

**HOUSE OF ASSEMBLY****Tuesday, 28 July 2015****ESTIMATES COMMITTEE A****Chair:**

Ms F.E. Bedford

**Members:**

Ms V. A. Chapman

Ms N.F. Cook

Mr J.P. Gee

Mr E.J. Hughes

Mr S.S. Marshall

Mr D. Speirs

*The committee met at 09:00**Estimates Vote***LEGISLATIVE COUNCIL, \$6,102,000****HOUSE OF ASSEMBLY, \$9,103,000****JOINT PARLIAMENTARY SERVICES, \$11,572,000****AUDITOR-GENERAL'S DEPARTMENT, \$16,598,000****STATE GOVERNOR'S ESTABLISHMENT, \$3,531,000****Minister:**

Hon. J.W. Weatherill, Premier.

**Departmental Advisers:**

Mr R. Crump, Clerk of the House of Assembly.

Mr K. Nelson, Chief Finance Officer, Legislature.

Mr A. Richardson, Auditor-General.

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

Mr I. McGlen, Director of Audits, Auditor-General's Department.

**The CHAIR:** The estimates committees are a relatively informal procedure and, as such, there is no need to stand to ask or answer questions, although members are reminded that normal standing orders remain in play in the chamber at all times. I understand that the minister and the lead speaker for the opposition have agreed to an approximate time for the consideration of proposed payments, which will facilitate a change of departmental advisers. Can the minister—in this case, the Premier—and the lead speaker for the opposition confirm that today's timetable, as distributed, is accurate?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** Yes, thank you.

**The CHAIR:** Changes to committee membership will be notified as they occur. Members should ensure the Chair is provided with a completed request to be discharged form. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 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 each 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. Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced at the beginning of each 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 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, however, 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 3. Premier, did you wish to make an opening statement this morning?

**The Hon. J.W. WEATHERILL:** No.

**The CHAIR:** Leader?

**Mr MARSHALL:** No.

**The CHAIR:** Premier, would you introduce your advisers?

**The Hon. J.W. WEATHERILL:** To my left is Rick Crump, Clerk of the House of Assembly; to his left is Kent Nelson, Chief Finance Officer of Parliament House. To my right is Andrew Richardson, Auditor-General, and behind me are Megan Stint, Manager, Finance, Auditor-General's Department and Ian McGlen, Director of Audits, Auditor-General's Department.

**Mr MARSHALL:** I indicate that we do not have any questions with regard to the House of Assembly, the Joint Parliamentary Services, the Legislative Council or the State Governor's Establishment.

**The CHAIR:** All those advisers can go?

**Mr MARSHALL:** Correct.

**The CHAIR:** So, you are looking purely at the Auditor-General. Is that right, leader?

**Mr MARSHALL:** We will start with the Auditor-General, but of course we also have the Economic Development Board and the Department of the Premier and Cabinet. We are happy to start wherever the Premier would like.

**The CHAIR:** And where are we looking—Volume 3?

**Mr MARSHALL:** If we are starting with the Auditor-General's Department, it will be Budget Paper 4, Volume 1, page 80. It starts on page 78.

**The CHAIR:** But your first question is on page 80; thank you.

**Mr MARSHALL:** Can you please list the investigations which were commenced before 1 July 2015 which are ongoing?

**Mr RICHARDSON:** On the departure of the previous auditor-general, we were in progress with two reviews in local government: on the indemnity schemes that are operated by the Local

Government Authority and a review into a drainage scheme, or at least a flood mitigation scheme, through Brown Hill Creek.

We had in progress work on ICT works that were to do with Health, and part of that was reported at 30 June. There are a couple of systems that we are still completing the work on together with a first-stage review of progress on the new Royal Adelaide Hospital. We are also completing some work that was started on advertising. They are the main examinations and reviews that were in progress at that time.

**Mr MARSHALL:** I understand that these would be what you would refer to in the budget papers as 'special investigations'; is that correct?

**Mr RICHARDSON:** No, the special investigations are occasions when we have been referred specific work that ultimately would be done on reference. The work that we have been doing is all for us within our ordinary mandate. We call most of those activities 'public interest reviews', which in other states they would probably call 'performance audits', but it comes within our existing mandate. Virtually all our funding is directed to our normal business, and that comes under the auditing services, program 1.

**Mr MARSHALL:** Can you indicate to the committee how a special interest investigation is triggered?

**Mr RICHARDSON:** All the work we are doing at the moment—

**Mr MARSHALL:** How a special investigation is triggered, sorry.

**Mr RICHARDSON:** A special investigation is triggered by reference from the Independent Commissioner Against Corruption and the Treasurer is also able to refer investigations to us. We had, you will see on page 81, back in 2013-14, funding there that was actually provided for the Adelaide Oval, so that came under a specific mandate under that legislation. Since then, we have absorbed the ongoing costs of that work within our ordinary work.

**Mr MARSHALL:** Under sub-program 1.2, it says that an examination work can be 'requested by', and it lists 'the Parliament of South Australia, Treasurer, minister or the Independent Commissioner Against Corruption'. How would the Parliament of South Australia instigate a special investigation? Would that be by motion?

**Mr RICHARDSON:** Yes, it would have to be. Under that section of the act, there would have to be a motion that set out terms of reference for the Auditor-General, and that would be the process.

**Mr MARSHALL:** Just going back, you are saying that as of 30 June there were public interest reviews underway regarding the Royal Adelaide Hospital, government advertising, the local government and also the South-East drainage; is that correct?

**Mr RICHARDSON:** The local government review incorporates not the South-East drainage but the local water authority that is related to that.

**Mr MARSHALL:** The water authority is the subject of the local government review?

**Mr RICHARDSON:** It is the local government review under section 32.

**Mr MARSHALL:** Can you give an indication to the committee when those current public interest reviews are likely to be completed?

**Mr RICHARDSON:** I expect that all bar probably the Brown Hill Creek flood would be tabled at least by October in the same time frame as the annual report that is due. We still have some work to do on the Brown Hill Creek one, so that may be slightly after that.

**Mr MARSHALL:** And the others—the Royal Adelaide Hospital, the advertising review and any supplementary report to the IT—when are they due?

**Mr RICHARDSON:** I expect all of those to be due when parliament resumes in October this year.

**Mr MARSHALL:** Is that handed down simultaneously with the annual—

**Mr RICHARDSON:** That is likely to be the case. If I can complete any of those prior to that, then I will be looking for a tabling date that I can get those in. At the moment, I am not assured that I could do that, so I will make sure that they would be available at the time of the annual report.

**Mr MARSHALL:** Just in relation to the advertising, how did you determine that you wanted to look at the government advertising? Was that a referral from a member of parliament, was it a referral from the parliament, or was it just something that you took up yourself?

**Mr RICHARDSON:** In fact, that one was started by my predecessor and I have chosen to complete the work that was started. The basis of that was simply we go through a process of identifying issues of the moment and that was one that was chosen to be a review that we would perform, so it is at the discretion of the Auditor-General.

**Mr MARSHALL:** When was that investigation begun?

**Mr RICHARDSON:** The planning for that was identified much earlier in the year. It did not actually start until pretty much I took over the reigns.

**The CHAIR:** Before the next question, could I just let people in the galleries behind us know that their voices carry down. There is too much noise. If they could just keep the noise down, we would be really grateful. Also, are there any questions on my right today?

**Mr HUGHES:** No.

**Mr MARSHALL:** When did you take over?

**Mr RICHARDSON:** Mr O'Neill finished at the end of March, so we were working towards completing the program of work that had been set out that we had identified. Up until 1 June, I was acting in that position, so I took the decision to make sure that work that we had planned would continue. As it turned out, I was appointed to the position.

**Mr MARSHALL:** You have outlined to the committee today what were all the public interest reviews underway on 30 June which are continuing and you have told us that all but the Brown Hill Creek component of the local government review are likely to be completed in October. Have you instigated any public interest reviews since 30 June?

**Mr RICHARDSON:** No. The process we are going through at the moment is to get ourselves in a position where we will make sure we will finish off all the work that is necessary to publish the annual report, including those public interest reviews I have outlined. We are also going through our planning stage at the moment to identify projects we are going to perform as soon as we have completed the annual report for this year. For us, a planning year essentially goes from November through November on a calendar basis, and we will start and have ourselves in a position where our new plan will be ready to go come this November.

**Mr MARSHALL:** The agency has put a lot of focus on reviewing IT projects in the past, and you have just indicated to the committee that there will be a further investigation or public interest review into IT and some of the IT areas that were not covered in the supplementary report. Are you talking specifically there about the Oracle system or RISTEC? What other systems are you currently looking at?

**Mr RICHARDSON:** There are five IT systems that are central to the new Royal Adelaide Hospital. We have reported on EPAS, ESMI and Oracle. Oracle is the most advanced of those and is pretty much settled now. The systems that are still under review by us are called EPLIS, which is a pathology system, and iPharmacy, which is an update of the pharmacy systems that they have been operating and which would bring it in line with being able to deal with the technical requirements of the new Royal Adelaide Hospital.

We wanted to make sure that we had covered off on all of the major ICT systems that were necessary for the new Royal Adelaide Hospital. We were also looking at the overall ICT arrangements, which is matching up our enterprise systems with those of the providers. That is part of the overall scope of our review of the new Royal Adelaide Hospital.

**Mr MARSHALL:** Are you looking at the CHIRON system?

**Mr RICHARDSON:** No, we have not looked at CHIRON. CHIRON, as we all know its status—the court case will determine the future for where that goes. From our perspective, where Health was at, EPAS is the system that they were seeking to put in as an enterprise patient administration system. Whether that continues to be the case—if CHIRON is able to be used in the near future, then what we would expect to see is some planning at the appropriate time for its replacement.

Clearly, right now, Health is doing a lot of things, and I do not think they are probably very well placed to try to tackle another IT system, as opposed to bedding down those that are already very significant developments for them. So, there has been a coinciding, I guess, of the fact that there is a range of systems that are still in development. That was not the original plan; it is the way it has turned out. To add another on top of that I think would probably be stretching their capacity, and that probably would not be worth their while.

**Mr MARSHALL:** Are you aware that the CHIRON system is currently being used without a current licence?

**Mr RICHARDSON:** Yes, I understand that. I understand the basis on which they have sought to continue to use that. Again, those circumstances have occurred, they are well known, and they are being challenged. We will see what happens out of that challenge, and whether or not that creates a different issue, at which point I guess we would have a look at that. But, should they be entitled to continue using CHIRON—as I say, I think they need to spend their effort in settling down the other systems.

**Mr MARSHALL:** As the Auditor-General do you, as part of the scope for your annual audit, look at the currency of the software licences that are used across government?

**Mr RICHARDSON:** We do not specifically go looking for that. We were aware of the circumstances of CHIRON. We were aware of the advice that the department received, and going on that advice, we have focused on the systems that required implementation.

**Mr MARSHALL:** And so you are satisfied that there is a very low risk regarding the CHIRON system?

**Mr RICHARDSON:** I probably cannot evaluate the risk for us. We were aware that they had advice that they were entitled to continue to use the system, notwithstanding the licence lapsing, and, as I say, we have focused on other systems.

**Mr MARSHALL:** Are you aware that there is currently legal action against the state government for the continuing use?

**Mr RICHARDSON:** Yes.

**Mr MARSHALL:** What would be the consequences if they were successful and South Australia was unable to continue to use the CHIRON system, which, I understand, is used in all but one or two of our country hospitals right across South Australia?

**Mr RICHARDSON:** If that occurred, then the consequence would be that Health would have to make the relevant arrangements, either with the provider or alternatives. Until we know that outcome, there is considerable risk in the other systems that they are operating. That matter—

**Mr MARSHALL:** More than using non-current software which is subject to a court challenge at the moment? There are riskier things than using a non-current piece of software where there is currently a legal challenge to a continued use.

**Mr RICHARDSON:** Given that they were in possession of advice that said they were on a good basis to be able to use that, we took that into account in making our—

**Mr MARSHALL:** Who provided that advice?

**Mr RICHARDSON:** The Crown.

**The CHAIR:** Leader, can we just ask that the questions be finished and answered before you get into your next question, because he was still going.

**Mr RICHARDSON:** The Crown provided that advice.

**Mr MARSHALL:** Have you looked at the veracity of that advice and got any independent opinion on that advice?

**Mr RICHARDSON:** No.

**Mr MARSHALL:** No. So, at this stage there is no interest from the Auditor-General's Department in looking at the issues regarding the CHIRON system?

**Mr RICHARDSON:** No, there is not 'no interest'. Our interest is to see what the outcome is of the court proceedings; and we were aware of the fact that the company, potentially, would challenge the state on its ongoing use. We were aware of the circumstances of the proceedings, we are aware of the fact that it has been challenged, and notwithstanding those things we were looking at systems that were supporting the opening of the new Royal Adelaide Hospital; and for us, that was our priority review. So, there is not 'no interest'; we have been monitoring what the situation is with CHIRON, but we have put our efforts into what is going on at the new Royal Adelaide Hospital.

**Mr MARSHALL:** You are currently conducting a public interest review into the Royal Adelaide Hospital; can you give us an overview of the scope of that audit?

**Mr RICHARDSON:** Essentially, leading up to here there has been commentary in the Auditor-General's reports on governance arrangements and reviews that health have done on the new Royal Adelaide Hospital; so, referencing assurance reviews and gateway reviews that the department has had.

Our view on this occasion was that we would go through the detail of the underlying governance arrangements, such as project management, risk management reporting—essentially, the entire program, and it is a very broad program, right through to the transitioning of the hospital from the existing Royal Adelaide Hospital to the new premises. Because of the scope of that, we will tend to do that in two phases. Our first phase was to focus on the governance arrangements and aspects of that. The transitioning process is not in our first phase, it will be in our second phase, as will more detailed testing work that we would need to do.

There is a very large procurement program for furniture and equipment, and we have been looking at the oversighting and governance arrangements of that procurement process, but we have not investigated individual procurements. For us, in scheduling out the amount of work that needs to be done the most important thing for us was to get a view of what was behind some of the things that have been commented on by other independent reviews at those gateway reviews that the departments had done.

What I expect to be reporting on at least by October, as I said, is that overview of the state of the governance, the state of the project, the project reporting and aspects around that, and including progress with revising the business case, which is also a matter that is in progress. All of those matters we feel set the scene for the remaining stages of completing the move into the new Royal Adelaide Hospital, but we would also look back at that very large procurement program and some of the detailed testing that we need to do just to see what happened with individual procurements, for example.

We focused on those sorts of things because there have been a few changes in the governance arrangements especially with the program directors and senior people at the Royal Adelaide Hospital. So, it was important for us to see the transitioning of those sorts of governance arrangements; or at least was the transitioning of those governance arrangements affecting the project in any negative way or, indeed, in any positive way.

**Mr MARSHALL:** Have you formed an opinion as to when the new Royal Adelaide Hospital will open?

**Mr RICHARDSON:** I am aware of the two pieces of information that are publicly talked about, that is, the target date of 16 April. I am also aware that, with the reviews that are done of the project, that indicates there is potentially a lag in the delivery of the project. However, I am very keenly aware that everybody is working towards—and all the information that we have seen suggests that everybody is working towards April 2016.

**Mr MARSHALL:** I am sure that is the case but, as the Auditor-General, have you formed an opinion as to when the new Royal Adelaide Hospital will open?

**The Hon. J.W. WEATHERILL:** Questions have to be directed towards me.

**Mr MARSHALL:** Has the Auditor-General or the agency, as part of their review of the government's arrangement of the Royal Adelaide Hospital, formed an opinion?

**The Hon. J.W. WEATHERILL:** That is not the way in which this process works; it is questions about estimates here. The Auditor-General has already given his answer. We have contractual obligations for the hospital to be finished in April 2016 and, if they are not met, then we have certain rights under those contractual arrangements. You have seen that Treasury have made estimates about when they think the project is likely to be finished. There is a view that it may slip, but at this stage we are certainly seeking to hold the consortium to its contracted arrangements. These projects have a capacity to speed up or slow down depending on circumstances. It really just depends on the circumstances that occur at the site, so that is all that we can really offer.

**Mr MARSHALL:** Premier, the Auditor-General has had a strong interest in both IT projects and the new Royal Adelaide Hospital project. There is essentially no parliamentary oversight of those two projects, because they are not subject to the Public Works Committee of the parliament. Do you think that it would be prudent to have IT projects, and indeed public-private partnerships going forward, to be the subject of Public Works Committee scrutiny? At the moment I think the threshold for a public work is \$4 million and these projects are some of the largest projects in the history of the state. In the case of the new Royal Adelaide Hospital, if you believe some of the magazine articles, it is one of the largest capital projects in the history of the world, yet there has been no oversight by our own Public Works Committee.

**The Hon. J.W. WEATHERILL:** I think what we have sought to do is advance changes to the Public Works Committee arrangements where some of the smaller-value projects are actually excluded by lifting the threshold. I think the Public Works Committee spends a lot of time on projects which are very low value, but we are always open to ideas about reforming the process of scrutiny of public works. Certainly, in some respects it is a bit the other way around: I think we scrutinise some very small projects, which take up a lot of time and effort for no good reason.

**Mr MARSHALL:** Premier, are you suggesting that you would be happy to trade off a lift in the threshold, but then with the inclusion of IT projects and public-private partnerships going forward?

**The Hon. J.W. WEATHERILL:** I am not going to have a debate about that here, but I just make the observation that I think the Public Works Committee considers projects that are really, I think, too small and create a lot of red tape for no good reason. I have not given any thought to the capacity to include ICT projects, but I suppose it depends on how one measures the value of those projects.

**Mr MARSHALL:** The government has been very clear that it expects efficiency dividends right across government, and they have been pursuing these efficiency dividend targets by agency for the last four or five years. Has there been an efficiency dividend imposed upon the Auditor-General that you could outline to the committee?

**The Hon. J.W. WEATHERILL:** The Auditor-General can answer that question.

**Mr RICHARDSON:** In the year that the ICAC legislation went through there were significant changes to our budget. We were provided with funding that would put us in a position to deal with a range of things that came out of that, essentially at a local government capacity, which we did not have. As part of the negotiations of the outcome, where we ultimately had an FTE increase in the department, we had some offsetting of previous arrangements.

The department had carried a vacant executive position for a very substantial period of time, but we did need to reinstate that position. In prior years, we had been making those sorts of contributions and, indeed, returning surplus cash in the past. The arrangements were put in place were at the beginning of 2014-15, so we are still bedding down the outcome of that and we are still settling into local government. We have a number of people allocated to that task. There is an

executive who oversees that who also oversees a number of the public interest reviews and ICT reviews that we do.

Having come into the position, I am now just looking at how those arrangements work to make sure that we can deliver those sorts of individual reports that my predecessor was talking to the parliament about over the last couple of years. Underlying that, what I am saying is that we have been included in the efficiency dividends in negotiating our overall outcomes. Last year, our overall outcome was to increase our budget.

**Mr MARSHALL:** So you have done a lot better than most agencies?

**Mr RICHARDSON:** On the way down here, I was thinking that we are used to—

**Mr MARSHALL:** The government don't want to poke the stick at you.

**Mr RICHARDSON:** We are used to operating at a bare minimum, shall I say.

**Mr MARSHALL:** Well, you say that, but every other agency has had very significant efficiency dividends to meet. It seems to me, looking at your budget, that it has increased every year and there has been no diminution staff required and there has been no increase in scope for the Auditor-General. You mentioned earlier that there had been a requirement to return surplus cash, but I have looked at the balance sheet and there has been no such return of cash to Treasury; in fact, there has been an increase in cash and cash equivalents on the balance sheet virtually each and every year.

**Mr RICHARDSON:** We are in fact looking at that. I am looking at that myself right now, but—

**Mr MARSHALL:** Right now, did you say?

**Mr RICHARDSON:** Yes, that is correct. On the efficiency side, our view is that we have had very stable staffing for many, many years, and our structure has been very stable over these years. The underlying work has changed considerably in that period of time. If you go back, you will find that the volume of the Auditor-General's Report predominantly increases with the volume of the financial statements and the financial framework that is in place.

In responding to that and the professional standards that we are obliged to do, we have picked up a lot of underlying work, which, unfortunately for us, is a bit like painting your room—you probably do not see the real significant effect, you just see a fresh coat of paint. For us to achieve the work outcomes that we have, we have had to build a lot of work into being more efficient about the processes that we are obliged to do.

**Mr MARSHALL:** On page 78, what are the minor capital works and equipment that you plan to purchase this year?

**Mr RICHARDSON:** Our capital program is generally directed to just replacing our portable computing capacity and our local servers. We have a routine replacement program. All our staff—we have 90-odd field auditors—use portable computers.

**Mr MARSHALL:** So you purchase those; it is not a lease arrangement?

**Mr RICHARDSON:** That is correct, and then after about three years we turn them over.

**Mr MARSHALL:** Can you give an overview of what the principal or the larger items are under the Supplies and services heading on page 79?

**Mr RICHARDSON:** Our major outlay is contracted audit services. We contract some of our audit work, whether it might be ICT specialists. We contract out a couple of Health audits to private auditing firms. We get specialist advice on occasion and that tends to be the major outlay that we have in our goods and services line. Beyond that, it is simply rent for our office space followed by bits and pieces, really.

**Mr MARSHALL:** And this year you plan to increase that outsourced service?

**Mr RICHARDSON:** We have facility for that, that is correct.



**Mr MARSHALL:** Also in the budget paper, it says that you have administered items. What are the administered items?

**Mr RICHARDSON:** That is the salary of the Auditor-General. It is a specifically appropriated line.

**Mr MARSHALL:** Why does the salary of the Auditor-General have a balance sheet with a cash balance of \$1.3 million? Is this part of the overall cash and cash equivalents review you are doing? I presume that is more than one year of salary for the Auditor-General.

**Mr RICHARDSON:** Sure.

**The Hon. J.W. WEATHERILL:** What page?

**Mr MARSHALL:** Page 87. Can you also indicate what the receivables would be for that administered item?

**Mr RICHARDSON:** The most activity that goes through our administered item is our audit fees. Under the act, we recover audit fees. The money does not go directly to the department. We are funded by appropriation, but we do return the audit fees we raise to the Treasury, so the fees we raise are accounted for as an administered item. That is the main line of activity that goes through there.

**Mr MARSHALL:** Just to clarify, earlier you said that the administered item was your salary, but what you are saying now is that the administered items are interagency transfers: you bill individual agencies for the work and they pay you.

**Mr RICHARDSON:** That is correct.

**Mr MARSHALL:** That is the administered item. So it is not your salary?

**Mr RICHARDSON:** No, the salary is in there as an expense. For example, my predecessor's settlement arrangements were an administered item and—

**Mr MARSHALL:** But the bulk is the interagency?

**Mr RICHARDSON:** The bulk is the interaction with the agencies on the audit fees; that is correct.

**Mr SPEIRS:** Referring to the same budget paper, Budget Paper 4, Volume 1, page 78, I have a general question relating to the Auditor-General's role with auditing local government. In the December meeting of the Economic and Finance Committee, when the previous auditor-general spoke to that committee he mentioned that the Auditor-General's office was going to be broadening its role, or was in the process of broadening its role, with regard to looking at the processes of local government in the state. He made comments that there was some work to be done in that area. Could you give an overview of how that is going?

**Mr RICHARDSON:** Our starting position was, as I have mentioned, a number of reviews that we essentially put into action quite quickly under my predecessor, so we are completing that work. Where we are at the moment is, because local government is new to us—we have been in that area many years ago, but so long ago that there is no real contemporary reference that we can make out of that—renewing our understanding of the sector and getting an overview of the sector, getting engaged with aspects of the basics, if you like, that the governance arrangements are in place. We have been in contact with not only the councils but the auditors who operate in that sector.

We are not the auditor of any particular council. The mandate that was given to the Auditor-General is an examination mandate, so it is a discretion, but on the expectation of exercising that discretion we need to have a good understanding of the activity of the sector and where we perceive the appropriate areas to be for us to perform examinations.

As it stands, we have three staff allocated to that under the supervision of an executive and they are going through a planning process, just like the rest of the activities are at the moment, at the same time as completing their existing work. That planning work builds our knowledge of the sector and will identify some areas that we will then move into once we have completed the current round of examinations.

**Mr SPEIRS:** Are there any areas that you have identified that warrant particular focus or concern at this stage or is it too early to tell?

**Mr RICHARDSON:** Too early at the moment.

**Mr SPEIRS:** Just a final question: will it be an ongoing process or time limited in terms of your focus on local government?

**Mr RICHARDSON:** It is certainly ongoing in the sense that the mandate is there and until we have gone through sufficient work that suggests that we either have a continuing obligation there or, indeed, we could step back, and I expect that would not occur for perhaps up to three years. I am working on a planning cycle of about three years at the moment to see that we would do appropriate work in that sector.

**Mr SPEIRS:** Are you working alongside the Local Government Association and other stakeholders with regard to building that understanding?

**Mr RICHARDSON:** That is correct.

**Mr MARSHALL:** There are no more questions for the Auditor-General. Thank you very much.

**The CHAIR:** So we are happy to close that line? We are going to close the line. There will be no further questions. The examination of closed payments is completed.

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

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

##### **Minister:**

Hon. J.W. Weatherill, Premier.

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

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

Ms J. Parkinson, Executive Director, Office of the Economic Development Board.

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

**The CHAIR:** I declare the proposed payments open for examination and refer members to Agency Statements, Volume 3, and ask for an introduction of the advisers.

**The Hon. J.W. WEATHERILL:** To my right is Dr Don Russell, Chief Executive of the Department of State Development. To my left is Julianne Parkinson who is the Executive Director of the Office of the Economic Development Board, and Rick Janssan, head of corporate services for the Department of State Development.

**The CHAIR:** Do you have a question, leader, that you were going to ask me before the introductions?

**Mr MARSHALL:** No, just that the reference is actually Budget Paper 4, Volume 4.

**The CHAIR:** I am only reading, you see. I am just a reader. Let me just change that 3 to a 4.

**Mr MARSHALL:** It is Budget Paper 4, Volume 4, page 62 onwards.

**The CHAIR:** Page 62. Is that going to be your first question?

**Mr MARSHALL:** Yes, thank you. In relation to the additional \$1 million in expenditure for the expanded role of the office, can the Premier explain how the office's role has been expanded, what new functions are being undertaken and what additional activities have been performed?

**The Hon. J.W. WEATHERILL:** Sorry, which line are we talking about?

**Mr MARSHALL:** We are talking about page 62. If you are looking at the first dot point, for example, in that last paragraph, 'The \$1.8 million increase in expenses is primarily due to: additional expenditure for the expanded role of the Office of the Economic Development Board (\$1.0 million).'

**The Hon. J.W. WEATHERILL:** The role of the EDB has substantially expanded. Fundamentally it now has a much closer connection with the Economic Development Cabinet Committee, so the chair and deputy chair sit on that committee, so they are incorporated in a sense into the decision-making of government in that way, so that has been the first significant expansion. A lot has flowed from that. There is the new investment attraction agency which has been designed through the work of a subcommittee of the Economic Development Board.

There has been the work of a further subcommittee on the Unlocking Capital for Jobs fund which is another discrete component of our economic priorities. There are the references that occurred in particular industry areas such as the work in promoting the Future Submarines project, and a very substantial element of work has been undertaken in that regard. There is also the expanded work in relation to the promotion of Brand SA which has also been led by members of the Economic Development Board.

There has also been specific references that have been undertaken on the Economic Development Board concerning closer collaboration between the universities. So essentially, unsurprisingly, given the very substantial challenges facing the South Australian economy, the work of the EDB has become more significant, more important and we have sought to expand its role in a number of significant respects, and these are just some of the areas that we have pushed into.

**Mr MARSHALL:** Premier, given your answer and the increasing need for the Economic Development Board, can you explain why there has been a more than 20 per cent cut to the funding for the EDB for this current financial year?

**The CHAIR:** Is that still on page 62?

**Mr MARSHALL:** Yes, it is quite clear there: \$3.986 million last financial year down to \$3.111 million this financial year.

**The Hon. J.W. WEATHERILL:** I think that is just the shifting of a function that had previously been undertaken under the auspices of the Economic Development Board, so I think—

**Mr MARSHALL:** So what, of the \$870-odd thousand—

**The Hon. J.W. WEATHERILL:** I have not finished answering the question. There has also been some one-off expenditure that was provided in the previous year which is not present in the current year. For instance, funding was provided specifically in respect of the Future Submarines project which was an intergovernmental transfer which occurred in last year's funding and is not present here in this year's funding.

**Mr MARSHALL:** It also shows that there was a cut in staff of 1.2 FTEs. What positions have been cut and what functions will be diminished?

**The Hon. J.W. WEATHERILL:** I think it is not a substantial change. It is more the way in which corporate overheads have been allocated across various elements of the Department of State Development agency. There is a decrease of 1.2 full-time equivalents which primarily relates to corporate overhead allocation.

**Mr MARSHALL:** You mentioned earlier that one of the programs that the EDB is working on is increasing the usage of the new state brand. Can the Premier outline to the committee how many of the 146,000 registered businesses in South Australia are currently using the new South Australian logo?

**The Hon. J.W. WEATHERILL:** I do not have the precise number but it has been a very substantial increase, which we are seeking to continue to drive. The brand has been very successfully promoted and taken up and continues to grow every month. I will bring back the precise numbers.

**Mr MARSHALL:** I note that the campaign to increase the numbers using the South Australian brand is currently being advertised quite extensively online. Can you outline to the committee how much is being spent on this campaign, how many firms are currently signed up to it and what the target is? Does the government have a target for the number of companies that are going to be using the brand?

**The Hon. J.W. WEATHERILL:** I will bring back an answer to those questions, but there is a two-year funding agreement with Brand SA which was completed on 30 June. The value of that agreement is \$2.984 million for two years.

**Mr MARSHALL:** What is that, sorry?

**The Hon. J.W. WEATHERILL:** \$2.984 million, over two years. The funding was provided from a range of government agencies and that includes milestone payments. I will bring back the details about that.

**Mr MARSHALL:** Sorry, I am just missing you there. Are you suggesting that people are paying to use the logo?

**The Hon. J.W. WEATHERILL:** No, this is what we are funding Brand SA. Brand SA was always funded. It had different iterations. Obviously, there was SA Great which preceded it and then Advantage SA. There was always a funding arrangement between the state and various organisations promoting the state. It has morphed into Brand SA and is now part of a funding agreement. But, no, people only have a certain number of obligations they need to commit themselves to and the brand is essentially free.

**Mr MARSHALL:** Does that almost \$3 million over a two-year period appear in the Office of the Economic Development Board accounts that we are currently looking at, or in another agency?

**The Hon. J.W. WEATHERILL:** No, it would be embedded in a range of agencies because it is funding from DPC, State Development, Tourism Commission and Department of Primary Industries and Regions.

**Mr MARSHALL:** In round terms, we are spending about \$1.5 million a year on promoting that logo. Is that the gist of it?

**The Hon. J.W. WEATHERILL:** No, we are spending \$1.5 million a year in our agreement with Brand SA, which is about a whole range of things beyond just the logo. It is about promoting South Australia.

**Mr MARSHALL:** Who is Brand SA?

**The Hon. J.W. WEATHERILL:** Formerly Advantage SA, formerly SA Great. It is a non-government organisation and there is an independent board which includes some government representatives. Previously, it was supervised by Business SA but now has its own independent board and its own governance arrangements.

**Mr MARSHALL:** So the total government spent with Brand SA is about \$1.5 million a year. Is that the subject of a contract?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** What is the term of the contract?

**The Hon. J.W. WEATHERILL:** Two years. It is a two-year funding agreement.

**Mr MARSHALL:** When does that conclude?

**The Hon. J.W. WEATHERILL:** In June 2017.

**Mr MARSHALL:** So it is just a new contract: there is a brand-new contract?

**The Hon. J.W. WEATHERILL:** What I have in front of me is that a two-year planning agreement with Brand SA was completed on 30 June 2015, but I might take on notice when it expires. I am not sure to what extent that covers a period which began before the formal agreement was entered into. So, it may well be that—

**Mr MARSHALL:** You have completely lost me.

**The Hon. J.W. WEATHERILL:** I think the formal agreement was signed on 30 June. It is a two-year agreement. I just do not know when it started, so it may well be it spanned that period of time, but I will have to bring—

**Mr MARSHALL:** So, it is not a two-year agreement that concluded on 30 June 2015.

**The Hon. J.W. WEATHERILL:** That is the question I do not know the answer to which I will take on notice.

**Mr MARSHALL:** But there is a continuing agreement in place, and it is in the order of magnitude of \$1½ million a year.

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** What do we get for that?

**The Hon. J.W. WEATHERILL:** We get the promotion of the state. Remember, there has always been a certain amount of contribution to the promotion of the state through a range of mechanisms; Brand SA is the latest, I suppose, coming together of a whole range of brand promotion activities under the heading of Brand SA. What we get is an increasing campaign to get more and more companies to sign up and use the brand, and we get the supervision, if you like, of that whole process and a series of networking events that occur between Brand SA and a range of businesses that come together and seek to promote South Australia both interstate and overseas.

**Mr MARSHALL:** Which agency manages that contract for Brand SA?

**The Hon. J.W. WEATHERILL:** The Department of State Development.

**Mr MARSHALL:** I would like to clarify something. Have they transferred the Advanced Manufacturing Council in or out of the EDB budget? It was not clear to me, even though I read it several times.

**The Hon. J.W. WEATHERILL:** It says here 'the transfer of the former Advanced Manufacturing Council budget from the industry and innovation program'.

**Mr MARSHALL:** So it is in?

**The Hon. J.W. WEATHERILL:** Can I go back to clarify the previous answer I gave. The two-year funding agreement with Brand SA, that agreement actually concluded. I think I suggested that the agreement was completed; it is more accurate to say that the actual funding agreement concluded, and there has been a further year's funding in that same order of magnitude—\$1.5 million—which is going for a further year until June 2016.

**Mr MARSHALL:** And the government plans to evaluate whether we are getting value for money before looking at a further term of that agreement?

**The Hon. J.W. WEATHERILL:** Well, we are continuing to evaluate the way in which Brand SA works, and that is an ongoing process.

**Mr MARSHALL:** But was envisaged that there would be a two-year contract that was scaled down to one year?

**The Hon. J.W. WEATHERILL:** What has really happened is that this is an evolving change. Essentially, Brand SA was an initiative of the government. We already had Advantage SA. We have essentially blended those two programs together so that we did not have a plethora of organisations out there promoting the state. We are reviewing, in a sense, the effectiveness of the bringing together of those organisations, and so we established just a 12-month funding agreement while that process of review, if you like, is underway.

**Mr MARSHALL:** Are we getting value for money?

**The Hon. J.W. WEATHERILL:** I think we are. I have been incredibly pleased with the way in which Brand SA has been taken up. I think it is now receiving a level of awareness and use which I think exceeds probably what we expected when we began. We knew that there would be some scepticism about the new brand for South Australia.

We are surprised about how quickly it has been taken up unused on a voluntary basis. It is becoming a little self-perpetuating now: some people are using it is almost a de facto made in South Australia brand. We have really positive feedback about it when we use it in interstate and international events. It is a powerful idea to use the icon of Australia.

It is a better known image than any individual image of any of the states, and so to leverage off Australia and take South Australia into that position is, I think, clever and has been recognised as such. The use of red is also pretty clever. In the basic principles of marketing, make it big or make it red. We own red as a colour in terms of the—

**Mr MARSHALL:** I prefer blue myself.

**The Hon. J.W. WEATHERILL:** That was one of the pieces of the analysis. If you actually look at all the states and which colours they own in terms of iconography, South Australia largely owns red.

**Mr MARSHALL:** Well, red is the international colour for debt and deficit, so I think you are probably right. I agree with you on that point.

**The Hon. J.W. WEATHERILL:** And in China—

*Members interjecting:*

**The CHAIR:** Order, everybody!

**The Hon. J.W. WEATHERILL:** In China—

**Mr MARSHALL:** Distress! International distress.

**The Hon. J.W. WEATHERILL:** No, in China it is regarded as a very propitious colour.

**Mr MARSHALL:** Mayday! Mayday!

**The Hon. J.W. WEATHERILL:** The fact that we—

**The CHAIR:** No, no. In China, it is very lucky.

**The Hon. J.W. WEATHERILL:** The fact that we own it is a very good thing.

**Mr MARSHALL:** Nevertheless, Premier, back to the question that was before you which was about the Advanced Manufacturing Council. I think you have indicated to the committee that the Economic Development Board has taken on the work of the Advanced Manufacturing Council which has some concern for us because, although we have already outlined that there is an \$870,000 decrease in the money that is provided, you are taking on \$700,000 worth of additional work, unless you plan to diminish that work of the Advanced Manufacturing Council which is obviously a \$1.5 million turnaround in just a 12-month period.

**The Hon. J.W. WEATHERILL:** I will just take you through what is happening with the Advanced Manufacturing Council. The budget for 14-15 was originally \$670,000. The AMC budget of \$507,000 was transferred to the EDB in September 2014 after \$163,000 was offered up as savings as part of the whole-of-government efficiency effort.

**Mr MARSHALL:** The what efficiency?

**The Hon. J.W. WEATHERILL:** The initial budget for the EDB for 2014-15 was \$2.986 million. The budget for the EDB in 2014-15 with the AMC addition was \$3.493 million, effectively \$2.986 million plus the \$507,000. So, the budget for the EDB and AMC combined for 2015-16 is \$2,910,920 of which the EDB is \$2,403,920 and AMC is \$507,000.

