12 million contribution to the commonwealth government \$155 million total?

**The Hon. K.J. MAHER:** The commonwealth government Growth Fund is a \$155 million fund established to create new jobs and investment in communities impacted by the closure of the automotive sector with, obviously, a particular focus on South Australia and Victoria. The Growth Fund has five specific elements: a \$30 million skills and training initiative funded by General Motors Holden and Toyota to assist their own automotive employees in skills recognition and provide training for new jobs while they are still employed. I mentioned earlier that the centre that Holden has at Elizabeth is working very well.

The second component of the Growth Fund is a \$15 million extension to the current commonwealth Automotive Industry Structural Adjustment Program. The third component is the \$20 million Automotive Diversification Program that I mentioned earlier in terms of our own Automotive Supplier Diversification Program, which we have just talked about working collaboratively with. The fourth is the \$60 million Next Generation Manufacturing Investment Program, which provides pools dedicated to both South Australia and Victoria to accelerate private sector investment in high-value non-automotive manufacturing sectors. Finally, a \$30 million infrastructure program to support investment in non-manufacturing opportunities in affected parts of Australia.

I might say too, that while we welcome the commonwealth government's support for these areas, it is, in our view, not nearly enough. We asked for a lot more than this. There is still \$795 million in the commonwealth Automotive Transformation Scheme. The commonwealth government attempted to abolish—but was blocked in the Senate—legislatively that scheme, but I note in the last commonwealth budget the banked in savings for nearly all of that money.

We have consistently called for that \$795 million in the ATS to be opened up to allow both South Australian and Victorian companies to continue to diversify, but also to support industries where jobs may be provided for people who have been affected by the closure of the auto industry. So, we will continue to call for the ATS to be opened up, as it should be, to benefit South Australian and Victorian companies.

Specifically in relation to the \$12 million of the South Australian contribution to the commonwealth Growth Fund, I can inform you that the budgeted contribution is for \$5 million in 2015-16, \$5 million in 2016-17 and \$2 million in 2017-18.

**Mr VAN HOLST PELLEKAAN:** You mentioned the programs that you worked collaboratively on. What role does the South Australian government have in administering grants that come out of the commonwealth Growth Fund, if any?

**The Hon. K.J. MAHER:** Officials from the South Australian government participate in all the advisory committees in relation to these grant programs and I jointly sign off with my commonwealth counterpart, minister Macfarlane, in relation to grants for South Australian companies.

**Mr VAN HOLST PELLEKAAN:** But with regard to administering them, rather than—

**The Hon. K.J. MAHER:** No, in approval of grants.

**Mr VAN HOLST PELLEKAAN:** That is the approval part, but what about the process all the way through to acquittal?

**The Hon. K.J. MAHER:** The commonwealth monitors those grants and any associated requirements under those grants, but we as the South Australian government get reports on those.

**Mr VAN HOLST PELLEKAAN:** How many tier 1 and tier 2 auto supply chain manufacturers do you estimate to exist at the moment?

**The Hon. K.J. MAHER:** We know there are about 33 tier 1 companies and our Automotive Transformation Taskforce has visited every one of those at least once to talk about what their company is doing, what their company might want to do and about what support the government has in many of the programs that we have talked about extensively so far. There are some hundreds of tier 2 companies. We have identified a lot of them, but we are still identifying further tier 2 companies.

**Mr VAN HOLST PELLEKAAN:** That identification is an important aspect of being able to go and visit them.

**The Hon. K.J. MAHER:** Indeed, and we are not waiting for companies to come to the government to say, 'We're affected by our exposure to the auto industry.' We are being as proactive as we possibly can be in identifying companies and making sure companies are aware of the assistance that we, as a state government, can provide and also what might be provided by the federal government, even though, as I said, we would like more support from the federal government.

**Mr VAN HOLST PELLEKAAN:** On page 114, the first line of that table talks about the number of visits, and the target for this current financial year is 100 visits. Is that 100 visits in total, which could include repeats, or will 100 companies receive visits?

**The Hon. K.J. MAHER:** I am advised that the target is 100 visits.

**Mr VAN HOLST PELLEKAAN:** So it could be twice to 50 companies or four times to 25.

**The Hon. K.J. MAHER:** I do not think it is likely to be 50 times to two different companies.

**Mr VAN HOLST PELLEKAAN:** No, I said it the other way around.

**The Hon. K.J. MAHER:** I think, from experience in visiting companies, companies might receive one or two visits, but it is certainly getting out to a lot of companies.

**Mr VAN HOLST PELLEKAAN:** But it is not 100 different companies that will experience—

**The Hon. K.J. MAHER:** No, it is 100 different visits but, if past experience is anything to go by, it will be closer to 100 separate companies than 10 separate companies that are visited.

**Mr VAN HOLST PELLEKAAN:** Given that the government visited 66 manufacturing companies in 2014-15, this target to visit 100 automotive supply chain companies would obviously be a significant step up. Are extra staff being allocated to that task and to that priority?

**The Hon. K.J. MAHER:** I will have to take on notice the staffing arrangements in a particular area of the department. I will bring an answer back to you.

**Mr VAN HOLST PELLEKAAN:** On page 114, regarding the third dot point at the top, revisit and inform all eligible tier 1, 2 and 3 companies and their workforce regarding the state government response for workers, how do you plan to go about achieving that target, minister, given that there is an identification issue at the moment outstanding anyway with regard to who they are?

**The Hon. K.J. MAHER:** The target is an ambitious target and deliberately so—because we want to visit as many companies that are affected by this. We are working in conjunction with the commonwealth and its agencies as well to visit as many of the eligible companies as we can. It is an ambitious target but quite deliberately, given the magnitude of the difficulties that do lie ahead, and we are working with the commonwealth in doing that as well.

**Mr VAN HOLST PELLEKAAN:** On the same page, focusing on tier 1 companies, of the 33 tier 1 companies you mentioned before, how many have advised the government that they will definitely cease operations or have done so already?

**The Hon. K.J. MAHER:** A big percentage of the tier 1 companies have exceptionally high exposure to the auto industry and a big percentage may not be able to transform and diversify, but I will have to take on notice the exact number and come back to you.