**Mr MARSHALL:** What was that last figure?

**The Hon. J.W. WEATHERILL:** \$507,000.

**Mr MARSHALL:** So that is quite a significant decrease after the transfer. What particular—

**The Hon. J.W. WEATHERILL:** \$163,000.

**Mr MARSHALL:** So what is going to be cut from the AMC's work?

**The Hon. J.W. WEATHERILL:** They would be accommodated because of the reductions that occurred to board fees, so the AMC was one of the bodies that was slated for removal when we rationalised boards and committees, so we were able to make the savings without disturbing any of the essential functions given that in a sense the AMC has been morphed into the EDB because some of the key players are obviously represented on that body and it is a central part of the EDB's work to promote advanced manufacturing.

**Mr MARSHALL:** Is there still an Advanced Manufacturing Council which meets and, if so, how often does it meet?

**The Hon. J.W. WEATHERILL:** It was abolished through the boards and committees process but it does represent an important part of the sub-committee work of the EDB.

**Mr MARSHALL:** Does the Advanced Manufacturing Ministerial Taskforce still exist?

**The Hon. J.W. WEATHERILL:** I might just take that question on notice.

**Mr MARSHALL:** When you are looking at that question on notice, can you perhaps outline to the committee who were the members of the Advanced Manufacturing Ministerial Taskforce, how often they met and when they were essentially formed and then ceased to operate?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** The Economic Development Board itself, what is the total remuneration for that board?

**The Hon. J.W. WEATHERILL:** You mean board members?

**Mr MARSHALL:** Board members, correct.

**The Hon. J.W. WEATHERILL:** I will take that on notice.

**Mr MARSHALL:** Are board members paid for attendance on that board, or is it just an annual fee?

**The Hon. J.W. WEATHERILL:** It is an annual fee.

**Mr MARSHALL:** How often did the board meet last financial year?

**The Hon. J.W. WEATHERILL:** The board as a board meets quarterly and then there are some special meetings in addition to that, but a lot of the work of the board is actually carried out through subcommittees, so we will tally those up and bring back an answer.

**Mr MARSHALL:** Under the highlights outlined on page 63 it talks about the food park initiative. The government has already gone into quite a lot of detail on that in the parliament so we do not need an update on that, but I am interested to know, under the highlights where it states 'site selection process', where the government is in terms of the site selection for that particular food park.

**The Hon. J.W. WEATHERILL:** I am advised that there is a panel that has been formed for the purpose of assessing the potential sites for the food park. I understand there are three short-listed sites. That process is still underway and there will be further meetings about that held shortly. A final decision has not been taken but we expect it to be made soon.

**Mr MARSHALL:** Who is on that site selection committee?

**The Hon. J.W. WEATHERILL:** I think it is known as the food park site selection panel. It is chaired by Mr Terry Burgess, who is a member of the EDB, and there are relevant government agencies and some private sector representatives on that panel.

**Mr MARSHALL:** Should we be concerned when we read dot point 11 on page 63, which states:

Provide advice to government on the proposed Food Park project...should the project proceed.

How committed is the government to the project, with that wording?

**The Hon. J.W. WEATHERILL:** Are we committed to the project? It is not one that has been concluded and to some degree it is out of our hands. We are promoting it but it involves considerations that are not directly capable of being influenced by government. For instance, we are looking at choosing sites which the government does not necessarily own but is seeking to promote and may support in a range of ways. So, these things are not directly within our control.

**Mr MARSHALL:** Finally on the EDB, before I pass over to my colleagues, the Unlocking Capital for Jobs program, this was a program that I think the Premier was talking about in the lead-up to the state election; is that correct?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** And the pilot program is a target for the coming financial year. What has been the delay in establishing this program that you have been talking about since 2013?

**The Hon. J.W. WEATHERILL:** It has not been delayed. It is up and running and the first project has taken advantage of it, which has led to a very important first result. Australian Fashion Labels has been able to secure a commitment from the fund which has permitted them to relocate and expand their operations on North Terrace, which is a very beneficial outcome for them, for jobs and for our ambitions to open up North Terrace as a lively precinct. One of the other objectives, of course, was to make sure that all those old buildings along North Terrace had been activated, and this advances that objective as well.

**Mr SPEIRS:** Just one question from me on the same reference, page 62. Premier, for a number of years, the Economic Development Board was led by a director. I note that Ms Parkinson's title is executive director. Why the change, and is there any additional cost to providing the expanded executive role?

**The Hon. J.W. WEATHERILL:** The role has been upgraded from director to executive director, which is consistent with the upgrading of the role of the relationship between the EDB and the government through the chair and the deputy chair also sitting on the economic development cabinet committee.

**Mr SPEIRS:** And the additional cost?

**The Hon. J.W. WEATHERILL:** I will bring back an answer to you. There is an additional remuneration which is attracted to the executive director level as opposed to the director level. We will bring back the difference between those two costs.

**Mr MARSHALL:** I propose now to move to the Department of the Premier and Cabinet and, in particular, Agency Statements, Budget Paper 4, Volume 3.

**The CHAIR:** Before we get to that, can I just ask if you have any questions on the State Governor's Establishment?

**Mr MARSHALL:** No, I have already made that clear.

**The CHAIR:** That was dispensed with, so I need to close that line, just as a technicality to keep everybody happy. We are going to close the line of State Governor's Establishment, which is \$3,531,000, as there are no further questions. We are going to also close, as there are no further questions, the line of Department of State Development and the Administered Items for the Department of State Development.



**DEPARTMENT OF THE PREMIER AND CABINET, \$75,551,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,**  
**\$1,879,000**

**Minister:**

Hon. J.W. Weatherill, Premier.

**Departmental Advisers:**

Mr K. Winter-Dewhirst, Chief Executive, Department of the Premier and Cabinet.

Mr P. McMahon, Chief Operating Officer, Department of the Premier and Cabinet.

Mr S. Woolhouse, Chief Finance Officer, Department of the Premier and Cabinet.

Ms T. Lynch, Project Officer, Briefings and Parliamentary Services, Department of the Premier and Cabinet.

**The Hon. J.W. WEATHERILL:** Madam Chair, can I inform you and the committee that on my left is Kym Winter-Dewhirst, Chief Executive of DPC. To his left is Phil McMahon, Chief Operating Officer, DPC; to my right is Steve Woolhouse, Chief Finance Officer, DPC; and behind me is Tricia Lynch, Project Officer, Briefings and Parliamentary Services.

**The CHAIR:** What page are you starting at?

**Mr MARSHALL:** We would say 145 is where it begins. Budget Paper 4, Volume 3. It seems that there are five programs we will be examining in the remaining time. I indicate that we do not have any questions on Program 3: Agent-General. I do not know whether that helps you at all in terms of your arrangements. I am happy to just tee off with Program 1: Premier and Cabinet Policy and Support, if that would suit.

I note that there was a significant payment to the Tailem Bend sport park. Can we just confirm that that \$7.5 million was paid in the previous financial year, and can you outline to the committee what the basis was of that contract and what we got for the \$7.5 million? Was it paid in one payment, and are any future payments envisaged?

**The Hon. J.W. WEATHERILL:** This of course was something we took to the election, so it was an election commitment. We essentially delivered on that \$7.5 million election commitment to the Peregrine Corporation to facilitate the establishment of a motorsport park in Tailem Bend with the capability to host a second V8 Supercar race in South Australia.

Since then, the federal government has also supported this project through a grant to one of the local councils to assist with infrastructure development. This will leverage over \$80 million of private sector investment, we are advised, in regional South Australia and obviously provide an important boost to the region's economy by attracting tourism and further investment.

An EconSearch report found the development is forecast to bring more than 300,000 extra visitors to the region each year and will provide an annual economic benefit when fully established of approximately \$200 million to the South Australian economy. This is a fantastic opportunity for the local region, in particular the Coorong District Council, which has played an important role in assisting the Peregrine Corporation to purchase the land necessary, and it seems to be progressing well.

**Mr MARSHALL:** The payment has been made?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** Are any future payments envisaged for the project?

**The Hon. J.W. WEATHERILL:** No. Certainly I think the developer has requested some further assistance, but no decision has been made to grant any further assistance.

**Mr MARSHALL:** What will the \$7.5 million be specifically spent on, or was that not made clear in the contract?

**The Hon. J.W. WEATHERILL:** I do not think it is allocated against any particular element of the project, although we are familiar that the project is to develop a motorsport park at the former Mitsubishi test site. It provides for a privately built and operated motorsport park that is capable of hosting a second V8 supercar event, so it certainly has those elements to it.

**Mr MARSHALL:** When would you envisage that the motorsport park would be open?

**The Hon. J.W. WEATHERILL:** The funding agreement has a commitment for 30 June 2017 for the road circuit to be complete or the South Australian government can claw back all or part of the funds.

**Mr MARSHALL:** On the next page, page 148, under highlights for the 2014-15 year, the final dot point says, 'Supported the Premier's international missions'. Can the Premier outline to the committee what was the cost of the 'largest trade and investment program in the state's history to South Australia's sister state, Shandong Province, China'?

**The Hon. J.W. WEATHERILL:** The cost of it was largely borne by the private sector players who attended because they all paid their own way. The cost to the state government is very much more limited because the number of people who were on the delegation or the mission who came from state government or state government agencies was very much smaller than the private sector mission that also attended. The total cost to the Department of the Premier and Cabinet for this visit, for all its officers and associated costs of goods and services, was in the order of \$100,000.

**Mr MARSHALL:** Just for clarity, this is the program which coordinated that visit?

**The Hon. J.W. WEATHERILL:** Yes, but also paid for the costs of the actual representatives who attended on the visit. There was a very substantial delegation from the Department of the Premier and Cabinet which accompanied me on the mission.

**Mr MARSHALL:** That was funded out of the \$100,000 cost?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** Does that \$100,000 cost include your ministerial travel?

**The Hon. J.W. WEATHERILL:** That would have been funded from our ministerial office account.

**Mr MARSHALL:** Just for clarity, do you have a figure for the total cost to government of the trip to Shandong? I presume there would be some money in ministerial travel, some with this agency, some with other. I understand there might have been upwards of 80 public servants on this trip, presumably paid for by government. I appreciate that there would have been very substantial investment by the private sector as well.

**The Hon. J.W. WEATHERILL:** To clarify, there were 49 state government delegates, plus five BioSA and four TAFE representatives that attended the visit. That is inclusive of the Department of the Premier and Cabinet, so it was not 80, but we will aggregate those numbers and bring back a response.

**Mr MARSHALL:** Thank you. Under targets, it says that this agency will:

- Lead and coordinate the Premier's international engagement agenda, including...outbound international missions.

What is the plan in terms of outbound international missions for the current financial year?

**The Hon. J.W. WEATHERILL:** I will bring back an answer to you on that. We are trying to focus our visits on a settled calendar. So, we are beginning to settle that May will be a month when we have an outbound mission to China, that we have an outbound mission to India in August, and this year we also will be having, for the first time, a substantial outbound mission to South-East Asia. Later this year there will be a mission to the climate change conference in France in December.

There are also the inbound missions which come into South Australia which need to be supported. There will be substantial international missions inbound to South Australia, and they need to be supported by this agency to make sure that they are a success. One of the things that is absolutely critical is that we replicate the style, manner and status of the visit that we have been afforded when we attend another country when there is a return visit here to South Australia, and this agency is going to play an important role in ensuring those missions are a success.

**Mr MARSHALL:** Is this the agency or the program in which the federal government response task force sits?

**The Hon. J.W. WEATHERILL:** If the question is about the part of government that responds to the federal government cuts—

**Mr MARSHALL:** I am just referring to your evidence to this committee last year, where you reported that on 2 July 2014 you had 'convened the first meeting of the federal government response task force', and you went on to outline the members of that committee. I am just interested to know whether this is the program in which that task force sits.

**The Hon. J.W. WEATHERILL:** It is part of the ordinary work of my role as Premier to convene task forces that respond to contemporary issues. In this case, it was the federal government budget cuts, and we did convene a task force for that purpose. It is supported by my office and my agency, so I suppose, in a generic sense, the Department of the Premier and Cabinet does support me in that task force.

**Mr MARSHALL:** Can you outline to the committee who was on that task force, how often it has met, and when was the last time that it met?

**The Hon. J.W. WEATHERILL:** It is open to anybody who wants to be there who does not like the federal government's budget cuts, so it is standing room only, really. It is a range of interest groups across education, health and social welfare sectors. It has met on a number of occasions to give updates to those community groups. I will bring back details of when it has met. It is also supported by academics who come in and provide reports.

**Mr MARSHALL:** When was the last time it met?

**The Hon. J.W. WEATHERILL:** I cannot recall the last time we brought it together.

**Mr MARSHALL:** This year?

**The Hon. J.W. WEATHERILL:** We would have given a report back in the context of the budget, I am sure, but I will bring back an answer to you.

**Mr MARSHALL:** Has the task force been made aware that, in fact, we ended up with more money from the federal government last financial year than was either budgeted for by the former Labor federal government or, in fact, by this state government when it brought down its budget last year?

**The Hon. J.W. WEATHERILL:** You see, obviously you have not caught up with the news that occurred out of Canberra: nobody now is continuing to advance the argument that there was no federal government cuts under the previous budget.

**Mr MARSHALL:** There was no cut last year?

**The Hon. J.W. WEATHERILL:** Everybody now accepts that there were cuts that were imposed by the federal government to the health budgets around the nation. Indeed, Premier Baird and I made that point, which is now reflected in a communiqué and which accepts that there is a massive funding gap for our health services. It is not just the federal government cut; that is part of the equation. The problem is even much bigger than the federal government cut which was a substantial and unhelpful contribution to that problem.

It is nonsense that there was no cut when everybody now accepts that healthcare funding is growing north of 6 per cent per annum, and the federal government seeks to simply just provide you with funding which goes forward at CPI—there is nobody who is seriously contending that that is not a cut. To the extent that we have been able to win that argument, this campaign has been successful;

and it is a very important argument to win because we now have a national conversation about a very critical issue which is about filling the gap between the amount of revenue that we raise and the amount of revenue that is needed to actually finance healthcare services in this nation.

I am proud of the fact that on this little picket line we were about the only person there at the start, and now we have a lot of very powerful friends with us and we are beginning to have a national conversation about properly funding our healthcare systems; otherwise, the burden just falls on state governments. The truth is that those cuts, in the first few years, are substantial at \$655 million over the first four years, but they dramatically increase after the first four-year period. It is no answer to the question to say that the amount of money coming to South Australia is also increasing each year, of course, but it does not increase at the rate it needs to increase to cover off the increasing costs.

**Mr MARSHALL:** When you informed the committee that the health cost increases are in the order of 6 per cent per year, were you relying on your own figures that you have developed in your COAG secretariat within this agency or were you relying on another state premier's figures?

**The Hon. J.W. WEATHERILL:** Yes, we have been relying on Premier Baird's figures and our own experience; it is a pretty uncontroverted contention that the growth in healthcare funding around the nation for both the commonwealth and the state government is growing much more strongly than CPI.

**Mr MARSHALL:** Are you aware that, in fact, the net cost of health to this state has diminished over the last four years, both as a proportion of the budget and as a proportion of the gross state product?

**The Hon. J.W. WEATHERILL:** Healthcare costs are growing at an inflator which exceeds CPI and has consistently been growing at an inflator that exceeds CPI. The fact that we have had to also make some very substantial savings measures just to keep up with the rate of growth of healthcare services is to our credit. The fact that we have had to make some very tough decisions just to try to manage our budgets when substantially the cost of healthcare services is increasing at this very substantial rate just demonstrates how seriously we are taking the task and grappling with it.

**Mr MARSHALL:** I refer to Volume 3, page 148, under highlights. Can the Premier explain what work was conducted by the department in relation to the review of GST relativities and related analysis of the current GST framework?

**The Hon. J.W. WEATHERILL:** Yes, we commissioned a report in relation to horizontal fiscal equalisation and we published that last week. It was a report that was prepared by Independent Economics. That report actually found that our system of horizontal fiscal equalisation in this country is really an international exemplar on how federations should distribute resources from the federal government to various state governments, having regard to questions of equity and efficiency. We have traditionally run the equity argument, which is that services—healthcare services, education services—in this country should not depend on where you live. In particular, it should not depend on whether you live next to a big mine but it should really be determined on much more equitable principles.

The equity argument for HFE is powerful and, frankly, has really been accepted since the 1930s in some form or another. However, in its current sophisticated form it is really a case study in international business schools on how you do an HFE. The point here is that it is not just an equity issue. This report finds that there are important efficiency reasons why the nation should be constructed in this way. If you did it otherwise, what you would have is an allocation of resources which would skew the economic efficiency of the nation.

This is important work and we have run the argument hard. I think Western Australia, frankly, are isolated on this point. I think the big states, which are donor states outside of Western Australia, are supportive. In particular, New South Wales and Victoria accept that the larger, more prosperous states have a role to play in supporting states that are less prosperous. Of course, the ambition is that we will one day be a donor state; that becomes the ambition, but that is how it should be. If we were to become financially very prosperous, it would be proper for us to redistribute some of our resources.

**Mr MARSHALL:** How much did that report cost?

**The Hon. J.W. WEATHERILL:** That particular report cost \$52,458.

**Mr MARSHALL:** Who was that done by?

**The Hon. J.W. WEATHERILL:** Independent Economics.

**Mr MARSHALL:** Did that report look at any sensitivity analysis around an increase in the GST rate?

**The Hon. J.W. WEATHERILL:** No, we did a separate piece of work in relation to GST, which was carried out by NATSEM. Through the Canberra University we looked at essentially the equity impacts of broadening the base of the GST or expanding its rate. What we found was that, if you increase the rate, apply it to fresh food or apply it to health, it is a regressive increase. Education ended up being neutral and financial services ended up being progressive, which is why I promoted the expansion of GST to cover financial services. That report, as I said, was prepared by NATSEM.

**Mr MARSHALL:** What cost was that report?

**The Hon. J.W. WEATHERILL:** I will need to get back to you about that. I do not know whether I have that number.

**Mr MARSHALL:** When you promoted the concept of moving GST on to financial services, which particular financial services were you envisaging that it would cover: deposits, withdrawals, loans, financial advice, superannuation advice, all of the above?

**The Hon. J.W. WEATHERILL:** All the financial services. The modelling was done, essentially, based on the fact that GST presently does not cover financial services. The reason it does not cover financial services is that it is a little more complicated than taxing other services. At least theoretically, the gap, the interest margin between what banks can borrow on and what they end up lending on, is a service that can be taxed. There is a lot of scaremongering about the fact this will just add GST to the cost of every house, but it is not; it is just to the financial service. It would raise I think in the order of \$3.6 billion, which is a very substantial contribution to the hole that we face in health care funding, and I thought it was worthy of discussion.

I also wanted to open up for public debate about revenue, because we had been focusing so much on cost. Premier Baird's work indicates that our health care system in this nation is one of the most efficient in the world, just looking at the proportion of GDP which is allocated to health services. While we can do some more things on the efficiency side of the equation, the scope for that is limited. The truth is we are going to have to contemplate some form of additional revenue.

**Mr MARSHALL:** That \$3.6 billion, that is an annual increased revenue per year?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** Do we know what the hit to the South Australian taxpayers would be for that increase?

**The Hon. J.W. WEATHERILL:** Much lower than a number of the other propositions that have been advanced, because we have a higher proportion of low-income earners here in South Australia and this is the only progressive reform of GST that would not require some form of compensation. The principal is this: if you have got a revenue problem, in that what we all think we need to spend on health is more than what we are collecting, then you have got to collect revenue. Consulting my values, I think we should make people on higher incomes contribute proportionately more than people on lower incomes, hence we advance the GST on financial services.

**Mr MARSHALL:** How committed are you to exploring the possibility of a 50 per cent increase in the GST as it currently exists on the current regimen of goods and services?

**The Hon. J.W. WEATHERILL:** I am open to it, provided we can solve the problem of the regressive nature of that increase. It will place an additional burden on people on low incomes, and that is something that I find unacceptable. One, you would have to design some form of compensation; two, it would have to be durable, because we have seen compensation be washed

away in the past; and, three, you would have to be certain that there was not going to be some further push to increase GST again for some other purpose.

There are lots of competing contentions about GST. We obviously are interested in a new revenue source to solve this health gap, but obviously there are others who have ambitions to use the GST to simply reduce the general level of taxation on businesses or the personal income tax system. There are a lot of calls on this revenue that are being made by different sections of the community.

**Mr MARSHALL:** Premier, have you done away with the State Strategic Plan?

**The Hon. J.W. WEATHERILL:** No.

**Mr MARSHALL:** In last year's estimates, you went to some extent to talk about an audit committee that was going to bring down a report. That report was due last year. It has not been received, and has not been received so far this year. When is it going to be complete and when is it going to be updated?

**The Hon. J.W. WEATHERILL:** Our focus has been on the targets that we have set in relation to our 10 economic priorities. That has been the principal focus that we have had. Naturally enough, the economy has consumed a lot of our attention, given the challenges we have in relation to employment. I am committed to ensuring that we make progress on this front. To do that, we have to have a sharper focus. Focusing on 100 things is not a sharp enough focus, in my view, and that is why I have sought to sharpen the focus to the 10 economic priorities which represent our economic plan for South Australia. That is the choice that I have made.

That is not to say that the Strategic Plan does not provide us with guidance across a whole range of areas of endeavour which are important for government. The 10 economic priorities are not the only things we are doing, but they are the things that I am placing my attention on to ensure that we drive progress in each of those areas.

**Mr MARSHALL:** Will there be an update to the State Strategic Plan? A year ago you said that the South Australian Strategic Plan Audit Committee was undertaking an audit, and that was due last year. It is running quite late now. Is that going to proceed or is it going to be superseded by the seven and then 10 strategic priorities for the government?

**The Hon. J.W. WEATHERILL:** No, it will conclude that work but, as I said, we have had an election and, since that election, we learnt the lessons. We listened and have changed our approach, so we have set ourselves a new set of priorities which are much sharper and much more specific and we are focusing our attention on those things. Sure, the work of auditing against the broader objectives of the Strategic Plan will be concluded but, certainly, the priority for me is to pursue the necessary changes to the South Australian economy which involve its transformation, and that is a big task and it is consuming a lot of our attention.

**Mr SPEIRS:** Premier, there is South Australia's Strategic Plan, then came along the state government seven strategic priorities and then there are the 10 economic priorities. Do you think this confuses the Public Service when it comes to working out where to put an emphasis for their work?

**The Hon. J.W. WEATHERILL:** No.

**Mr SPEIRS:** On South Australia's Strategic Plan, under that program there is an organisation or program called the Strategic Plan's Our Alliance Program. It is essentially a business and NGO engagement forum, with membership including the Weeks group, Bendigo Bank, Walker Corporation, Anglicare SA, the Conservation Council, KPMG, Flinders University and another 60 or so organisations. Has that been engaged with in the last financial year?

**The Hon. J.W. WEATHERILL:** I would have to bring back an answer to you. Not directly by me, but it may well be that officers and other agencies have engaged with it.

**Mr MARSHALL:** Back to the South Australian Strategic Plan Audit Committee, who are the members of that committee, what was the expenditure on that program last year and is there a budget line or a budget allocated to the audit work for that committee for this current financial year?

**The Hon. J.W. WEATHERILL:** I will have to bring back an answer to you.

**Mr MARSHALL:** One of the things that you spoke about with regard to your priorities for the state was the establishment of the future fund. Do you remain committed to that?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** That is really lagging now. You spoke about this more than two years ago and we still have not seen any legislation brought to the parliament. When do you envisage that legislation will be brought to the parliament? What is the hold-up?

**The Hon. J.W. WEATHERILL:** Obviously, circumstances have changed since we first announced that fund, but the policy will commit a proportion of our royalty revenues to the fund for investment in infrastructure and other initiatives. The bill to establish the fund has been drafted and will be introduced into the parliament later this year. Payments are made to the fund when the budget is in surplus. There has not been a need to do that because we have not been in surplus until now. As at the 2015-16 budget, the budget surplus will be \$43 million and \$654 million in 2016-17.

**Mr MARSHALL:** Earlier in the year, a substantial number of executives were cut from DPC—in fact, 11 in total. Can you outline to the committee who those people were and the reason for their employment termination?

**The Hon. J.W. WEATHERILL:** We do not supply individual names in forums like this, but suffice to say that we had a new chief executive who wanted to restructure his agency and he chose to do that. The positions that were abolished also yielded substantial savings for the government.

**Mr MARSHALL:** For those 11 positions that were terminated, were they positions that were essentially eliminated or were they personnel who were removed and then subsequently replaced or a combination of the two?

**The Hon. J.W. WEATHERILL:** There was a net reduction of seven staff that occurred as a consequence of this.

**Mr MARSHALL:** What was the total cost of the termination of those 11 positions?

**The Hon. J.W. WEATHERILL:** The TVSP component was \$3.71 million.

**Mr MARSHALL:** Plus their statutory entitlements.

**The Hon. J.W. WEATHERILL:** Sorry?

**Mr MARSHALL:** Plus their statutory entitlements.

**The Hon. J.W. WEATHERILL:** Yes, plus their statutory entitlements.

**Mr MARSHALL:** There was quite some controversy about the way—

**The Hon. J.W. WEATHERILL:** That is for TVSPs in the agency. In relation to the actual positions that occurred as a consequence of the restructure, there were 18 executive positions that were abolished across the department over that period. Not all of them left and ended up triggering financial payments because some left at the end of contracts, so the \$2.74 million is attributed to early termination provisions because they are in a different position from general public servants who leave associated with TVSPs.

**Mr MARSHALL:** Back to the 11, though, was the reason for the four people who were subsequently replaced because of poor performance?

**The Hon. J.W. WEATHERILL:** No, they were not performance related, they were restructuring arrangements.

**Mr MARSHALL:** But you have mentioned that regarding four of the 11 people who have been replaced, the positions have not been abolished. Seven positions were abolished and—

**The Hon. J.W. WEATHERILL:** No, I did not say they had been replaced. I said that there had been a net effect in terms of the workforce. It is just that it is a different structure. The chief executive decided that he wanted a particular structure for the agency and then different skills and capabilities were necessary to meet the positions that were left in the new structure.

**Mr MARSHALL:** Just for clarity, though, those 11 positions have resulted in a saving of seven and it pretty much indicates to me that there are four that are ongoing positions. So regarding the people who were removed from those positions that now remain ongoing, were they removed because of poor work performance, were they given warning of their poor work performance and were they given procedural fairness?

**The Hon. J.W. WEATHERILL:** No, there were no performance issues associated with the restructuring so, therefore, the other questions do not pertain.

**Mr MARSHALL:** Okay, well, certainly at the time that this decision was made it received some publicity about the fact that these 11 were essentially informed of their employment termination, some of them who had worked in the South Australian Public Service for many decades, without warning and in fact required to leave their office without even returning to their desk and certainly not given an opportunity to farewell their colleagues. Can you perhaps indicate to the committee whether you were aware of this practice? Is this a new practice? Perhaps could you make reference to comments that you made earlier in the year when you suggested this was commonplace in business in South Australia?

**The Hon. J.W. WEATHERILL:** Well, the first thing is that it is not accurate to say that people were not given an opportunity to return to their desks or carry out the usual courtesies. What is appropriate and is common practice is that people who work in secure organisations are required to provide access to relevant material and cease having access to relevant material because of the sensitivities of those matters. So, it is appropriate that some degree of security is maintained in relation to sensitive matters and that is commonplace in private sector organisations and should be commonplace in public sector organisations and was appropriately implemented by the chief executive.

**Mr MARSHALL:** So, you are suggesting to this committee that there was a fear that these 11 public servants, long-standing public servants, could become disgruntled with the decision and there could be some loss to the state, they could sabotage a computer or they could take information with them. Was that the fear that led to the dismissal methodology?

**The Hon. J.W. WEATHERILL:** This is just standard practice for any organisation that deals with secure and confidential information. It is appropriate that any risks—without suggesting that these were likely or otherwise—would occur in an organisation of this sort.

**Mr MARSHALL:** Is the Premier aware that some of the contracts for ongoing employment had a very short number of months to run and in fact it would have been cheaper for the state to actually allow them to serve out their time than to terminate them and pay a termination payment?

**The Hon. J.W. WEATHERILL:** We bring in a chief executive where I am demanding immediate results for the state government in circumstances where we have pretty urgent challenges. I expect him to get on with the job and that is what he did.

**Mr MARSHALL:** Even though that ended up costing the taxpayers more than letting them complete their existing contracts?

**The Hon. J.W. WEATHERILL:** I think I have answered the question.

**Mr MARSHALL:** Do you think the methodology for the termination of these employees has had a detrimental effect on the morale within the Public Service in South Australia?

**The Hon. J.W. WEATHERILL:** No, I think it has actually lifted morale in the South Australian Public Service. I think the new chief executive is an excellent leader and I think the Department of the Premier and Cabinet has a sense of urgency and professionalism about it which is delivering to me and delivering to the state.

**Mr MARSHALL:** Maybe we could look at Program 2: Strategic Engagement and Communications. Who heads up this unit?

**The Hon. J.W. WEATHERILL:** Mr Paul Flanagan, I think, is the executive director of that unit.



**Mr MARSHALL:** Is this the program area which is responsible for our government media staff and also for the media contracts?

**The Hon. J.W. WEATHERILL:** No, it is not the area of government responsible for the government media staff, they are contracted to my office, but it does supervise the whole-of-government media contract.

**Mr MARSHALL:** Perhaps if we could start with the media staff then. They come under your control, so I presume if we wanted a reference we would have to go back to pages 144 and 145; is that correct?

**The Hon. J.W. WEATHERILL:** Yes, the ministerial office—

**Mr MARSHALL:** Just for clarity: you employ the media staff who are then subsequently deployed into ministerial offices?

**The Hon. J.W. WEATHERILL:** Yes, I think that is accurate.

**Mr MARSHALL:** How many media staff are there currently in DPC—well, in your DPC budget?

**The Hon. J.W. WEATHERILL:** The material here suggests there are 35 FTEs, which is my office. That would not include the ministerial office. We will have to bring back the breakdown for you on that.

**Mr MARSHALL:** Just for clarity: is that 35 media staff or staff in total?

**The Hon. J.W. WEATHERILL:** That is staff in total, including public servants.

**Mr MARSHALL:** But that is not the question. The question was really about how many media staff are employed by your department in total and then also deployed.

**The Hon. J.W. WEATHERILL:** Yes, I will take that on notice.

**Mr MARSHALL:** But it is your agency which employs those people? The contracts all sit with you, and then you allocate them to individual ministers?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** Generally speaking, is it one or two per minister plus a central group?

**The Hon. J.W. WEATHERILL:** I think it is, generally speaking, one per minister.

**Mr MARSHALL:** When you tell us the numbers, can you also identify what the total budget is for that media complement?

**The Hon. J.W. WEATHERILL:** Yes.

**Mr MARSHALL:** Back to the other point you raised, that is, the media contract, the media contract we have had concluded on 30 June. Can the Premier outline to the committee what the ongoing basis is for our media contract going forward? What is the term of that contract, who is it with, is it with multiple people and what is the total value?

**The Hon. J.W. WEATHERILL:** With the media contract, the Master Media Agency negotiates advertising rates on behalf of the government to ensure that we get the best deal that we can. Procurement of the new Master Media Agency agreement was finalised in June this year, with a new three-year plus two-year agreement commencing from 1 July. Mediaedge:cia Pty Ltd—

**Mr MARSHALL:** Is this a new firm?

**The Hon. J.W. WEATHERILL:** —yes, it is slightly alarming—was the successful tenderer. Apparently, they get access to some fantastic stuff, as well. We have been able to maintain—

**Mr MARSHALL:** All my personal details!

**The Hon. J.W. WEATHERILL:** —important communications with the community by using more cost-effective and targeted media, so they are the new organisation that is handling this.

**Mr MARSHALL:** Are they are a South Australian firm?

**The Hon. J.W. WEATHERILL:** I cannot tell you, but I will bring back an answer.

**Mr MARSHALL:** Was there any advantage or consideration for South Australian firms in the awarding of this contract, and what is the total value of the contract?

**The Hon. J.W. WEATHERILL:** I will bring back an answer to you on that.

**Mr MARSHALL:** The previous media contract was split between two firms, so this new firm has the total contract; is that correct?

**The Hon. J.W. WEATHERILL:** The person who manages the placement of the advertisements is obviously placing them with a range of organisations, so their job is to try to get you the best deal by negotiating presumably across a whole range of media platforms, but I will bring back an answer to you on that as well.

**Mr MARSHALL:** While we are on advertising, can the Premier outline when you run let's loosely call them 'public awareness campaigns' what the authorisation process is. I understand there is an authorisation process; could the Premier outline that to the committee?

**The Hon. J.W. WEATHERILL:** Yes, there is a process of authorisation, which is through a committee. The acronym is PCAG (Premier's Communications Advisory Group), and that is the organisation that considers them according to a set of criteria that have been established.

**Mr MARSHALL:** Can you outline to the committee what the criteria for authorisation are?

**The Hon. J.W. WEATHERILL:** I can bring you those details.

**Mr MARSHALL:** And can you outline who is on that authorisation committee?

**The Hon. J.W. WEATHERILL:** I will have to bring back an answer to you on that.

**Mr MARSHALL:** As part of that answer, can you also tell us how many times you have approached that authorising committee in the past 12 months? I do not think you will need to come back with an answer on this one, but what is the process? Is it that your agency says, 'We would like to run an advertising campaign', it is above a certain threshold, and then it automatically goes to that, or is there some discretion below a certain threshold or on certain—

**The Hon. J.W. WEATHERILL:** There is a terms of reference for what gets referred to PCAG (Premier's Communication Advisory Group) and it is essentially about ensuring there is some probity over government advertising.

**Mr MARSHALL:** I think I will hand over to the member for Bright.

**The Hon. J.W. WEATHERILL:** Perhaps just before you do, I think I gave an answer before which was not strictly accurate. The \$100,000 estimate of the cost of travel on the China trip I think does include my officers' costs. I think I said before it did not, but I am advised that apparently it does. We will bring back the broader answer, because I think your other question was what were all the other agencies' spends.

**Mr MARSHALL:** Just on that issue of travel, have you got a total spend for the last financial year for your travel and associated people who accompanied you? Some other ministers have very hurriedly put up on their website their disclosures and their total spend, including that of their advisers, in the last couple of days. Is your return 100 per cent accurate and complete and what was it for the last financial year?

**The Hon. J.W. WEATHERILL:** As you know, it is all published on the website to the extent that some of the trips are relatively recent and still being collated. I do not know whether the last European mission is contained there. Certainly as soon as the information is capable of being put on the website, it is up there; it would just be a matter of months between the mission and it being published. Certainly last year's information is readily available.

**Mr MARSHALL:** Members who use their allowance for parliamentary travel are required to submit a report to the parliament. There is no requirement for a minister to produce a report. Does the Premier think that it would be useful to have a report which is tabled on ministerial travel, the objectives of the trip—

**The Hon. J.W. WEATHERILL:** Ministers are available to answer questions every question time about any element of their portfolio, including ministerial travel, and we do better than what is required in the members of parliament report. Members of parliament are not obliged to publish on a website all details of their expenditure, whereas ministers are. We think we are more accountable and more transparent than the general run of play for members of parliament.

**Mr MARSHALL:** So, no need for a ministerial report on travel?

**The Hon. J.W. WEATHERILL:** Most ministers come back and report to this parliament about what they have achieved and they are available to answer questions on what they have been doing overseas.

**Mr SPEIRS:** Premier, I just want to go through a couple of questions which the Minister for the Public Sector kindly referred to you from last week. Also, program 1, I believe, general questions for the department—

**The CHAIR:** Page 147, is that right?

**Mr SPEIRS:** Yes, I believe so. Just going through your CEO's contract, clause 4.1 of the standard CEO contract for South Australian government CEOs states that the salary allowances, monetary benefits and non-monetary benefits should be specified in schedule 2. Schedule 2 of Mr Winter-Dewhirst's contract makes no reference of a \$35,000 per annum payment for a private motor vehicle lease and an extra two weeks of annual paid leave for professional development reasons. Can the Premier explain why these additional payments were not revealed in schedule 2 of Mr Winter-Dewhirst's contract?

**The Hon. J.W. WEATHERILL:** The first thing to say is that, in relation to the vehicle, it was contained in a letter of offer which was accepted by the chief executive officer and it was contained in the materials which were disclosed to you or to others in your party that were supervising these matters. The reason you are able to ask about these things is that they were disclosed, which in substance meets the obligation of disclosure about what the chief executive receives.

In relation to the issue of professional development, in some sense it is not actually a benefit. If the chief executive were to carry out professional development in the ordinary course, just as for any public servant, they would be paid their salary. This just, I suppose, makes explicit something which is implicit: that if you are actually doing professional development in the course of your employment and you are taking leave—well, it is not leave in the relevant sense, but if you are taking time to do that, then you would be receiving your ordinary remuneration. It does not create an additional benefit over and above that which exists, so I think it falls into a different category. It does not actually add anything to the salary and so does not represent remuneration.

**Mr SPEIRS:** Premier, the professional development may not, but the \$35,000 per annum private motor vehicle lease does add an additional benefit. Its appearance in a letter, as opposed to being in schedule 2, as per the standard contract, gives rise that it might be seen as a bit of a last-minute sweetener. Can you explain why the normal process, as outlined by the Commissioner for Public Sector Employment's guidelines, was not followed?

**The Hon. J.W. WEATHERILL:** It was no question of a sweetener, it was the terms on which Mr Kym Winter-Dewhirst agreed to accept the role. It was essentially the negotiated bargain. How it is represented in the paperwork is a separate matter, but the disclosure is complete. It is contained in the letter of offer which was accepted by Mr Kym Winter-Dewhirst, and the associated contract is attached to that letter. All of the relevant material has been disclosed.

**Mr SPEIRS:** Premier, I would like to go back to what the leader was discussing before, the dismissal of those 11 executives from the Department of the Premier and Cabinet. The Commissioner for Public Sector Employment, Ms Erma Ranieri, appeared before the Budget and Finance Committee on 9 June and gave evidence that one of those executives was sacked as an executive within your department within the first year of their contract, only to be re-employed soon after as an executive within SAFECOM. Was the cost of the termination from DPC between \$200,000 and \$300,000?

**The Hon. J.W. WEATHERILL:** My understanding is that a substantial proportion of the termination payment was comprised of statutory entitlements, so I will take that on notice and get back to you. Also, my understanding is that the person was not re-employed as an executive but, in fact, as a manager in another agency. Although, it does raise the question, I think, that Ms Ranieri is giving her consideration to about whether there does need to be a similar provision to the one that exists in relation to TVSPs for executives who are terminated and then are seeking re-employment in the Public Service. That is being given consideration to now.

**Mr SPEIRS:** Thank you, Premier, you pre-empted my next question on that, but I will just ask one question related to that. Would you support the implementation of a new policy which required chief executives who are looking to terminate existing executives within their department looking at other executive vacancies across government and trying to locate the terminated executive, or the executive they want to remove, prior to a termination payment being made?

**The Hon. J.W. WEATHERILL:** I would not necessarily want to constrain the way chief executives carry out and manage their own organisations, but I think it is appropriate to give some consideration, in the provisions that exist within existing contracts, for there to be some offset, if you like, of what would otherwise be the termination payment if somebody is capable of being re-employed within a certain period. Obviously, there would have to be some accounting for the fact that somebody might be re-employed at a much lower level than they were previously engaged in, but I am sure there is some capacity for us to come up with a sensible provision that covers those circumstances.

**Mr MARSHALL:** Going back to Budget Paper 4, Volume 3, where the budget identifies a red-tape reduction program and deregulation. Can the Premier outline how much is dedicated to that program in terms of expenditure this year; and we do not need to know what it saved last year and how much was spent last year, but what is actually in the budget for this current financial year and has there been a target set for deregulation?

**The Hon. J.W. WEATHERILL:** We deliberately called it simpler regulation rather than deregulation because we actually think that sometimes high-quality regulation can be an important driver of innovation and economic opportunity. Obviously, the work that is occurring through the Office of the Coordinator-General is yielding some real benefits in terms of speeding up the system; he is learning quite a bit about things that could well be simplified. The simpler regulation unit is an adjunct to that work. The purpose of this is to make sure that we do not unnecessarily detain people with burdensome regulation. If we can achieve the public interest objectives of the regulation in a cheaper and more effective way then we will certainly be prepared to pursue it.

**The CHAIR:** Are you going to read the omnibus questions in, member for Bright?

**Mr SPEIRS:** Yes, the omnibus questions are:

1. Will the Premier provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2014-15 for all departments and agencies reporting to the Premier listing the name of the consultant, contractor or service supplier, cost, work undertaken and method of appointment?

2. For each department or agency reporting to the Premier 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 Premier, 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 Premier 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 Premier, 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 Premier and, for 2014-15, provide a breakdown of expenditure on all grants administered by all departments and agencies reporting to the Premier 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 Premier.

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 Premier.

9. For each department or agency reporting to the Premier, 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 Premier's office as at 30 June 2015, including all departmental employees seconded to ministerial offices and ministerial liaison officers?

**The CHAIR:** There being no further questions, I declare the examination of proposed payments completed and thank the Premier and his advisers for their attendance. I advise everybody that, according to the agreed timetable, the committee stands suspended until 11.30am.

*Sitting suspended from 11:15 to 11:30.*

**DEPARTMENT OF TREASURY AND FINANCE, \$55,722,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,**  
**\$1,592,537,000**

**Membership:**

Mr van Holst Pellekaan substituted for Ms Chapman.

Mr Knoll substituted for Mr Speirs.

**Minister:**

Hon. A. Koutsantonis, Treasurer, Minister for Finance, Minister for State Development, Minister for Mineral Resources and Energy, Minister for Small Business.

**Departmental Advisers:**

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

Mr D. Reynolds, Deputy Under Treasurer, Department of Treasury and Finance.

Mr A. Blaskett, Executive Director, Public Finance Branch, Department of Treasury and Finance.

Mr S. Hocking, Executive Director, Economic and Commercial, Department of the Premier and Cabinet.

Ms T. Pribanic, Executive Director, Budget Branch, Department of Treasury and Finance.

Mr G. Jackson, Deputy Commissioner of State Taxation, Department of Treasury and Finance.

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

**The CHAIR:** In welcoming everyone this morning, I have a few things to read out as procedural matters. This estimates committee is a relatively informal procedure and, as such, there is no need to stand to ask or answer questions, although members are reminded that normal standing orders for conduct in the chamber remain in place. 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. Can the minister and lead speaker for the opposition confirm that today's timetable, previously distributed, is accurate? Are you happy with it, minister?

**The Hon. A. KOUTSANTONIS:** Yes.

**The CHAIR:** And leader?

**Mr MARSHALL:** Yes, thank you.

**The CHAIR:** Changes to committee membership will be notified as they occur. Members should ensure the Chair is provided with a completed request to be discharged form. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 30 October 2015. This year, estimate 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 each 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. Questions must be based on lines of expenditure in the budget papers and must be identifiable and referenced at the beginning of each question. I would also ask members to please wait for the answer to be completed before asking their next 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 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, however, 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 remind anyone in those galleries that the noise can be heard very clearly down here, so we would ask them to please cooperate and keep their movements to a minimum.

I will now proceed to open the lines for examination for the Department of Treasury and Finance. The minister appearing is the Treasurer. I declare the proposed payments open for examination and refer members to the Agency Statements in Volume 4. I would ask the minister if he is going to make an opening statement?

**The Hon. A. KOUTSANTONIS:** No.

**The CHAIR:** Is the leader going to make one?

**Mr MARSHALL:** No, thank you.

**The CHAIR:** In that case, could we proceed to the introduction of your advisers and then we will move to questions.

**The Hon. A. KOUTSANTONIS:** Thank you very much, Madam Chair. Appropriately to my right is Mr Andrew Blaskett and Mr Brett Rowse, the Under Treasurer, and inappropriately to my left is David Reynolds.

**Mr MARSHALL:** That's your left. You don't even know your left from your right; they're on your left.

**The Hon. A. KOUTSANTONIS:** I also introduce Stuart Hocking, the Executive Director from DPC; Tammie Pribanic from Budget Branch; and the newly-appointed Commissioner for State Taxation, Mr Graeme Jackson; and Mr Paul Williams, who is Director of Financial Services. I have no opening statement.

**The CHAIR:** We will move straight to questions then.

**Mr MARSHALL:** Just one opening question: do you know the difference between left and right?

**The Hon. A. KOUTSANTONIS:** I do, that is why I am in the Labor Party.

**Mr MARSHALL:** Why did you just get it mixed up?

**The CHAIR:** Order!

**The Hon. A. KOUTSANTONIS:** Why is someone like you in the Liberal Party?

**The CHAIR:** Order!

**Mr MARSHALL:** Why did you just get it mixed up?

**The CHAIR:** Members, I am asking you to come to order.

**The Hon. A. KOUTSANTONIS:** I don't go to karaoke with the Greens.

**The CHAIR:** We only have a limited time before us—

**The Hon. A. KOUTSANTONIS:** What did you sing?

**The CHAIR:** —and I would ask the leader to reference his first question.

**Mr MARSHALL:** This is embarrassing.

**The Hon. A. KOUTSANTONIS:** *Never Tear Us Apart*, was it?

**Mr MARSHALL:** It's embarrassing. My first question to the Treasurer is from Budget Paper 3, page 104, and deals with table 7.1. How did Treasury arrive at the employment forecast contained in table 7.1?

**The Hon. A. KOUTSANTONIS:** First and foremost, it was not the Department of Treasury that came up with that number: it was the Department of the Premier and Cabinet. I will ask Stuart Hocking to elaborate to the committee.

**Mr HOCKING:** Thank you, Treasurer. These forecasts are prepared taking into account a range of factors, including the national economic situation and the international economic environment. In the federal budget, we have seen that the federal government expects that the national economy will improve over the forward estimates period. We are not factoring in as much improvement in the South Australian economy over the forward estimates period. We have taken into account the fact that there will be job losses in the auto sector over coming years and we have reduced our forecasts accordingly.

**Mr MARSHALL:** In fact, you have increased your forecast, haven't you?

**Mr HOCKING:** No, not since the last—

**Mr MARSHALL:** The forecast for the previous year was ½ per cent and it is now going up to 1 per cent. That's a decrease, is it?

**The Hon. A. KOUTSANTONIS:** The modelling is given to us independently by the department, and we accept it.

**Mr MARSHALL:** Do you have confidence in that modelling?

**The Hon. A. KOUTSANTONIS:** I have complete confidence in the department.

**Mr MARSHALL:** Do you realise that last financial's employment estimate was revised down four times?

**The Hon. A. KOUTSANTONIS:** If the agency comes to us with revised forecasts, where things change—the Australian dollar goes up and down, there are decisions made at a national level that impact, whatever the forecasting is; it is an inaccurate science—the department give us their very best estimates and we have full confidence in them.

**Mr MARSHALL:** So you are quite confident that we will achieve 1 per cent jobs growth this current financial year?

**The Hon. A. KOUTSANTONIS:** I am confident that is the best estimate that the department can give us.

**Mr MARSHALL:** Given that you have just handed down what you yourself referred to as a 'jobs budget', why is it that you have a jobs forecast which is in fact the lowest on mainland Australia?

**The Hon. A. KOUTSANTONIS:** We have been very conservative in not attempting to influence the independence of the Public Service. The tax cuts we have introduced are unprecedented in Australia. Never before have transactional taxes been removed from commercial and business transactions on real and non-real properties. The idea that somehow you could accurately forecast the impacts would be very difficult and unfair on a department.

The approach I think we have taken has been very prudent. What we have attempted to do through the budget is give business every opportunity to succeed, but what I am not going to do is then turn up and try to put pressure on the agencies to say, 'Well, look, these tax cuts will create X number of jobs. We want you to forecast that into your forecasts.' I think what the department has done has been very prudent, by being very cautious.

I do not think that anyone can give us numbers, given what is going on internationally, that would give any confidence to the opposition. The truth is that these tax cuts, which make us one of the lowest taxing jurisdictions in the nation, something that no government has been able to achieve in South Australia's past, are unprecedented. The impacts on employment could be dramatic; they could be overestimated or underestimated. We will have to wait and see, but the truth is that it has created a great deal of interest interstate, and I think it has created a very good climate for South Australian business to succeed.

**Mr MARSHALL:** Were these tax cuts which you talk about, which are going to come in the future, made clear to the independent agency which did the employment forecast?

**The Hon. A. KOUTSANTONIS:** Well, of course every branch of the government knows of the budget. Stuart is an integral part of our economic team. I do not attempt to influence him on his assessments, and that is the way it should be: a fearless Public Service giving us frank advice.

**Mr MARSHALL:** In other words, the fearless, frank, independent advice was that your tax cuts are not going to work and that we are going to have the lowest employment growth rate on mainland Australia?

**The Hon. A. KOUTSANTONIS:** You may think that is a criticism of me; others may find that a damning criticism of Treasurer Hockey. The truth is that South Australia is going through unprecedented structural change. Your party's decision not to invest in the automotive industry has led to the de-industrialisation of an entire industry in the north of Adelaide.

They have not followed up with investments to try to help restructure or retool that industry into a diversified industry that can find other work. It has basically been left to disintegrate, and the state government is doing all it can to try to help that industry in lieu of your party's dramatic attack on it. What we need to see happen now with that industry is for them to consolidate, we need to see them survive and we need to see them diversify, and that is why the tax cuts are aimed squarely at them.

The first thing we have done by removing duty on non-real property transfers is give them the ability to buy IP, goodwill and plant and equipment of other operations that may be able to be used to diversify their own operations, where they might not be interested in buying the entire operation. By the time Holden eventually leaves, thanks to the inaction of your party, what we will



see then is duty on real property also removed so it gives them the ability then to go out and buy that property without tax being a factor.

That type of competitive advantage no other jurisdiction in Australia will have. It will give South Australian manufacturers an opportunity to consolidate and grow the likes of which no jurisdiction offers them, and we think it is very hard to model. I am not going to turn up and demand that Stuart factor in what that means. He does his very best. As conditions change, we will update them.

**Mr MARSHALL:** When Deloitte did their independent modelling of the government's tax change package, was there modelling specifically commissioned relating to jobs outcomes?

**The Hon. A. KOUTSANTONIS:** Could you repeat the question?

**Mr MARSHALL:** Deloitte did modelling on your tax package. Did you commission specific modelling regarding job creation?

**The Hon. A. KOUTSANTONIS:** My advice is: no.

**Mr MARSHALL:** Your tax change package which you have advocated was the centre point of your jobs budget which will create jobs, the independent company asked to do the modelling with regard to that did not do any modelling for jobs?

**The Hon. A. KOUTSANTONIS:** I will answer it by posing this question. The Leader of the Opposition says the tax cuts that I am advocating and he says I will create jobs are the same tax cuts that you have called on me to bring forward to stimulate the economy. I suppose, again, that goes to show the lack of political skill you have. The truth is that the tax package we have introduced is unprecedented.

**Mr MARSHALL:** You do not even know if it is going to create a job.

**The Hon. A. KOUTSANTONIS:** The ones you called on me to bring forward? That is the problem with the Leader of the Opposition's leadership style: he speaks and thinks a week later about whether he should have spoken. So, here you are today saying that the tax package—

**Mr KNOLL:** Point of order, Chair.

**The CHAIR:** Yes, member for Schubert.

**Mr KNOLL:** You outlined at the beginning that your standing orders still apply and so the minister reflecting on the views of the opposition is not appropriate.

**The CHAIR:** He is not going to any longer.

**The Hon. A. KOUTSANTONIS:** Yes. So, I find—

*Mr Marshall interjecting:*

**The CHAIR:** Order!

**The Hon. A. KOUTSANTONIS:** —it remarkable that the Leader of the Opposition is now criticising—

**Mr KNOLL:** Point of order, Chair. The Treasurer is defying your ruling.

**The Hon. A. KOUTSANTONIS:** —criticising me for—

**The CHAIR:** I was listening to the aside of your leader which was naughty of me. I shouldn't listen to him, but I am going to ask the Treasurer to continue.

**The Hon. A. KOUTSANTONIS:** I do believe the tax cuts will create jobs, as did the Leader of the Opposition last week but apparently not today.

**Mr MARSHALL:** Why didn't you commission jobs modelling on your tax package?

**The Hon. A. KOUTSANTONIS:** The modelling that we were interested in was obviously which taxes do the most harm to the economy, which are the most inefficient taxes? It is interesting to note that the tax package that the opposition took to the election had some of the most efficient

taxes and they were the ones they were proposing to cut. Inefficient taxes that cause the most harm to the economy were the ones they were prepared to leave in place and they have never ever talked about cutting, even though most recently the Leader of the Opposition called on me to bring them forward which I find ironic.

We have decided that we wanted to have Deloitte do some work for us on the basis of their experience. Mr Chris Richardson is someone who has long experience in helping political parties develop tax packages, most famously he worked on Fightback! for John Hewson, someone the Leader of the Opposition has a lot in common with. I felt that he was well placed to give us a lot of advice on which taxes cause the most harm.

The modelling we asked Deloitte to do was largely about: what are the inefficient taxes? If we were going to make changes to our tax system, how could we create a tax system that still protected our base where we could actually invest in health and education when we have a commonwealth government that is attacking those very services we want to deliver while also encouraging business? The ones that stood out the most were those inefficient transactional taxes that Deloitte modelled, and we proceeded to cut those. I note that the Leader of the Opposition took a policy of cutting land tax and payroll tax—

**Mr KNOLL:** Point of order, Chair.

**The CHAIR:** Order! If there is a problem, I am sure that the leader can raise it himself.

**Mr MARSHALL:** I do not think it is necessary for me to raise the point of order.

**The CHAIR:** Well, then if you—

**Mr KNOLL:** It is not in the standing orders.

**The CHAIR:** Order!

**Mr MARSHALL:** It is not our practice in the house.

**The CHAIR:** Order! I won't have you argue with me. I am advised that if the leader is offended in any way, he can raise that point of order himself.

**Mr MARSHALL:** Sorry, is this a new ruling for the Parliament of South Australia that points of order cannot be raised by members other than the person who is speaking?

**The CHAIR:** I have been advised that if there is a quarrel between members, then the problem is between the member—

**Mr MARSHALL:** This is a point of order for the Parliament of South Australia.

**Mr KNOLL:** It is a point of order—

**Mr MARSHALL:** You can't just make up a rule.

**The CHAIR:** I can't hear what the member for Schubert is saying because you are talking over him.

**Mr KNOLL:** Sorry. Chair, the point of order is about the Treasurer entering into debate. It has nothing to do with improper motives or anything like that.

**The CHAIR:** I'm sorry. Okay, back to the answer then.

**Mr MARSHALL:** So, if—

**The CHAIR:** Just a second. Is he looking for an answer? I think he is talking to one of his advisers, so maybe there is an answer coming.

**The Hon. A. KOUTSANTONIS:** Obviously, the modelling Deloitte did for the government was on the basis of what we thought were inefficient taxes, but we did ask the Australian Workplace Innovation and Social Research Centre at the University of Adelaide to assess the short-term economic impacts of the government's tax reform package and WorkCover changes. Tax reforms can have an additional short to medium-term impact over and above any long-term efficiency improvements where there is spare capacity such as unemployed labour within an economy.

Given that there is spare capacity within the South Australian economy, reducing taxation on businesses and households can generate additional activity in the economy without taking resources from other areas. The short-term modelling suggests that the government's tax reforms and WorkCover changes will increase gross state product by \$140 million and increase employment by 1,030 full-time equivalent jobs in 15-16. Now, by 2018-19—

**Mr MARSHALL:** One thousand?

**The Hon. A. KOUTSANTONIS:** Hang on a second. In 2018-19, when the reforms are fully implemented, it is expected that an additional 2,500 thousand people will be employed in South Australia on a full-time equivalent basis and the gross state product will be \$320 million higher as a result of these reforms. Based on the modelling, the sectors of the economy expected to have the largest increases in employment are retail trade, professional scientific and technological services, manufacturing, transport, postal and warehousing and administration support services.

That is a very broad assessment of what the impacts of the tax changes will have through removing the dead weight loss to the economy. Over and above that, obviously there is great potential, especially through South Australia achieving its per capita share of investment in commercial properties from interstate investors. Currently, South Australia does not do exceptionally well from its per capita share, as it were, of this investment.

I have been spending a lot of time with our largest trading partners, Victoria and New South Wales, letting super funds and private equity investors understand the tax changes, getting them in front of our planning laws so that they understand them and really attempting to increase South Australia's per capita share of interstate investment in terms of national investment by these funds. If we can achieve our per capita share of that type of investment, which is basically my aim in the short term, in the long term I would obviously like to have above our per capita share of investment, like New South Wales and Victoria seem to achieve regularly, it would be billions of dollars of investment into South Australia.

Whenever anyone buys a commercial property that is in competition with a commercial property in Queensland, Victoria or New South Wales there are various factors that influence that sale. Removing government taxes and charges from that transaction is a stimulus, it is money that can be used for a rental campaign, it is money that can be used to refurb the building, it is money that can be used in rental assistance to try to attract clients to that building.

From the people I have spoken to, especially the Property Council and someone who is well known to the opposition, Mr Daniel Gannon, and Mr Ken Morrison, the national chief executive, they tell me this is a game changer, a game changer for South Australia. Happily, it seems as if other jurisdictions are prepared to follow. I have recently had meetings—

**Mr MARSHALL:** Are you filibustering?

**The Hon. A. KOUTSANTONIS:** No, I am just answering your questions.

**The CHAIR:** Order!

**Mr MARSHALL:** You are not answering at all. You have not even gone near the answer.

**The Hon. A. KOUTSANTONIS:** Trust me, the one person I am not afraid of is you.

**The CHAIR:** Leader!

**Mr MARSHALL:** Well, let me tell you you are just waffling on now.

**The CHAIR:** Leader!

**Mr MARSHALL:** I mean, it is starting to get very boring.

**The Hon. A. KOUTSANTONIS:** You poor thing. It is alright, you will be home soon.

**The CHAIR:** Leader, I call you to order.

**Mr MARSHALL:** Are you scared to answer questions?

**The Hon. A. KOUTSANTONIS:** You will be home soon.

**Mr MARSHALL:** Are you scared to answer questions?

**The Hon. A. KOUTSANTONIS:** You will be home soon.

**The CHAIR:** I call all members to order.

**Mr MARSHALL:** Why don't you get to the point then?

**The CHAIR:** If we do not have order I will have to suspend the sitting of the committee.

**Mr MARSHALL:** I think he is scared.

**The CHAIR:** No, I think you are out of order and if we could just listen to the answer and get on with it.

**The Hon. A. KOUTSANTONIS:** You are doing such a good job of—

**The CHAIR:** Order! Order! Back to the answer.

**The Hon. A. KOUTSANTONIS:** You are—

**The CHAIR:** Order!

**The Hon. A. KOUTSANTONIS:** —one of the best Liberals in the nation, are you not?

**The CHAIR:** I think we will have to suspend the committee for five minutes.

*Sitting suspended from 11:53 to 11:58.*

**The CHAIR:** Now, do you have a question, leader?

**Mr MARSHALL:** Yes, thank you. In Budget Paper 3, page 29, there is a table regarding the general government investing expenditure. Again, the table shows that the government has an investing expenditure budget of \$1.327 billion for this current financial year. This compares with an average investing expenditure budget of \$1.926 billion per annum over the last five years. If this is a jobs creation budget, as the government claims, why is the government promising to spend less on capital projects than it has over the average of the past five years?

**The Hon. A. KOUTSANTONIS:** The Leader of the Opposition is not giving an accurate reflection of what is occurring. If he goes back over a longer period of time, say—I do not know—2000 or 2001 when they were last in office, there is a dramatic increase. The commonwealth stimulus, of course, has ended. I note also that, in the most recent commonwealth budget, there was not an extra dollar announced to be spent in South Australia, so South Australia is doing what it can to invest in infrastructure, and we are doing it well.

**Mr MARSHALL:** Nevertheless, there is a massive reduction in the amount that South Australia is spending on capital projects. If I just look at recent history—let us not go back more than a decade as the Treasurer suggests—in 2008-09, there was in excess of \$2 billion; 2009-10, almost \$4 billion; 2010-11, \$3.6 billion; and 2011-12, \$3.4 billion. These are numbers which are two and three times the current year's expenditure. The Treasurer and the government have been at some length to suggest that this is a jobs creation budget, but how does he explain that the government, at the time when our state is in the midst of a dangerous jobs crisis, has essentially turned off the tap of capital investment in this state.

**The Hon. A. KOUTSANTONIS:** It is three times what it was when the opposition was last in office. I also point out, again, that the Leader of the Opposition claims that this budget does not deliver jobs, yet calls on me to bring forward measures in this budget to create jobs. Quite frankly, I think his argument is confused.

**Mr MARSHALL:** Budget Paper 3, page 55, in the first paragraph: has the federal government given in-principle approval for the \$459.2 million dividend payment from the Motor Accident Commission into the Highways Fund in 2014-15 to be treated as eligible for the purpose of the Asset Recycling Fund?

**The Hon. A. KOUTSANTONIS:** I cannot speak for Treasurer Hockey, but they have agreed in principle that the privatisation of the Motor Accident Commission does qualify.

**Mr MARSHALL:** You are saying you cannot speak for Treasurer Hockey but you have advice that—

**The Hon. A. KOUTSANTONIS:** Your question was whether the proceeds from the sale of the Motor Accident Commission to be put into the Highways Fund have been approved by the commonwealth as funds eligible for asset recycling. What I am telling you is that Treasurer Hockey has agreed in principle to the privatisation of the Motor Accident Commission as being eligible. Whether he has approved the actual funds is a matter for him.

**Mr MARSHALL:** For clarity, the \$459.2 million dividend payment that was received last financial year and deposited in the Highways Fund—

**The Hon. A. KOUTSANTONIS:** I have answered that in principle the privatisation of the Motor Accident Commission and the proceeds that have been received from that are eligible for asset recycling.

**Mr MARSHALL:** Have you sought that advice in writing?

**The Hon. A. KOUTSANTONIS:** Treasurer Hockey and I, when he first announced asset recycling, sought jurisdictions to support his move and South Australia supported it.

**Mr MARSHALL:** Has the federal government given any—

**The Hon. A. KOUTSANTONIS:** Can you wait for me to finish?

**Mr MARSHALL:** Sorry.

**The Hon. A. KOUTSANTONIS:** So you should be. What Treasurer Hockey wanted was bipartisan support for his asset recycling scheme to encourage governments to privatise assets that return dividends and reinvest that in productive infrastructure. I find that a good policy and we have supported it. Whether we take up the option of actually activating that is another matter.

**Mr MARSHALL:** Has the federal government given in-principle approval for the \$393.7 million return of surplus net asset payments from the Motor Accident Commission to the Highways Fund as eligible—

**The Hon. A. KOUTSANTONIS:** Same answer as before.

**Mr MARSHALL:** Same answer, thank you. Has the government given in-principle approval for the \$300 million return of surplus net assets proposed payments from the Motor Accident Commission into the Highways Fund in 2016-17 to be treated?

**The Hon. A. KOUTSANTONIS:** I am not sure how long asset recycling will last as a policy with the commonwealth government, but while it lasts—

**Mr MARSHALL:** It is eligible?

**The Hon. A. KOUTSANTONIS:** It is eligible unless Treasurer Hockey changes the criteria.

**Mr MARSHALL:** Has the state government asked the federal government whether the \$100 million dividend payment from the Motor Accident Commission in 2012-13 was also asked to be treated as eligible for the purposes of the Asset Recycling Fund?

**The Hon. A. KOUTSANTONIS:** I am advised that was before the introduction of the policy.

**Mr MARSHALL:** What is your intention with that opportunity, that eligibility? Will you be taking up that offer from the commonwealth and using it in that way?

**The Hon. A. KOUTSANTONIS:** I am not going to have detailed discussions publicly that are being held in private with the commonwealth.

**Mr MARSHALL:** My understanding of the eligibility of the asset recycling opportunity is that it is to be used for new projects and projects which are brought forward. Will you be using this for the Torrens to Torrens/Darlington project? Will funds on this be used on the Torrens to Torrens/Darlington project?

**The Hon. A. KOUTSANTONIS:** You need consent from the commonwealth. The commonwealth will apply a 15 per cent bonus, if you will, to what you spend from the proceeds of an asset sale on a project that they approve. None of those projects are approved by the commonwealth.

**Mr MARSHALL:** None of those projects are approved at this stage? What infrastructure projects is the state government now proposing for spending out of the Asset Recycling Fund?

**The Hon. A. KOUTSANTONIS:** I am not going to detail to the house what negotiations we are having with the commonwealth.

**Mr MARSHALL:** So negotiations are ongoing?

**The Hon. A. KOUTSANTONIS:** Yes; you might have noticed the Premier and Prime Minister were at a retreat in Sydney, where we talked about the future of the federation, and talked about infrastructure, and talked about taxation—all those things you get to do when you win elections.

**Mr MARSHALL:** Do current forward estimates include any estimates of funds to be received from the federal government's Asset Recycling Fund?

**The Hon. A. KOUTSANTONIS:** I am advised they do not.

**Mr MARSHALL:** Has the state government asked the federal government to consider any other proposed privatisation or divestment of assets for possible payments under this scheme?

**The Hon. A. KOUTSANTONIS:** It is the other way around: the commonwealth have advised me of assets they would like me to privatise. Treasurer Hockey, on the first day I met with him at a commonwealth treasurers and finance ministers meeting, had a great deal of information on SA Water. He intimated to me that he felt it should be sold, and he said that if it would be sold we could reinvest the money into productive infrastructure, and I told him that the South Australian government had no intention to privatise SA Water.

**Mr MARSHALL:** Does that include the Aldinga treatment works?

**The Hon. A. KOUTSANTONIS:** You would have to speak to minister Hunter.

**Mr MARSHALL:** I have asked you the question: has the state government asked the federal government to consider any other proposed privatisations or divestment of assets for possible payments under the scheme? You have told me what Treasurer Hockey may or may not have suggested to you, but that was not my question.

**The Hon. A. KOUTSANTONIS:** I understand that the opposition had discussions with the commonwealth about what they might have privatised if they had been elected, but I have not had any conversations with the Treasurer or written to him about any further privatisations.

**Mr MARSHALL:** So, just for confirmation, on the record, the state government has had no discussions with the commonwealth regarding privatisations or divestment of assets for possible payment under this scheme?

**The Hon. A. KOUTSANTONIS:** We are in conversations with the commonwealth about investing in South Australia and investing in infrastructure. We are currently in the midst of the sale of the Victoria Square precinct that the government owns. We are in discussions with the commonwealth about the north-south corridor. The Premier has been very clear about his discussions with the commonwealth about our view on the Strzelecki Track and our view on productive infrastructure, which the opposition leader calls a false economy. So, yes, we are in discussions with them, but I have not written to Treasurer Hockey advocating or proposing any further privatisations.

**Mr MARSHALL:** You have not written to the Treasurer, but you have had discussions regarding the privatisation and divestment of assets for inclusion in the federal government's asset recycling program?

**The Hon. A. KOUTSANTONIS:** I have told you earlier, the Motor Accident Commission, and I have said that to the parliament.

**Mr MARSHALL:** But over and above those which have been publicly disclosed at this point?

**The Hon. A. KOUTSANTONIS:** Not to my advice, not to my knowledge, no. If I have, I will come back and correct the record, but I do not think I have.

**Mr MARSHALL:** Thank you. Budget Paper 3, page 45. Has the Treasurer now changed his view on extending GST or increasing the GST rate?

**The Hon. A. KOUTSANTONIS:** We are in conversation with the commonwealth.

**Mr MARSHALL:** Previously, you indicated that you were not keen on extending the GST; you are now—

**The Hon. A. KOUTSANTONIS:** When did I say that?

**Mr MARSHALL:** On numerous occasions.

**The Hon. A. KOUTSANTONIS:** Could you please give me a reference?

**Mr MARSHALL:** I am asking the questions.

**The Hon. A. KOUTSANTONIS:** No, you have based your question on a reference you claim I have made; what is it?

**Mr MARSHALL:** Is it the Treasurer's—

**The Hon. A. KOUTSANTONIS:** You do not have the reference?

**The CHAIR:** Order! You can deny it shortly. Leader.

**Mr MARSHALL:** Thank you. Is it the Labor Party's policy in South Australia to extend the GST to cover financial services?

**The Hon. A. KOUTSANTONIS:** The Premier made what I thought was a very good speech to the Press Club, where he talked about how South Australia has got its affairs in order: our budget is back in balance, we have reformed our tax system, making us one of the lowest-taxed jurisdictions in the nation, and we are now talking about tax reform.

Currently, there is a government white paper, released by Treasurer Hockey, inviting comment, and we are going to participate. We are not locked into one position or another; what we are saying is that we are prepared to have the conversation. I note the Leader of the Opposition has ruled out any conversation about tax.

**Mr MARSHALL:** Back to my question, which was about financial services, was it a captain's call by the Premier?

**The Hon. A. KOUTSANTONIS:** No, the Premier and I are at one.

**Mr MARSHALL:** Was it discussed by cabinet and agreed by cabinet?

**The Hon. A. KOUTSANTONIS:** I do not talk about cabinet deliberations, but the Premier has the full support of his cabinet and his caucus.

**Mr MARSHALL:** You fully support the imposition of GST on financial services?

**The Hon. A. KOUTSANTONIS:** Again, you are trying to verbal me—not very well, but you are trying. The Premier has the full support of the cabinet. We are a united party and have been for a long time. We have had two leaders in over 20 years, unlike the good people opposite.

**Mr MARSHALL:** What will the—

**The Hon. A. KOUTSANTONIS:** I have not finished. When the Premier embarks on a national debate about the future of the federation and South Australia's role in it, yes, his colleagues and his caucus are fully supportive of the Premier entering into that debate—of course we are. We are a united team. What we do not do is what the Leader of the Opposition has done and just rule it out day one.

**Mr MARSHALL:** On the record, can you confirm to the committee that the Premier discussed his plans to extend the GST to financial services with you and got agreement with you prior to him making public statements.

**The Hon. A. KOUTSANTONIS:** I have complete confidence in the Premier.

**Mr MARSHALL:** Well, why not just answer the question?

**The Hon. A. KOUTSANTONIS:** I am. I have complete confidence in the Premier—

**Mr MARSHALL:** That is not the question.

**The Hon. A. KOUTSANTONIS:** I have complete confidence in the Premier. He is doing exceptionally well. He is leading the nation in terms of reforming the federation.

**Mr MARSHALL:** He did not discuss it with you first, did he?

**The Hon. A. KOUTSANTONIS:** He is someone who I have a great deal of admiration for.

**Mr MARSHALL:** It was a captain's call.

**The Hon. A. KOUTSANTONIS:** We talk often, and I have complete support in what the Premier is doing, and we have discussed many, many aspects of the tax reform package.

**Mr MARSHALL:** Except this very, very large one.

**The Hon. A. KOUTSANTONIS:** Well, I suppose looking at a successful team is foreign to you because you have never seen or been part of one. The Premier and I and his cabinet are at one.

**Mr MARSHALL:** With this extension of the GST onto all financial services, can you confirm which financial services it will apply to? It will apply to withdrawals and deposits, to advice, financial planning advice, superannuation advice. What will it apply to?

**The Hon. A. KOUTSANTONIS:** You would have to ask the commonwealth government.

**Mr MARSHALL:** I am asking you; you just agreed to it. You are at one with the Premier who has proposed it. Who is it going to hit?

**The Hon. A. KOUTSANTONIS:** I will give you a quick lesson in the federation: the acts governing that are legislated in the commonwealth parliament—

**Mr MARSHALL:** I am fully aware, but you have a position—

**The Hon. A. KOUTSANTONIS:** —and to speak—

**Mr MARSHALL:** You do not know.

**The CHAIR:** Order! It would be a really sad day for me to pour any dampener on passion, and I know you are both passionate about the good of South Australia, but I must insist that the committee proceeds in an orderly fashion, and I hope I can count on your cooperation in that—both of you.

**The Hon. A. KOUTSANTONIS:** Yes, ma'am. I am not in the commonwealth parliament. I do not have a say in the way that act is constituted or drafted. That is a matter for the commonwealth government.

**Mr MARSHALL:** Given that the Premier has outlined in the earlier committee what he thinks this will cover, can you outline to this committee what you think this extension of the GST onto financial services will cover?

**The Hon. A. KOUTSANTONIS:** No, and I will not, and I will not debate it publicly.

**Mr MARSHALL:** You just agree with the leader. It is like this Bill Shorten YouTube clip.

**The Hon. A. KOUTSANTONIS:** The what?

**Mr MARSHALL:** 'I just agree with the leader.' 'What does the leader think?'

**The CHAIR:** Order!

**Mr MARSHALL:** 'Well, I don't know, but I agree with the leader.'

**The CHAIR:** We have limited time. Let's proceed to the next question.

**Mr MARSHALL:** You do not even know what you have agreed to.



**The CHAIR:** Let's proceed to the next question.

**The Hon. A. KOUTSANTONIS:** All I can think of is you just—

**Mr MARSHALL:** What have you agreed to?

**The Hon. A. KOUTSANTONIS:** All I can think of is you are in front of the mirror thinking, 'Please someone say that about me,' but no-one ever does.

**Mr MARSHALL:** What have you agreed to?

**The Hon. A. KOUTSANTONIS:** What the state government is doing is we are talking about the future of the federation—

**Mr MARSHALL:** You do not want to answer the question.

**The Hon. A. KOUTSANTONIS:** —and we are prepared to talk with Premier Baird, who showed a great deal of courage—

**Mr MARSHALL:** That is not the question.

**The Hon. A. KOUTSANTONIS:** —in my opinion.

**Mr MARSHALL:** Here we go again.

**The Hon. A. KOUTSANTONIS:** I think Premier Baird is one of those fine Liberal leaders. He is a reformist Liberal leader—something that is the complete antithesis of what the current Leader of the Opposition here is. Mr Baird is someone who proposes things that are risky, things that are not necessarily electorally popular, and he is happy to have a debate. The South Australian government and our Premier are not prepared to slap him down simply because it is politically expedient; he is prepared to hear and listen to the debate. I think South Australians and Australians are yearning for that. That is why the Leader of the Opposition languishes so badly in the polls, because he cannot bring himself to come up with an idea that may be difficult or not popular.

**Mr MARSHALL:** Is this acceptable?

**The CHAIR:** It is not acceptable.

**Mr MARSHALL:** Has the government done any jobs modelling on its stated position regarding extending the GST to financial services?

**The Hon. A. KOUTSANTONIS:** Not that I am aware of. We have done some NATSEM modelling—

**Mr MARSHALL:** So we are in the midst of—

**The CHAIR:** Order, leader! He is trying to answer your question. Please wait.

**Mr MARSHALL:** He said no.

**The Hon. A. KOUTSANTONIS:** He is having a bad day.

**The CHAIR:** 'No' and drew a breath.

**Mr MARSHALL:** Do we have another five minutes of filibustering?

**The CHAIR:** We could stop right now if you want to.

**The Hon. A. KOUTSANTONIS:** It is almost over. Don't worry, it will be over by Christmas. We have done some NATSEM modelling on the regressive nature of some parts of the GST. In terms of any positive or negative impact on jobs in financial services, I am not aware that we have, but if we have I will get back to the committee. I do not think we have.