**Mr VAN HOLST PELLEKAAN:** You would have a record of the ones that have actually confirmed for you—

**The Hon. K.J. MAHER:** It will not be an exceptionally firm number, but there will be something on record. The task force has visited all those companies. There will be some indication but, rather than a number such as 17 of 33, it might be a range of companies. Obviously, some will have levels of optimism of surviving beyond Holden's as well. It will not be a very bright line for both of those things.

**Mr VAN HOLST PELLEKAAN:** I understand that. I was specifically asking about the ones that have advised you of their intention, to make that a fair question.

**The Hon. K.J. MAHER:** I will bring back a response.

**Mr VAN HOLST PELLEKAAN:** And the same for tier 2.

**The Hon. K.J. MAHER:** Certainly, I will bring back a response in relation to those tier 2 companies that have made some definitive statement to the Automotive Transformation Taskforce.

**Mr VAN HOLST PELLEKAAN:** Minister, can I just ask about Ethan Automotive. I am advised that they sought a \$1.8 million grant or loan. They told me that they asked for a grant, but they did advise that they would have accepted a loan as well, but they were unsuccessful in that application. Are you in a position to share some of the reasons they were unsuccessful?

**The Hon. K.J. MAHER:** I am not going to go into the specifics of discussions with companies that come to the government with proposals. As a state government, we are happy to talk to anyone who has a proposal that might provide jobs, particularly manufacturing jobs, in South Australia. I know that our department has had a number of discussions with Ethan Automotive over the previous months and that there have been a number of requests for support from not just Ethan Automotive.

A wide range of companies have put proposals about manufacturing in South Australia, and we are keen to do whatever we reasonably and possibly can as a state government to support manufacturing jobs, but we need to be prudent with the use of taxpayers' money. We will continue to talk to any company that has proposals or suggestions, but we will be prudent with the use of taxpayers' money and support where we can things that are going to develop new industries or provide jobs. I am not going to go into the specifics of any particular proposal that has been put or is being put to the state government.

**Mr VAN HOLST PELLEKAAN:** Certainly, I support only prudent spending as well, no doubt about that.

**The Hon. K.J. MAHER:** I am happy to sit down maybe outside an estimates environment and outside the parliament to have a chat about some of the things we are doing, and I have appreciated the ability to do that with some of the challenges that have faced South Australian manufacturing already. I am happy to sit down and go through some of these details because there will be companies that will speak both to the government and to the opposition, so I think it is only fair. I am happy to sit down and go through some of the intricacies of this but in a not quite so public forum.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister, and I will take you up on that. I refer to page 113, under highlights, launched the Automotive Workers in Transition program. How many car component manufacturing workers does the government plan to provide information sessions to in 2015-16?

**The Hon. K.J. MAHER:** I do not have the specific target. What I can say is that since the establishment of the Automotive Workers in Transition team it has engaged with over 1,200 automotive workers through program information sessions, and it has received registrations from more than 320 automotive workers and supported 151 workers to date to access career advice.

There is every expectation that that will increase significantly over the next year. There is not a specific target, but we do recognise that, as we head towards the end of 2017, the work will increase and those figures will increase significantly.

**Mr VAN HOLST PELLEKAAN:** And the resources will be there to—

**The Hon. K.J. MAHER:** What the team does will increase significantly.

**Mr VAN HOLST PELLEKAAN:** With regard to automotive transformation funding and support in general, I understand that it is very much about trying to support existing organisations to transition. They are already up and running, they have a structure and they have employees and, hopefully, those people can transition to other industries.

It has been put to me by industry and local government that consideration should be given to other employing organisations in the northern suburbs which are not in the automotive sector because, if you are trying to support—and I would support you in doing it—people in the auto sector transitioning to other industries, the key is that those people get jobs. It might well be that companies who are already in other industries could use the support the government has to offer to help create employment for those people currently employed. I realise that is outside the scope of the current programs, but is that something that you are considering or open to?

**The Hon. K.J. MAHER:** Certainly, I can touch on that. It is very much at the front of my mind that as we transition out of the automotive industry we have certain strengths in South Australia; we have marginal strengths in other manufacturing and other industries that we would seek to enhance. Defence industries is certainly one where we think there is a possibility of providing jobs as job losses happen in the automotive industry.

Medical devices is an area where we have some strengths, and one area that we know has grown every year, year-on-year for the last 17 years, is food manufacturing. As you point out, these are areas that are not to do with the automotive sector, they are to do with other forms of manufacturing or other forms of industry in South Australia. We are absolutely doing what we can to support areas that might provide jobs that are not automotive related. The food park to be located in northern Adelaide is an example of that. There was \$2 million in the last budget to look to the establishment of a food park that will bring together food manufacturers and other areas in the food industry to try and grow that area.

As I said, food manufacturing has grown year-on-year for 17 years and all the reports and all the evidence indicate that it will continue to grow and will likely be an area of potentially significant jobs in South Australia and the growing of food in innovative and new ways, like Sundrop Farms outside of Port Augusta. We know that as these innovative technologies continue they will provide jobs, so food manufacturing and food areas is one that we are looking to support.

**Mr VAN HOLST PELLEKAAN:** Can I just put on record my appreciation for the minister answering the questions as openly and straightforwardly as he is able to do.

**The ACTING CHAIR:** It will be noted on his permanent record.

**The Hon. K.J. MAHER:** I do not know that it will do me any good though being complimented by a shadow minister.

**The ACTING CHAIR:** I will report that back to caucus. In accordance with the agreed timetable I advise that the committee stands suspended until 5pm, and that is the end of Automotive Transformation, and we will come back to Aboriginal Affairs and Reconciliation.

*Sitting suspended from 16:47 to 17:00.*

**Membership:**

Dr McFetridge substituted for Mr van Holst Pellekaan.

Mr Duluk substituted for Mr Goldsworthy.

**Departmental Advisers:**

Dr D. Russell, Chief Executive, Department of State Development.

Ms A. Reid, Deputy Chief Executive, Department of State Development.

Ms N. Saunders, Executive Director, Aboriginal Affairs and Reconciliation, Department of State Development.

Mr R. Janssan, Executive Director, Strategy and Business Services, Department of State Development.

Ms F. Ward, Director, Strategic Policy and Coordination, Department of State Development.

Ms S. Bartlett, Manager, Strategy and Support, Aboriginal Affairs and Reconciliation, Department of State Development.

**The ACTING CHAIR:** This portfolio is Aboriginal Affairs and Reconciliation. The minister appearing is the Minister for Aboriginal Affairs and Reconciliation. I refer members to Agency Statements, Volume 4. I call on the Minister for Aboriginal Affairs and Reconciliation to make a brief statement, introduce his advisers, and then we will proceed to the lead speaker for the opposition, who may make a statement should he wish to do so, and then we will move to questions. Minister.

**The Hon. K.J. MAHER:** I will introduce the people around me for the benefit of the committee. To my left is Dr Don Russell, Chief Executive, DSD, and Alex Reid, Deputy Chief Executive, DSD. To my right is Nerida Saunders, Executive Director, Aboriginal Affairs and Reconciliation within the department. On the table directly behind us we have Fiona Ward, Director, Strategic Policy and Coordination, DSD, and Rick Janssan, Executive Director, Strategy and Business Services, DSD.

I thank you for the opportunity to introduce the government's work in Aboriginal affairs and reconciliation. Aboriginal affairs can often be a sensitive and contentious policy area, which is why, from the outset, I would like to thank the member for Morphett for the open and constructive relationship we have developed. I have had numerous very valuable discussions with him during my time as minister, and I look forward to that dialogue continuing. The member for Morphett clearly has a very genuine interest in this area and an interest in improving the lives of Aboriginal people in South Australia. I know this because at nearly every function I go to the member for Morphett is there often telling people how closely we work together and showing me up by speaking in the language of Pitjantjatjara at the start of functions.

Our work in this portfolio aims to empower Aboriginal people to have a stronger voice in decision-making across government and within communities and promote effective government arrangements. My department provides whole of government policy advice and coordination. My department protects and preserves Aboriginal heritage and culture. It supports the state's Aboriginal landholding authorities. Our government recognises the importance of building capacity and providing opportunities for Aboriginal jobseekers, employees, businesses and communities to work towards addressing and eradicating barriers to economic participation that are often experienced by Aboriginal people. We recognise the crucial importance of full economic participation and access to the benefits that economic participation provides as fundamental drivers of social and economic equality in our community.

One of the ways we are doing this is through our statewide Aboriginal Economic Participation Strategy which will promote greater participation of Aboriginal South Australians in our economy

through improved pathways to education, training and employment opportunities, and support Aboriginal business enterprise and investment opportunities.

Our Aboriginal Business Procurement Policy allows government agencies to procure goods and services up to \$220,000 by obtaining one value for money quote from an Aboriginal business or enterprise meeting certain criteria. As part of this, we are working with Supply Nation, an organisation that supports Aboriginal businesses to secure government and private contracts.

In 2014, the state government committed \$1.02 million over four years to work with the Jawun Indigenous Corporate Partnerships program to broker partnerships between corporate South Australia and Aboriginal communities. This program involves placing skilled people from the corporate sector into participating Aboriginal communities which builds the capacity of these communities and enables them to pursue their own reforms.

The government is supporting Jawun to establish a presence in South Australia, develop formal partnership agreements with Aboriginal businesses and corporate partner organisations, and implement a public sector secondment program. I anticipate over the next 12 months Jawun will sign agreements with at least three corporate partners and finalise a community partnership agreement with at least one Aboriginal community.

Our government is committed to supporting regional Aboriginal governance. To this end, in 2014 we committed \$1.23 million over four years to develop an Aboriginal governance recognition bill which will recognise the self-determining governance structures and the unique cultural identities of Aboriginal communities in South Australia and set out guiding principles for consultation and cooperation between state government and Aboriginal communities.

Work is still progressing on the structure of the proposed legislation so that it reflects both the needs and the aspirations of the Aboriginal community and the government's commitments. I anticipate that a bill will be introduced over the next year.

To support this legislation, the government has provided Flinders University with \$175,000 in funding to develop and deliver an Aboriginal Nations Rebuilding education program. This program will support Aboriginal leaders to build on stronger government structures and facilitate a cultural shift across the public sector that recognises the critical importance of consultation, cooperation and engagement with Aboriginal South Australians.

The curriculum will be delivered to South Australian Aboriginal communities and senior public servants and will provide participants with the tools, expertise and common language necessary to work together. The first Aboriginal Nations Rebuilding program was delivered to the public sector in April, with the first program for Aboriginal groups to be delivered over a three-day course commencing in September this year.

Over the last financial year, the government has worked with the Aboriginal community to design the Aboriginal Regional Authority policy to establish a network of regional governance bodies to work with the state government on important issues impacting Aboriginal South Australians. This policy will provide a platform to foster greater confidence in regional decision-making, create increased opportunities for economic growth, strengthen Aboriginal nations and communities, and promote improved wellbeing for Aboriginal peoples. In 2015-16, up to two regional authorities will be recognised through an expression of interest process.

Our government continues to demonstrate a strong commitment to effectiveness, integrity, sustainability and community wellbeing in the Anangu Pitjantjatjara Yankunytjatjara lands. Poor nutrition is one of the prime causes of poor Aboriginal health for people living in remote communities, particularly in the APY lands, and that is why as a government we are continuing to work to improve the availability of healthy fresh foods in Aboriginal communities. With funding support from both the state and commonwealth governments, Mai Wiru Regional Stores Aboriginal Corporation commenced a new freight service to deliver fresh produce direct from South Australian growers at low prices to major APY communities.

For more than a decade this government has played a key role in supporting programs and initiatives that have enhanced the wellbeing of Aboriginal people in this state. I am proud of this

government's history in supporting the reconciliation agenda. We established Reconciliation SA which formed in 2002 and supports a people's movement for reconciliation in this state.

For over a decade, Reconciliation SA has been working with the government, business and community to influence and change policies and practices and to deliver better outcomes for Aboriginal people. I recognise the efforts of their staff, board and volunteers in advancing the reconciliation agenda in our state. As a state government, we will continue to ensure that all our work is underpinned by the reconciliation agenda as we work towards promoting and increasing mutual understanding and respect between Aboriginal peoples and other South Australians. I look forward to the committee's questions.

**Dr McFETRIDGE:** I do not want to make this sound like a mutual admiration society but can I say that I have enjoyed working with the current minister. He is the fifth minister for Aboriginal affairs I have served under, starting with the late Hon. Terry Roberts and including the current Premier. Can I also say that the members for Giles and Napier are on the Aboriginal Lands Parliamentary Standing Committee with me, and I enjoy working with them in a very bipartisan way as well. It is one of those areas that requires dedication, determination, perseverance and persistence, and we keep working on that.