**Mr MARSHALL:** So no jobs modelling has been done on extending the GST on financial services and no jobs modelling has been done on the government's state budget tax review request. Have you done any jobs modelling for South Australia?

**The Hon. A. KOUTSANTONIS:** It would be redundant for us to attempt to do any modelling on one small aspect of any overall reform package. What you would need to do is obviously nut out

what the entire reform package will be, noting the Prime Minister's remarks that he wants unanimous support of all jurisdictions—all the states and the territories. You would have to wait until we came up with a uniform package, whether it be GST, whether it be the Medicare levy or whether it be income tax changes, and do the modelling then. What the Leader of the Opposition is trying to do in a very narrow way is attempt to score some populist point on the GST and that is why he will fail ultimately in his political career, because he cannot rise above it.

**Mr MARSHALL:** I refer to Budget Paper 3, page 34. Has Treasury considered the likelihood that some non-residential real property transactions are likely to be delayed until the duty is completely removed or substantially removed?

**The Hon. A. KOUTSANTONIS:** That is a risk, but I also think that by 1 July next year we will have the lowest conveyance duty on commercial properties in the nation. Local buyers and sellers will be up against interstate competitors who in their own states will be looking elsewhere because of the competitive advantage here in South Australia, so that should alleviate a great deal of that. I did say on budget day that I reserve the right to bring those tax cuts forward if necessary to avoid any distortions in the market. Yes, it is always a risk, but the truth is that people take a very long-term view of these things and I believe it is going to create a competitive advantage for vendors and that you will see a lot more activity in the market on the basis of these tax cuts. We have done it in a way to try to avoid the very thing you have brought up.

**Mr MARSHALL:** If the duty rate is not being reduced until 1 July 2016, why is there a \$9.7 million reduction in the operating revenues forecast in 2015-16? Is this evidence that the government believes that investors will defer transactions until after the duty rate reduction takes effect?

**The Hon. A. KOUTSANTONIS:** We have allowed for a deferral, I am advised, for the last month of the financial year as people restructure to take into account the tax changes. However, as I said, I reserve the right to bring the tax cuts forward.

**Mr MARSHALL:** So in fact, in reality, it is going to cost us \$10 million this year in deferred revenue over and above the cost in terms of reduced revenue from 1 July 2016 onwards?

**The Hon. A. KOUTSANTONIS:** It is reflected in the forward estimates. I cannot believe I am actually in this alternative universe where the Leader of the Opposition and the leader of the Liberal Party is complaining about a loss of revenue from tax cuts.

**Mr MARSHALL:** No, I am making it clear—

**The Hon. A. KOUTSANTONIS:** No wonder industry just laugh at you. Anyway, go on.

**The CHAIR:** Order! Next question please leader.

**Mr MARSHALL:** Your own budget provides that there is going to be reduced transactions this financial year. Is that not correct?

**The Hon. A. KOUTSANTONIS:** Reduced transactions?

**Mr MARSHALL:** Yes; that's the basis of it. When the number goes down and you are not changing the weight, and there has to be a reduction in volume.

**The Hon. A. KOUTSANTONIS:** I just said, for the last month some will be deferred, but I reserve the right to bring them forward.

**Mr MARSHALL:** Has any work been done on understanding the likely impacts of the staged approach to the introduction of the removal of some of the conveyance—

**The Hon. A. KOUTSANTONIS:** Can you repeat the first part of that?

**Mr MARSHALL:** Has any independent work been done to model how the property markets are likely to respond to this staged introduction of the conveyance due to reduction?

**The Hon. A. KOUTSANTONIS:** We have not done any independent modelling. What we have done is spoken to the professional associations about what they think the impacts will be, because they are the best qualified to know and understand the market. We have spoken to a number

of people involved in the commercial property sector about what the potential impacts will be, and we have had a very diverse review. I think it is fair to say that the majority of the view was that it would create a lot more activity. We have been prudent and thought there may be some delays and deferrals by the end of the financial year, but, of course, we think, given the anticipated tax cuts, it will create more activity rather than less.

**Mr MARSHALL:** Can we take a look at Budget Paper 3, page 149, and in particular look at interest? The interest on state debt—and I presume this is the net interest; it is not the gross interest, because we do have offsetting investments that diminish this number quite considerably—it is envisaged that we are paying \$482 million this current financial year in net interest. That goes up to \$700 million next financial year. Has that increased substantially due to the new Royal Adelaide Hospital coming online?

**The Hon. A. KOUTSANTONIS:** I am advised yes.

**Mr MARSHALL:** What is the quantum of additional interest next financial year that will be specifically attached to the new Royal Adelaide Hospital?

**The Hon. A. KOUTSANTONIS:** I am advised that it is \$211 million.

**Mr MARSHALL:** Can you advise what sensitivity analysis has been done around interest rates to form the estimate that is provided over the forward estimates?

**The Hon. A. KOUTSANTONIS:** Budget Paper 3, page 95: Interest rates. I will read to you from that. It states:

Changes in interest rates would affect the budget positions of the general government and public non-financial corporation...sectors through changes in interest payments.

...A 1.0 percentage move in the average interest rate applying to general government sector net debt would change net interest expense by approximately \$42 million in 2015-16 rising to \$58 million in 2018-19.

A 1.0 percentage point move in interest rates applying to the PNFC sector would change net interest expense by approximately \$70 million in 2015-16. This would affect contributions received by the general government sector from PNFCs.

To give you a broader answer, I would refer you to the session later on when SAFA are here and Mr Kevin Cantley can give you a more detailed answer.

**Mr MARSHALL:** Thank you. Given that over the forward estimates we are going to be paying in excess of \$2.5 billion in net interest, can you advise the committee whether you are going to be continuing with your plan to establish a future fund for South Australia?

**The Hon. A. KOUTSANTONIS:** Yes, we will proceed with it, and I refer you to the answer the Premier gave you this morning.

**Mr MARSHALL:** When do you envisage that you will be bringing legislation to the parliament?

**The Hon. A. KOUTSANTONIS:** Soon.

**Mr MARSHALL:** Has the Under Treasurer changed his advice to the government, or does he still think that it is inappropriate to establish a future fund when there is such an enormous amount of interest payments (\$2.5 billion worth) over the next four years?

**The Hon. A. KOUTSANTONIS:** I have a great deal of respect and admiration for our Under Treasurer. Indeed, this is his last estimates because he will be leaving us. His views are frank and fearless, and he has been a fabulous servant of the people of this state. If he disagrees with the government from time to time—

**Mr MARSHALL:** Which he does on this point.

**The Hon. A. KOUTSANTONIS:** That is entirely his prerogative. I celebrate a system where a public servant of the quality of Mr Brett Rowse can disagree with his Treasurer and have absolutely no consequences for it.

**Mr MARSHALL:** Do you think it is prudent to establish a future fund for South Australia?

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr MARSHALL:** When do you envisage that the first money will be paid into this future fund?

**The Hon. A. KOUTSANTONIS:** You will have to wait and see the legislation.

**Mr MARSHALL:** Is this another captain's call from the Premier?

**The Hon. A. KOUTSANTONIS:** No, this is something we decided together in a collegiate way and took it to the election. You might remember the election. We took it to the people of South Australia and they endorsed it, overwhelmingly, in a majority of seats.

**Mr MARSHALL:** Thirty-six per cent of people actually supported it.

**The CHAIR:** Order! What budget line does that come under?

**Mr MARSHALL:** I have a line. It is Budget Paper 4—

**The CHAIR:** The election result does not come under any of that.

*Members interjecting:*

**The CHAIR:** Both of you, back onto the questions, now.

*The Hon. A. Koutsantonis interjecting:*

**The CHAIR:** Now! Do not defy me.

**Mr MARSHALL:** Budget Paper 4, Volume 4, page 185. I want to look at contingency provisions. Can you outline to the house why there is such an enormous increase in the contingency provisions for supplies and services?

**The Hon. A. KOUTSANTONIS:** No doubt, one day, the member for Schubert will be in a position to understand why contingencies are kept very quiet, but I do not suspect you will ever have that opportunity. Traditionally, they do fluctuate but, while the level of 2015-16 is higher than the past two years, it is not out of line with our historical contingencies. I think the graph in the budget shows we are having prudent management of our finances.

**Mr MARSHALL:** Certainly, it is almost 10 times what it was two years ago. Is there something, in particular, that you are providing a contingency against?

**The Hon. A. KOUTSANTONIS:** No, I am just a very prudent Treasurer who is always worried, constantly worried. Treasurers are always worried—something you will not have to worry about, you will be fine.

**Mr MARSHALL:** What about your investing contingencies? I presume this is contingencies against capital projects? We are seeing a major diminution of capital projects at the same time as a tenfold increase in the contingency. What have you got wrong?

**The Hon. A. KOUTSANTONIS:** You will have to wait and see by the end of the term if you are right or wrong and, no doubt, whoever replaces you, soon enough, will be able to ask me those questions in 2017.

**Mr MARSHALL:** I just make the point that it is an enormous increase. Have you some advice that a major capital project requires a contingency which is, in fact, more than \$110 million higher than the contingency that was provided for capital projects last financial year, or do you not know the answer to the question?

**The Hon. A. KOUTSANTONIS:** No, it is just prudent management and making sure we have enough money in place in case things change. It is only appropriate.

**The CHAIR:** Do you have a question, member for Schubert?

**Mr KNOLL:** Yes, ma'am.

**The Hon. A. KOUTSANTONIS:** Finally, I have been waiting.

**The CHAIR:** Stop now, stop right now. All of you, let's just hear the questions please.

**Mr KNOLL:** If we go to Budget Paper 3, page 23—or it may be page 23 when we get through the question, maybe the Treasurer can update me. The Treasurer, through the Economic and Finance Committee, brought down the new emergency services levy rates—or not the rates necessarily but the distribution of funding across different regions—and does that every year. In 2015-16 regions 1, 2 and 3 for this 2015-16 year have a total of \$48.3 million worth of expenditure across those regions, and those regions 1, 2 and 3 are the country regions with region 4 being Adelaide.

Back in 2014-15 regions 1, 2 and 3 had direct emergency services expenditure of \$30.1 million, so it is saying that from last year's budget to this year's budget there is an increase of \$18.2 million. Treasurer, if I look at page 23 and the different emergency services agencies there, I do not get anywhere near that \$18 million, and also with the MFS most of that expenditure will be in region 4 which is in metropolitan South Australia. According to the Economic and Finance Committee report, you are going to increase expenditure of \$18.2 million and can I ask, where is the money?

**The Hon. A. KOUTSANTONIS:** We are spending more in the regions. If you look at the expenditure, we have gone from 2015-16—

**Mr KNOLL:** Sorry, what budget paper are you looking at now, Treasurer?

**The Hon. A. KOUTSANTONIS:** I am looking at extemporaneous notes, and those notes show 87.8 per cent expenditure of \$217.7 million in 14-15, that increases to \$222.1 million, so we go from 87.8 per cent down to 82.1 per cent—a decrease in region 4. In region 1 the increase is from 7.5 per cent to 10.1 per cent; region 2, 4.3 per cent up to 6.7 per cent; region 3, 0.4 per cent up to 1.1 per cent.

**Mr KNOLL:** So, you have given those figures in percentage terms—

**The Hon. A. KOUTSANTONIS:** I can give you real numbers, if you like. It is \$18.5 million in region 1 in 2014-15 to \$27.2 million in 2015-16; that is region 1.

**Mr KNOLL:** Sorry, Treasurer—

**The Hon. A. KOUTSANTONIS:** Hang on. Region 2, \$10.7 million in 2014-15 up to \$18.2 million—that is, from 4.3 per cent to 6.7 per cent. Region 3 is \$0.9 million to \$2.9 million from 0.4 per cent to 1.1 per cent. We are spending more in the regions, you are right.

**Mr KNOLL:** Certainly, that is what the Economic and Finance Committee handed down. My question was: where is that money in the budget? Because when I looked at selected Agency Statements, when I look at Budget Paper 2 and the different agencies—

**The Hon. A. KOUTSANTONIS:** You just want a breakdown. Okay, I will get that for you.

**Mr MARSHALL:** My question relates to Budget Paper 3, page 38, and relates to payroll tax projections over the forward estimates. What assumptions are being made to support forecast real growth in payroll tax revenues at or above 3 per cent for most of the forward estimates, three times the rate of the forecast employment growth rate over that period?

**The Hon. A. KOUTSANTONIS:** I am advised you have, obviously, employment growth, you have wages growth and you have bracket creep. Brackets are fixed, not indexed, so people come into the payroll tax regime.

**Mr MARSHALL:** What proportion of that 3.7 per cent real growth rate is bracket creep for this current financial year?

**The Hon. A. KOUTSANTONIS:** We have not broken it down.

**Mr MARSHALL:** Can you do that work for us?

**The Hon. A. KOUTSANTONIS:** I will have a look.

**Mr MARSHALL:** Is it fair to say though that the majority of the 3.7 per cent over and above the employment growth rate of 1 per cent is in fact bracket creep for this current financial year?

**The Hon. A. KOUTSANTONIS:** I am not sure. I could not give you an accurate answer.

**Mr MARSHALL:** Budget Paper 3, page 62. I just have a couple of questions with regard to the new Royal Adelaide Hospital and the timing of the commercial acceptance of that financial liability for South Australia. Who provided the independent advice to Treasury which has led you to the opinion that in fact the hospital will not be handed over until the second half of next year? Sorry, second half of this year. No, sorry, I was right originally, the second half of next year. Sorry.

**The Hon. A. KOUTSANTONIS:** Mr Lucas will be very disappointed, this answer is on the way to him.

**Mr MARSHALL:** What is that, sorry?

**The Hon. A. KOUTSANTONIS:** Mr Lucas will be very disappointed, this answer is on the way to him on the Budget and Finance Committee. I am advised it was Tracey Brunstrom and Hammond Pty Ltd. They have been engaged to report periodically to the new Royal Adelaide Hospital steering committee.

**Mr MARSHALL:** What month does that advice suggest we will take occupancy of the hospital?

**The Hon. A. KOUTSANTONIS:** I cannot find that they have given us a month, they have just told us the financial year.

**Mr MARSHALL:** Presumably, to come up with a budget for the next financial year and the expenses that are related to occupation of the new Royal Adelaide Hospital, you must have factored in a month that those payments would start. So, which month have you started those payments in your forward estimates?

**The Hon. A. KOUTSANTONIS:** I am advised it will be very early in that financial year.

**Mr MARSHALL:** Which month?

**The Hon. A. KOUTSANTONIS:** The best advice I have is very early that financial year.

**Mr MARSHALL:** Can you advise the committee or the parliament later today or parliament when it resumes tomorrow what month the government has currently budgeted to start paying payments to the consortium for occupation of the new Royal Adelaide Hospital? Surely, you must know it. If you put it into your budget you must know what month it is. Either you know it or you are trying to keep it from the people of South Australia.

**The Hon. A. KOUTSANTONIS:** It is one of the largest infrastructure projects anywhere in the world and it is pretty visible to everyone who drives past it, so we are not trying to hide the new Royal Adelaide Hospital, even though you called it a false economy spending. We have contingencies in place from 1 July if it comes on line then, but we are told, we are advised, the very best advice we have is that it is early in that financial year.

**Mr MARSHALL:** So, you will not be advising this committee later today as to which month you have started the—

**The Hon. A. KOUTSANTONIS:** I do not have the advice here.

**Mr MARSHALL:** I am not saying whether you have it here, but can you provide it? I mean, you are in estimates for the rest of the day, as am I.

**The Hon. A. KOUTSANTONIS:** I understand the funding is in place from 1 July.

**Mr MARSHALL:** So, we will occupy the hospital—

**The Hon. A. KOUTSANTONIS:** No, that is not what I said. I said that we have funding in place, ready to go, from 1 July, and that we are advised that it will be ready early that financial year.

**Mr MARSHALL:** In the first quarter?

**The Hon. A. KOUTSANTONIS:** When it comes online, we have the funding in place to take possession of the hospital.

**Mr MARSHALL:** Are you aware that the Minister for Health told his estimates committee earlier in the week that they are prepared to take it over when it is due to be handed over which is,

of course, in less than 60 days, so that they can begin the 90 days of clinical trials? Why is it that one minister thinks that he is taking it over in less than six months and another minister thinks in more than 12 months?

**The Hon. A. KOUTSANTONIS:** Again, it is a very poor attempt by you to verbal another minister. I think what minister Snelling said was, if the consortium are ready to hand over the hospital, we will be ready to take it, but we are planning for commercial acceptance of the hospital in financial year 2016-17, and we have funding in place from 1 July.

**Mr MARSHALL:** You have funding in place from 1 July but, at this stage, you do not envisage it being ready for 1 July but sometime in the first quarter; is that correct?

**The Hon. A. KOUTSANTONIS:** We are told it is early that financial year.

**Mr MARSHALL:** So, would it be logical to assume the first quarter?

**The Hon. A. KOUTSANTONIS:** I hope it is the first quarter but, of course, things get delayed on fit-outs. Anything can happen.

**Mr MARSHALL:** Just for clarity, you keep saying funding is available. Are you suggesting that you have not actually put a month start date into the forward estimates—you just refuse to do that? You have been given advice as to what month it is going to be but—

**The Hon. A. KOUTSANTONIS:** This is not a perfect world. When you are building infrastructure projects, there are delays. Weather gets involved.

**Mr MARSHALL:** I am not debating that.

**The Hon. A. KOUTSANTONIS:** There can be delays on product delivery; there can be delays in final fit-out; there can be all sorts of delays that occur. It is only prudent to plan ahead, and that is what we are doing.

**Mr MARSHALL:** Yes, but do you refuse to answer the question as to what month—

**The Hon. A. KOUTSANTONIS:** No, I do not refuse to answer any question. I am answering it as best I can. You just do not like the answer.

**Mr MARSHALL:** The question is: what month does the funding begin, not when is it available. In your forward model, what month have you put into your forward estimates for first payment?

**The Hon. A. KOUTSANTONIS:** On 1 July 2016, the funding will be available.

**Mr MARSHALL:** No, again—

**The Hon. A. KOUTSANTONIS:** I understand what you are trying to get me to say, but I am not going to—

**Mr MARSHALL:** So, you refuse to tell the committee?

**The Hon. A. KOUTSANTONIS:** No, I am answering it the best I can. You are just trying to make, again, another cheap political point and, meanwhile, going outside and demanding we build more infrastructure then complaining about infrastructure we are building.

**Mr KNOLL:** I refer to Budget Paper 4, Volume 4, page 156. Treasurer, it says in here 'Ministerial office resources'. Can you confirm that all of your ministerial travel expenses come out of this budget line, out of this \$1.94 million?

**The Hon. A. KOUTSANTONIS:** That is the advice I have, yes.

**Mr KNOLL:** Last year, your ministerial office had a budget of \$1.92 million and 15 staff, and this year, we have \$1.94 million for 12 staff. Can I ask whether this means, as you have three less staff, the remaining staff are being paid more, or is there another expense within your office that takes up that extra money?

**The Hon. A. KOUTSANTONIS:** I am advised that the \$1.940 million expenditure for 12 FTEs reflects the cabinet-approved funding allocation. The reporting treatment for the Treasurer's

office sub-program as reported in the 2014-15 DTF Agency Statements has been amended in the 2015-16 DTF Agency Statements structure. Former Sub-program 6.2: Ministerial Support Services—Treasurer has been reprofiled as a corporate overhead for the 2015-16 Agency Statements. As a result, sub-program 6.2 does not appear as a sub-program in the 2015-16 Agency Statements.

The corporate overhead promise comprises a corporate budget allocation which is allocated across the DTF program structure based on programs allocated of FTEs. The DTF corporate overhead includes an allocation of departmental corporate services, incorporating the executive branch, the Treasurer's office, human resources, OHS&W, ICT and finance, etc. I hope that is clear.

**Mr KNOLL:** It is indeed. Can I ask what proportion of that \$1.94 million in this year's budget was corporate overhead allocation?

**The Hon. A. KOUTSANTONIS:** I will take that on notice.

**Mr KNOLL:** Can you also take on notice whether there has been any increase in staffing costs, also as part of that budget line, or are you suggesting that only some of it is from that corporate overhead allocation?

**The Hon. A. KOUTSANTONIS:** I will take that on notice.

**Mr KNOLL:** On the same budget line, Treasurer, what was the reason that your \$52,000 trip was undisclosed until today and had not been published through the normal proactive disclosure process?

**The Hon. A. KOUTSANTONIS:** You mean why is it published online? I try to hide it by publishing it online. I do not know why it was not published earlier. When we were made aware that it was not published, we made sure that it was. It was a very important trip to Canada to attend the largest mining conference in the world. It is important to meet with a number of people about issues relating to the state's mining and resources wealth.

I had a series of meetings. I met with Codelco, Antofagasta, Uranium One, Atlas Copco, Teck, and the Canadian Association of Mining Equipment and Services for Export, and I also met with Mr Mikael Groning, who is the Swedish Secretary for Mining and Deputy Director, Research, Innovation and Development.

I went to the Ontario government reception and hosted a dinner where there were presentations by Mr Steve Hill and Richard Hills. It was all about refreshing confidence in the state's resources sector. It was important that I attended a number of investment lunches with the Hon. Mr Andrew Robb, who also attended, the Minister for Trade and Investment; the Australian High Commissioner; and representatives of the Australian Trade Commission.

The truth is that three staff and \$52,000 sound like a sensational number: it is not. I think when members of parliament attempt to gain political points for travelling to important seminars like PDAC, it belittles all of us in the public's mind. I encourage the shadow minister for mining to visit as many mining countries as he can. He should go to Chile, he should go to the United States, he should travel interstate and meet as many shadow mining ministers and mining ministers as he can.

South Australia ranks very highly amongst the Fraser Institute's rankings for regulatory approaches to mining, and I encourage the opposition to travel abroad and sell South Australia to the world and open us up for investment and let them know that there is a bipartisan framework in place in this state for mining investment. I see absolutely no problem with South Australia's mining minister travelling to the largest mining conference in the world. I think the bigger criticism would have been if I did not go, and the question would be, 'Why didn't you?'

**Mr KNOLL:** That is a wonderful answer, Treasurer. Of those three staff, were they departmental staff or ministerial staff?

**The Hon. A. KOUTSANTONIS:** Ministerial staff.

**Mr KNOLL:** Do you have a breakdown of the cost of the actual conference as opposed to the rest of the trip?

**The Hon. A. KOUTSANTONIS:** I am not sure what you mean. The registration fees?



**Mr KNOLL:** The cost of being involved with the conference.

**The Hon. A. KOUTSANTONIS:** I think the registration fee was \$1,500 per person, but I will check that and get back to you.

**Mr KNOLL:** Thank you, Treasurer.

**Mr MARSHALL:** My questions related to Budget Paper 3, page 58, and in particular the table the budget contains regarding federal government impacts. There was quite some discussion at least year's estimates, and indeed in last year's budget and in the public discourse thereafter. In fact, the government themselves embarked upon quite an extensive campaign highlighting federal government cuts.

In the cold, hard light of day, when we have had an opportunity to now review how much we have received and how much we are likely to receive going forward, can the Treasurer confirm to this estimates committee that if we compare the original Labor federal budget handed down in May 2013-14 for the last financial year, this financial year and the next financial year, there is in fact a \$2.2 billion uplift in the distribution from the commonwealth to South Australia, there is no cut and there is in fact a \$2.2 billion increase?

**The Hon. A. KOUTSANTONIS:** When the commonwealth government cut \$80 billion over the next 10 years starting from their first budget, members opposite said that was unbudgeted expenditure they had cut, so therefore it was not a cut. Yet, the opposition now turns up and says to me, 'From the last commonwealth Labor government's budget in their forward estimates there has been an uplift from here to here; therefore, there has been an increase in spending.'

Quite frankly, the idea that I can somehow move tied grants as discretionary funding wherever I like is ridiculous, and the Leader of the Opposition knows that and he is attempting to make points. If he does not believe me, that is fine: believe Premier Baird, believe Mr Colin Barnett. There have been substantial cuts made by the commonwealth. Believe the commonwealth government's own budget papers, where they talk about the cuts they have made to health and education.

It seems to me that only people who do not believe that the commonwealth have made cuts to health and education are the South Australian Liberal Party. It probably reflects why they are doing so badly in the polls.

**Mr MARSHALL:** Nevertheless, I am not talking about the Coalition's cuts; I am just trying to establish an agreement with the Treasurer that, in fact, we have ended up with \$2.2 billion more over last year, this year and next year, which are the final three years of the forward estimates provided by the federal Labor government in their May 2013 budget. I would just like the Treasurer to acknowledge that very significant increase in funds over and above what Labor had promised to South Australia.

**The Hon. A. KOUTSANTONIS:** Again, you are just not listening and attempting to defend the undefendable. Mike Baird has moved on from this and acknowledges that there are dramatic cuts to the states—

**Mr MARSHALL:** But this was before Mike Baird was even the Premier of New South Wales.

**The Hon. A. KOUTSANTONIS:** I understand you are not interested in what other Liberal leaders are saying, especially successful ones; you prefer to remain unsuccessful. The truth is that there are dramatic cuts being made by the commonwealth. The commonwealth themselves acknowledge it. They are the ones who are out telling the business community that they have made dramatic cuts to the states. They have put it in their own budget papers.

Premier Baird is out there talking about GST on the basis that there have been dramatic cuts made by the commonwealth. The only person who refuses to accept that is the Leader of the Opposition. Quite frankly, it does not serve you or your party any good not to agree that Treasurer Hockey has made substantial cuts to South Australia and, indeed, the entire nation.

Liberal leaders around the federation agree. The only Liberal leader who will not accept it and continues to defend Treasurer Hockey is the Leader of the Opposition. That explains entirely

why the most successful Liberal Premier in the country, Mr Baird, acknowledges that there are cuts and wants to do something about it, and then the Leader of the Opposition sits there with his head in the sand—

**Mr KNOLL:** Point of order, Chair: I ask you to rule that the Treasurer has been entering into debate for some time, and I ask you to bring that to order.

**The CHAIR:** I will listen to his answer and ask him to finish it off quickly so we that can get onto the next question.

**The Hon. A. KOUTSANTONIS:** I have finished.

**The CHAIR:** It is finished.

**Mr MARSHALL:** It seems to me, from a fundamental analysis of what was promised, what has been delivered and what plans to be delivered from the commonwealth, that in fact last financial year we ended up \$273 million better off than was envisaged by Labor; this current financial year, \$671 million better off than was promised under Labor; and next year a whopping \$1.256 billion better off in a single year. Why has it been with this unbudgeted, unexpected increase in funding from the commonwealth that the Treasurer has not been able to return the budget to surplus?

**The Hon. A. KOUTSANTONIS:** First and foremost, GST is not a policy decision made by the commonwealth cabinet. They do not sit in their room deciding how much they are going to allocate towards the state.

**Mr MARSHALL:** I can break it down for you: GST and non-GST.

**The Hon. A. KOUTSANTONIS:** I am sure you can.

**Mr MARSHALL:** I can.

**The Hon. A. KOUTSANTONIS:** What you are not doing is giving the committee the full picture of the entirety of the cuts over the 10-year program, and what you have done is focus on a narrow band.

**Mr MARSHALL:** What—this year, next year and the year after?

**The Hon. A. KOUTSANTONIS:** Do you want me to answer the question—

**The CHAIR:** Order!

**The Hon. A. KOUTSANTONIS:** —or doesn't it suit your narrative?

**The CHAIR:** Order! Let's just go on with the answer to the question.

**The Hon. A. KOUTSANTONIS:** The truth is that the cuts are real and the opposition refuses to accept them. The cuts increase dramatically year in, year out over the forward estimates. The reason we have a leaders' retreat and the reason we are talking about the GST and the Medicare levy is to deal with these dramatic cuts your party has made in Canberra. Liberal premiers, like Colin Barnett and Mike Baird, are prepared to accept that there needs to be some difficult discussions about what we do to provide these services because the cuts are dramatic. The Prime Minister accepts that they have made dramatic cuts to health and education—he said so himself, yet the only person with his head in the sand is the Leader of the Opposition.

**The CHAIR:** Order!

**Mr MARSHALL:** Given that the state received almost \$300 million more from the commonwealth than was envisaged under the previous Labor federal government and a transfer of approximately \$850 million from the Motor Accident Commission last year, why is it that with these two extraordinary uplifts in revenue to the budget our state still was not able to return to surplus last financial year?

**The Hon. A. KOUTSANTONIS:** We are returning to surplus this financial year.

**Mr MARSHALL:** No, last financial year.

**The Hon. A. KOUTSANTONIS:** Yes, well I am talking about now.

**Mr MARSHALL:** Something else, not the question.

**The CHAIR:** Order! The Treasurer is answering the question.

**The Hon. A. KOUTSANTONIS:** Some of us live in the past, some of us live in the now, and the Leader of the Opposition lives in the past. We are returning to surplus; we have large surpluses projected forward and we have returned \$670 million in tax cuts to the people of this state, and I am very proud of that. I am very proud of the fact that, even under the worst-possible modelling, South Australia goes to the top of the tree of all the states in terms of affordability when it comes to taxation.

The Commonwealth Grants Commission view us as having one of the lowest taxing efforts in payroll tax. The IPA forecast that, using their own modelling, by the end of this process we will be the cheapest state in the country for tax effort, and I am very proud of that—something the Leader of the Opposition never aspired to.

**Mr MARSHALL:** Sorry, I just lost my train of thought.

**The Hon. A. KOUTSANTONIS:** That's okay, you have plenty of time; you have at least until Christmas.

**Mr KNOLL:** I refer to Budget Paper 3, page 80, table 5.4. The minister responsible for Renewal SA informed this committee that the board of Renewal SA had received approval from Treasury to not pay the \$11.6 million dividend which is in there in the estimated 2014-15 result. Can the Treasurer confirm whether he gave this approval and, if so, when this approval was given?

**The Hon. A. KOUTSANTONIS:** I am advised that the Urban Renewal Authority did not make a dividend payment of \$11.6 million in 2014-15, as forecast in the budget. As required under the Urban Renewal Authority Act 1995, the Urban Renewal Authority Board considered the payment of a dividend before the end of the financial year. The board recommended to the Minister for Planning and Urban Development that no dividend be paid. The board would prefer to use the funds to pay down their debt rather than pay a dividend to the government.

I am aware that in this estimates committee the minister indicated he is supportive of the Urban Renewal Authority retaining these funds. As required under the act, the minister is required to consult with the Treasurer prior to this matter being finalised and I understand that the minister has recently written to me on the issue. I will consider his correspondence.

**Mr KNOLL:** The second part of that question was whether you can confirm when this approval was given, or certainly when the Renewal SA board sought that advice?

**The Hon. A. KOUTSANTONIS:** I do not have the date of the board meeting and I would refer you to the Minister for Planning and Urban Development.

**Mr KNOLL:** I refer to Budget Paper 2, page 7, in the first sentence. During your speech you referred to the government's spending on justice, including police, courts and prisons. However, you failed to mention the cost of the government's failed courts precinct development. Can the Treasurer confirm whether the South Australian government paid any form of compensation to any of the bidders involved in the court precinct PPP process after the state government decided to cancel the procurement, the value of any compensation paid and whether any liabilities or commercial arrangements exist in relation to this project?

**The Hon. A. KOUTSANTONIS:** I would refer you to minister Mullighan.

**Mr MARSHALL:** Going back to Budget Paper 3, page 58, table 3.23, which is essentially a reference to commonwealth budget impact lines. Is there any particular reason that you failed to outline the GST money coming from the commonwealth under that table?

**The Hon. A. KOUTSANTONIS:** For the reason that the commonwealth government do not control the distribution of GST; that is done independent of any policy decision made by the commonwealth cabinet.

**Mr MARSHALL:** Sure. Nevertheless, it is money coming from the commonwealth to South Australia.

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** How much is the extra—

**The Hon. A. KOUTSANTONIS:** No. Again, you completely—

**Mr MARSHALL:** Look, I am asking the question.

**The Hon. A. KOUTSANTONIS:** —misunderstand the GST. One minute you say it is the states' tax and you like the GST, and I can refer you to the *Hansard* where you said how much you like the GST and what a good tax you thought it was before you decided to tell us all how opposed—

**Mr MARSHALL:** I am asking a question; what is he even asking?

**The Hon. A. KOUTSANTONIS:** Sorry, is this embarrassing you again?

**The CHAIR:** Order!

**Mr MARSHALL:** Well, I have not asked the question.

**The Hon. A. KOUTSANTONIS:** You asked why it is not included.

**Mr MARSHALL:** No, I am sorry, Treasurer—

**The Hon. A. KOUTSANTONIS:** You should be sorry.

**The CHAIR:** No, I am sorry.

**The Hon. A. KOUTSANTONIS:** You should be sorry to all your colleagues.

**The CHAIR:** Just a moment.

**The Hon. A. KOUTSANTONIS:** You should apologise to all of them for the appalling job you are doing.

**The CHAIR:** I would like to take this opportunity to welcome today visitors to the parliament from the Leigh Creek Area School. I welcome them and hope they enjoy their time with us today. I know they will be very impressed by the behaviour going forward.

**Mr MARSHALL:** My question to the Treasurer is: how much extra revenue is the state government receiving in GST revenue grants for the period outlined in this table?

**The Hon. A. KOUTSANTONIS:** In Budget Paper 3, pages 46 right through to 49, we detail our GST revenue grants.

**Mr MARSHALL:** But not in the same format compared with the original budget.

**The Hon. A. KOUTSANTONIS:** Because they are not policy decisions of the commonwealth government.

**Mr MARSHALL:** So you are not aware of what that difference in GST uplift is?

**The Hon. A. KOUTSANTONIS:** From what point? What is your reference point?

**Mr MARSHALL:** From the same reference point that the commonwealth government budget impact is done.

**The Hon. A. KOUTSANTONIS:** Can you be more specific?

**Mr MARSHALL:** Exactly the same basis as you have used in 3.23.

**The Hon. A. KOUTSANTONIS:** It is a different comparison, I am advised.

**Mr MARSHALL:** In which way is it different are you advised?

**The Hon. A. KOUTSANTONIS:** Give me the reference point you want to know the uplift from. Is it the MYEFO, is it the last commonwealth budget or is it the state budget? Which budget are you interested in the uplift from?

**Mr MARSHALL:** When I tell you, are you going—

**The Hon. A. KOUTSANTONIS:** Be clear and I will give you a clear answer.

**Mr MARSHALL:** When I—

**The Hon. A. KOUTSANTONIS:** Do you want five minutes to go and speak to your advisers about what the question should be?

**The CHAIR:** Order! Let's hear what the leader has to say?

**Mr MARSHALL:** Is the Treasurer advising that, if I give him that starting date, he will do the comparison for me, because that is what he committed to in last year's budget estimates and I am actually still waiting.

**The Hon. A. KOUTSANTONIS:** I do not think there is even a question there.

**Mr MARSHALL:** Are you committing that when I give you that—because I would like it from multiple perspectives. I would like it from a comparison in the GST distribution for each of the forward estimate years when it is possible, from the May 2013 federal Labor government budget—certainly I would like it from then—and I would like it from every state budget thereafter.

**The Hon. A. KOUTSANTONIS:** If you go to Budget Paper—

**The CHAIR:** Why don't we just hear the answer when you have had advice.

**The Hon. A. KOUTSANTONIS:** We publish a detailed analysis of the variations in GST. I refer the Leader of the Opposition to Budget Paper 3, page 13, variations in revenue estimates (parameter and other), which gives a very detailed account of the variations—

**Mr MARSHALL:** Well, it does not against the federal Labor—

**The CHAIR:** Order! The Treasurer is still answering the question.

**The Hon. A. KOUTSANTONIS:** Unfortunately for the Leader of the Opposition—

*Mr Marshall interjecting:*

**The CHAIR:** No.

**The Hon. A. KOUTSANTONIS:** —but fortunately for the people of this state, Treasury are not political. They do not do an analysis of what you are attempting to make them do, which is to say that in the 13 May budget, delivered by Treasurer Swan, in their forward estimates they had GST revenue as being X. When Treasurer Hockey delivered his budget, the forward estimates showed South Australia getting Y in GST in the same period.

What is the difference? Treasury does an analysis in the Mid-Year Budget Review, the state budget, about what we get from GST, and they do it in a non-political way. If you want to politicise the Public Service, you will have a fight with the people of this state, and I think you would find that it would be a very bad outcome for the people and the government.

**Mr MARSHALL:** No answer there. My question now is regarding Budget Paper 3, page 54, and specifically deals with SA Water dividends. The government has ruled out an independent inquiry into water pricing in South Australia. We note from comments made by the Treasury in evidence that has been given to the Budget and Finance Committee that a huge proportion of the total revenue, or allowable revenue under SA Water, is determined by the value of the regulated asset base that is provided, in fact, from Treasury—not by any independent body, not with any level of scrutiny by the people of South Australia, but in fact from Treasury.

Can the Treasurer outline to this committee the basis that he uses to determine the regulated asset base which is relied upon by SA Water when they set water prices for South Australia going forward?

**The Hon. A. KOUTSANTONIS:** There is an independent inquiry. It is conducted by ESCOSA. They are independent. I note the Leader of the Opposition's claim that they are not independent: they are. The process for determining the regulated asset base was a process agreed to by ESCOSA.

**Mr MARSHALL:** Are you suggesting that ESCOSA independently sets the regulated asset base for SA Water?

**The Hon. A. KOUTSANTONIS:** No; the advice I have is that the process was agreed to with the independent regulator.

**Mr MARSHALL:** Nevertheless, that was not the question. Who does set the regulated asset base value for SA Water that is relied upon both by ESCOSA and SA Water in determining water prices for South Australians?