Can I also quickly mention that the Presiding Member of the Aboriginal Lands Parliamentary Standing Committee (Hon. Tung Ngo) has become a father again today to young Jenson Tam, who was born this morning at 3.22 kilos. We welcome young Jenson into the family. We hope his father's passion for Aboriginal affairs and social input is passed down to him. Congratulations to Tung and to Kym.

Also, Dr Russell from DSD, I am pleased to see you here. We used to have a minister for Aboriginal affairs in a separate department. It went to then a division of Premier and Cabinet and now it has gone to, I am not quite sure what it is now, a section of DSD. I can assure the committee and this place and all who may be reading or listening that the importance of Aboriginal affairs has in no way diminished, I think on both sides of this place.

The first question, minister, is one that is very relevant. I understand that you also have a very good working relationship with the federal minister, minister Scullion, and have had discussions on MUNS funding. I refer to Budget Paper 5, page 55. Can you tell the committee what the current situation is with municipal services funding for Aboriginal communities? I understand \$2.7 million per annum has been provided by the federal government for a number of years. What is the future for MUNS when it becomes an entirely state-based funded model?

**The Hon. K.J. MAHER:** This has been a difficult issue right across Australia, the issue of the commonwealth's desire to not fund municipal services in Aboriginal communities. We have seen how this has played out in Western Australia where, as a result of the impasse of MUNS funding between the WA and commonwealth governments, the WA government at the time announced that up to 200 communities would be forced to close, and we have seen how that has reverberated right throughout the country.

That is particularly why both the federal minister (minister Scullion) and I were so keen to make sure that was not the case in South Australia. The potential forced closure of communities in Western Australia has been one of the more difficult issues for a long time in Aboriginal affairs and it has led to a lot of anxiety right throughout Australia. Minister Scullion and I had a lot of discussions about MUNS funding in South Australia given, as I said, the commonwealth government's desire to not fund municipal services in Aboriginal communities.

I can inform the committee that a few months ago we came to an agreement. The commonwealth government will continue to have responsibility for the funding of municipal services, and these services range in different communities from things like water infrastructure, dust management and dog control to electricity infrastructure.

The commonwealth government will continue to provide and have responsibility for these services in the APY lands. It is \$9.6 million a year of MUNS funding right across Aboriginal communities in South Australia. I do not have the exact amount but off the top of my head \$6.7 million of that \$9.6 million is for services on the APY lands, \$6.5 million with the remainder being about approximately \$2.7 million a year for non-APY communities across South Australia. Those non-APY

communities range from Aboriginal Lands Trust communities such as Point Pearce, Koonibba and other statutory landholders like Maralinga Tjarutja to some other homelands throughout South Australia.

As a consequence of the state government taking over the MUNS funding for the non-APY communities in South Australia—that \$2.7 million a year—the commonwealth government provided the state government with a one-off sum of \$15 million. As a state government, for this current financial year which we have just commenced, we are providing the same level of funding that was provided in the last financial year. There simply was not time to change what was done for the next financial year. However, we are embarking on a review of exactly what those services are, what services are needed and how effectively those services are being provided in those non-APY remote and regional Aboriginal communities.

We are determined that the best possible services for the money that we have will be provided to those non-APY communities with that MUNS funding. We will also look at the most effective way to deliver those services and that might be talking with local government and that will inform us on an ongoing basis. I do not have a crystal ball to know five years from now exactly how those services will be structured but we will be spending the coming months looking at the best ways to provide those services.

**Dr McFETRIDGE:** Thank you for that, minister, and just on funding for Aboriginal communities and Aboriginal affairs generally in South Australia, can you tell the committee what the global budgets are? I think some Productivity Commission figures are out there for Aboriginal and Torres Strait Islanders in South Australia and also the global budget both federal and state and any other sources for the APY lands. I understand that the global budget for the state is \$1.3 billion and for APY about \$200 million. Is that about right?

**The Hon. K.J. MAHER:** I am happy to take those on notice. I do not have exact figures for things that are outside my specific portfolio areas but I am happy to take those on notice and, if there are figures that have been published elsewhere, I am happy for my department to look at those figures and bring back a reply.

**Mr HUGHES:** Can the minister inform the committee how grants provided by the state government support the celebrations held in South Australia during NAIDOC Week and how the minister marked this important time in the Aboriginal affairs calendar?

**The Hon. K.J. MAHER:** I thank the member for Giles for his question and thank him for his interest, along with the member for Napier, who are members of the Aboriginal Lands Parliamentary Standing Committee. Certainly the member for Giles' electorate covers many Aboriginal communities in South Australia and a couple of months ago I was fortunate enough to visit the APY lands as my first visit as minister with the local member, the member for Giles, and I look forward to a very strong working relationship as I know previous ministers have enjoyed with your predecessor, Lyn Breuer, in bringing to the government's attention some of the very significant issues and challenges that are faced by Aboriginal people in your electorate.

As many members would be aware—and I know many members participated in events—from 5 to 12 July National NAIDOC Week was held, and the national focus was in Adelaide for NAIDOC Week with the National NAIDOC Awards at the end of that week. It is a time to celebrate the history, culture and achievements of Aboriginal people. NAIDOC is an acronym for National Aborigines and Islanders Day Observance Committee and began as part of Aboriginal Australia's struggle for full citizenship status. While NAIDOC was initially marked as an occasion of mourning, it now stands as a time of reflection on the past and a celebration of the contributions of Aboriginal Australians.

I was pleased to see, support and be involved in many events and activities scheduled in Adelaide and across the state to celebrate NAIDOC Week, including the NAIDOC Awards at the end of the week—and the national awards were held in Adelaide. As I noted earlier, at many events during the course of the week I bumped into the member for Morphett, and I have to say on a personal reflection that NAIDOC Week was probably the most enjoyable single week I have had since being minister, with so many events and so much celebration of Aboriginal people, history, culture and achievements.

My department provides around \$68,000 worth of funding for NAIDOC events and activities, which includes funding for the Premier's NAIDOC Award, the Aboriginal Lands Cup, the Gladys Elphick Committee and the SA NAIDOC Committee. The theme for this year's NAIDOC was, 'We All Stand on Sacred Ground: Learn, Respect and Celebrate', and there were many events that certainly held true to that theme. It was exceptionally inspiring to see how the whole community, particularly the Aboriginal community, came together for that week, as they have in past weeks.