**The Hon. A. KOUTSANTONIS:** I am advised that that process, which was agreed to by ESCOSA, was determined by the then treasurer.

**Mr MARSHALL:** Who does that valuation and what methodology do they use?

**The Hon. A. KOUTSANTONIS:** I understand that is consistent practice with what is conducted interstate. You are asking for the methodology?

**Mr MARSHALL:** I am asking: who does the work and what methodology is used?

**The Hon. A. KOUTSANTONIS:** I will get you a detailed answer on the methodology because I think a detailed answer will give it more justice than I will.

**Mr MARSHALL:** What format will that come in?

**The Hon. A. KOUTSANTONIS:** Can you just let me finish?

**The CHAIR:** The answer is not finished.

**The Hon. A. KOUTSANTONIS:** I also point out that—

*Mr Marshall interjecting:*

**The CHAIR:** The answer is not finished.

**Mr MARSHALL:** I am going to ask questions about cars, ministerial and cars—

**The CHAIR:** Well, we are back on methodology.

**The Hon. A. KOUTSANTONIS:** It is okay, Chair. A large part of SA Water's revenue is determined by the return on and depreciation of the regulatory asset base. Consistent with regulatory practice in other jurisdictions during the transition to independent economic regulation, the government set the initial value of the regulatory asset base at \$11.35 billion as of 1 July 2013 in December 2012 dollars and the pricing order dated 17 May 2013.

I am advised that the value involved some element of back-solving on the basis of the existing revenue stream. This was consistent with the regulatory practice and advice from ESCOSA. Some back-solving is involved because the regulatory asset base is generally different from the accounting value of the assets as represented in the utility's financial statements. The accounting values are established, and revalued in accordance with international accounting standards, and audited annually by the Auditor-General.

In the 2005-06 Transparency Statement, the regulatory asset base was set consistent with its accounting value. The regulatory assets were valued at \$6.463 billion as of 1 July 2004, comprised of infrastructure assets of \$6,671 million (that is SA Water 2004, page 102) and tradeable water entitlements of \$14 million (SA Water 2004, page 99) less the estimated value for proposed corporatisation of attributed assets as of 1 July 2004 of \$222 million.

After that, the regulatory asset value was rolled forward each year consistent with NWI pricing principles. When the initial value of a regulatory asset base was set in 2013, pricing water at \$11.35 billion, the book value of the infrastructure assets was \$13.3 billion and the book value of water entitlements was \$31.6 million.

The initial regulatory asset value has been set as at 1 July 2013. ESCOSA will determine the method of inflation, depreciation and value of additions to the regulatory asset base, new capital expenditure and sales of assets. Therefore, over the life of the assets, the value of the initial regulatory asset base as set by the government will become less significant. I also point out that the Auditor-General's own value of the assets is higher than the government's regulatory asset base value.

**Mr MARSHALL:** In what point did he provide that advice to you and in what format? Is that a document which can be tabled?

**The Hon. A. KOUTSANTONIS:** I am advised that he signs off annually on SA Water's accounts and that the value of those assets is included in those summaries.

**Mr MARSHALL:** But you just provided advice to the committee that the Auditor-General had given a higher valuation of the regulated asset base. Can you just evidence that?

**The Hon. A. KOUTSANTONIS:** No, the advice I gave the committee was that the Auditor-General's value of the asset base was higher than the government's regulated asset base value.

**Mr MARSHALL:** What is the evidence of that?

**The Hon. A. KOUTSANTONIS:** You can compare the two numbers in the reports, but I can give you a detailed answer on notice, if you like.

**Mr MARSHALL:** I would like. Does the Treasurer accept that there is quite a deal of public controversy regarding the regulated asset base, with former ESCOSA directors publicly stating that the regulated asset base is approximately \$2 billion overvalued and that in fact water consumers are paying the highest water prices in the nation because we do not have a fair regulated asset base value which SA Water and ESCOSA are using?

**The Hon. A. KOUTSANTONIS:** I note the controversy you speak of by the resignation of Mr Kerin, and others, and the controversy by some other former directors. They offer no methodology which would give account for the value that they place on the assets. They simply work backwards from a principle that we should have the lowest prices in the country and that the way to do that is to simply set an arbitrary value on the assets, rather than the true cost of delivering the water.

**Mr MARSHALL:** Nevertheless, do you accept that there is controversy?

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** Well, you just did a minute ago.

**The Hon. A. KOUTSANTONIS:** No, I don't think I did.

**Mr MARSHALL:** I think you did.

**The Hon. A. KOUTSANTONIS:** No, I said you said 'controversy'.

**Mr MARSHALL:** So what is the best way to clear this up, when you have former directors who are saying that the regulated asset base is overvalued, when there is a lack of transparency with regard to the determination for the regulated asset base, when you have reports that Treasury officials were asking ESCOSA to model up the impacts upon water prices based upon a 5, 10 and 15 per cent increase in the regulated asset base and thereafter provided a very neat 10 per cent increase in the regulated asset base? To clear this up, shouldn't either, one, an independent water price inquiry be undertaken in South Australia or, two, the Auditor-General be tasked with bringing down a report into the value of the regulated asset base?

**The Hon. A. KOUTSANTONIS:** First and foremost, the process for determining the value of the regulated asset base was determined by ESCOSA. We followed their process. Subsequent comments from former directors do not serve any real purpose other than to sensationalise the process. I have complete faith in the current ESCOSA board and the current leadership at ESCOSA. They are fine regulators and they do an exceptional job and, if the opposition does not have confidence in them, they should say so.

**Mr MARSHALL:** Nevertheless, that was not my question.

**The Hon. A. KOUTSANTONIS:** Well, that was my answer.

**Mr MARSHALL:** Well, are you prepared to instruct the Auditor-General for an inquiry into the regulated asset base or are you inclined to support the Liberal Party's independent inquiry into water pricing in South Australia?

**The Hon. A. KOUTSANTONIS:** Again, there needs to be a methodology that the independent inquiry would follow to determine the regulated asset base. We followed the process that ESCOSA set out. What the Leader of the Opposition is attempting to do is politicise this. Good luck to him. It won't work.

**Mr MARSHALL:** With respect, the methodology is that Treasury determines the regulated asset base. When you have Treasury officials asking ESCOSA to model up the impacts upon water prices of 5, 10 and 15 per cent variations in the regulated asset base—

**The Hon. A. KOUTSANTONIS:** That was the process ESCOSA agreed to.

**Mr MARSHALL:** Be that as it may, is it ideal for the people of South Australia to have an incorrect regulated asset base which leads to high water prices in South Australia?

**The Hon. A. KOUTSANTONIS:** So the Leader of the Opposition's thesis is: the independent regulator set out a process, we followed it, be that as it may we should have ignored that. I mean, quite frankly, I think you are confused about the role ESCOSA and Treasury play here. ESCOSA set out a process, we agreed to it and followed it.

**Mr MARSHALL:** Well, how do you—

**The Hon. A. KOUTSANTONIS:** If the Leader of the Opposition wants to change the regulated asset base, let him set out the methodology he thinks should be followed.

**Mr MARSHALL:** How do you account for several directors now, several former directors of ESCOSA, coming out publicly and stating that the regulated asset base is wildly overvalued leading to incredibly high increased water prices on consumers in South Australia who can ill afford it? I am talking about household water bills and, of course most importantly at the moment, with the very high unemployment rate in South Australia water costs on business.

**The Hon. A. KOUTSANTONIS:** I would say to the former directors who are making sensational comments that they have not been able to identify to the public which assets are overvalued and by how much.

**Mr MARSHALL:** Okay. I refer to Budget Paper 5, page 8—or it could be Budget Paper 3 because of my writing, sorry. This paragraph is essentially to do with payroll tax. This refers to an estimated 2,200 employees who will benefit from the government's one-year payroll tax rebate. How has this estimate been produced?

**The Hon. A. KOUTSANTONIS:** I am advised from the data that we have from Revenue SA that estimate is how many employers or corporations there are who have payrolls within that span.

**Mr MARSHALL:** What is Treasury's estimate of the number of South Australian businesses paying payroll tax in South Australia?

**The Hon. A. KOUTSANTONIS:** We do not have it here but we will get that number for you.

**Mr MARSHALL:** The Treasurer quite often states that we have 140,000 businesses in South Australia but how many of those are actually employing people?

**The Hon. A. KOUTSANTONIS:** I will get some data and get back to you.

**Mr MARSHALL:** Is the government insisting on pursuing its current policy, which is essentially to remove the payroll tax concession at the end of this financial year?

**The Hon. A. KOUTSANTONIS:** You will have to wait and see the next budget.

**Mr MARSHALL:** In your budget paper it states that the budget that has been handed down and the tax arrangements—in fact, on page 3 of Budget Paper 3 it states that:

The 2015-16 Budget includes the government's response to the State Tax Review.

Is this the total response to the state tax review, or are there other anticipated changes to the state taxation arrangements?

**The Hon. A. KOUTSANTONIS:** Despite the federal Liberal Party's attraction to a broadbased land tax, which I note Treasurer Hockey has talked about again subsequent to the South



Australian budget, we rule out any broadbased land tax on the family home in exchange for removing stamp duty. South Australians are not ready for broadbased land taxes. I think it would not serve the purpose we intend, which is to stimulate activity, but in terms of other inefficient transactional taxes, if there is a tax that is doing harm, I am keen to remove it.

**Mr MARSHALL:** Payroll tax?

**The Hon. A. KOUTSANTONIS:** All the evidence I have from all the independent experts we spoke to from every major accounting firm we spoke to charts payroll tax as a very efficient tax that does very little harm to the economy and removing it would simply see an increase in wages growth.

**Mr MARSHALL:** Has there been any modelling done by Treasury or by the government more broadly on what a payroll tax reduction would mean in terms of jobs?

**The Hon. A. KOUTSANTONIS:** I refer you to the government's budget paper response to the state tax review. KPMG and Independent Economics rank conveyance duty as being very inefficient. The more efficient taxes are: payroll tax. Deloitte Access Economics 2015, KPMG 2010 and the commonwealth Treasury 2015 rank, I am advised, payroll tax as a very efficient tax, up there with gambling taxes and land tax. So, in terms of its dead weight to the economy, it is relatively minor, and reducing payroll tax would simply see it passed on in wages growth, which would make South Australian businesses less competitive.

**Mr MARSHALL:** Nevertheless, have you done any specific jobs modelling regarding payroll tax and the removal of payroll tax?

**The Hon. A. KOUTSANTONIS:** We have not modelled the impact on jobs. We have modelled the impact, I understand, on economic activity.

**Mr MARSHALL:** But not on jobs?

**The Hon. A. KOUTSANTONIS:** Not on jobs. We did find that the opposition's tax package at the last election offered very little gains in comparison to tax cuts the government announced, but again, it is very difficult to model the impacts on what are, quite frankly, unprecedented tax cuts. There is no jurisdiction in Australia that does not charge conveyance on real and non-real property consecutively, so it is hard to model.

**Mr MARSHALL:** Budget Paper 5, page 9, just a couple of questions regarding some Stamp Duties Act amendments. In relation to the exemption on motor vehicle transfers where the parent or legal guardian of an incapacitated person who is a minor purchases a vehicle to transport the minor, can the Treasurer define 'incapacitated' as it is not currently defined in the act, and can the Treasurer confirm whether similar exemptions apply to incapacitated non-minors?

**The Hon. A. KOUTSANTONIS:** I am advised by the deputy state tax commissioner that there is a definition in the act of 'incapacitated'.

**Mr MARSHALL:** Can you share that with us?

**The Hon. A. KOUTSANTONIS:** I can get the act out for you.

**Mr MARSHALL:** And also whether or not the exemptions apply to incapacitated non-minors?

**The Hon. A. KOUTSANTONIS:** Yes, they do, I am advised.

**Mr MARSHALL:** In relation to the exemption on motor vehicle transfers where disability service providers purchase vehicles to transport persons with disabilities, can the Treasurer confirm whether this exemption will apply to persons with intellectual disabilities or only to people with physical disabilities, as well as how service providers will qualify and if there will be restrictions on the type of vehicle purchased?

**The Hon. A. KOUTSANTONIS:** I will take that on notice.

**Mr MARSHALL:** This is with regard to the disability service providers.

**The Hon. A. KOUTSANTONIS:** I understand.

**Mr MARSHALL:** I just have one more on that, if possible. In relation to the concession to the registration fee component of a vehicle where the vehicle is used mainly for transporting an incapacitated minor, can the Treasurer explain what is meant by 'incapacitated minor', whether a family car that has been modified for a wheelchair will be included and whether reductions will be extended for modified family vehicles used to transport people over the age of 18?

**The Hon. A. KOUTSANTONIS:** For people in their care who are over the age of 18, that is already incorporated. For minors, yes, modified vehicles will be incorporated—that is the advice I have. If they are not, if they somehow are slipping through the cracks, we will make amendments, because the intent of the changes is to make sure that everyone who is incapacitated gets this exemption. We will get a more detailed answer to—

**Mr MARSHALL:** With a minor or over the age of 18, whether it is intellectual or physical disability, and whether or not it is the family vehicle or whether it is a service provider—that is the range of issues.

**The Hon. A. KOUTSANTONIS:** My advice is service providers already have an exemption. We are talking about people who are in families with private ownership of vehicles. I will get you a detailed answer on that, so we have got everything clear.

**Mr MARSHALL:** Thank you. Referring to Budget Paper 5, page 7, it states:

The specific measures funded by the Save the River Murray Levy will continue to be delivered.

Can the Treasurer provide a guarantee that all programs previously funded by the levy, including the River Murray improvement program, the South Australian River Murray salinity strategy and the South Australian environmental flows strategy will continue to receive the same level of funding in real terms?

**The Hon. A. KOUTSANTONIS:** That is a matter for the minister in the budget process. There are some programs that are time-limited. They will be funded but, yes, we have replaced the levy with government appropriations through the budget process. The minister will bring to us programs and we will decide in the budget process whether we fund them or not.

**Mr MARSHALL:** But where it says quite specifically in your budget document that 'The specific measures funded by the Save the River Murray Levy will continue to be delivered,' is that conditional in any way? Are you giving a guarantee to the people of South Australia that that funding, in real terms, will be preserved, or are you saying you are not prepared to give that guarantee?

**The Hon. A. KOUTSANTONIS:** No, what I am saying is that, when the levy was in place, there were different programs that were funded at different times, so it is up to the department to come up with a quantum of programs that they wish to be funded. We are not attempting to spend any less on this important work. What we are simply attempting to do is benefit households by giving them a cost-of-living benefit by removing this regressive tax.

**Mr MARSHALL:** No guarantee.

**The Hon. A. KOUTSANTONIS:** I think I just made it pretty clear.

*Sitting suspended from 13:29 to 14:30.*

#### **Membership:**

Mr Tarzia substituted for Mr van Holst Pellekaan.

#### **Departmental Advisers:**

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

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

Mr D. Reynolds, Deputy Under Treasurer, Department of Treasury and Finance.

Mr G. Jackson, Deputy Commissioner of State Taxation, Department of Treasury and Finance.

Mr K. Cantley, General Manager, South Australian Government Financing Authority, Department of Treasury and Finance.

Mr A. Blaskett, Executive Director, Public Finance Branch, Department of Treasury and Finance.

**The CHAIR:** I refer members to Agency Statements, Volume 4. I call on the minister—are you making an opening statement, sir?

**The Hon. A. KOUTSANTONIS:** No.

**The CHAIR:** What about you, leader?

**Mr MARSHALL:** No.

**The CHAIR:** Minister, would you like to introduce your advisers.

**The Hon. A. KOUTSANTONIS:** Mr Kevin Cantley, the General Manager of SAFA; Mr Brett Rowse, Under Treasurer; and Mr David Reynolds, Deputy Under Treasurer. Behind me is Dr Don Russell, the Chief Executive of the Department of State Development, and Mr Blaskett is there also.

**The CHAIR:** Questions. Leader?

**Mr MARSHALL:** My question is on Budget Paper 3, page 41, which deals with guarantee fees, which are expected to grow modestly from 2016-17. What will be the driver for that increase in guarantee funds from 2016-17 onwards?

**The Hon. A. KOUTSANTONIS:** The advice I have is it is predominantly as SA Water's debt rolls over. We have changed our guarantee fee from 1 to 1.6 per cent.

**Mr MARSHALL:** What was that, sorry?

**The Hon. A. KOUTSANTONIS:** From 1 to 1.6 per cent.

**Mr MARSHALL:** I did not hear any of it, sorry.

**The Hon. A. KOUTSANTONIS:** I am advised that the growth in debt guarantee fees is because as SA Water's debt is being rolled over, the guarantee fee goes from 1 to 1.6 per cent.

**Mr MARSHALL:** Who has determined the increase from 1 to 1.6 per cent guarantee fee?

**The Hon. A. KOUTSANTONIS:** I am advised that ESCOSA assume that SA Water's credit rating is BBB. The increase from 1 per cent to 1.6 per cent is the difference from what we borrow the money at and what they BBB rated the organisation would borrow the money at.

**Mr MARSHALL:** You have said there is going to be an increase in 2016-17 from 1 to 1.6 per cent. What has actually driven the 0.6 per cent or 60 per cent increase in the guarantee fee?

**The Hon. A. KOUTSANTONIS:** I am advised it will occur on a gradual basis as SA Water refinances.

**Mr MARSHALL:** But that was not the question. The question is: what is the driver for the increase?

**The Hon. A. KOUTSANTONIS:** I think I just gave it to you earlier.

**Mr MARSHALL:** What is the driver for the increase in the guarantee rate, Treasurer? Do you know?

**The Hon. A. KOUTSANTONIS:** I explained it to you earlier. You are just not interested in listening.

**The CHAIR:** Order!

**Mr MARSHALL:** That is not the case. Can you explain it again, please?

**The Hon. A. KOUTSANTONIS:** ESCOSA assume that SA Water have a credit rating equivalent to BBB. The change in the rate is the assumption that we borrow at for them, and that is the difference in the rate that they would be paying.

**Mr MARSHALL:** But that will not come into account until 2016-17?

**The Hon. A. KOUTSANTONIS:** That is the advice I have, yes.

**Mr MARSHALL:** On other guarantee rates, who determines what that guarantee rate is?

**The Hon. A. KOUTSANTONIS:** I do, or Treasury.

**Mr MARSHALL:** On what basis?

**The Hon. A. KOUTSANTONIS:** On recommendations I receive from the SAFA board.

**Mr MARSHALL:** What is the average guarantee rate across all of the guarantees provided?

**The Hon. A. KOUTSANTONIS:** I am advised the average is 1.6.

**Mr MARSHALL:** Does Nyrstar or any government agency pay a guarantee fee for the state government's guarantee of a portion of Nyrstar's debt in relation to the redevelopment of the smelter at Port Pirie?

**The Hon. A. KOUTSANTONIS:** I am advised that if Nyrstar do draw down on the guarantee fee they will be paying the guarantee fee.

**Mr MARSHALL:** And what will that be determined to be at?

**The Hon. A. KOUTSANTONIS:** I would have to consult with Nyrstar before I made that figure public.

**Mr MARSHALL:** It is not an aspect of the arrangement that you have already determined with them? Is it something still yet to be determined?

**The Hon. A. KOUTSANTONIS:** I would have to consult with Nyrstar before I made that publicly available.

**Mr MARSHALL:** Are there any other guarantee fees which are paid by entities other than government departments or statutory authorities?

**The Hon. A. KOUTSANTONIS:** I am advised that people taking advantage of the Unlocking Capital for Jobs program will pay a guarantee fee.

**Mr MARSHALL:** What will that be set at?

**The Hon. A. KOUTSANTONIS:** I am advised initially it is at 2 per cent and it increases over the period of the process.

**Mr MARSHALL:** Decreases?

**The Hon. A. KOUTSANTONIS:** Increases.

**Mr MARSHALL:** Increases. What is the peak guarantee rate paid by the people receiving those grants?

**The Hon. A. KOUTSANTONIS:** I will get back to you and give you a detailed answer.

**Mr MARSHALL:** Thank you. Just with regard to that Nyrstar guarantee, if Nyrstar are paying the guarantee, what is the risk to government for providing that? Is it just if Nyrstar do not proceed with the project whatsoever, or if they default on their payments? What is the magnitude of the risk for South Australia?

**The Hon. A. KOUTSANTONIS:** The risk to the government or the taxpayer is if Nyrstar cannot meet its obligations and repay the \$291 million.

**Mr MARSHALL:** What will be the total risk to the South Australian taxpayer if they default?

**The Hon. A. KOUTSANTONIS:** I am advised it would be \$291 million plus any outstanding interest.

**Mr MARSHALL:** So we have not insured against that potential default? There is no cost associated with that, we are just wearing that risk ourselves?

**The Hon. A. KOUTSANTONIS:** There would be no market that would take insurance.

**Mr MARSHALL:** I refer to Budget Paper 3, page 72. In relation to funds not required to meet SAFA's day-to-day operational cost, what was the value of accumulated reserves transferred across from SAFA to Funds SA in 2014-15?

**The Hon. A. KOUTSANTONIS:** I think there is a bit of confusion about the intent of your question. We invest with Funds SA, we do not transfer money to them.

**Mr MARSHALL:** Does it not say here, 'Funds not required to meet day-to-day operational costs or short-term claim costs are invested in the tax exempt multisector growth product of Funds SA,' and I just asked the question: what amount of money was transferred across from SAFA to Funds SA in 2014-15?

**The Hon. A. KOUTSANTONIS:** We do not have that number here so we will get it for you.

**Mr MARSHALL:** You will take that on notice?

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr MARSHALL:** Returning to guarantees, my understanding is that QBE provided building indemnity insurance for South Australia some years ago; they advised the government that they would not be continuing with that and the government chose to continue to underwrite. Can the Treasurer update the committee on the status of the building indemnity insurance guarantee provided by the state government?

**The Hon. A. KOUTSANTONIS:** It is in place and it continues.

**Mr MARSHALL:** What time frame was originally envisaged when the state government took on that building indemnity insurance risk?

**The Hon. A. KOUTSANTONIS:** There is a substantial market failure in this area, and while that market failure continues the government will maintain its indemnity. When a market provider returns to the field we may consider stepping out of the market.

**Mr MARSHALL:** Are we the only state in Australia which provides building indemnity insurance on behalf of a lack of interest from the market?

**The Hon. A. KOUTSANTONIS:** I am advised that nearly all states do.

**Mr MARSHALL:** What is the magnitude of the risk to the taxpayer?

**The Hon. A. KOUTSANTONIS:** We do not have that number; I will get it for you.

**Mr MARSHALL:** Can you advise who provides the insurance? Is it the state government through one of its insurance arms or is it, essentially, an underwriting by the state government?

**The Hon. A. KOUTSANTONIS:** I am advised that QBE and Calliden issue the insurance policies and we underwrite them.

**Mr MARSHALL:** QBE issues the insurance, they manage the insurance—

**The Hon. A. KOUTSANTONIS:** And Calliden.

**Mr MARSHALL:** There are two is what you are saying?

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr MARSHALL:** Just for clarity, have there been any costs to the taxpayer associated with this ongoing building indemnity insurance underwriting?

**The Hon. A. KOUTSANTONIS:** To date we have not had any major drawdowns, but I will get you a detailed analysis because I am happy for this to be open.

**Mr MARSHALL:** So there have been drawdowns, but no major drawdowns. What about the cost of providing the indemnity itself?

**The Hon. A. KOUTSANTONIS:** We do not have the annual cost here; we will get it for you.

**Mr MARSHALL:** When was the last time you negotiated with QBE to take back the product and remove the government guarantee?

**The Hon. A. KOUTSANTONIS:** We have arrangements in place, I am advised, until 2016 and we are involved in negotiations with them as we speak.

**Mr MARSHALL:** Originally, this arrangement was put in place, I think, in 2011. It was for a year and then extended to two years, and it is now going to be a five-year arrangement; is that correct?

**The Hon. A. KOUTSANTONIS:** Like I said, while there is market failure and while most jurisdictions are engaged in this type of process, it is important to keep the construction industry going, and this is one part of the government's role.

**Mr MARSHALL:** When was the new arrangement reached with QBE?

**The Hon. A. KOUTSANTONIS:** I am advised 30 June 2014.

**Mr MARSHALL:** For a two-year period?

**The Hon. A. KOUTSANTONIS:** For a two-year period.

**Mr MARSHALL:** Is there any consideration provided by QBE or the insured for the underwriting that the state government provides?

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** Is that the same in other states, where a state government provides an underwriting, that there is no consideration given by the insured?

**The Hon. A. KOUTSANTONIS:** I cannot speak for other jurisdictions, but SAICORP are coming in later on this afternoon. You can ask them the same questions, and they will have a more detailed answer for you.

**Mr MARSHALL:** I see, so this is managed under SAICORP?

**The Hon. A. KOUTSANTONIS:** It is part of SAICORP, yes.

**Mr MARSHALL:** I can ask them. Let's move on to Budget Paper 4, Volume 4, page 163. The bottom target for 2015-16, under Program 3: Treasury Services, says, 'Successfully transition to a new treasury management system.' What is that, Treasurer?

**The Hon. A. KOUTSANTONIS:** I would like to hand over to the Under Treasurer, Mr Brett Rowse, to give you a more detailed answer.

**Mr ROWSE:** I think I will actually have to hand over to Kevin because he understands the system better than I do.

**Mr MARSHALL:** Are you going to hand it over to somebody?

**Mr CANTLEY:** SAFA has a core Treasury system which manages our borrowings from the market and loans to clients. Our existing system has been in place since the late nineties. We have been going through a process to implement a new Treasury system which obviously will meet our requirements for the next 10-plus years. That target there is to complete the implementation of the system and turn off the old system.

**Mr MARSHALL:** What is the old system called?

**Mr CANTLEY:** Quantum Treasury Management System.

**Mr MARSHALL:** What is the budget cost for the new Treasury management system?

**The Hon. A. KOUTSANTONIS:** I am advised over the next 10 years it is \$6 million.

**Mr MARSHALL:** What part of that is the up-front capital versus the ongoing licence fee and operational expenses?

**The Hon. A. KOUTSANTONIS:** We do not have that detail here; we will get it for you.

**Mr MARSHALL:** Have you decided who the vendor for this system is?

**The Hon. A. KOUTSANTONIS:** I am advised that it is OpenLink Findur. They are the successful vendors.

**Mr MARSHALL:** What country are they from?

**The Hon. A. KOUTSANTONIS:** We do not know; I will find out.

**Mr MARSHALL:** Do they have an office in South Australia?

**The Hon. A. KOUTSANTONIS:** No, I am advised.

**Mr MARSHALL:** Are there any other treasuries around Australia which use this product?

**The Hon. A. KOUTSANTONIS:** The advice I have is no; no other treasuries are using this organisation.

**Mr MARSHALL:** Who was responsible for making the decision on this and what input did they have?

**The Hon. A. KOUTSANTONIS:** I imagine it would have been an open tender process—which has been confirmed—and the selection panel was made up of—

**Mr MARSHALL:** Hopefully, not Treasury, given RISTEC and a few other disasters that have occurred.

**The Hon. A. KOUTSANTONIS:** Obviously, the tender process was conducted in accordance with government procedures, and there were SAFA representatives involved. I have full confidence in their decision-making processes.

**Mr MARSHALL:** Can you advise who was on that selection committee?

**The Hon. A. KOUTSANTONIS:** I will get that for you.

**Mr MARSHALL:** When do you envisage that this new system will be operational?

**The Hon. A. KOUTSANTONIS:** I am advised, this financial year.

**Mr MARSHALL:** This financial year? Is there anything closer than just 'this financial year'?

**The Hon. A. KOUTSANTONIS:** If I get an update, I will let you know.

**Mr MARSHALL:** Just for clarity, this is not something which, even though it is quite a large project, has not gone before the Public Works Committee. Given the failure of many IT projects by this government over the last 14 years to achieve the original scoped time frame and cost, do you think it would be prudent to put this project and the selection before the Public Works Committee?

**The Hon. A. KOUTSANTONIS:** Well, if the department were required to, they would have. That is my experience of Treasury. If there were no requirement to go before the Public Works Committee, then they would not have done it; plus, they had a competitive process.

**Mr MARSHALL:** That was not the question though.

**The Hon. A. KOUTSANTONIS:** Yes, it was.

**Mr MARSHALL:** No, the question was: do you think that it should go before it? You said there is no requirement. I am aware of that, and that is why I raised the question.

**The Hon. A. KOUTSANTONIS:** No, I have complete faith in the way Treasury conduct themselves.

**Mr MARSHALL:** Very good.

**The Hon. A. KOUTSANTONIS:** It is not as if they are running a Wokinabox or anything.

**Mr MARSHALL:** No, exactly. On the second to bottom point on page 163, 'Extend further the South Australian Government Financing Authority...debt profile with increased investor

penetration,' can you provide some more details on that? What other investor penetration are you looking for, what sort of numbers and what sort of increase to the debt profile?

**The Hon. A. KOUTSANTONIS:** I am advised that we are simply increasing the length of period that we issue bonds for, so we are trying to extend the time. I understand some have gone out to 2025.

**Mr MARSHALL:** With existing clients, just increasing the length of their current product in South Australia?

**The Hon. A. KOUTSANTONIS:** No, not necessarily the same owners for the bonds.

**Mr MARSHALL:** Sorry?

**The Hon. A. KOUTSANTONIS:** Not necessarily the same clients, no.

**Mr MARSHALL:** I still do not have much clarity, given your first and second answers do not really reconcile. So, what are you doing? What is this all about?

**The Hon. A. KOUTSANTONIS:** The SAFA board simply advise that longer term borrowings are better prudent management of the state's borrowings.

**Mr MARSHALL:** Essentially, what that target is saying is that SAFA will be looking to increase the debt profile by offering more of these 10 or longer year bonds to investors in the coming 12 months?

**The Hon. A. KOUTSANTONIS:** I am advised that is correct.

**Mr MARSHALL:** What is the value of that increased offer?

**The Hon. A. KOUTSANTONIS:** I will ask Mr Cantley to give you a summary of the next 12 months.

**Mr CANTLEY:** SAFA's gross funding task for next year is around \$4.2 billion and we will be looking to issue around \$2 billion, a little bit more than that, in longer term debt and we will be looking to roll over around \$2 billion in short-term programs that we have.

**Mr MARSHALL:** That long term, I presume you are referring to the 10-year bond, or are you talking about a 15-year bond?

**The Hon. A. KOUTSANTONIS:** I will ask Mr Cantley to answer.

**Mr CANTLEY:** Clearly, the focus will be looking at some of our 2025 bonds, also looking at increasing our borrowings in our 2023 line, and we may look at a new 2026 bond over the next 12 months or so.

**Mr MARSHALL:** What rate are we paying on those bonds?

**Mr CANTLEY:** At the moment, our April 2000 bond is 3.27, our November 2023 bond is 3.06 and, obviously, the 2026 or a longer maturity will be priced at the time and they will be decisions we make at an operational level as to whether the costs are suitable for our overall debt portfolio.

**Mr MARSHALL:** If we could move to Budget Paper 4, Volume 4, page 158, in particular the RISTEC system, can the Treasurer explain the split between the investing and operating expenditures associated with the RISTEC system with the total project costing \$55.9 million, according to this table? It says that there is a split of \$34.8 million in investing expenditure and \$21.1 million operating expenditure. Can you outline what the difference is between those two classifications?

**The Hon. A. KOUTSANTONIS:** I am advised that it is consistent with the accounting standards about what can be capitalised and what can't be.

**Mr MARSHALL:** And what are they?

**The Hon. A. KOUTSANTONIS:** The accounting standards?

**Mr MARSHALL:** What are you capitalising?



**The Hon. A. KOUTSANTONIS:** The things you can under the accounting standards. That is as clear as I can be for you.

**Mr MARSHALL:** For example, the implementation of the software itself, is that capitalised or not? It is not clear to me that there is any accounting standard that really covers government on a range of issues.

**The Hon. A. KOUTSANTONIS:** We will get back to you with a breakdown of what we have capitalised and what we have not.

**Mr MARSHALL:** Thank you very much. With regard to RISTEC, because this is a project which has been, let's face it, spectacularly unsuccessful in terms of its cost management and its time frame management, is it currently operational?

**The Hon. A. KOUTSANTONIS:** I will ask the Under Treasurer to answer that.

**Mr ROWSE:** Yes, the payroll element of it has been operating for over 12 months now and the release 2 is now operating as well which covers land tax and ESL.

**Mr MARSHALL:** Can you just clarify that? Phase 2, when it went live and what elements of it went live on that date?

**Mr ROWSE:** Sure. What went live is the ability to issue land tax and ESL bills this year using the new system.

**Mr MARSHALL:** What are the plans? That certainly was not the entire scope of what was planned or have you basically ruled a line under RISTEC now?

**Mr ROWSE:** The taxes which will be covered by that will be payroll tax, land tax and ESL. There are a number of other taxes with which we are still running with an existing system and that will continue to operate under those existing systems until we reassess what we may or may not want to do going forward.

**Mr MARSHALL:** Is there any concern regarding the currency of the software licences going forward for any of the legacy products?

**The Hon. A. KOUTSANTONIS:** Can you explain your question?

**Mr MARSHALL:** I made it pretty clear.

**The Hon. A. KOUTSANTONIS:** There is none that Treasury is aware of.

**Mr MARSHALL:** Sorry?

**The Hon. A. KOUTSANTONIS:** None that they are aware of.

**Mr MARSHALL:** Has there been any audit done? There are other agencies at the moment coming before estimates committees that have been forced to make it very clear that they are actually operating using software which is completely out of licence.

**The Hon. A. KOUTSANTONIS:** Treasury do not believe it is an issue.

**Mr MARSHALL:** What legacy systems currently remain and what taxes or fees do they collect?

**The Hon. A. KOUTSANTONIS:** I will ask my adviser to answer the question.

**Mr JACKSON:** The legacy system is for stamp duty. Stamp duty is one tax. The legacy system is called Storms. Also we use RevNet for stamp duty but that is also part of the RISTEC environment as well. The other tax is the First Home Owner Grant. That is run on a system called FHOG Online which is used by all of the states and territories. Obviously those systems back up with an internal masterpiece and things like that.

**Mr MARSHALL:** Are there any plans to graduate those taxes to the RISTEC system?

**The Hon. A. KOUTSANTONIS:** No, not currently.

**Mr MARSHALL:** Last year's budget provided that the project would be completed for \$54.1 million, this year \$55.9 million. Can you outline to the committee what was the reason for the further \$1.8 million blowout in the revised down scope of this project?

**The Hon. A. KOUTSANTONIS:** I am advised that there were enhancements made to the program which caused some of the additional expenditure.

**Mr MARSHALL:** Sorry?

**The Hon. A. KOUTSANTONIS:** Enhancements made to the program which caused additional expenditure.

**Mr MARSHALL:** Enhancements made, what were they?

**The Hon. A. KOUTSANTONIS:** We will come back to you with what the enhancements were.

**Mr MARSHALL:** You have said there has been a certain amount that was capitalised and then a certain amount which has been expended as operating expenditure. Have there, in fact, been any write-offs against the capitalised value of the RISTEC program to date?

**Mr ROWSE:** Some initial work was done towards release 3, which is the taxes which will no longer be part of the RISTEC process, and any work done on that which was previously capitalised had to be written off when the decision was made not to progress with those arrangements under RISTEC.

**Mr MARSHALL:** What was the value of that write-off and when did it occur?

**Mr ROWSE:** Sorry, we do not have that number here.

**Mr MARSHALL:** Sorry?

**Mr ROWSE:** We do not have that number here but we will see if we can provide it.

**Mr MARSHALL:** So, you can provide us with the value of the write-off and the time in which—

**Mr ROWSE:** I believe it was contained in last year's budget, so it is a publicly available—

**Mr MARSHALL:** Was it in fact a \$4.5 million write-off?

**Mr ROWSE:** We will have to check. I do not have the number here.

**Mr MARSHALL:** And it was done last financial year?

**Mr ROWSE:** No, it was done in 2013-14.

**Mr MARSHALL:** 2013-14 it was a write-off?

**Mr ROWSE:** Yes.

**Mr MARSHALL:** Do you envisage there to be any further capital write-offs from the \$34.8 million which these documents say have been capitalised to date?

**Mr ROWSE:** No.

**Mr MARSHALL:** Budget Paper 4, Volume 4, page 166. Has the government produced an estimate of the number of self-funded retirees who will not be receiving the general remission on the emergency services levy charged on fixed properties and who do not live in properties coded as retired and aged care accommodation or as independent living unit?

**The Hon. A. KOUTSANTONIS:** No, I am advised we have not.

**Mr MARSHALL:** Has the government given any consideration to addressing the concerns of the self-funded retiree sector who will not be subject to the general remission on the emergency services levy on fixed properties?

**The Hon. A. KOUTSANTONIS:** Are you talking about self-funded retirees in retirement villages? Are you talking about self-funded retirees—

**Mr MARSHALL:** More broadly, you said that you had done no—

**The Hon. A. KOUTSANTONIS:** So, a self-funded retiree living in a rental or a self-funded retiree living in a retirement village or a self-funded retiree who owns their own property?

**Mr MARSHALL:** At first I asked whether there was any analysis done on the numbers associated with self-funded retirees who were living in retirement villages or, in fact, in properties coded as retired and aged care accommodation or as independent living unit. You said you had not done any numbers on that and I said whether there was any further consideration regarding providing a remission to people of the emergency services levy who were self-funded retirees.

**The Hon. A. KOUTSANTONIS:** Yes. So, we have reinstated, I am advised, the remissions for all retirement villages and retirement villages will have some self-funded retirees in there who get the benefit of the general remission because they live in a retirement village. The question I asked you was: which self-funded retirees are you talking about? Are you talking about ones who own their own property? If they are in a retirement village, they have the general remission.

**Mr MARSHALL:** If they are in a retirement village or an independent living unit, they will receive the remission; is that correct?

**The Hon. A. KOUTSANTONIS:** That is the advice I have, yes.

**Mr MARSHALL:** But if they are living in their own accommodation or rented accommodation, they will not receive the remission.

**The Hon. A. KOUTSANTONIS:** It depends on what kind of self-funded retiree they are. Do they receive any commonwealth benefits? Self-funded retirees do still receive benefits.

**Mr MARSHALL:** Which classification of self-funded retiree will be receiving the emergency services levy remission under your new arrangements?

**The Hon. A. KOUTSANTONIS:** If a self-funded retiree receives a commonwealth concession card, they would be entitled to the general remission.

**Mr MARSHALL:** They would be a pensioner, would they not?

**The Hon. A. KOUTSANTONIS:** No, they can be a self-funded retiree and get a concession card.

**Mr MARSHALL:** I see, a concession card, yes. I refer to Budget Paper 4, Volume 4, page 166. The second dot point talks about the implementation of an internet payment channel to allow credit card transactions via the internet for land tax and emergency services levy payments. Is this the sort of payment that would be subject to GST on financial services as envisaged by the Premier and announced by the Premier, if it was to pass with the approval of other states?

**The Hon. A. KOUTSANTONIS:** That is a highly hypothetical question.

**Mr MARSHALL:** When the government has come out and the Premier has said that he supports this, is this a payment that would be subject to that GST?

**The Hon. A. KOUTSANTONIS:** You would have to speak to the Prime Minister and Treasurer.

**Mr MARSHALL:** The Premier made the comment.

**The Hon. A. KOUTSANTONIS:** The Premier does not control the commonwealth parliament.

**Mr MARSHALL:** Correct.

**The Hon. A. KOUTSANTONIS:** We have no vote in the commonwealth parliament other than our state senators, and our state senators vote independently of the wishes of this house and the other house. You are asking me about whether a hypothetical transaction would be taxed in a future regime. No-one knows what the final package is or would look like, so you are just, in a really clumsy way, attempting to verbal me.

**Mr MARSHALL:** Really? That is your answer?

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr MARSHALL:** That you are intimidated by a question as to whether your Premier is—

**The Hon. A. KOUTSANTONIS:** No, you misunderstand me. You do not intimidate me. In fact, I want you to survive but, unfortunately, I do not have a vote in your caucus.

**The CHAIR:** Okay, do you have a question, leader?

**Mr MARSHALL:** I have asked my question.

**The CHAIR:** He has answered it, so you need to move on to the next question.

**Mr MARSHALL:** I am sorry, I will ask again.

**The CHAIR:** He has answered that question.

**Mr MARSHALL:** What was his answer?

**The Hon. A. KOUTSANTONIS:** Now he is verballing you.

**Mr MARSHALL:** I am just asking.

**The CHAIR:** I am clearly not popular with either side today, so there it is.

**Mr MARSHALL:** Have you been told off by the government as well?

**The CHAIR:** No.

**Mr MARSHALL:** Why did you say you are not popular on either side?

**The CHAIR:** Do we need to go into that now?

**Mr MARSHALL:** Yes, why not?

**The CHAIR:** It is not a question to do with the budget—that is the first reason we will not be doing it.

**Mr MARSHALL:** It sounds like the Chairman of Committees has been told off by the government, there you go.

**The CHAIR:** Not at all.

**Mr MARSHALL:** We are very interested to know whether or not the government envisages, with its position announced by the Premier, that GST should be extended to financial services, which you reiterated in this committee only this morning, so it is not exactly 10-year-old news. This morning, in this place, he said it should be extended to financial services. I asked the question to the Treasurer of South Australia whether or not this would be the type of transaction which would be subject to the GST. It is a pretty simple yes or no.

**The Hon. A. KOUTSANTONIS:** No, it is a disorderly question because it is hypothetical. You are attempting to verbal the government, and it is not working. It still amazes me that the party that introduced the GST and introduced the ESL are now arguing against it.

**Mr MARSHALL:** I just do not know why you are very worried about answering the question. My question is related to the last dot point on the same page 166 with regard to the Casino Duty Agreement of 11 October 2013. It has been high profile in the media that the Adelaide Casino is looking to make a decision regarding the expansion of their facility, and it has been suggested in the media that this could be a \$300 million or \$350 million investment in the South Australian economy. Can the Treasurer update whether or not the Treasury forecast for gambling revenue includes the likely flow-on from an increased Adelaide Casino?

**The Hon. A. KOUTSANTONIS:** The suspicion is, no, we have not factored in—

**Mr MARSHALL:** You have not?

**The Hon. A. KOUTSANTONIS:** But we will go back and check just to be certain.

**Mr MARSHALL:** But is that last dot point there suggesting that you have implemented a collection and compliance regime without actually factoring in what the increased revenue is likely to be?

**The Hon. A. KOUTSANTONIS:** On page 42—

**Mr MARSHALL:** Page 166 I was looking at.

**The Hon. A. KOUTSANTONIS:** Yes, but I am going to read out from page 42 of Budget Paper 3. It says:

Revenue from the Adelaide Casino in 2014-15 has been revised down since the 2014-15 Budget mainly due to lower than expected growth in net gambling revenue. Adelaide Casino revenue estimates also reflect the key taxation and regulatory conditions that commenced during 2013-14. These conditions are expected to contribute to higher gambling tax revenue from the casino over the forward estimates period.

We will go back and check to see whether or not that includes any redevelopment, but Treasury's instincts are that perhaps we have not, but we will go back and check.

**Mr MARSHALL:** Just to check that, was the change in legislation with regard to gambling tax rates not predicated on an investment in expanding the Adelaide Casino?

**The Hon. A. KOUTSANTONIS:** Yes, we want Adelaide Casino to expand and invest their money, but ultimately it is a matter for the board of the Adelaide Casino. We have done everything we can to give them a stable regulatory framework within which they can invest. That is one of the most important tools the government has—a stable regulatory framework. We have given it to the Casino and we are awaiting their decision.

**Mr MARSHALL:** This change to the taxation rate was not in any way linked to a commitment for a redevelopment at the Adelaide Casino? This stands regardless of any redevelopment going ahead or not.

**The Hon. A. KOUTSANTONIS:** I was not Treasurer when this taxing arrangement was entered into. I will have to go back and check, but I doubt very much that we would have locked in a decision on the basis of a tax regime. What we have attempted to do is give them a very stable regulatory regime to encourage the investment.

**Mr MARSHALL:** So you will check that?

**The Hon. A. KOUTSANTONIS:** I will check that and get back to you, yes.

**Mr MARSHALL:** What is the status of that project? Is the Treasurer aware?

**The Hon. A. KOUTSANTONIS:** You would have to speak to the Casino board. I know you speak regularly with the Adelaide Casino. They can give you a better update than me on the benefit or the timeliness of their investment.

**Mr MARSHALL:** It is just that you have put in your highlights that you are putting in a new arrangement regarding the collection of—

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** —casino duty. We only have one casino that I am aware of.

**The Hon. A. KOUTSANTONIS:** What I said to you was that we have given them a stable regulatory regime. It is like the oil and gas sector: we give them a stable regulatory regime to do everything we can to attract investment in the state.

**Mr MARSHALL:** Their board met in Adelaide some months ago. We just assumed that they would be making a positive announcement regarding that development. Do you think that is in jeopardy?

**The Hon. A. KOUTSANTONIS:** I am advised that the highlight that you brought up is about a move from the collection of taxation to RevenueSA.

**Mr MARSHALL:** You have moved the collection. It does not say that there: it just says, 'Implemented a collection and compliance regime,' but the regime is actually to transfer it to somebody else.

**The Hon. A. KOUTSANTONIS:** I am advised it used to be the Liquor and Gambling Commissioner who collected the gambling taxes. It is now RevenueSA and that is what that point highlights.

**Mr MARSHALL:** Do you think that Casino redevelopment will go ahead?

**The Hon. A. KOUTSANTONIS:** I hope it does.

**Mr MARSHALL:** When did you last get an update from them?

**The Hon. A. KOUTSANTONIS:** I met with the board I think two months ago.

**Mr MARSHALL:** Is that when they were in Adelaide?

**The Hon. A. KOUTSANTONIS:** I think so, yes.

**Mr MARSHALL:** Surely that is when they would have made an announcement if they were going to make an announcement.

**The Hon. A. KOUTSANTONIS:** There is a lot of international uncertainty in the world. Industries are very concerned about the way that you, as Leader of the Opposition, have thrown around sovereign risk with the oil and gas sector, and they are worried that might occur with other controversial issues like gambling. I imagine that you would cause some sovereign risk personally, Leader of the Opposition, but I think after Christmas, when there is a change of leadership, that will all be settled down pretty nicely.

**Mr MARSHALL:** You do not think it would be more to the point that we have the highest unemployment rate in the nation and stagnant economic growth—

**The Hon. A. KOUTSANTONIS:** Again, condemning South Australia to being a basket case because it suits your political ends is appalling and probably shows why South Australians are rejecting your style of leadership. What people want is a plan, and you have yet to articulate to anyone what you would do if you were in government, so your little hollow accusations about what you think is an appalling economy, rather than—

**Mr MARSHALL:** This is outstanding.

**The Hon. A. KOUTSANTONIS:** —ever talking the state up does more harm than good.

**Mr MARSHALL:** This is really outstanding. It is all on *Hansard*.

**The CHAIR:** The whole day is really outstanding.

**Mr MARSHALL:** No, I'm sorry; it is all on *Hansard*.

**The CHAIR:** No, you are not sorry at all. The whole day has been unsatisfactory, and if you are both going to keep doing it there is not much we can do about it.

**Mr MARSHALL:** Who has been in the chair?

**The CHAIR:** If you could both just stick to the point, it would be great. I cannot be fairer than that.

**Mr TARZIA:** Minister, getting on to Budget Paper 4—

**The CHAIR:** The member for Hartley has some questions, does he?

**Mr TARZIA:** Yes, I do. I notice that the government successfully issued a new 10-year bond, attracting 37 investors. I think the South Australian people would be interested in who is investing in their state. Are you able to provide a list to the house of exactly who those investors are?

**The Hon. A. KOUTSANTONIS:** We do not have it here; we will provide it for you.

**Mr TARZIA:** Getting to page 164, I notice that when you look at the percentage of clients satisfied with the SAFA services, the estimated result this year is 90 per cent. It was actually 95 per

cent, which means 5 per cent down. I am just wondering if you could expand on that a bit more? Why are the extra 5 per cent not happy with the SAFA service?

**The Hon. A. KOUTSANTONIS:** I think 90 per cent is a pretty good result.

**Mr TARZIA:** I know it is hard to keep everyone happy, minister.

**The Hon. A. KOUTSANTONIS:** I have just been advised that that was an estimate of what the survey result would be. The actual number, which I assume we received after the time of the printing, is 100 per cent satisfaction. Do you have any more questions like that?

**Mr TARZIA:** Moving on to page 166, I notice in Sub-program 4.1: Revenue Collection Management, for full-time employees the estimated result for 2014-15 is actually above that of the budget (221.9 as opposed to 245.4). Could you give the house an update as to why that has blown out?

**The Hon. A. KOUTSANTONIS:** Can you repeat the question?

**Mr TARZIA:** Page 166, Sub-program 4.1: Revenue Collection Management, relating to full-time employees as at 30 June, the estimated result for 2014-15 was 221.9, and the budget—sorry, the estimate is lower.

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr TARZIA:** What is the reason for that?

**The Hon. A. KOUTSANTONIS:** Because the Commissioner of State Taxation, Mr Walker, is a very efficient and diligent public servant. I suppose that wrecks the argument you have been trying to make about a blowout in Public Service numbers.

**Mr KNOLL:** No.

**The Hon. A. KOUTSANTONIS:** No?

**Mr KNOLL:** Not at all.

**The Hon. A. KOUTSANTONIS:** Ride to the rescue.

**Mr KNOLL:** Treasurer, is any of that decrease in numbers within the revenue collection department to do with the scrapping of stage 3 of RISTEC?

**The Hon. A. KOUTSANTONIS:** I am advised no.

**Mr KNOLL:** I will read in the omnibus questions, if that is okay.

**The CHAIR:** You can do them at the end of the day, I am advised, but if you want to do them now do them now.

**Mr KNOLL:** 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, provide a breakdown of the number of (1) executives and (2) non-executives.

**The Hon. A. KOUTSANTONIS:** I will answer those now if you like.

**Mr KNOLL:** Well, I have to ask them before you can answer them:

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 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 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 all 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 ministerial offices and ministerial liaison officers?

#### **Membership:**

Mr Williams substituted for Mr Knoll.

#### **Departmental Advisers:**

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

Mr A. Chia, Chief Executive, Motor Accident Commission.

Mr A. Blaskett, Executive Director, Public Finance Branch, Department of Treasury and Finance.

Mr D. Price, Director, Market Projects, Department of Treasury and Finance.

**The CHAIR:** We will now proceed with estimates for the Motor Accident Commission. If the minister could introduce his new advisers, that would be helpful.

**The Hon. A. KOUTSANTONIS:** David Price is the Director of Market Projects in DTF, and Mr Aaron Chia is the Chief Executive of the Motor Accident Commission.

**The CHAIR:** Leader.

**Mr MARSHALL:** My question relates to Budget Paper 3, page 61. Will the Motor Accident Commission retain responsibility for managing its portfolio of assets and liabilities once it ceases to write CTP policies from 1 July 2016?

**The Hon. A. KOUTSANTONIS:** I am advised that there will be some assets that they still manage, yes.

**Mr MARSHALL:** What will they be?



**The Hon. A. KOUTSANTONIS:** We have not determined that as yet, I am advised.

**Mr MARSHALL:** So you will be retaining the Motor Accident Commission post 1 July 2016 when the Motor Accident Commission ceases writing CTP insurance and there will be a complement of Motor Accident Commission staff. Do you have any indication of what number of staff and what their duties will be?

**The Hon. A. KOUTSANTONIS:** We have not decided on a final number as yet.

**Mr MARSHALL:** How many staff are in the Motor Accident Commission at the moment?

**The Hon. A. KOUTSANTONIS:** There are 39 FTE.

**Mr MARSHALL:** What is it likely to be after 1 July?

**The Hon. A. KOUTSANTONIS:** We do not know yet. When I am advised I will let you know.

**Mr MARSHALL:** So there is no estimate, even though over the forward estimates for most of the government departments and many of the statutory authorities we do have those FTE equivalent projections?

**The Hon. A. KOUTSANTONIS:** This is not a government department.

**Mr MARSHALL:** And statutory authorities. So there is no forward estimate regarding the number of FTEs in the Motor Accident Commission going forward?

**The Hon. A. KOUTSANTONIS:** I am advised that we are still yet to determine the structure going forward.

**Mr MARSHALL:** Has the government received any further advice in relation to the value of the Motor Accident Commission's net assets once the claims as of 30 June 2016 have been finalised?

**The Hon. A. KOUTSANTONIS:** No, we have not.

**Mr MARSHALL:** Have you sought that advice?

**The Hon. A. KOUTSANTONIS:** The government is constantly seeking advice about the Motor Accident Commission and the privatisation of it. Once we have a clearer picture I will happily inform the house.

**Mr MARSHALL:** What is the value of the—I do not know what the technical term would be, but essentially the overprovision or the overaccumulation in the Motor Accident Commission over and above the actuarial advice as to what the value of the claims would be?

**The Hon. A. KOUTSANTONIS:** It would be very hard to answer that at a point in time, because it depends on—

**Mr MARSHALL:** On the most recent advice from the actuaries.

**The Hon. A. KOUTSANTONIS:** It is very difficult to ascertain. Bond markets change, interest rates change, investments change, so it is very difficult to give an answer.

**Mr MARSHALL:** When was the last time the Motor Accident Commission was in a position to determine what that overaccumulation was?

**The Hon. A. KOUTSANTONIS:** I have been advised that very shortly the Motor Accident Commission will be providing me with their end of financial year report and I will be tabling that in the parliament. I understand you will have the answers there.

**Mr MARSHALL:** What was the most recent advice that was provided to the Treasurer regarding the overaccumulation?

**The Hon. A. KOUTSANTONIS:** I do not have that here.

**Mr MARSHALL:** Can you provide the most recent?

**The Hon. A. KOUTSANTONIS:** The most recent one will be the one that I provide the parliament—that will be the most accurate one; will be the end of financial year report.

**Mr MARSHALL:** Last year's end of financial year report?

**The Hon. A. KOUTSANTONIS:** No, the one I am going to table when it is handed to me soon.

**Mr MARSHALL:** That was not my question.

**The Hon. A. KOUTSANTONIS:** Well, that is my answer.

**Mr MARSHALL:** But what was the most recent advice that the Treasurer received regarding the overaccumulation?

**The Hon. A. KOUTSANTONIS:** The advice I have is that the end-of-year result is the most reliable estimate that we will have and that will be in the end of financial year report of the Motor Accident Commission.

**Mr MARSHALL:** Is there some problem with the Treasurer providing that advice? I mean, you seem to be—

**The Hon. A. KOUTSANTONIS:** I have just told you I am going to table it in the parliament. I am not trying to hide anything.

**Mr MARSHALL:** I have not been asking you about the future results, I have been asking about what was the most recent result.

**The Hon. A. KOUTSANTONIS:** The end-of-year reports.

**Mr MARSHALL:** So there is no advice provided to the Treasurer outside of the annual reports?

**The Hon. A. KOUTSANTONIS:** I didn't say that. I said the most accurate ones, I am advised by Treasury—

**Mr MARSHALL:** I did not ask you about the most accurate; I asked you about the most recent.

**The Hon. A. KOUTSANTONIS:** I will be giving you the ones that I will table in the parliament.

**Mr MARSHALL:** But, can't you just tell the committee now? Are you obstructing the work of the committee? Are you refusing to provide it? Can you give a valid reason as to why you would not provide the committee with that information?

**The Hon. A. KOUTSANTONIS:** I will say it in simple terms: the advice I have is the most accurate.

**Mr MARSHALL:** I am not asking that.

**The Hon. A. KOUTSANTONIS:** Okay; you asked me about the result—

**Mr MARSHALL:** No, the most recent advice that the Treasurer has received.

**The Hon. A. KOUTSANTONIS:** —and I am telling you that the most accurate results I can give you will be tabled in the House of Assembly.

**Mr MARSHALL:** Is the Treasurer—

**The Hon. A. KOUTSANTONIS:** I can't be any clearer than that.

**Mr MARSHALL:** Is the Treasurer refusing to provide—

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** —this committee with the most up-to-date results that he has been provided with?

**The Hon. A. KOUTSANTONIS:** No; what I am saying to you is that I want to provide you with accurate information, and the advice I have is that the most accurate information I can give you is the end of year results.

**Mr MARSHALL:** What was the most recent update that you received?

**The Hon. A. KOUTSANTONIS:** I do not have that here, but I will happily give the committee and the parliament the end of year results for the Motor Accident Commission.

**Mr MARSHALL:** What does the government envisage with regard to the over accumulation? Will it all be transferred to the Highways Fund or to the Consolidated Account?

**The Hon. A. KOUTSANTONIS:** The Highways Fund is what the government has publicly announced.

**Mr MARSHALL:** So all of the over accumulation that occurs will be transferred?

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr MARSHALL:** Will any remaining assets be retained by the Motor Accident Commission to fund its road safety and related activities, or will they be somehow transferred to another state government department?

**The Hon. A. KOUTSANTONIS:** I am advised—and I think I have told the parliament as well—that we will be structuring a levy within the CTP premiums that will be issued to help the Motor Accident Commission fund its road safety initiatives.

**Mr MARSHALL:** Okay; just on that, have you determined what that mechanism for the levy is?

**The Hon. A. KOUTSANTONIS:** No, we have not announced it yet. It is all part of our process of going out to expressions of interest within the market.

**Mr MARSHALL:** Do you know what the total value of that non insurance-related expenditure per year at the moment?

**The Hon. A. KOUTSANTONIS:** I advised it is 13.5 million.

**Mr MARSHALL:** So, 13.5 covers all of the road safety and sponsorship and advertising-related activities that are currently undertaken—\$13.5 million?

**The Hon. A. KOUTSANTONIS:** That is the advice I have received, yes.

**Mr MARSHALL:** But no mechanism has been determined yet—even though the government has committed that that money will continue—as to how it will be generated?

**The Hon. A. KOUTSANTONIS:** My preferred model is to levy CTP premiums issued by the private sector to fund road safety initiatives within the Motor Accident Commission, but we are out to the market now and we are developing a model.

**Mr MARSHALL:** Previously, the government has advised that there is a further \$300 million payment to be made to the Highways Fund. When is that due to be made?

**The Hon. A. KOUTSANTONIS:** I am advised that in the MYBR and the most recent budget we announced that in 2016-17 we would be delivering a further \$300 million to the Highways Fund.

**Mr MARSHALL:** And there is no update to the value or timing of that payment?

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** Will the payment be made to the Highways Fund or to the Consolidated Account?

**The Hon. A. KOUTSANTONIS:** To the Highways Fund.

**Mr MARSHALL:** With regard to the new CTP arrangements referred to here, has the government made any progress in establishing an industry-specific regulator to monitor CTP premium pricing?

**The Hon. A. KOUTSANTONIS:** We will be bringing legislation to the parliament soon.

**Mr MARSHALL:** Is the industry regulator going to be established by an act of the parliament?

**The Hon. A. KOUTSANTONIS:** That is my preferred option, yes.

**Mr MARSHALL:** Are there other options that you are considering?

**The Hon. A. KOUTSANTONIS:** It depends entirely on the parliament. Bills get amended.

**Mr MARSHALL:** What are the other options that are available to the government if they fail to get their legislation through?

**The Hon. A. KOUTSANTONIS:** My preferred option, and industry's preferred option, is a legislated independent statutory officer who is a regulator. That is, I think, the best protection for the consumers. If that fails in the parliament, we will have to regroup and look at other models.

**Mr MARSHALL:** Have the terms of reference been set for this regulator?

**The Hon. A. KOUTSANTONIS:** We are still developing them.

**Mr MARSHALL:** Will they be monitored or modelled on any other state jurisdiction at the moment?

**The Hon. A. KOUTSANTONIS:** We are currently collating a lot of information with other jurisdictions about what they think best practice is and we have independent advisers. PwC and Treasury are working together to develop the terms of reference for an industry-specific independent regulator.

**Mr MARSHALL:** You said that you have independent advice. Who is providing the independent advice?

**The Hon. A. KOUTSANTONIS:** PricewaterhouseCoopers.

**Mr MARSHALL:** Has that advice already been tabled with the board?

**The Hon. A. KOUTSANTONIS:** With the board? Which board?

**Mr MARSHALL:** The government has requested the information, has it?

**The Hon. A. KOUTSANTONIS:** Yes, the government is running the privatisation.

**Mr MARSHALL:** Has that advice been received from PwC?

**The Hon. A. KOUTSANTONIS:** We have received the advice, yes.

**Mr MARSHALL:** What was the total value of the advice?

**The Hon. A. KOUTSANTONIS:** How much did we pay the consultants?

**Mr MARSHALL:** Correct.

**The Hon. A. KOUTSANTONIS:** We have not finalised the work.

**Mr MARSHALL:** Has the Treasurer had any cause to reflect on the previous contrary advice provided by the Motor Accident Commission board regarding the future of the Motor Accident Commission?

**The Hon. A. KOUTSANTONIS:** Have I reflected on it further?

**Mr MARSHALL:** Yes.

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** Is the Treasurer still standing by the fact that he does not want to release the advice that was provided by the board to him regarding the ongoing management—?

**The Hon. A. KOUTSANTONIS:** I think it has been released, hasn't it?

**Mr MARSHALL:** I do not think it has been released.

**The Hon. A. KOUTSANTONIS:** I think it has. I think a large body of work done has found its way into a very successful journal that is published every day in Adelaide.

**Mr MARSHALL:** Are you happy to release that advice, then?

**The Hon. A. KOUTSANTONIS:** I do not think it serves any purpose.

**Mr MARSHALL:** When you have one of the most successful statutory authority boards in South Australia giving advice which conflicts with the direction of the government, would it not be prudent for the people of South Australia to know what advice was received by the Treasurer and rejected by the Treasurer?

**The Hon. A. KOUTSANTONIS:** No, I do not accept that the advice given to the government as the 'alternative option' is necessarily the unanimous view of the Motor Accident Commission board. What it was was a request to me by the board to look at alternatives. We looked at them, we gave them the respect of actually putting them into the system, gave them to the commercial advisers that the government has established to advise the government on this (who are independent of me), and they came back with the unanimous view that it was not prudent to proceed with the alternative offer.

What I did was give the board the opportunity to submit it to me. I gave it to the commercial advisers—even after the budget had been announced, even after we had announced the privatisation of the Motor Accident Commission—and I could not find anyone who was working for the commercial advisers or within Treasury who found the alternative offer to be of good value to the people of this state.

**Mr MARSHALL:** Is the Treasurer aware of what happened in New South Wales in the mid-1990s following the deregulation of CTP pricing after the period of fixed pricing ceased?

**The Hon. A. KOUTSANTONIS:** In what respect?

**Mr MARSHALL:** There was an increase.

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr MARSHALL:** Is the Treasurer aware of this?

**The Hon. A. KOUTSANTONIS:** I also point out to you that, during the period that the Motor Accident Commission had been setting premiums, there had been increases also.

**Mr MARSHALL:** Sure.

**The Hon. A. KOUTSANTONIS:** You say 'sure', but the truth is I believe that this is a government monopoly that is not giving motorists the best value that they can achieve through private insurers issuing compulsory third-party premiums. I think the private sector can do it better than the government and I am stunned that the opposition do not agree with me.

**Mr MARSHALL:** So you think that, in fact, insurance premiums will decrease as a result of privatising the market.

**The Hon. A. KOUTSANTONIS:** No, I think that private insurance companies are better at issuing premiums than we are. They get the maximum value for their policy holders and they do everything they can to ensure an efficient system. I think government guarantees and government monopolies are inherently inefficient.

**Mr MARSHALL:** We have just outlined to this house considerably this afternoon the massive advantage of providing government underwriting. Now, is it not the case that when that government underwritten CTP insurance is removed and replaced with the market that the prudential requirements on the private providers will be such that we will all end up paying much higher CTP insurance premiums in South Australia as a consequence?

**The Hon. A. KOUTSANTONIS:** That sort of thinking was prevalent in the 1980s when we started the State Bank and thought that a government guaranteed bank would do better than the private sector. I disagree. I believe that the private sector is better at running these types of operations than the government. I think it is unfair on the taxpayer to be issuing that type of guarantee and I am surprised that the leader of the Liberal Party in this state does not agree with me.

**Mr MARSHALL:** Well, that was not really my question. My question was—

**The Hon. A. KOUTSANTONIS:** That's my answer.

**Mr MARSHALL:** —about whether or not motorists would end up significantly worse off when the government guarantee is removed.

**The Hon. A. KOUTSANTONIS:** I think the private sector will ensure that motorists are better off in the long term than they would be under a government-run monopoly.

**Mr MARSHALL:** What evidence do you have of that when you reference other schemes around Australia, some which are controlled by the private sector and some the government?

**The Hon. A. KOUTSANTONIS:** Well, again, you are not comparing apples with apples, you are not comparing the performance of the Motor Accident Commission over a long period of time.

**Mr MARSHALL:** Did you contemplate selling the Motor Accident Commission?

**The Hon. A. KOUTSANTONIS:** We may have, yes.

**Mr MARSHALL:** And what conclusion did you reach?

**The Hon. A. KOUTSANTONIS:** We took the course of events that would maximise the value for the taxpayer and bring about the best possible result for competition within the market. Remember that we compel people to buy compulsory third party premiums, so there is a compulsion on the motorist to do so. If I had sold the Motor Accident Commission entirely to one other operator, I think that would have disadvantaged motorists because we would have been handing over a government monopoly to the private sector. By breaking up the government monopoly and encouraging as much private competition as we possibly can, we are giving the private sector the benefit of receiving customers on an equal risk basis but opening them up to greater competition, and I think that is good for South Australians.

I think once the initial three-year period is up, that will see insurance companies that will not be in the initial operation of the private CTP market from 1 July next year offering other packages. Why can't South Australians link their home insurance, their life insurance, their car insurance to their CTP and bundle their insurance? Why should they be denied that?

**Mr MARSHALL:** But I do not understand. If you could go into a little bit more detail about the analysis that the government did regarding a third option which you have just made clear now, and that is that the government did contemplate selling the Motor Accident Commission. It has never made sense to me that there has not been a full and frank evaluation tabled in this parliament regarding the three options: firstly, continuing to operate as it is; secondly, to privatise it as envisaged by the government; and thirdly, to sell the asset which is the Motor Accident Commission.

At the moment you are essentially ceasing to operate on 30 June next year and transferring any over accumulation to the Highways Fund. There is no realisation of the assets which we as a state have invested in, essentially the goodwill associated with the brand and the name and the relationship that it has with the South Australian motorists.

**The Hon. A. KOUTSANTONIS:** We established commercial advisers on a steering committee to advise the government, and on that steering committee we had people with a great deal of experience from PricewaterhouseCoopers and the private sector advising the government on the best course of action. We went for the most competitive model, the model that offered South Australians the biggest competitive advantage. I do not believe government-run monopolies or privately run monopolies extract the best outcomes for consumers. I believe in a competitive free market. What surprises me is that you do not.

**Mr MARSHALL:** I do not think I have stated that. All I am asking is: what—

**The Hon. A. KOUTSANTONIS:** I have heard you on FIVEaa many times talking about how you are opposed to the privatisation of the Motor Accident Commission. I mean, why don't you just make it official and join the Greens and get it over and done with?

**Mr MARSHALL:** What is this?

**The CHAIR:** What would you like me to do?

**Mr MARSHALL:** Well, chair the meeting.

**The CHAIR:** Most estimates I have been to it has been full and frank on all sides and I do not think I am doing any worse than any of the others I have sat through for the last 20 years.

**Mr MARSHALL:** My point is: what consideration was given to selling the asset, which is the Motor Accident Commission, not as a monopoly but as a brand?

**The Hon. A. KOUTSANTONIS:** The problem is that if you sell it you sell their customers too, otherwise that is the value in it.

**Mr MARSHALL:** They are not compelled to stay there. I mean, we have seen that with the electricity asset.

**The Hon. A. KOUTSANTONIS:** The barriers will be far too large then for potential competitors. You are better off smashing the monopoly into a thousand pieces and having competition thrive. The idea that we would unleash the Motor Accident Commission on the public as a privatised option which maybe a large insurance company would buy in its entirety, with their database with all of their customers, it would be a completely unfair advantage to them. Sure, it would have returned some dividends to the government but the reality is that I want a competitive market. I want competition. I want the private sector fighting for your custom, that is what I want.

**Mr MARSHALL:** But what would get in the way of competition if you sold the Motor Accident Commission, if you realised the asset that we have invested in as a state and the brand and the customer database? There could be no restrictions on customers leaving the arrangement with the Motor Accident Commission and moving to another insurance provider, but we as taxpayers would at least get some, as I say, realisation on the asset that we have invested in.

It seems to me that this seems to be the worst of all possible worlds. We do not get a continuing income stream because the government is concerned regarding the ongoing risk of providing that insurance, even though it, I think, pretty much accepts that this will lead to high insurance premiums for motorists but, nevertheless, there will be lower risks for the government, but we certainly will not be realising the asset that we have invested in over such a long period of time.

**The Hon. A. KOUTSANTONIS:** First of all, we have not invested in it, motorists have.

**Mr MARSHALL:** Precisely.

**The Hon. A. KOUTSANTONIS:** Point two, we compel people to buy compulsory third party premiums. Point three, I do not accept that premiums will automatically increase under a complete free open market. Point four, incumbent monopolies are very hard to break up, and the experience of that is AGL. When the Liberal Party privatised our electricity asset, the retailer of last resort was AGL and a lot of customers were assigned to AGL. When it was opened up to competition the concept of sticky customers became very prevalent in this state; that is, that people stayed with AGL regardless of the tariffs that were being set by AGL and they did not enter a competitive market.

What I want is to learn the mistakes of that privatisation by the former government when it basically gave unsuspecting South Australians to a private company and most of them to this day have not moved. That is an unfortunate consequence of that failed privatisation. This privatisation is doing its very best to ensure a competitive market from day one; that is, no incumbent monopoly having the major head start.

It takes an insurance company, we are advised, about \$50 per customer to attract them. You imagine 1.7 million customers in South Australia, if we sold the Motor Accident Commission to one insurance company and then said, 'You are open up to free competition,' the market realities of South Australia would mean that a competitor would have to spend a great deal of money to get into the market and actually take customers off whoever the monopoly purchaser was of the Motor Accident Commission and we would be doing consumers and motorists a disservice. What we want is to smash the monopoly up and make sure that people can get access to a competitive market. That is what we are trying to do and I thought the Liberal Party would be supportive of it.

**Mr MARSHALL:** With respect, I think the market for insurance in South Australia is very sophisticated. I think nearly everybody has one or more insurance products and I think the likelihood that people are not going to move—

**The Hon. A. KOUTSANTONIS:** You would be the only person in the private sector and the insurance industry arguing against the privatisation of the Motor Accident Commission.

**Mr MARSHALL:** But I am not, that is the whole—

**The Hon. A. KOUTSANTONIS:** No-one agrees with you, no-one.

**Mr MARSHALL:** Let's be quite serious; I am not arguing against the privatisation; I would just like to see there are cost benefits.

**The Hon. A. KOUTSANTONIS:** Find someone who publicly says we should have sold the Motor Accident Commission to a monopoly provider.

**Mr MARSHALL:** Well, I am just asking whether that—

**The Hon. A. KOUTSANTONIS:** Just find one person to back you up.

**Mr MARSHALL:** It is frightening that you choose to twist the words like that. Nobody said monopoly supplier; they are your words—

**The Hon. A. KOUTSANTONIS:** No. How would it be—?

**Mr MARSHALL:** —and they are unhelpful. But we will move on.

**The Hon. A. KOUTSANTONIS:** Yes, you should. If I were you, I would move on too.

**Mr MARSHALL:** Earlier when I was asking questions about QBE, you said that I should go back to that when SAICORP were here. Are SAICORP here now?

#### **Departmental Advisers:**

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

Mr K. Cantley, General Manager, South Australian Government Financing Authority, Department of Treasury and Finance.

Mr A. Blaskett, Executive Director, Public Finance Branch, Department of Treasury and Finance.

Mr T. Burfield, Director, Insurance, South Australian Government Financing Authority, Department of Treasury and Finance.

**The CHAIR:** Minister, would you introduce your advisers? Or have they just moved up from the back?

**The Hon. A. KOUTSANTONIS:** Mr Kevin Cantley has returned, and Mr Tim Burfield. Do you have a question?

**Mr MARSHALL:** I have asked the question. You said—

**The Hon. A. KOUTSANTONIS:** I cannot remember it. What was it?

**Mr MARSHALL:** It was regarding whether or not there has been any consideration provided for the underwriting that the South Australian government provides for building indemnity insurance in South Australia and, if not, why not.

**The Hon. A. KOUTSANTONIS:** The advice I have received is that QBE and Calliden will not enter the market. It is a loss-making operation for them and that is why there is market failure and that is why we have intervened.

**Mr MARSHALL:** I think we established that an hour ago. The question was whether or not there was any consideration—

**The Hon. A. KOUTSANTONIS:** There was none.

**Mr MARSHALL:** —paid for by QBE or Calliden, or indeed the insured, for the government underwriting which is provided to these insurers?



**The Hon. A. KOUTSANTONIS:** The insurance companies act as our agents. The revenue comes to us, and that is the process. I would be more than happy to be out of this process if there was no market failure. I have no great appeal to be involved in the insurance business. I would much rather it be done by the private sector, but it seems to me that there is structural market failure here if the government did not issue the guarantee. You asked earlier as well whether any other government has a consideration for their government indemnity schemes. I am advised that it is the same process in New South Wales, WA and Victoria.

**Mr MARSHALL:** Yes, we canvassed all of that information previously. My question is whether or not we as the taxpayer receive any consideration for the underwriting. You have provided new information there. Previously you indicated that QBE and the other company that you mentioned were providing the insurance and we were underwriting it; now you are saying that we are actually receiving the revenue. Is that really correct?

**The Hon. A. KOUTSANTONIS:** The premiums are not set at a rate high enough to cover all the risk, which is why we have the market failure and that is why we top it up. If we wanted to get government consideration for the taxpayer, we would have to dramatically increase the premiums, which I think would have a very negative impact on the industry and this is exactly not the time to be doing that.

**Mr MARSHALL:** But when you say dramatically increase, you are telling this committee that you are getting nothing. You are providing a guarantee with considerable risk, which you are going to outline to this committee at some future point, but there is no consideration whatsoever. In virtually every other instance when the government provides a guarantee, either internally or to a third party like Nyrstar, there is consideration for that guarantee being provided. Now you are telling us that you have entered into a five-year agreement with these two private providers to provide government guarantee with no consideration whatsoever.

**The Hon. A. KOUTSANTONIS:** The only people we could pass that cost on to are builders. The Liberal opposition claims that South Australian taxpayers are being duded by this process. I am looking forward to sending the *Hansard* to the Master Builders Association and the HIA to let them know your views because the only people who could pay more to give us a taxpayer consideration would be builders. I am doing everything I can to ensure that the building industry is robust, and this is one way of doing it, but I will let them know of your thoughts.