As I said, the national awards were held in Adelaide with a big celebratory dinner. Again, I ran into the member for Morphett at that event. It was a great way to finish off an action-packed week, with over 1,000 people in the newly built western wing of the Convention Centre for the event. In addition to the national awards, NAIDOC Week provides an opportunity for the state government to recognise and acknowledge the significant contribution of Aboriginal people in South Australia.

It was an honour to host the 2015 Premier's NAIDOC Award on 6 July, now in its ninth year, which recognises the outstanding achievements and contributions of South Australians whose service have made a significant difference to the lives and welfare of Aboriginal people. I would like to congratulate the winners of this year's Premier's NAIDOC Award, Dr Kali Hayward and Lavene Ngatokorua from Port Augusta, who I have met a couple of times in Port Augusta and the Davenport community. The award winners and finalists were celebrated with an event of about 65 guests at the South Australian Museum.

The South Australian government also provides financial contributions to enable community organisations to plan and host NAIDOC events. For instance, the government provides the NAIDOC SA Committee with about \$15,000 each year. The NAIDOC committee works with organisations to hold annual events, such as the NAIDOC SA Awards, a march, a family fun day and a ball in years where we do not host the national awards. I would like to take this opportunity to thank the many South Australians who contributed to the NAIDOC committee and the NAIDOC awards for their great work.

**Mr HUGHES:** How is the Department of State Development supporting the reconciliation agenda across South Australia?

**The Hon. K.J. MAHER:** Fantastic question, and I thank you for that question. The South Australian government continues to make recognition and reconciliation a key focus of our agenda. Reconciliation SA was established in 2002 when the Labor government took office, and since that time the government has funded and supported initiatives to drive reconciliation, both across government and business and, of course, across the general community.

Reconciliation fundamentally is about recognition and respect, the recognition and respect of culture, rights and the significant contribution of Aboriginal and Torres Strait Islander peoples. As a government, we want to build a better understanding of each other's culture. We want to overcome inequality and address issues of racism and prejudice.

It is really only through mutual understanding and shared commitment that we can truly achieve reconciliation. It is a goal that extends beyond government; it is a whole-of-community issue, but I recognise that government, particularly state government, has an important role to drive this agenda and to fund programs and policies that will support this vision. That is why the government has, over the last decade (or more), funded and supported the work of Reconciliation SA.

As a former member of the board of Reconciliation SA, I know the work they do is exceptionally important and I know they do that work on behalf of the whole community. Importantly, some of their efforts are about helping non-Indigenous Australians learn the cultural history of this state and of our country and to appreciate the enormity of it, and in developing the pride in this history that we should all rightly feel.

When all Australians feel that pride and the respect that comes along with it, then the work of reconciliation is really moving forward. That is why my department provides almost \$200,000 a year to Reconciliation SA to support this critical work. The South Australian government has provided significant financial support to Reconciliation SA for many years to promote the coordination of government and non-government reconciliation events.

I would like to place on record my sincere gratitude to Reconciliation SA, its current co-chairs, Professor Peter Buckskin and the Hon. Robyn Layton, and Mark Waters from Reconciliation SA, whom I have known for a number of years and who goes above and beyond the call of duty in promoting reconciliation in South Australia. I look forward to working closely with Reconciliation SA in the coming years as I have done in the past.

**Mr DULUK:** In relation to the Warriparinga Wetlands, referring to Budget Paper 4, Volume 4, pages 115 to 116, what is the current status of negotiations regarding the acquisition of the Warriparinga Wetlands for the Darlington Interchange project, and what consultation has been undertaken with Kurna people regarding the Tjilbruke Dreaming Tracks, which this land marks the beginning of?

**The Hon. K.J. MAHER:** I might take that on notice and bring back an answer. I know that the wetlands encompass the Darlington area and that there are Aboriginal heritage issues. I would not want to give an answer off the top of my head and from some of these papers that is not as comprehensive and instructive as I might give, so I will bring back an answer in relation to the specifics of that question and the Tjilbruke dreaming trail, which encompasses a long stretch of coastal area which I know is very important for the Kurna people.

**Mr DULUK:** To this point of time, you have not met with that community in relation to the Darlington project?

**The Hon. K.J. MAHER:** I have met with many different groups representing Kurna people on many issues.

**Mr DULUK:** But in relation to the Warriparinga Wetlands?

**The Hon. K.J. MAHER:** I cannot remember which specific groups, but I know the issue has been raised with me.

**Dr McFETRIDGE:** Referring to Budget Paper 4, Volume 4, pages 115 and 116 and the eternal recurring problem of the APY Executive financial management, given that the KPMG report, APY Land Rights Administration Grant Review, dated 1 May 2015, found significant issues, what is the minister doing to improve governance and particularly financial management on the APY lands? Whilst they are getting some information for you, can I just preface that question by asking whether Mr Richard King been appointed general manager of the APY lands? I am hearing rumours.

**The Hon. K.J. MAHER:** If you just give me a moment, I will get as thorough an answer as I possibly can for you. That is a very good question and I am not entirely surprised it is raised here. Certainly, it is an exceptionally important issue and it is not a new issue. There are significant challenges faced with many aspects of living in such a very remote area of South Australia, with many people who have English as a second language and with financial and governance structures that are not necessarily culturally what has happened for 40,000 years in that part of the world.

Concerns are raised regularly about APY governance issues, particularly about transparency and financial accountability. I know that KPMG, as the member for Morphett mentioned, were engaged to undertake a review, and a draft report was provided earlier this year. Following that draft report, the APY Executive had an opportunity to look at those recommendations, and KPMG was engaged also by the Department of State Development to address findings from that review.

As the member pointed out, some concerns were raised in that report. In recognition, some systems have been changed by the APY Executive, and the government has also changed some of the requirements of providing funding. A requirement of funding now includes significant measures for accountability and transparency, such as a lot more information being publicly provided on the APY website. There is now a requirement for financial records to be regularly put on the APY website, and minutes of executive meetings as well are regularly put up on the APY website—that has not happened before.

We are working closely with the APY Executive and its administration to ensure that these accountability and transparency measures are continued and improved upon. Working on from the KPMG report, we have engaged Ernst & Young to undertake two tasks: a fuller forensic audit and to

put systems in place to ensure that this work continues. I look forward to that work continuing and to APY continuing with the work they have already undertaken.