**Mr MARSHALL:** On Budget Paper 4, Volume 4—

**The Hon. A. KOUTSANTONIS:** Yes, I would move on too.

**Mr MARSHALL:** Sorry?

**The Hon. A. KOUTSANTONIS:** I said I would move on too, if I were you.

**The CHAIR:** Budget Paper 4?

**Mr MARSHALL:** Budget Paper 4, Volume 4, page 192. This states that as of 30 June 2014 SAICORP had free reserves of \$169.2 million. What is the estimate of free reserves as of 30 June 2015?

**The Hon. A. KOUTSANTONIS:** I am advised that we have not signed off on the final 30 June numbers; when we do, I will make that available to the leader.

**Mr MARSHALL:** What are the options available to SAICORP with free reserves? Are there statutory obligations? Is there a methodology for dealing with free reserves? Are there options which are open to the Treasurer?

#### **Membership:**

Mr Williams substituted for Mr Knoll.

**The Hon. A. KOUTSANTONIS:** I will ask Mr Cantley to answer that question.

**Mr CANTLEY:** In terms of our insurance operations, we have a policy that, where we retain assets that exceed our liabilities, we go through a process where we identify our risks to come up with a target level of assets relative to liabilities. We have recently changed how we measure that, so we now express that as a proportion of assets to liabilities.

Our current policy is to target 145 per cent of our liabilities, to have those in assets, and our range is between 125 per cent and 165 per cent. Essentially, the amount above the 100 per cent would represent our excess capital. So, we have that policy in place and we have operated at the higher end of that range over the last 12 months or so.

**Mr MARSHALL:** But what options are available to deal with that excess? If there is an accumulation, what are the options that are available and who makes the decision?

**Mr CANTLEY:** In the past it has not been the practice of SAFA to return funds to the budget from funds that have been set aside for its insurance activities. This practice accords with section 12 of SAFA's enabling legislation, the Government Financing Authority Act, which essentially says that under 12(2):

Any surplus of funds remaining after the costs of the Authority have been met in any financial year must be paid into the General Revenue of the State or otherwise dealt with as the Treasurer may determine.

Section 12(3) says:

Subsection (2) does not apply to funds related to the captive insurance function of the Authority.

So the practice has been to retain our reserves and that the insurance function does pay a tax equivalent payment on its profits that it earns, but it retains the funds in its surplus.

**Mr MARSHALL:** So there was no return or payment out of free reserves last financial year to any other agency or to Treasury itself?

**Mr CANTLEY:** No, the only payments to the budget from the insurance function was the tax equivalent payment on our operating profit.

**Mr MARSHALL:** What is the value of the free reserves at the moment? You are saying that is to be determined?

**The Hon. A. KOUTSANTONIS:** That is to be determined. We do not have a 30 June sign-off yet.

**Mr TARZIA:** Budget Paper 3, page 55, in relation to SAFA, the third paragraph. Has the special dividend to be paid by SAFA from the return of excess capital from its fleet business been finalised for 2015-16?

**The Hon. A. KOUTSANTONIS:** I am advised that it will be paid this financial year—and I also point out to the committee that the SAFA line is closed.

**Mr TARZIA:** When will that dividend be paid?

**The Hon. A. KOUTSANTONIS:** I just answered that.

**Mr TARZIA:** Can you do any better than that, minister?

**The Hon. A. KOUTSANTONIS:** No.

**Mr MARSHALL:** When did we close the SAFA line?

**The CHAIR:** This afternoon at 3.30pm and this was agreed to this morning, so I am not sure what I can do.

**Mr TARZIA:** I missed the fun. Budget Paper 3, page 72, the second to last bullet point. What was the value of medical malpractice claims liability as at 30 June 2015?

**The Hon. A. KOUTSANTONIS:** We are still finalising the 30 June accounts. When we do, you will know.

**Mr TARZIA:** Has the government sought advice as to whether insurance premiums paid by the Department for Health and Ageing to SAICORP should increase in relation to changes in the models of care proposed in Transforming Health?

**The Hon. A. KOUTSANTONIS:** I am advised no.

**Mr TARZIA:** Budget Paper 3, page 72, the third bullet point. What is the total cost of the state's reinsurance program in 2014-15 and budgeted cost in 2015-16?

**The Hon. A. KOUTSANTONIS:** We do not have that number with us. We will provide it to you.

**Mr TARZIA:** Budget Paper 3, page 72: what would be the total cost of administering the state's insurance program?

**The Hon. A. KOUTSANTONIS:** What would the cost be?

**Mr TARZIA:** Yes, the total cost, and when you get that cost, how does that cost—

**The Hon. A. KOUTSANTONIS:** What do you mean?

**Mr TARZIA:** Total cost. I am interested in how it would compare with other industry benchmarks. I am interested in the total cost.

**The Hon. A. KOUTSANTONIS:** We have very different clients, so I do not think there are industry benchmarks we could match ourselves against. I am not sure we can give you an accurate answer.

**Mr TARZIA:** Budget Paper 4, Volume 4, page 192, in regard to the SAICORP Insurance Fund 1: as at 30 June 2014, SAICORP had free reserves of \$169.2 million. What is the estimate of free reserves as at 30 June 2015?

**The Hon. A. KOUTSANTONIS:** We have not got that finalised yet. We just told you that.

**Mr TARZIA:** Does the government have the option of transferring any or all of these reserves as either a dividend or a return of surplus assets?

**The Hon. A. KOUTSANTONIS:** We just answered that earlier.

**Mr TARZIA:** Budget Paper 3—revenue. The paper makes some predictions. It says, 'Royalty revenue is expected to grow moderately over the forward estimates largely reflecting the resumption of full production at Olympic Dam and changes in commodity prices.'

**The Hon. A. KOUTSANTONIS:** We are not on resources yet, Vincent.

**Mr TARZIA:** So we can't raise that?

**The Hon. A. KOUTSANTONIS:** No.

**Mr WILLIAMS:** Treasurer, I refer you to Budget Paper 4, Volume 4, page 171, targets for 2015-16: 'Develop and finalise the revised State Procurement Board policy framework'. Can you inform the committee what proposals, if any, you have to try to, I guess, better balance the position of subcontractors versus lead contractors in major government procurements?

I note the Treasurer smiles because I have had this conversation with him previously. I now have more people coming to me with not dissimilar situations to those that he and I have discussed previously. We have the situation where small subcontractors, who run very small businesses employing only a handful of people, are being put up against major national and sometimes international players and, to be quite frank, from the information I have been given, are getting done over.

**The Hon. A. KOUTSANTONIS:** The Procurement Board does not cover large-scale capital programs; it just covers goods and services. But I have a lot of sympathy for what the member for MacKillop is saying, and I am also very concerned about local small businesses missing out on procurement of large capital programs on the basis of, one, their ability to tender, and two, their competitiveness versus very large contractors who then subcontract out to these smaller contractors anyway. So, yes, I am very concerned about that problem.

We have had many private conversations about contractors in his electorate that he has advocated on behalf of quite forcefully. As a former transport and infrastructure minister, I do have a great deal of sympathy for what he is saying. I would like to see more of our contracts broken up into smaller chunks to see procurement go to smaller operations so everyone gets a feed at the watering hole, but the problem, of course, is that we also want to maximise value for the taxpayer.

This really is a matter for minister Mullighan. I know he shares our concerns and he is working within DPTI to ensure that we are doing all that we can to make sure that local South Australians are getting the opportunity to bid for this work and doing it in a sustainable way, that is often the key. I am always very concerned about small companies gearing up for large projects and then, when that work has gone, they have geared up and they cannot sustain; or whether they become a subcontractor to a larger contractor and the margins just are not there for them to make any money. I do share his concerns and I am looking at it.

**Mr WILLIAMS:** Minister, it is even more difficult for small operators that have come to me than what you have just described. In relation to large head contractors, lead contractors—and it is not just in the transport infrastructure field—I have been told—and I will no doubt have discussions with you in the near future—that one contractor in my constituency got a subcontract at the Convention Centre and finds himself out of pocket to the tune of \$50,000 or \$60,000, and for a two-man operation that almost breaks his business. He is telling me that there are similar occurrences on the new Royal Adelaide Hospital site where a number of small businesses, employing in some cases up to 20 people, are finding it very difficult because of the way they are being treated by lead contractors.

**The Hon. A. KOUTSANTONIS:** I do not know the specifics of the contractor you are talking about—

**Mr WILLIAMS:** I accept that.

**The Hon. A. KOUTSANTONIS:** —so I cannot comment, but if that is accurate, that is very disappointing. The truth is that we are investing vast amounts of taxpayers' money to very large capital programs—\$10.8 billion over the forward estimates. That is a considerable amount of money and we do want South Australians to get the benefit of that, not just from the upgrades to infrastructure but through the work as well.

There are always going to be examples and the stories you are telling me are not unique to South Australia; they occur in New South Wales, they occur in Victoria; in fact, they are probably more pronounced in Victoria and New South Wales given the large operations that are there. We are doing what we can to make sure that everyone gets a feed, but the problem is always going to be that some people go in because their eyes are larger than their stomach. We do what we can to educate people about tendering and procurement, and we do try and look at capability. Where we can, we do well, but we do not always get it right, I accept that, and the more you can feed through to me privately about examples, the better we will be able to get an understanding of where we are getting it wrong.

**Mr WILLIAMS:** I will certainly be doing that.

**The Hon. A. KOUTSANTONIS:** Thank you.

**Mr WILLIAMS:** Because I am talking about what I believe is unconscionable behaviour.

**The Hon. A. KOUTSANTONIS:** I completely understand.

**The CHAIR:** The member for Hartley has one final question.

**Mr TARZIA:** Yes, I found the tenders and contracts website quite easy to use—\$100 million in SA government work has gone interstate this year since January 2015. So Budget Paper 4, Volume 4, what has been the result of the completed 11 procurement compliance reviews and the eight procurement accreditation reviews?

**The Hon. A. KOUTSANTONIS:** The government is spending \$17 billion a year on goods and services—

**Mr TARZIA:** On government contracts?

**The Hon. A. KOUTSANTONIS:** —so \$100 million going interstate it is going to happen, and I will also caution you about this protectionist view that the Liberal Party is developing.

*Members interjecting:*

**The CHAIR:** Order!

**The Hon. A. KOUTSANTONIS:** My point is that the New South Wales government's budget is much larger than ours, as is their procurement, as is the Victorian budget, as is the Queensland government's budget, as is the Western Australian government's budget, indeed, as is the commonwealth government's budget, so a protectionist wall-up approach does not work. We are an exporting state, we will always be a free-trade state, as much as we possibly can, and I support it.

We do as much as we possibly can to incentivise local companies to win procurement, but there are plenty of South Australian companies winning interstate work and I would hate to see retaliation from larger jurisdictions into South Australia with this type of isolationist policy that the Liberal Party in South Australia is espousing.

**Mr TARZIA:** What do those reviews say? There are 11 procurement compliance reviews and eight procurement accreditation reviews. What have those reviews said? What have they done? What have they come up with?

**The Hon. A. KOUTSANTONIS:** Well the budget is about \$17 billion a year. We spend—

**The CHAIR:** Order! We are way beyond time. Can we just hear this final answer?

**Mr TARZIA:** Can we see the results of the reviews or the recommendations?

**The Hon. A. KOUTSANTONIS:** I do not have it; I will get it for you on notice.

**Mr TARZIA:** Thank you.

**The CHAIR:** There being no further questions, I declare the examination of the proposed payments completed. In accordance with the agreed timetable, I advise that the committee stands suspended until 16:30.

*Sitting suspended from 16:20 to 16:32.*

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

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

##### **Membership:**

Mr Knoll substituted for Mr Marshall.

Mr van Holst Pellekaan substituted for Mr Tarzia.

##### **Minister:**

Hon. A. Koutsantonis, Treasurer, Minister for Finance, Minister for State Development, Minister for Mineral Resources and Energy, Minister for Small Business.

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

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

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

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

Mr T. Tyne, Executive Director, Mineral Resources, Department of State Development.

Mr V. Duffy, Executive Director, Energy Markets and Programs, Department of State Development.

Mr B. Goldstein, Executive Director, Energy Resources, Department of State Development.

Mr N. Panagopoulos, Director, Resource Royalties, Department of State Development.

**The CHAIR:** I declare the proposed payments open for examination and refer members to Agency Statements, Volume 4. I call on the minister to make an opening statement, if he wishes.

**The Hon. A. KOUTSANTONIS:** No, thank you.

**The CHAIR:** Does the lead speaker wish to make an opening statement?

**Mr VAN HOLST PELLEKAAN:** Yes, I do.

**The CHAIR:** Before you go ahead, I ask that the advisers to be introduced and then you can make your statement.

**The Hon. A. KOUTSANTONIS:** Dr Don Russell is the Chief Executive of the Department of State Development. Dr Paul Heithersay is the Deputy Chief Executive. Mr Rick Janssan is the Executive Director of Strategy and Business Services. Behind me, the very graceful looking fellow is Mr Ted Tyne, who is the Executive Director of Mineral Resources. Alongside him, with the Port Power tie, is Vince Duffy, Executive Director of Energy Markets and Programs. Behind him is Mr Barry Goldstein, who will give you a bad joke by the end of the day. He is the Executive Director of Energy Resources. Mr Nick Panagopoulos is the Director of Resource Royalties.

**Mr VAN HOLST PELLEKAAN:** I will make a very brief opening statement on behalf of myself and the opposition. Mineral resources and energy is a very broad area and it is an area in which the opposition has great interest and seeks to be as supportive as is absolutely possible. With regard to the mining industry, this is an incredibly important sector with lots of challenges with a decrease in demand worldwide and ever-increasing environmental obligations, which have certainly put pressure on players in this sector.

Of course, there are positives as well: it is a very mature market, technology is improving all the time and, as I am sure we would all agree, there is great room for growth within South Australia in this sector. It is a very important employer and of course contributes to our exports but, yes, it is going through some very difficult times at the moment. And I would like to acknowledge and thank those who work safely in the resources and energy sector and contribute to our state's development.

With regard to energy, it is a particularly complex area of work and covers one of household's most basic expectations which is reliable, safe and affordable electricity all the way through to some of the most complex and new technology available in the world. It is, of course, governed by regulations that come from state, federal and independent regulators; so it is a very complex area of work. Certainly, the opposition supports all people who lead or contribute in any way whatsoever within these industries.

My first question for the minister is from Budget Paper 5, page 57. Looking specifically at extractive royalties applied to local government operations, of the 68 councils in South Australia how many councils will be affected by this new tax?

**The Hon. A. KOUTSANTONIS:** I do not know how many; hopefully all of them because I do not want them competing with the private sector. I support the idea of competitive neutrality. If private operators are being priced out of the market because of government owned or council-owned quarries, that is an unfair advantage on the public sector against the private sector, and I would hope that, unless there is market failure, all councils do what they can to ensure that the private sector is getting as much work as it possibly can.

**Mr VAN HOLST PELLEKAAN:** If you do not know how many councils, how did you or your department come up with the estimate of the government revenue from the change in tax?

**The Hon. A. KOUTSANTONIS:** The Local Government Association currently lists 68 councils within South Australia; 39 of these had production of extractive minerals in the last 12 months from borrow pits not regulated under the Mining Act.

**Mr VAN HOLST PELLEKAAN:** Was that 58?

**The Hon. A. KOUTSANTONIS:** Thirty-nine, that are not regulated under the Mining Act. Currently, there are 19 councils—14 of those in the metro area—that are not providing any information to the department with respect to extractive mineral production.

**Mr VAN HOLST PELLEKAAN:** When you got that information from the LGA did they give you any other information or give you any feedback?

**The Hon. A. KOUTSANTONIS:** I think it is fair to say that Mr Burgess from the LGA is very unhappy with the government's policy, and I have undertaken to work with him where there is legitimate market failure, that is, where there are council areas that cannot access private quarries that have not ever competed with private quarries, and I am happy to look at that. By and large, I will not have metropolitan councils—large councils, wealthy councils—pricing the private sector out of the market using ratepayers' subsidy. That is completely unfair, and I will not allow it.

**Mr VAN HOLST PELLEKAAN:** Minister, in those discussions with Mr Burgess, President of the LGA, can you share with us how you might help those small councils that are not wealthy but are genuinely put under extraordinary pressure because of this?

**The Hon. A. KOUTSANTONIS:** No, because I am working with the LGA to come up with a solution. I have asked the LGA to go away and think about it and work with Treasury and State Development about the best options, and I will look at that when they come back with something. I do not want to pre-empt any of it.

**Mr VAN HOLST PELLEKAAN:** As part of those discussions, are you considering deferring the increase the way you agreed to for the extractive minerals increase a year ago?

**The Hon. A. KOUTSANTONIS:** Let us be clear about it: the intent of the competitive neutrality principle that I am trying to implement is that if there are private quarries that can offer roadbase on commercial terms to councils and they are being undercut by councils through their own pits because they do not pay royalties, that is a practice that needs to end and they need to be factoring in the cost of their extractives with royalties.

I am not after the revenue. What I am after is the private sector not being priced out of the market. If the LGA come up with a formula, I will look at it; I am happy to because my intent is not to stop roadworks occurring, my intent is to stop ratepayers subsidising public quarries at the expense of the private operators who take all the risks.

**Mr VAN HOLST PELLEKAAN:** Minister, before deciding upon this policy, did you consult with the Minister for Local Government and Regional Development and, if so, what was his feedback?

**The Hon. A. KOUTSANTONIS:** The cabinet considerations are confidential.

**The CHAIR:** Member for MacKillop.

**The Hon. A. KOUTSANTONIS:** Are you going to declare your interest first?

**Mr WILLIAMS:** No, I do not have any interest in a borrow pit.

**The CHAIR:** What page are we on?

**Mr WILLIAMS:** The same page, the same line of questioning. With the minister's answers, I am concerned whether the minister fully understands what is a borrow pit. To give an example, the road between Bordertown in the north of my electorate and Pinnaroo, which I think is now in Chaffey and was in Hammond, runs through a very isolated part of South Australia; in fact, a fair length of that road runs through the Ngarkat National Park.

When that road was constructed, I suspect back in the 1970s, the constructing authorities, which I think were the then highways department and the local councils, simply went along and extracted material from beside where the road now exists, and you can still see the hollows where

they went in and extracted the materials to build up the road. None of the materials on that road actually came out of a crusher or quarry situation, other than the finally top coat. So, it was not competing with any commercial quarrier but simply was taking material from the verge of where the existing road is and putting it onto the road, and that is what a borrow pit is.

**The Hon. A. KOUTSANTONIS:** I understand, and I have a lot of sympathy for those cases. What I do not have sympathy for are the large scale industrial operations being run by some metropolitan councils.

**Mr WILLIAMS:** My understanding is that, if a council runs an industrial quarry as such, it is already subject to royalties.

**The Hon. A. KOUTSANTONIS:** Well, it is now.

**Mr WILLIAMS:** It has been for a period, as far as I am aware.

**The Hon. A. KOUTSANTONIS:** Well, you need to speak to the extractives industry that came to see me and lobbied very intensely for this. I will be putting this *Hansard* and your concerns to them directly.

**Mr VAN HOLST PELLEKAAN:** I have heard what the minister said about his reasons for wanting to do this, and that his focus is on the large wealthy metropolitan councils. Can the minister share with us, from the information your department has or you got from the LGA, whether this is something every metropolitan council is involved with?

**The Hon. A. KOUTSANTONIS:** Before I address your question I will go back to the member for MacKillop to clear it up. Yes, if they were running a quarry under the Mining Act they were paying royalties, but nearly two million tonnes of extractives are coming out of councils per year that are unlevied. Of that two million tonnes, what proportion is putting the private sector at a competitive disadvantage? That is what I am trying to address. I think we can come up with a happy compromise with the LGA, but this two million tonnes per annum has to end.

**Mr VAN HOLST PELLEKAAN:** I will follow that a bit more. Are you saying the two million has to end or the two million that is in competition with the private sector?

**The Hon. A. KOUTSANTONIS:** Yes. My intent is not to stop councils working cleverly with their ratepayers to make sure that people have access to their properties in rural and remote areas. What I do want to stop are some councils that are taking advantage of the Local Government Act and are quarrying nearly two million tonnes per year and not paying any royalties on them. Again, it is not the money I am interested in but the competitive advantage they have over private providers. That needs to end.

**Mr VAN HOLST PELLEKAAN:** How will the government monitor the extraction? I suspect it is a very difficult thing to know what every council is doing in every council area and understand if they are digging up to improve their own roads and keep their own costs down. How will you actually monitor the extraction to achieve your goal?

**The Hon. A. KOUTSANTONIS:** I would imagine that governance within local councils would require them to report accurately to the regulator. We have audits, but basically it is an honour system and I would be very disappointed, and the Auditor-General would be very disappointed, if we found that some councils were ignoring statute.

**Mr VAN HOLST PELLEKAAN:** The question that you were not able to hear before was: are all the metropolitan councils actually involved in this at the moment—quarrying without extractive minerals licences?

**The Hon. A. KOUTSANTONIS:** We are basically on a mapping exercise here to find out where a lot of the councils are getting their extractives from, because it is an honour system. I can give you a more detailed answer of the councils involved but, of the two million tonnes that I am talking about, they are all regional councils.

**Mr VAN HOLST PELLEKAAN:** They are all—

**The Hon. A. KOUTSANTONIS:** Regional councils.



**Mr VAN HOLST PELLEKAAN:** In a previous answer you said your focus was the wealthy.

**The Hon. A. KOUTSANTONIS:** I do not want metropolitan councils using borrow pits from regional councils and not paying extractives on it.

**Mr VAN HOLST PELLEKAAN:** You are not suggesting it is happening at the moment.

**The Hon. A. KOUTSANTONIS:** I do not know; we have to find out.

**Mr VAN HOLST PELLEKAAN:** I refer to Budget Paper 3, page 55. In the 2014-15 budget, royalty revenue for 2013-14 was estimated at \$295 million and the current budget estimates that 2016-17 royalty revenues will increase to \$315 million, so a \$20 million increase. For this expected revenue to be fully realised, would commodity prices have to reach the same levels as they were back in 2013-14 or is that based on a significant increase in volume—because it is not clear to me where that increase would come from?

**The Hon. A. KOUTSANTONIS:** I will get Nick Panagopoulos to answer that question for you. He is my expert on royalties.

**Mr PANAGOPOULOS:** Effectively, for our royalties forecasting we extract information from Consensus Economics, so we use their forecast of future numbers. Whilst they are not great, the forward forecasts are for a stabilisation of some of the commodity prices and some slight increases in the longer term. So going out to—I think your question was 2016-17 or 2017-18—

**Mr VAN HOLST PELLEKAAN:** Yes, it was essentially the difference between 2013-14 and 2016-17, given that prices have changed a lot in that time.

**Mr PANAGOPOULOS:** We are seeing an upswing in prices, with some production increase as well.

**Mr VAN HOLST PELLEKAAN:** An upswing of prices?

**Mr PANAGOPOULOS:** From what they are today, yes, absolutely.

**Mr VAN HOLST PELLEKAAN:** From where they were in 2013-14? So you are forecasting higher prices in 2016-17 than they were in 2013-14, if it is an upswing?

**Mr PANAGOPOULOS:** Yes, that is right. Our forward forecasts include an upswing of prices, full-year effects of expiry of new mine rates and—

**Mr VAN HOLST PELLEKAAN:** Sorry, expiry of?

**Mr PANAGOPOULOS:** Expiry of new mine rates, so full-year cycle of expiry of new mine rates. Between now and 2016-17 we have the full-year impact of the Iluka mine new mine rate expiry, the full-year impact of the OZ Minerals mine new mine expiry, and by the middle of June 2016 we will have the OneSteel or the Arrium new mine rates expiring.

**Mr VAN HOLST PELLEKAAN:** Thanks, Mr Panagopoulos. Minister, can you share with the committee the projections in upswing in prices by sector? I think most people would be expecting an upswing in gas, but I do not think that most people would be expecting an upswing in oil or minerals, so if you could tell us sector by sector. Even if it is just in a percentage sense, just something that you could share in a relatively short space of time, that would be good, because I think that information would be fairly surprising.

**The Hon. A. KOUTSANTONIS:** Rather than us attempt now to clumsily formulate a document we do not have—because we do not have the breakdown you are asking for in a document that we can easily quote from—what I think we will do to give you a more accurate picture is we will go away and give you an analysis on the basis of what we think is the best way to answer your question.

**Mr VAN HOLST PELLEKAAN:** That would be great. On the same page, royalty revenue for 2014-15 is estimated to be \$70 million lower than its previous forecast. What percentage of the \$70 million less than expected was as a result of lower commodity prices? It is actually all wrapped up in the same question. If you are happy, you can take that on notice. It is different years particularly but it is the same information.

**The Hon. A. KOUTSANTONIS:** I am advised that the 2014-15 forecast is \$38 million lower than the forecast in December 2014. The total royalty revenue forecast for 2014-15 of \$252.7 million previously was \$290.7 million. It comprised a decrease of \$15.3 million in minerals, and a decrease of \$22.7 million in petroleum. The key drivers of the movement include an electrical failure of BHP Billiton's primary mill at Olympic Dam on 28 January. The impact of that is nearly 70,000 tonnes lower production between February and September 2015. It is a royalty reduction of nearly \$15 million. Another driver is the continued deterioration in the price of crude and other petroleum products, including LPG ethane. In January 2015 Brent crude dropped below \$US48. That is a six-year low. That accounts for a large percentage of the movement.

In terms of our 2015-16 forecast, it is \$15.2 million lower than previously forecast. The total forecast for 2015-16 of \$288.7 million, previously \$303.9 million, is comprised of a decrease of \$100,000 in minerals and a decrease of \$15.3 million in petroleum. The key drivers of the forecast are an upside from the softening of the Australian dollar, lower forecast price expectations for petroleum products and an anticipated improvement in mineral commodity prices in Australian dollar terms across the board. It is not a good picture going forward, and any further international instability would make it worse.

**Mr VAN HOLST PELLEKAAN:** Minister, in combination with the answer to the previous question about looking to royalties to 2016-17 expecting an upswing, that would mean that there must be a very dramatic upswing that is forecast. Given what you just said about prices going down now, my question before was from 2013-14 to 2016-17.

**The Hon. A. KOUTSANTONIS:** I understand. My guess is that you are going to have a very long career in this place. My guess is that you will be here in 2016-2017 probably asking me questions about the forecasts I made in my 2015 budget in comparison with the 2016-17 budget and we can compare those.

The thing about this business is that it is cyclical and very hard to predict. I do not think it is a return to trend. If it were a return to trend, it would be a much larger upswing, but these are a consistent improvement that has been approved by Treasury as well. But are they perfect? No, they are not. You only need to speak to your colleagues Mr Bill Marmion and Mr Nahan in Western Australia to understand the imprecise way people forecast royalties.

**Mr VAN HOLST PELLEKAAN:** In the same book, page 57, back onto extractive royalties but not a new impost on councils and looking at the announcement from last year, what percentage of companies chose to take up the opportunity to defer their royalty payments?

**The Hon. A. KOUTSANTONIS:** I am advised, one.

**Mr VAN HOLST PELLEKAAN:** Has there been any reduction in or any impact on the volume of extractives at all connected to the tax?

**The Hon. A. KOUTSANTONIS:** Not that I am advised, no.

**Mr VAN HOLST PELLEKAAN:** Does the government expect to receive \$3.2 million from this measure on average over the forward estimates?

**The Hon. A. KOUTSANTONIS:** That is the advice I have received, yes.

**Mr VAN HOLST PELLEKAAN:** I refer to Budget Paper 4, Volume 4, page 90, exploration expenditure, 'economic priority 1 Unlocking the full potential of South Australia's resources'. Minister, did the government meet its objective to increase private investment in mineral and energy resources' annual exploration expenditure from \$648 million, in 2013-14, to \$750 million, in 2014-15, as per its economic priority 1?

**The Hon. A. KOUTSANTONIS:** Did we meet our targets for petroleum exploration?

**Mr VAN HOLST PELLEKAAN:** Yes, minister. Did the government meet its objective to increase private investment in mineral and energy resources' annual exploration expenditure from \$648 million, in 2013-14, to \$750 million, in 2014-15, as per the government's economic priority 1?

**The Hon. A. KOUTSANTONIS:** I will not have an answer until September, I am advised, but we set targets, and the Premier said this when we set these ambitious targets: we will not meet all of them, but let us begin.

**Mr VAN HOLST PELLEKAAN:** There is nothing wrong with sensible, ambitious targets. I certainly agree with that, but of course they do have to be based on solid foundation and good reason for people to believe that there—

**The Hon. A. KOUTSANTONIS:** Well, I will give you an example. The combined minerals and petroleum exploration figures for the 12 months to March 2015 reached a record high of \$698.7 million for South Australia. That is not June to June, but that is 12 months to March 2015. I think it is important that we set targets, even if we are embarrassed if we do not meet them, because it pushes the Public Service, it pushes the regulators, it pushes industry to try to do everything we can to facilitate investment.

**Mr VAN HOLST PELLEKAAN:** The 5,000 additional jobs in this sector that were announced as a target in November 2014, is that an example of an embarrassing target or is that still on track or—

**The Hon. A. KOUTSANTONIS:** I do not take any pleasure whatsoever in seeing jobs in the minerals sector being lost—

**Mr VAN HOLST PELLEKAAN:** Neither do I.

**The Hon. A. KOUTSANTONIS:** I did not say you did. However, I will say this: this government works very hard to make the state an appealing place to invest. There are policies that do hamper investment. Indeed, this parliament has received evidence from the largest ASX company in this state about the dangers of regulatory risk, and that regulatory risk has been highlighted by policies of the opposition. I am not saying you are to blame for us not meeting this target, I am not saying that at all.

Am I embarrassed about not having met this target? Anyone involved in the minerals industry knows that there are commodity prices that swing up and down, and we will do everything we can to facilitate jobs growth. Am I embarrassed by it? No, I am disappointed, as I imagine members opposite would be as well—other than, perhaps, some in the South-East who do not particularly care too much for the oil and gas sector.

**Mr VAN HOLST PELLEKAAN:** I am not aware of any members of the opposition who—

**The Hon. A. KOUTSANTONIS:** Really? Because Tony Pasin and the member for Mount Gambier have Lock the Gate signs in the front of their offices, so perhaps you should speak to them. I am advised that Lock the Gate actually runs its operations out of Mr Pasin's office.

**Mr VAN HOLST PELLEKAAN:** I was in the member for Mount Gambier's office about two weeks ago and I did not see that sign there.

**The Hon. A. KOUTSANTONIS:** I have a picture of it. If you like I can send it to you.

**Mr VAN HOLST PELLEKAAN:** It might be a very old picture.

**The CHAIR:** That will not be necessary. Next question.

**Mr VAN HOLST PELLEKAAN:** Minister, back on track. Regarding this target, I say quite openly that I accept ambitious targets, no problem at all, but they have to be based on a strong foundation. What was the foundation in November for that 5,000 jobs promise?

**The Hon. A. KOUTSANTONIS:** Well, like the Western Australian government and like the commonwealth Treasurer, we were hoping there would be a recovery in the iron ore price, that we would see a recovery in the copper price, that we would see the Australian dollar come down, that we would see an improvement in petroleum and Brent oil price, and we hoped to see more investment. Unfortunately that has not occurred, unfortunately there have been a lot of international factors that have caused commodity prices to drop, and they have dropped to levels that are unprecedented. However, I am optimistic about their recovery, and the one thing I know about this industry is that if commodity prices recover, and recover quickly, so does their investment.

**Mr VAN HOLST PELLEKAAN:** Did you have advice in November that those hopes were well founded? Did you have advice from the department or externally that—

**The Hon. A. KOUTSANTONIS:** I always act on the advice of my department. I have complete faith in them.

**Mr VAN HOLST PELLEKAAN:** —told you that those hopes you have just outlined for us were realistic, that there was a good foundation for them to be true?

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr VAN HOLST PELLEKAAN:** Would you share that advice with the committee, on notice?

**The Hon. A. KOUTSANTONIS:** It depends. If some of the information from it has been derived from the private sector it may be commercial in confidence, but we will see what we can give you.

**Mr VAN HOLST PELLEKAAN:** I would not expect that any information or advice you would have about international price expectations would be commercial-in-confidence so —

**The Hon. A. KOUTSANTONIS:** It would be dependent; gas, for example, is sold through contract derived by direct negotiation by some of these companies. So it does involve a lot of internal information they share with us, because we are one of the best regulatory regimes anywhere in Australia for gas. Hence the concern of such large companies about the policies of the opposition.

**Mr VAN HOLST PELLEKAAN:** I do not accept that, that's for sure—

**The Hon. A. KOUTSANTONIS:** I will refer you to Mr James Baulderstone, who is the vice president of eastern operations at Santos, and his testimony to the committee that you voted with the Greens to establish.

**Mr VAN HOLST PELLEKAAN:** There is no opposition policy that causes Mr Baulderstone or anyone else any concern.

**The Hon. A. KOUTSANTONIS:** You should speak to them, because they highlighted —

**Mr VAN HOLST PELLEKAAN:** What actually happened was that we agreed to allow a Labor-dominated and Labor-chaired committee that was already doing the work to continue doing the work. Your colleagues had already commenced the work, your colleagues are completely in charge of that committee. Now, they will act independently of government and the parliament to do the best work they possibly can, but it is a Labor member-dominated committee that started that work. We certainly did agree to allow them to continue—

**The Hon. A. KOUTSANTONIS:** With the Greens, yes. You and the Greens voted together to establish this inquiry and Labor voted against it. Yes, you're right.

**Mr VAN HOLST PELLEKAAN:** Your party had already started—

**The Hon. A. KOUTSANTONIS:** It probably derived when you had that karaoke session with your leader, singing *Never Tear Us Apart*.

**The CHAIR:** Order!

**Mr VAN HOLST PELLEKAAN:** Minister, I have sung karaoke once in my life. It was about 30 years ago. I did such a bad job, it's never happened since.

**The CHAIR:** I am not sure what budget line karaoke carries.

*Members interjecting:*

**The CHAIR:** Order, everybody! I would like a question.

**The Hon. A. KOUTSANTONIS:** I don't think you'd ever sing karaoke with the Greens.

**Mr VAN HOLST PELLEKAAN:** No, I will not sing karaoke with anybody!

**The CHAIR:** Order! Member for Stuart, let's have a question.

**Mr VAN HOLST PELLEKAAN:** Minister, Budget Paper 4, Volume 4, page 90, Exploration Expenditure. Do you think that the Labor Party's gas reservation policy will have any impact on exploration in our state?

**The Hon. A. KOUTSANTONIS:** Labor has no reservation policy, and I will quote from the APPEA news release, because I am sure that SA Liberal media, when they asked you, or whoever it was who told you, to ask this question, there is no—

**Mr VAN HOLST PELLEKAAN:** I can assure you, nobody has asked me to ask a question.

**The Hon. A. KOUTSANTONIS:** The APPEA tweet that you should have read was: 'Labor conference right to reject domestic LNG reservation policy.' So there is no reservation policy and you should go back to your offices and tell whichever young upstart who told you to ask that question that they are wrong. We have no reservation policy.

The only government that has a reservation policy in this country is the Western Australian Liberal government, which reserves gas. The South Australian Labor government will never reserve onshore gas within our jurisdiction, point blank. We took it to the election, we stand by it.

**Mr VAN HOLST PELLEKAAN:** And the opposition has no policy to—

**The Hon. A. KOUTSANTONIS:** I know you have policies. I agree.

**Mr VAN HOLST PELLEKAAN:** —and we have no policy to do anything similar. I support you in the position that you have just taken—

**The Hon. A. KOUTSANTONIS:** Oh good, you should tell your leader.

**Mr VAN HOLST PELLEKAAN:** —and I think this is a very good example of where politics can run things off the rails because the discussion we are having now is exactly the same as the discussion about fracking. Neither of us has a policy in either area which will hurt the industry—

**The Hon. A. KOUTSANTONIS:** Au contraire, because—

**Mr VAN HOLST PELLEKAAN:** —but your party is investigating one.

**The Hon. A. KOUTSANTONIS:** No, we are not. We did not initiate the investigation. He voted with the Greens to establish it. The Labor members in the upper house voted against it. It is a policy you took to the election and I will be distributing your *Hansard* to *The Border Watch* to inform them that their local member of parliament had misinformed his constituents when the Liberal Party said they had a policy of establishing the inquiry into unconventional gas, because you have just stated to this committee that it is not your policy. I find that very interesting.

**Mr VAN HOLST PELLEKAAN:** No, minister: what I said is we have no policy against it. That is not the same thing as not being prepared—

**The Hon. A. KOUTSANTONIS:** So other than moving it and voting for it you're not—

**Mr VAN HOLST PELLEKAAN:** —to allow a Labor-dominated committee to investigate it—

**The Hon. A. KOUTSANTONIS:** That's right, so other than voting for it and moving it and taking it to the election you have no policy on it.

**Mr VAN HOLST PELLEKAAN:** —and maybe that is a big difference. We are prepared to listen to people.

**The CHAIR:** I ask all members to remember that the time we have here today is precious. If we could confine ourselves to questions and answers, we will get a lot further down the track. Can we have our next question and try to just concentrate on questions and answers?

**Mr VAN HOLST PELLEKAAN:** Yes, Chair, I will, and I hope everybody reads the *Hansard* extremely carefully.

**The CHAIR:** That is not a question.

*Members interjecting:*

**The CHAIR:** I will have to suspend the committee if we cannot continue in a normal manner.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 4, Volume 4, page 88, Net cost of sub-program. Given the concerns the minister has mentioned in the mineral resources and energy sector due to commodity prices, can the minister explain why the minister is cutting the mineral resources budget by approximately \$6 million, or 15 per cent, and increasing revenues from fees and charges?