**Dr McFETRIDGE:** As a preface to that question, I asked whether Mr Richard King had been appointed as a general manager.

**The Hon. K.J. MAHER:** My understanding is that Richard King is the interim general manager. There is a process to appoint an ongoing general manager. My understanding is that Richard King has been appointed to continue his role up until that process is finalised. I will check to make sure that is the case and, if it is not the case, bring back a reply.

**Dr McFETRIDGE:** I should inform the committee that, in relation to financial management, the former financial manager, Mr Kevin Chan, who was I will not say sledged—perhaps I have said it—in a report that was done for the APY Executive on accounting, has now come back as a consultant financial controller, which I am very pleased to see because I think Mr Chan is one of those who is shining a light on financial management for APY.

I will be pleased to see him come back and help those who really want to advance governance on the lands do exactly that, so I will look forward to working with the minister on that. Rather than take up the committee's time with a whole series of questions on that issue, minister, probably through the Aboriginal Lands Parliamentary Standing Committee I will get some further briefings on financial management.

**The Hon. K.J. MAHER:** Just on that point, it is my understanding as well that that individual is going to continue in some role providing services.

**Dr McFETRIDGE:** Yes, and I think it is a very good thing.

**The Hon. K.J. MAHER:** I know we have had a number of discussions and share very similar aspirations for sound financial management, and I think this is one area where we are not very far apart on not just our aspirations but on some of the ways in which we can go about doing that. We do not agree on everything, but I think this is an area where we have a fair bit in common.

**Dr McFETRIDGE:** I am seeking some explanation, since I am just a humble veterinarian and not an accountant. On page 127 of Budget Paper 4, Volume 4, there is, for supplies and services, under operating activities, 'APY Lands—additional services' and 'Aboriginal Communities—additional services'. I think some of that may refer to MUNS funding, but the budget for 2014-15 was \$92,000, the estimated result was \$529,000, and the budget for 2015-16 is \$94,000. Can you give some information to the committee on what those additional services are and why the numbers are up and down?

**The Hon. K.J. MAHER:** I was previously just a humble lawyer, not an accountant. I very quickly changed out of doing my commerce degree because financial accounting was not my thing, like you as a humble veterinarian.

**Dr McFETRIDGE:** We have both made some money though.

**The Hon. K.J. MAHER:** Some of us more than others. I am informed there are issues with carryovers that affected the variance in that, but I will bring back a reply to get an exact answer for you.

**Dr McFETRIDGE:** Can the minister also tell us about any progress that has been made on the compensation bill for the stolen generation—and it is not a bill before the lower house and I am just trying to think of its correct title. Has any budgetary allowance been made by way of contingencies for any legislation at all, or how far along are we with that legislation being presented or amended?

**The Hon. K.J. MAHER:** That is an issue that we are continuing to develop as a government and continuing to consult on. As a minister, it is certainly an area I have spent a lot of time on. We are consulting with Aboriginal groups, Aboriginal communities and, particularly, individuals who were members of the stolen generations and directly affected.

I want to place on record my thanks particularly to the ALRM which has facilitated a lot of group and individual meetings for me to get a better appreciation of what the next steps are in making

amends for some of the atrocities, frankly, that were committed on members of the stolen generations.

One aspect that is often raised is individual reparations, which were the subject of a previous bill that the member refers to, and one thing that has become apparent to me is that, although individual reparations are an important part for many people, there are many other parts that individuals and communities affected see as needing to be addressed as well. These include making amends to communities that were deeply and profoundly affected by the policies of the past but also in areas such as education, making sure our education system in Australia properly teaches what happened in the past and also into the future, making sure that mistakes of the past are not repeated. So, I recognise this as an exceptionally important issue.

The government has not come to a settled position on exactly what the next steps will look like, but we will continue to do that and over the coming months look at what those next steps will be, and I will continue to liaise with the opposition and with members of the Greens who ask me this question every second week in parliament to see what the further developments are. It is an exceptionally important issue, it is one that has profoundly and deeply affected many Aboriginal people and Aboriginal communities, and it is one that we are taking very seriously about what a full government response will be.

**Dr McFETRIDGE:** You mentioned the Aboriginal Legal Rights Movement in your answer. Have you had discussions with the Minister for Communities and Social Inclusion about the funding for the Aboriginal Legal Rights Movement, particularly some of the low income support program funding where I understand there are issues.

**The Hon. K.J. MAHER:** I have not had specific discussions and I am not exactly sure what the issue is, but I am happy either through you or directly with the ALRM to discuss any issues. Many areas of Aboriginal affairs are not things that as minister I have direct control over. Many areas of government affect the lives of Aboriginal people in services provided, so it is an area where I find myself regularly liaising with my ministerial colleagues.

**Dr McFETRIDGE:** I will ask minister Bettison in the morning so you can have it as a Dorothy Dixer tomorrow morning.

**Ms COOK:** Just coming back to page 115 and acknowledging the importance that good nutrition has with life outcomes and health and wellbeing, my question is about how the Mai Wiru are improving the quality and price of food in stores on the APY lands?

**The Hon. K.J. MAHER:** All South Australians need to access safe, affordable and nutritious food. The South Australian government recognises the importance of equity and access in the state's remote Aboriginal communities, including access to fresh food that supports health and wellbeing. It is important that we acknowledge that our efforts in the past have met with mixed results. Over many decades and in recent years we have wanted to improve food security, safety and nutrition. We have had some good results, some not so good results, but that does not mean we should stop trying, and that applies in many areas of Aboriginal affairs—

*Dr McFetridge interjecting:*

**The Hon. K.J. MAHER:** I am not. Food security is simply too important to stop trying and to stop trying different things. The long-term benefits of an improved diet include very obvious things like a reduction in the burden of disease on the individual, their families and community and the healthcare system, but there are also much greater benefits of improved educational outcomes, which then lead to better and further training outcomes and job opportunities. Better nutrition affects so many different areas.

More than 50 per cent of the foods essential to a well-balanced diet are perishable, and include things like fruit, vegetables, dairy products, meat and fish. It is important that these food types are made available to remote communities in a timely manner that ensures that food quality. For most people living in remote communities, their main source of food is a local community store. The nearest major store to the APY lands is in Alice Springs, more than 400 kilometres away. That is why it is so important that people living on the APY lands have access to affordable fresh foods in local stores in all the major communities.

Until recently, fresh fruit and vegetables were often significantly more expensive and of poorer quality than those available in major cities like Adelaide. A very significant cost factor was the long supply chain that transported food from Alice Springs but which was sourced to Alice Springs from all over Australia, including Adelaide, but also from many other places. My department undertook a review of the challenges, and freight infrastructure is the first step in developing a more efficient supply chain for the region.

I am pleased that Mai Wiru, in conjunction with Foodbank SA, the largest hunger relief agency in this state, developed a proposal for the coordinated purchasing and delivery system to freight goods to community stores on the APY lands directly from Adelaide. With support from both the state and the commonwealth government, a comprehensive business plan was developed for a new service delivery model which would provide fresher fruit delivered within one or two days, direct from South Australian growers, lower prices for healthy food options, and sustainable and compliant transport to the major APY communities. I am pleased to say that this plan was implemented with, again, funding support both from the state and commonwealth governments.

On 15 September 2014, Mai Wiru Regional Stores Aboriginal Corporation commenced their new purchasing and delivery service to the APY lands direct from Adelaide. This new initiative means goods are being bought on behalf of all stores direct from a number of major corporate suppliers in Adelaide. From there, the goods are trucked by way of a triple road train from Adelaide once a week to five regional general stores across the APY lands, delivering fresh goods at a much more affordable price to Aboriginal people living on the APY lands.

I had the pleasure of launching the Mai Wiru freight service in April this year, again with the member for Morphett, out at the Toll depot in the north of Adelaide. Again, he embarrassed me by speaking—

*Dr McFetridge interjecting:*

**The Hon. K.J. MAHER:** No, you didn't speak in language at that one, did you? That was good, thank you. I have seen the trucks in action. The results so far have been very positive. There is much improved quality of fresh fruit and vegetables and other goods that arrive within one or two days. The cost of the fresh produce has come down as much as 25 per cent, and there is still a significant ability for the stores to put back into the local community. You can tell that the people are healthier, and even the animals look healthier. Even the desert dogs in the communities look healthier, but, unfortunately, so do the camels and donkeys. They are still looking healthy, which is not the best result.

I also know that Mai Wiru supports cultural and sporting activities across the lands through a community benefits program, and it is looking to other economic opportunities to expand the work it currently does. I would like to take the opportunity to place on the record my thanks to the Mai Wiru Regional Stores Aboriginal Corporation, which is a fully owned and Aboriginal-controlled organisation. Thanks also to the many individuals from Foodbank SA and Toll, who have helped in the development of this policy. As I said, it has already had some great success, and there is no reason not to be optimistic about its future.

**Ms COOK:** Moving on to page 116, how has the new Aboriginal Lands Trust Act 2013 modernised the operations of the Aboriginal Lands Trust?

**The Hon. K.J. MAHER:** Thank you for that question. I know many members in this room were involved when the legislation was changed recently to make improvements. The original Aboriginal Lands Trust Act 1966 provided for the vesting of the freehold title of crown land in the Aboriginal Lands Trust. That freehold title would then be held and managed by the trust for the ongoing economic and cultural benefit of Aboriginal people.

At the time, this was a landmark act as it was the first Aboriginal land rights legislation to be enacted in Australia, and its existence is testament to the vision and leadership of the then minister for Aboriginal affairs, the Hon. Don Dunstan. More than four decades later, the Aboriginal Lands Trust (ALT) now holds titles to 64 properties, comprising well over half a million hectares of land located right across regional, remote and metropolitan South Australia.

Since the enacting of the ALT act in 1966, there have been many social and legal changes that have meant the act was in some ways outdated and needed updating. For example, it did not set out clear objects, purposes and functions like most modern legislation. It did not take into account more recent regulatory requirements in land management areas and it was enacted as a land rights act, but in today's circumstances it needed to better assist in realising the economic potential of the land in Aboriginal communities. The act, as it was set up in 1966, required ministerial permission for any dealing with land at all.

We established a review of the act, which included three rounds of public consultations in many of our major Aboriginal communities and Aboriginal Lands Trust lands and received submissions from many people right across South Australia. Following the consultations, the government established the reference group to consider input from the community and to provide advice about its review and the processes for change in the legislation.

Following the review, public input and advice from the reference group that was set up, the parliament passed the ALT bill in November 2013 which came into operation 1 July 2014 and which modernises the act and governance structures to make sure that the trust has clear statutory objects and a new focus of its function and powers. The trust has been given more autonomy in dealing with trust land by removing the requirement for the minister to approve all dealings in all land, and it provides, which we are now working through, for the establishment of a commercial development advisory committee to assist both the state government and the trust with specialised advice on commercial transactions.

The new act represents major reform to the structure and focus of the ALT, and so far it has been welcomed. I am sure that as the years progress the new focus on providing economic benefit will provide benefits to Aboriginal communities right across the state.

**Mr DULUK:** Referring to pages 115 and 116, what is the status of the delivery of the nations rebuilding curriculum developed by Flinders University?

**The Hon. K.J. MAHER:** Thank you for the question. I did briefly touch upon it in my opening statement, but I will provide significantly more detail to your question. In early 2004, the Premier announced some reform agenda in Aboriginal affairs and reconciliation that would include and help be defined by the resetting of the relationship between the state government particularly and Aboriginal South Australians. The Premier's vision called for a look to see what changes might be able to occur in the government's approach and the underlying assumptions which had operated historically for many years.

To support the implementation of the broader Aboriginal affairs policy reform agenda, in 2014-15 the state government provided Flinders University with \$175,000 to develop and deliver an Aboriginal Nations Rebuilding curriculum. The curriculum aims to support Aboriginal leaders to build on stronger governance structures with sound governance and leadership from within and facilitate a cultural shift across the public sector that recognises the critical importance of consultation, cooperation and engagement with Aboriginal South Australians.

The curriculum is being delivered to senior South Australian Aboriginal communities and to senior members of the Public Service to implement the nations rebuilding program. The public sector workshop which was held earlier this year covered areas such as:

- Australian international case studies of successful governance and nations building;
- political and organisational governance;
- imposed versus community designed governance models;
- identifying, organising and acting as a nation; and
- policy implementation.

I was pleased to be able to speak at the opening of that public sector workshop earlier in the year and, certainly, I got a keen sense from the senior public sector officials to engage and to learn more. Delivery of a three-day program to Aboriginal communities will commence in September and October of this year, and it is intended that the Aboriginal Nations Rebuilding curriculum for communities will

help provide pathways for Aboriginal people to undertake further study even at the tertiary level in the Aboriginal governance rebuilding.

**Dr McFETRIDGE:** For the sake of the committee, I have a couple more questions, but I am looking at the time. I am not sure how long the minister's answers will take to these other questions so, just to be sure, I will read in the omnibus questions. I will do this as quickly as I can so that we can get on with other matters. The omnibus questions for this portfolio are:

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2014-15 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 2014-15, please provide the number of public servants broken down into heads and FTEs 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. In the financial year 2014-15, for all departments and agencies reporting to the minister, what underspending on projects and programs (1) was and (2) was not approved by cabinet for carryover expenditure in 2015-16?

4. Between 30 June 2014 and 30 June 2015, will the minister list the job title and total employment cost of each position with a total estimated cost of \$100,000 or more—(1) which has been abolished and (2) which has been created?

5. For each department or agency reporting to the minister, please provide a breakdown of attraction, retention and performance allowances as well as non-salary benefits paid to public servants and contractors in the years 2013-14 and 2014-15.

6. For each year of the forward estimates, provide the name and budget of all grant programs administered by all departments and agencies reporting to the minister and, for 2014-15, 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 15.

7. For each year of the forward estimates, provide the name and budget for each individual program administered by or on behalf of all departments and agencies reporting to the minister.

8. For each year of the forward estimates, provide the name and budget for each individual investing expenditure project administered by or on behalf of all departments and agencies reporting to the minister.

9. For each department or agency reporting to the minister, what is the budget for targeted voluntary separation packages for the financial years included in the forward estimates by year and how are these packages to be funded?

10. What is the title and total employment cost of each individual staff member in the minister's office as at 30 June 2015, including all departmental employees seconded to ministerial offices and ministerial liaison officers?

Back to Budget Paper 4, Volume 4, pages 115 and 116, I notice that you mentioned the Aboriginal Regional Authority in your opening statement. In the highlights on page 116 in Budget Paper 4, Volume 4 it mentions the development of the Aboriginal Regional Authority policy with Aboriginal communities, involving four trial sites. Can you give the committee some more information on the progress of establishing these regional authorities? How many have been established/will be established? I have had a number of issues with the financial control not only on APY but other Aboriginal communities and have sought financial records and accounts from them. Will the Auditor-General be auditing these authorities and, if not, why not?

**The Hon. K.J. MAHER:** I thank the member for Morphett for his questions and I know, as a former colleague of his on the Aboriginal Lands Parliamentary Standing Committee, that he

prosecuted his desire for financial accountability very strongly when that committee met in various communities across South Australia, so I know that this is quite a reasonable and genuine desire to see that moneys that Aboriginal communities expend are expended in the best possible way for the greatest benefits of the communities, and I think that is something we would all hope for. In relation to the—

**Dr McFETRIDGE:** Can I put on the record, minister, that none of that is targeted to any individuals either. As you just said, it is a genuine effort to see that public funds are spent in the way they should be for the best result.

**The Hon. K.J. MAHER:** Yes, I know. Individuals in communities should not feel you are targeting them. You target everyone equally. You give everyone—

**Dr McFETRIDGE:** If you are spending public money, I will be asking questions.

**The Hon. K.J. MAHER:** In my experience, you give everyone an equally hard time regardless of which community it is. It has not singled out a particular one. I know the member has foreshadowed that this is the last question, so I will not disappoint by answering briefly. I will answer fully to comply with his desire that this actually be the last question.

**Dr McFETRIDGE:** I have plenty more.

**The Hon. K.J. MAHER:** The Aboriginal Regional Authority's policy seeks to support a network of regional government structures that are capable of working with the state government on key issues that impact Aboriginal South Australians. Such a network aims to provide the state government and Aboriginal peoples with a platform through which to foster greater confidence in regional decision-making, create increased opportunities for economic growth, strengthen Aboriginal nations and communities through a process of nation-building and to promote better general wellbeing for Aboriginal people.

Over the course of the past financial year, we have continued an extensive design process with Aboriginal communities that began following the announcement of this policy in 2013. In January 2014, four trial groups were selected through an expression of interest process to participate in an intensive workshop program which took place from August to November 2014. The workshop program was independently facilitated by PricewaterhouseCoopers Indigenous Consulting and gave the trial groups an opportunity to openly discuss and interrogate elements of the Aboriginal Regional Authority's model.

At the conclusion of the workshop program, a report was provided to my department along with other targeted consultations and previous research that informed the development of the draft Aboriginal Regional Authority's policy for consultation. From February to April 2015, the department convened 15 public and 14 targeted consultation sessions in regional and metropolitan centres across the state which were attended by over 340 people; 13 public submissions were also received.

I know this was a very extensive consultation that was very well attended because for those few months whenever I called Nerida she was somewhere in remote or regional South Australia conducting these workshops, so I want thank you, Nerida, for the work that you have provided on that on many nights away from Adelaide to get extensive feedback from Aboriginal communities right across the state about the Aboriginal Regional Authority's proposal.

Following public consultation, the department worked to collate feedback and to finalise the draft policy. In 2015-16 it is anticipated that up to two Aboriginal Regional Authorities will be recognised under the policy through an expression of interest process. Depending on the individual needs of the organisation it will be recognised in different ways. This policy will have, eventually, minimum criteria for an Aboriginal area to be recognised as a regional authority but will necessarily need to have flexibility to take into account the very different individual circumstances of different Aboriginal communities and areas throughout South Australia.

I am informed that one of the criteria, one of the standards, to be set for the recognition of an Aboriginal regional authority will be that they are registered either with ORIC or OCBA, which provides a level of accountability and transparency that not all Aboriginal organisations and corporations have. I think that will go some way to satisfying the quite rightly held desire that there is

the highest level of accountability and transparency for the areas that are recognised as Aboriginal regional authorities.

**The ACTING CHAIR:** An excellent point at which to end, thank you, minister. There being no further questions, I declare consideration of the proposed payments for the Department of State Development adjourned until tomorrow.

At 18:01 the committee adjourned to Tuesday 28 July 2015 at 09:00.