**The Hon. A. KOUTSANTONIS:** Can I summarise your question? Tell me if I am right or wrong. You are claiming that there is an increase in fees and charges and a drop-off in investment. Is that what you are saying?

**Mr VAN HOLST PELLEKAAN:** Sorry, say that again.

**The Hon. A. KOUTSANTONIS:** Are you saying that there is an increase in fees and charges and a decrease in investment?

**Mr VAN HOLST PELLEKAAN:** A decrease in departmental expenditure.

**The Hon. A. KOUTSANTONIS:** There are a lot of series of one-offs that have been budgeted for that are coming to an end. It sets out on that page that the \$4.8 million decrease in expense is due to a PACE program coming to the end, the Brukunga Rock Dumps Strategy is a planned reduction, changes in overhead allocations between financial years, a reduction in the expenditure for the Mining and Petroleum Services Centre for Excellence, the Eyre Peninsula Land Use Support Initiative ends in 14-15. The \$800,000 increase in income is due to the increase of cost recovery through regulated fees and charges. We do a lot of work, we are catching up with charging industry the full costs of regulation, as we should.

**Mr VAN HOLST PELLEKAAN:** And that catch-up, minister, what is that all about? Is that fees and charges that have not been charged and there is outstanding debt or is it new fees and charges?

**The Hon. A. KOUTSANTONIS:** Where are you quoting from? The catch-up?

**Mr VAN HOLST PELLEKAAN:** No, the answer you just gave. You talked about the \$0.8 million increase in income primarily due to increased recovery cost charges through regulated fees and charges. Is that outstanding debt that you are bringing forward that you did not charge before or is it actually imposing new fees and charges?

**The Hon. A. KOUTSANTONIS:** We made amendments to the Mining Act. The government requires the delivery of all regulatory services move towards a full cost recovery model in order for the department to continue its high level of delivery of regulatory services and to improve administration of the mining assessments and increase administrative efficiencies.

The government's 2014-15 Mid-Year Budget Review amendments to the Mining Regulations in 2011 were introduced. These amendments include: a 5 per cent increase to all administrative fees under schedules 1 and 2 of the Mining Regulations to better reflect the real costs associated with the government's management of exploration and mining activity under the Mining Act; the introduction of an assessment fee for lease and licence applications to better reflect the extensive regulatory costs to the government, particularly in relation to major mining proposals; and general amendments to remove legal inconsistencies with the Mining Act 1971 to improve clarity of ministerial powers and processes.

The assessment fee introduced a sliding scale fee structure for determination of the assessment component of the application fee to mining lease, retention lease and miscellaneous purpose licence applications. The increase in administrative fees, and in particular the assessment fee, were modelled on three key factors: one, the recovery of costs incurred by the government to efficiently and effectively undertake its administrative and regulatory services; two, alignment with our state's major project development fees charged under the Development Act 1993; and finally, a comparison with similar fees charged in other Australian jurisdictions.

It is important to note, I am advised, that where practical, applicants are encouraged to submit their mining term applications for civil projects as a consolidated package. For applications lodged as a package, the department through statutory delegation has a discretion to waive multiple

assessment fees to reflect intent to cap the total costs of assessment fees and ensure fees are commensurate with the complexity of the applications.

There is one more point I want to make. To give you an example, as to the Rex Minerals application on Yorke Peninsula, the statutory fees and charges involved in that mining application were \$1,500 and I can assure the committee the cost of assessing that application was far in excess of \$1,500. It was dramatically higher than that, well above half a million dollars.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister. You gave a lot of examples but essentially the overwhelming majority of it was cost recovery.

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr VAN HOLST PELLEKAAN:** Does the industry get any additional service for these increased fees?

**The Hon. A. KOUTSANTONIS:** No, because South Australia was attempting to build an industry and now that we have a core base it is now appropriate that we move to a model where there is full cost recovery for regulating. The service they give is they get to maintain, I believe, the best regulators in the country who have no equal. I say that quite passionately and I think on the quiet, member, you would probably agree.

**Mr VAN HOLST PELLEKAAN:** Minister, you mentioned that the reason for decreasing expenditure was because there is a range of four or five projects that were coming to a conclusion. SACOME, in their submission to you, certainly did ask that you do not decrease expenditure and that you and the government keep productively and usefully and effectively spending money in this sector on some new projects. What was the reason for not accepting that request, or not acquiescing to that request?

**The Hon. A. KOUTSANTONIS:** There are always demands on the budget. Industry associations are always asking for more money to be spent in their areas. The government is committed to bringing the budget into balance and providing a surplus. The government is committed to its long-range tax cuts that are unprecedented in their size and scope, and they all cost money. If the opposition wants to increase expenditure they can. We are investing nearly half a million dollars on a copper strategy which has been welcomed by industry not only in South Australia but nationally. So, we are still investing. We are still spending money on programs like PACE, but we are living within our means. The government must bring the budget into balance.

**Mr VAN HOLST PELLEKAAN:** Thank you, minister. Budget Paper 4, Volume 4, page 90, Exploration expenditure, again, and in reference to the government's economic priority No. 1: Unlocking the full potential of SA's resources. You would be familiar with this document. Given it is nearly 12 months since the government set these nine objectives to achieve success, please update the committee on how you are progressing with those nine targets.

**The Hon. A. KOUTSANTONIS:** I am advised that the Premier launched the ten economic priorities in 2014, which aims to take bold action and seize new opportunities to develop and build our economy and a strong partnership between industry, government and the community. Economic priority 1: Unlocking the full potential of South Australia's resources, energy and renewable assets, will assist the delivery of a globally significant and competitive minerals and energy resources sector, which is critical to delivering jobs, growth and prosperity for South Australia's economy.

A five-point plan to unlock the full potential of South Australia's resources, energy and renewable assets includes: PACE; implementing recommendations of the oil and gas round table, sealing the Strzelecki Track; the South Australia copper strategy; a low carbon investment plan; and the South Australia iron ore strategy.

The five-point plan directly supports improving trade, strengthening linkages between business, universities, research institutions and government to drive innovation, commercialising more intellectual property and creating round tables for South Australia's strategic growth industries. Key strategies to deliver early progress on the priority objectives include—

**Mr VAN HOLST PELLEKAAN:** Excuse me for a second, minister. I am asking specifically about the nine points that are at the bottom of this page in that document: within 12 months, to

achieve success in this priority (being priority No. 1) South Australia will need to do these nine things. So, I am just looking for an update on that progress, please.

**The Hon. A. KOUTSANTONIS:** Well, I am getting to that. The five-point plan directly supports improving trade, strengthening linkages between business—I have already read that. Where are we?

Objectives: increase private investment in mineral and energy resources annual exploration expenditure from \$648 million in 2013-14 to \$750 million in 2014-15. I have given you a précis of how that is going. The combined mineral exploration figures for 2014 were lower than 2013-14. Mineral exploration expenditure has fallen below SA's strategic plan target of \$200 million per annum due to ongoing challenging global financial conditions impacting on exploration companies. The estimated mineral exploration for 2014-15 is \$120 million. The government policy initiatives to stimulate private investment are being considered.

The government is currently finalising the business case to identify the most prospective options for a bulk commodity port on Spencer Gulf and will be making an announcement later this year. The fall in the international spot price for iron ore from a high of \$186 per tonne in February 2011 to, I think, even lower than \$60 a tonne now has negatively impacted on demand for South Australian iron ore. The iron ore strategy is being developed to promote the marketing of this commodity and drive demand for South Australian magnetite as a global source of premium product for steelmaking.

We are working to assist BHP Billiton through the demonstration plant, the heap leach demonstration trial. All necessary approvals, both state and federal, are in place; however, we are currently awaiting the commercial investment decision by the board. We want to achieve \$140 million in exploration and appraisal investment within the Cooper Basin. Product price decline is affecting onshore exploration and appraisal budgets. The low oil price put an appraisal component into all development projects. Hence for 2015, development, exploration and appraisal will all count towards licence commitments, which is very useful to a lot of the juniors.

Exploration investment in the offshore Bight Basin remains on track, I am advised, with companies preparing for drilling commitments in 2016-17 through to 2019. We also have an aim of progressing implementation of recommendations of the Roundtable for Oil and Gas Projects in South Australia, with 90 of the 125 recommendations underway. More than 90 recommendations have been implemented in part or were in progress by the end of 2014—a total of 70 per cent of recommendations are underway.

In February, the government opened the Onshore Petroleum Centre of Excellence training facility at Tonsley, in collaboration with Santos, Senex and TAFE. This facility elevates South Australia as the national premier destination for learning and innovation in onshore oil and gas. We had an oil and gas supplier forum held on 23 June with over 200 attendees. I could keep on going through all these, but I suspect it is just going to take up all your time. Would you rather I just answer this on notice?

**Mr VAN HOLST PELLEKAAN:** On notice; that would be great. Okay.

**The Hon. A. KOUTSANTONIS:** There is a whole series of things we have completed.

**Mr VAN HOLST PELLEKAAN:** Thanks. I refer to the same book, page 93, under highlights, Progressive recommendations of the regional mining infrastructure plan. At the SACOME lunch on 12 June last year, the government, through minister Mullighan, committed to build a business case for a port to be completed in 12 months—that commitment was given just over 12 months ago—and for a port to be built within four years. Has the business case been completed? I know it has not been released, but has it been completed?

**The Hon. A. KOUTSANTONIS:** I just read out that we will be releasing it later this year.

**Mr VAN HOLST PELLEKAAN:** Has it been completed?

**The Hon. A. KOUTSANTONIS:** I am not going to pre-empt the release of the report.

**Mr VAN HOLST PELLEKAAN:** Okay. Are you still on track, as a government, to build a port within four years?



**The Hon. A. KOUTSANTONIS:** The commitment is not for the South Australian taxpayer to build a port: the commitment is to build a business case, identify a location and incentivise, in every way possible, through approvals and easements and other regulatory means, the production and building of a port. The truth is that, while commodity prices are low, the South Australian government will not invest in an unusable port. I think the taxpayer would rightly condemn me if we built a port that no-one is going to use.

However, there are very good arguments for us investing in existing ports that can be easily expanded, that are already running, that can take more commodities—bulk commodity ports—and take more products out. I am looking at the member for Giles with great interest because Whyalla is a keen candidate and a very good candidate. My preference is the Upper Spencer Gulf, which I have a great affinity for. I would like to see them benefit the most from any investment in a port. Whyalla is a very good candidate. It is a shame Port Augusta is not deep enough.

**Mr VAN HOLST PELLEKAAN:** Minister, do you expect that private industry will make that investment within four years, as predicted?

**The Hon. A. KOUTSANTONIS:** If Iron Road or one of those other operations up there gets funding, if the iron ore price recovers, yes, I imagine it would, but again, we are in the hands of the international commodity markets. It is very, very difficult for them right now. I can say the business case is imminent.

**Mr VAN HOLST PELLEKAAN:** Good news, minister; I look forward to it. On the same page and same general issue of recommendations of the Regional Mining Infrastructure Plan, how many times did the Resources Infrastructure Taskforce meet in 2014-15?

**The Hon. A. KOUTSANTONIS:** We will have to take that on notice.

**Mr VAN HOLST PELLEKAAN:** Are there other objectives of the Regional Mining Infrastructure Plan that have been achieved yet?

**The Hon. A. KOUTSANTONIS:** The goal of it is to build infrastructure, mainly a bulk commodity port. The business case is working around developing a bulk commodity port and the infrastructure that relates to servicing that port and any mine that may be in play. I am very keen to make sure that there is third-party access for our farming communities to make sure that they can get their commodities out the door as fast as they can as well.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 3, Budget Statement, page 55. I refer to the government's Building a Stronger South Australia—Future Fund document which says:

Contributions will be made when the budget is in an operating surplus position. This will occur from 2015-16 and it is proposed that payments into the fund would be based on:

- seven per cent of total royalty revenues per annum

Is it still the expectation to put 7 per cent of royalty revenue in 2015-16 towards the future fund, subject to the budget being in surplus, of course?

**The Hon. A. KOUTSANTONIS:** Subject to the budget being in surplus, yes. Legislation will be introduced, and I refer to my earlier answer this morning when you were present, I think. Were you there?

**Mr VAN HOLST PELLEKAAN:** I was, yes. I have a couple of questions that link to some of the things that you said then. So, that is still the expectation—thanks, minister. I refer to Budget Paper 4, Volume 4, page 90, and the number of approvals. It says that two mines received final approval in 2013-14 and 2014-15. Which were the two, please?

**The Hon. A. KOUTSANTONIS:** Sorry, I am not following you.

**Mr VAN HOLST PELLEKAAN:** On page 90, it says, about a third of the way down under activity indicators, 'No. of final approvals for new mines'. Which were those mines?

**The Hon. A. KOUTSANTONIS:** I am advised that the two mines in question are the Rex Minerals Hillside copper, gold and iron ore project north of Ardrossan and the Havilah Portia gold project situated 120 kilometres north-west of Broken Hill. There has also been considered mining

approval for the Uley graphite mine on the Lower Eyre Peninsula, Arrium Middleback Ranges and Hillgrove's life-of-mine extension for the Kanmantoo copper mine.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 3, page 55. This is essentially about Rex Minerals, but under the category of royalty revenue. Has the government done calculations on future royalties from Rex Minerals Hillside mine based on its proposed downsizing and, if so, what are they?

**The Hon. A. KOUTSANTONIS:** I am advised that we have done no new modelling on any revised mining plan because the company is yet to submit its revised plan to the department.

**Mr VAN HOLST PELLEKAAN:** So the forecast mining royalties are based on the old plan which you know Rex does not expect to proceed with?

**The Hon. A. KOUTSANTONIS:** There is no forecast within any of our figures for any royalties from Rex Minerals.

**Mr VAN HOLST PELLEKAAN:** How will Rex Minerals' recent announcement of a smaller scale start-up project for their proposed Hillside mine impact the number of jobs forecast to come from that project?

**The Hon. A. KOUTSANTONIS:** In what respect?

**Mr VAN HOLST PELLEKAAN:** Given that they have flagged that they are going to have a downsized operation.

**The Hon. A. KOUTSANTONIS:** They have not submitted to us the revised plan so I cannot tell you.

**Mr VAN HOLST PELLEKAAN:** Would it be fair to assume that it would be less than the 500 that they proposed originally?

**The Hon. A. KOUTSANTONIS:** As long as they are not digging it by hand, but I do not know. I cannot make assumptions, but yes I think it is fair to say. But, again, jobs are about timing. You have a slower start-up, but you reach the ultimate expansion in the long-term so the overall jobs created could exceed 500. I am not sure I can give you an honest answer to that. I am not trying to be difficult, it is just that if you start smaller, you employ fewer people upfront, but over the life of the project, which could be 20 years, you could employ double the amount because commodity prices recover halfway through and you undertake more labour intensive mining techniques for whatever reason.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 4, Volume 4, page 89. Looking at the highlight towards the middle of the page, 'Contributed to the continued growth of South Australia's mining industry through case management...' That is the third dot point. Can the government assure the local community that it will be given full information on the new mining plan now proposed by Rex Minerals planned under the smaller start-up which they are yet to share with you, I understand, and that this information will be made available to the public prior to the government's approval or otherwise of the changed operation? You can understand that the community is very interested to know what the changes mean.

**The Hon. A. KOUTSANTONIS:** Just so that we are clear, Rex have not submitted a revised work plan to us, so there is nothing for us to tell the community. When they do, we insist on a fully transparent application process, where the community is fully informed of the impacts, and we would want Rex to answer those concerns before any approval is given. That is how it worked previously.

What we have to grapple with in this parliament, and what they are grappling with in parliaments around Australia, is that mining encroaches on farming; it is a very emotional debate and I am glad that the Liberal Party are having it internally. It is just difficult, I understand that, and it is going to get more and more difficult as mines get deeper and people start looking for mines in areas that are more heavily populated.

It is a very difficult problem for members of the Liberal Party and, indeed, all rural members, and we are seeing it across the country. Transparency, I think, is our friend, and so as far as I am concerned the more information that people have the better.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister—I agree with you wholeheartedly. It is going to get tougher and tougher as technology improves and potential mines are near more heavily populated areas, as you said. I have to be clear, too, in asking this lot of questions, that I do not want Rex to incur cost unnecessarily either. I do not want them to have to rehash the same work they have done before. I do not want them to have that burden.

**The Hon. A. KOUTSANTONIS:** Well, they may need to if they change their work plan completely.

**Mr VAN HOLST PELLEKAAN:** The community, of course, does have a concern that they had an approval for a big mine—let's say, to make it really simple—and they have now come back saying that they would like to do a smaller mine. The community is concerned that, because they had the tick for the big mine, they might automatically get the tick for the small mine. I will say again that I do not want Rex to have to incur a cost unnecessarily, but I appreciate your answer that the government, your department and Rex will be completely transparent with the community about all those potential changes.

**The Hon. A. KOUTSANTONIS:** There is nothing to be gained by not gaining your social licence.

**Mr VAN HOLST PELLEKAAN:** Minister, on the same page, and in fact on exactly the same line, please provide an update on the review of the approvals process, case management assessment and ultimate granting of mineral tenements for mining projects. I understand there is a review going on into those areas.

**The Hon. A. KOUTSANTONIS:** Sorry, where are you quoting from?

**Mr VAN HOLST PELLEKAAN:** The middle dot point that starts with, 'Contributed to the continued growth of South Australia's mining industry'. I understand that there is review going on into the approvals process, case management assessment and ultimate granting; is that not the case? There is no review?

**The Hon. A. KOUTSANTONIS:** The government always reviews its policies and procedures, especially its case management, to make sure what we are getting right and getting wrong. To clarify, I think the advice I am receiving from the department is that, after they do a major approval, they do an assessment on how they conducted themselves, whether they used best practice, whether they could have improved it, what went right, what went wrong. That is just in the ordinary day-to-day business of the department; they do that to themselves regularly and not something I have instructed them to do. Again, these are the best regulators in Australia and they are constantly testing themselves.

**Mr VAN HOLST PELLEKAAN:** I thought there was a review that finished in February this year.

**The Hon. A. KOUTSANTONIS:** I could be wrong; I will check and get back to you.

**Mr VAN HOLST PELLEKAAN:** As I mentioned before, there is an expectation that gas prices are likely to go up. It has been discussed in industry, it has been discussed in the media. Has the government done modelling on the impact on South Australian households of changes to gas prices once LNG is exported from Australia?

**The Hon. A. KOUTSANTONIS:** That is price parity, international price point—is that what you are talking about?

**Mr VAN HOLST PELLEKAAN:** Yes.

**The Hon. A. KOUTSANTONIS:** We have contracted Mr Paul Taliangis of Core Energy, I understand, to do some modelling, but that has only just begun.

**Mr VAN HOLST PELLEKAAN:** Will those results be made public?

**The Hon. A. KOUTSANTONIS:** I will assess that after I have received the report.

**Mr VAN HOLST PELLEKAAN:** Have you asked that company, Core Energy, to consider the potential impact of increases in gas prices on the cost of electricity, through gas being used to

generate electricity? Do you see what I am getting at there? There is an impact on households through gas but then there is an indirect flow through to electricity prices.

**The Hon. A. KOUTSANTONIS:** No, we have not asked them to model the impact on electricity prices through gas generation.

**Mr VAN HOLST PELLEKAAN:** Sorry, have not?

**The Hon. A. KOUTSANTONIS:** Have not. We have asked them to impact the modelling of gross state product and tariffs for distribution through pipelines and the impact on price but not necessarily on generation—which is a secondary issue in terms of the inquiry; not in terms of its importance. As we get closer to that we might have a look at it depending, of course, on what our baseload is given our renewable energy target will be 50 per cent.

**Mr VAN HOLST PELLEKAAN:** Is it too late to do that? If you think about Torrens Island it is likely to have a big impact.

**The Hon. A. KOUTSANTONIS:** Yes; mind you, South Australia is awash with gas. The problem we have is that international customers are not that keen to pay very much for it; not as much as they used to for oil—depending on what the contracts are that our explorers and producers sign, and we do not have much of a line of sight into that, although the dashboard that AEMO will be putting up in Moomba may assist. However, by and large, will there be an impact? There may be. It could also be a positive impact; we will have to wait and see.

**Mr VAN HOLST PELLEKAAN:** Page 93, second paragraph from the bottom, 'Provide policy advice and coordination of energy market reforms, including national reforms.' Did the government support the South Australian Power Networks Bushfire Mitigation Program as proposed in the AER 2015-20 determination?

**The Hon. A. KOUTSANTONIS:** What we did was to give AER all the information it needed on current policies and practices, as a good jurisdiction should, and gave the regulator all the information it needed to make its decision. I do not think it assisted SA Power Networks' submission.

**The CHAIR:** Can you tell us what page and what volume you are using? We are just having trouble seeing it.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 4, Volume 4, page 93.

**The CHAIR:** Thank you.

**Mr VAN HOLST PELLEKAAN:** So, the government provided existing requirements, existing expectations, but did not recommend for or against?

**The Hon. A. KOUTSANTONIS:** We gave the regulator all the information she needed to make an informed decision, but without a recommendation. She is the regulator. We do not own the assets, we do not regulate the assets, but when we were aware of SA Power Networks' submission we fully informed the regulator of all the information she would need to make an informed decision about their ask.

**Mr VAN HOLST PELLEKAAN:** I understand that, and I understand that it was the regulator's decision, but did you make a recommendation as part of your pack of information, as part of your submission?

**The Hon. A. KOUTSANTONIS:** I am not trying to be difficult: I am just saying that SA Power Networks is a large employer in South Australia and we do not want to do anything to hurt them, but we also gave the regulator all the information she needed to make an informed decision to protect consumers, and she did.

**Mr VAN HOLST PELLEKAAN:** Did you consult with the Minister for Emergency Services before making that submission or did the Minister for Emergency Services make his own submission?

**The Hon. A. KOUTSANTONIS:** We will take that question on notice.

**Mr VAN HOLST PELLEKAAN:** A similar question with regard to bushfire safety. SA Power Networks claim that electricity assets on average start 27 fires in high risk areas each year, so not a fire in a built-up area. What coordination is done with SAPN to mitigate the risk of bushfire as a result of electricity prices?

**The Hon. A. KOUTSANTONIS:** Mr Vince Duffy can give advice.

**Mr VAN HOLST PELLEKAAN:** Another capable adviser.

**Membership:**

Hon. T.R. Kenyon substituted for Mr Hughes.

**The Hon. A. KOUTSANTONIS:** I am advised that electricity network operators have operational plans in place to minimise the risk of bushfires started by electricity distribution network equipment. SAPN and ElectraNet have a program of work that aims to achieve line repair and vegetation clearance compliance by the start of the fire danger season. Section 53 of the Electricity Act 1996, which empowers network operators to disconnect electricity in high bushfire risk areas during extreme weather conditions, based on fire danger level ratings, to avert danger to lives and property, is critical in managing these risks.

It should be noted that a decision to switch off power pursuant to section 53 has occurred on very few occasions in the last decade. Fire danger levels are determined based on the forecast provided by the Bureau of Meteorology and the actual measured wind speeds. SAPN places advertisements in metropolitan and regional papers to advise customers that power may be disconnected during times of high fire danger. Due to the nature of rapidly changing weather conditions on days of catastrophic fire danger, the time frame to issue advance warnings of specific disconnections may be short.

In addition, SAPN provides written advice on the risk of unexpectedly using electricity supply during the summer months. The OTR (Office of the Regulator) regularly requests updates from network operators relating to the progress of achieving bushfire season preparedness. So, that is how we manage bushfire risks through electricity.

**Mr VAN HOLST PELLEKAAN:** How many members of the Power Line Environment Committee are required to be from the emergency services sector or have significant experience in that area?

**The Hon. A. KOUTSANTONIS:** I am advised none.

**Mr VAN HOLST PELLEKAAN:** Moving on to road safety and a similar context, SAPN proposed a \$77.5 million road safety program for the 2015 to 2020 determination. I will assume that your answer will be very similar about putting a proposal forward, or putting information forward so that the regulator could make a decision. Can you tell me or take it on notice whether the government consulted with the Minister for Road Safety before providing that information?

**The Hon. A. KOUTSANTONIS:** I point out to the member that our submission is public and on the AER website, and I would refer him to that. If you would like a briefing on our submission and how we came to make that submission, I am happy to offer Mr Vince Duffy and Ms Rebecca Knights to give him that briefing, but it is public. We made it quite public.

**Mr VAN HOLST PELLEKAAN:** Okay. Can you take on notice about consultation with the Minister for Road Safety?

**The Hon. A. KOUTSANTONIS:** Sure.

**Mr VAN HOLST PELLEKAAN:** I want to turn to Alinta briefly. You and many of your advisers have been very involved with Alinta's decision, and I am fully aware that it is not a government decision, it is a private corporate decision. However, the government will have some significant responsibilities with regard to ongoing issues in the north of the state. Can I start by asking about future electricity supply—security. Once Alinta is gone—and while it has been declining for a long

time, I understand they currently provide approximately 15 per cent of the state's electricity—the reality is that they are leaving because they cannot make money, because too often they lose money to competitors in the wind sector. However, the times that they do make money, they make that money because they are actually needed.

With regard to the government's responsibility to ensure an environment under which electricity is supplied affordably and reliably to households, what is the government doing in that space to make up for the fact that Alinta's production will not be in the market?

**The Hon. A. KOUTSANTONIS:** The Australian Energy Market Operator (AEMO) undertakes ongoing monitoring of the supply outlook in the market against minimum local generation and demand-side capacity requirements in each region. We are able to share with Victoria capacity via the Heywood and Murraylink interconnectors. AEMO has indicated that South Australian reserves are not projected to fall below the minimum reserve level until beyond 2023-24 under high, medium and low economic growth scenarios.

AEMO considers that a fall in electricity consumption in SA since 2011 has been driven by slower economic activity, energy efficiency, significant penetration of rooftop PV and a consumer response, which is quite good, commercial and residential, to rising electricity prices and energy efficiency. The medium growth short-term forecast by AEMO to 2016-17 showed that the annual energy is expected to decrease by an average of 1.3 per cent.

The NEM has delivered very high levels of reliability, with the generation and transmission supplies consistently exceeding the reliability standard of meeting demand 99.998 per cent of the time, measured against the standard of 0.002 per cent unserved energy; that is, energy not supplied to customers due to a lack of bulk capacity. We have achieved a reliability standard in all years except 2000 when there was high demand in South Australia and Victoria and a temporary loss of Victorian generation due to industrial action. Basically, there is plenty of capacity within the system. It is not expected to grow beyond that. There is plenty of safe interconnection.

Increasing the capability of the Heywood Interconnector from 460 megawatts to 650 megawatts in July 2016 will deliver greater access to generation invested at peak times, maintain reliability and facilitate the export of renewable energy out of South Australia. It also has the potential to reduce the level of frequency of extreme wholesale prices. I am quite confident that we will be fine. Like you said, if they were making money and the demand was there, it would not be an issue.

**Mr VAN HOLST PELLEKAAN:** Yes, that is true on average but there are times, days and weeks, where they make money, where without them there would not be enough electricity supply. Let us hope that that is—

**The Hon. A. KOUTSANTONIS:** That is not the advice that we have received from AEMO. If you could source that information, it would be very helpful to me.

**Mr VAN HOLST PELLEKAAN:** The source of the information is anecdotal, minister. I was told by somebody I believe that three weeks ago, for example, the interconnector was not able to supply enough electricity into South Australia. At the time, Alinta—and good luck to them—was pumping it out and making good money.

**The Hon. A. KOUTSANTONIS:** I am advised that that was a planned outage and that the market knew about it, so I would be careful of anecdotal advice. I would encourage you to seek a briefing from Mr Matt Zema at the Australian Energy Market Operator on reliability and supply. I think that would be an important briefing for the opposition to have, rather than receive anecdotal evidence from people that you trust, no doubt. The example you are quoting was a planned outage.

**Mr VAN HOLST PELLEKAAN:** Thanks. Minister, I want to ask you about your overseas travel. This will not come as a surprise. I was here when the leader asked you about this before so I am not looking to cover that ground, but I do want to clarify whether it was two or three staff members that you took with you.

**The Hon. A. KOUTSANTONIS:** Two staff.

**Mr VAN HOLST PELLEKAAN:** It was two staff? Because that might have just been something that was misspoken in the—

**The Hon. A. KOUTSANTONIS:** There were three of us. I consider myself staff. I work for the Premier and the people.

**Mr VAN HOLST PELLEKAAN:** Minister, another thing that you mentioned was that one of the reasons you went to the mining conference in Canada was to refresh confidence in the state's resources sector. Can you expand on that, please?

**The Hon. A. KOUTSANTONIS:** You will not like the answer. I will be honest with you. I think the opposition's pronouncements during the campaign hurt bipartisanship. I know that you are pro-mining. I know that the member for Hartley is pro-mining. I know that the member for MacKillop is pro-mining. But there are people who are saying things that are frightening investors and I need to reassure them that South Australia is still a safe place to invest, regardless of what some members of the opposition think, and that there are more of them who support the resources sector than oppose it. What concerns the industry—and one day you may have to deal with this—is that political grandstanding can affect investment. Speak to Santos about the conduct of political parties in New South Wales and what that has done to their social licence and their investment profile. It hurts.

**The CHAIR:** This might be a good opportunity to change. You have one extra question?

**The Hon. A. KOUTSANTONIS:** I haven't finished.

**Mr VAN HOLST PELLEKAAN:** It is fortunate that you were able to take the trip, minister, before the ALP Liberal conference discussed gas reservation policy.

**The Hon. A. KOUTSANTONIS:** It was not a Liberal conference—

**Mr VAN HOLST PELLEKAAN:** I am sorry, the ALP national conference.

**The Hon. A. KOUTSANTONIS:** —it was a Labor conference, and we rejected gas reservation. The only government in Australia to reserve gas is the Western Australian Liberal government.

**The CHAIR:** We thank the minister and his advisers and ask for the new set of advisers to move in for our last session.

#### **Membership:**

Mr Duluk substituted for Mr Knoll.

Mr Tarzia substituted for Mr Williams.

#### **Departmental Advisers:**

Mr J. Chapman, Small Business Commissioner, Office of the Small Business Commissioner.

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

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

Mr A. Reid, Deputy Executive Director, Manufacturing and Innovation, Department of State Development.

Mr I. Nightingale, Industry Participation Advocate, Department of the Premier and Cabinet.

**The CHAIR:** Do we have some new advisers, minister?

**The Hon. A. KOUTSANTONIS:** Yes, ma'am, we do. We have Mr John Chapman, South Australia's Small Business Commissioner, Mr Adam Reid, who is the Deputy Executive Director of Manufacturing and Innovation, and Mr Ian Nightingale, who is the Industry Participation Advocate. Dr Russell remains—as the constant in my life.

**The CHAIR:** Do you have a statement of any variety?

**The Hon. A. KOUTSANTONIS:** No.

**The CHAIR:** Do we have a lead member here on my left to make a statement of any variety?

**Mr TARZIA:** No statement at the moment.

**The CHAIR:** Straight into questions?

**Mr TARZIA:** Yes. What was the total expenditure for the Office of the Small Business Commissioner in 2013-14 and 2014-15?

**The CHAIR:** What page are we on?

**Mr TARZIA:** I refer to Budget Paper 4, Volume 4, page 128. I understand that the question was taken on notice by the minister during the last estimates, and despite a reminder letter that was sent in April, no response was received. You can take it on notice.

**The Hon. A. KOUTSANTONIS:** I will ask the Small Business Commissioner to respond.

**Mr CHAPMAN:** In terms of 2015-16, the appropriation from the department is \$1.301 million, and the budgeted income that will be applied from the retail bonds fund will be \$341,000, bringing the overall revenue to \$1.657 million at this stage.

**Mr VAN HOLST PELLEKAAN:** Why is the budget being cut for the Small Business Commissioner?

**The Hon. A. KOUTSANTONIS:** A program called It's My Business came to a conclusion. I expect that the former chief of staff of John Olsen to be a prudent financial manager and to run his operations in a way that will not bloat the Public Service, who will spend money efficiently—

*Mr Tarzia interjecting:*

**The Hon. A. KOUTSANTONIS:** —like all good Liberals should. Perhaps you should learn from some.

**Mr VAN HOLST PELLEKAAN:** Everybody should; even the smallest household should spend their money efficiently.

**The Hon. A. KOUTSANTONIS:** Hear, hear!

**Mr VAN HOLST PELLEKAAN:** Are you saying that program is the reason for the reduction of \$200,000 from the 2014-15 budget to the 2015-16 budget, or the reduction of \$400,000 from the 2014-15 estimated actual to the 2015-16 budget?

**Mr CHAPMAN:** I think will take that one on notice because there is a degree of technicality there that I would like to be 100 per cent sure of.

**Mr VAN HOLST PELLEKAAN:** That would be great, thank you very much. On the same page, minister, what was the FTE allocation for the Office of the Small Business Commissioner in 2014-15 and the budget for 2015-16?

**The Hon. A. KOUTSANTONIS:** I am advised that the FTE allocation is 11 for both years, for 2015-16 and 2016-17.

**Mr VAN HOLST PELLEKAAN:** And it is staying the same for 2014-15?

**The Hon. A. KOUTSANTONIS:** I do not have the 2014-15 numbers here, but am advised by the Small Business Commissioner that he has not changed staffing.

**Mr VAN HOLST PELLEKAAN:** Same page, what was the cost of the consultants to undertake an independent review of the statistical information within the Small Business Commissioner's annual report?

**The Hon. A. KOUTSANTONIS:** I am advised that it was \$22,000.

**Mr VAN HOLST PELLEKAAN:** What steps have been taken to ensure that accurate recording of this statistical information takes place in the future?



**The Hon. A. KOUTSANTONIS:** I invite the Small Business Commissioner to answer that for you.

**Mr CHAPMAN:** In terms of the processes we have put in place, we have a regular case review meeting. The cases, in terms of sign off, come to me or the deputy, Frank Zumbo, with a cover sheet in terms of the process, and I personally review which case, check it against the sales force system in terms of how it is recorded. As I say, we regularly go through the cases, so there is an ongoing monitoring of the process.

**Mr VAN HOLST PELLEKAAN:** How was the error detected? Was it the transition from one commissioner to another? Did the new commissioner come in and detect the error? How was the problem identified?

**The Hon. A. KOUTSANTONIS:** The commissioner advises me that he was preparing the annual report, saw some anomalies and started asking some questions—

**Mr VAN HOLST PELLEKAAN:** This was the current commissioner?

**The Hon. A. KOUTSANTONIS:** The new, current commissioner. That is about as much detail as I can go into because, as you can imagine, there are other investigations that are ongoing.

**Mr VAN HOLST PELLEKAAN:** Okay. Did the consultant's report identify a cause, a reason for the misreporting?

**The Hon. A. KOUTSANTONIS:** The advice I have received is that the consultants did not delve into intent: they delved into the discrepancies and identified the discrepancies. That was the nature of their investigation, about ascertaining real numbers, but there are other ongoing investigations that I cannot talk about.

**Mr VAN HOLST PELLEKAAN:** The other one is delving into intent?

**The Hon. A. KOUTSANTONIS:** I would imagine, but I am not going to comment on it publicly at all.

**Mr VAN HOLST PELLEKAAN:** On the same page, Small Business Commissioner, how long was the previous small business commissioner inactive in his position prior to tendering his resignation?

**The Hon. A. KOUTSANTONIS:** I would have to get back to you on that. I do not have that with me. You are talking about the time from when he ceased?

**Mr VAN HOLST PELLEKAAN:** The time between stepping aside and resigning.

**The Hon. A. KOUTSANTONIS:** I will have to get that for you on notice.

**Mr VAN HOLST PELLEKAAN:** Was a termination payment made to the former small business commissioner?

**The Hon. A. KOUTSANTONIS:** I would have to take that on notice for you.

**Mr DULUK:** At pages 100 and 101, ABS figures show that SA had the lowest business entry rate for any mainland state or territory in 2013-14, at 11.4 per cent compared with the national average of 13.7 per cent. The number of businesses operating in South Australia also reduced in this period, with 14 fewer businesses operating by June 2014. Can the minister please advise how cutting the small business programs is helping SA businesses stay in business?

**The Hon. A. KOUTSANTONIS:** I would like you to reference the ABS data first. What months?

**Mr DULUK:** It was ABS data, June 2010 to June 2014. I am happy to table it for you, minister.

**The Hon. A. KOUTSANTONIS:** That is a full year before the most recent state budget. The most recent state budget probably brings about the most comprehensive piece of tax reform for small business in the state's history. Programs are one aspect: tax cuts are really putting rubber on the road, for lack of a better term, and \$670 million has been returned to small business, on top of what

I consider to be a very good small business package from the commonwealth government which Treasurer Hockey brought down in the most recent federal budget. His tax cuts, along with our tax cuts, make small business a lot more productive and a lot more affordable, and start-ups do especially well out of the South Australian government's tax cuts, on top of the WorkCover changes that were passed in a bipartisan way in this parliament.

Using the opposition's favourite measure, that is, the Institute of Public Affairs, we have gone from the highest taxing ranking state, on their modelling, to the lowest. What are we doing for small business? We are cutting their taxes, getting out of their way, giving them the opportunity to succeed and rewarding the risk takers, those active in the economy, and so is Treasurer Hockey.

**Mr DULUK:** I suppose there has been a long list of demise in programs, including the Business Enterprise Centre, the Youth Entrepreneur scheme, the small business emergency help line, the SME Investment Development Program and Innovate SA, and I suppose they were all pretty good programs that were helping small businesses. How is the demise of these programs going to help small business go forward?

**The Hon. A. KOUTSANTONIS:** I do not believe that the government should be subsidising business programs. Businesses are time poor as it is. I do not think the government has the expertise to tell small business how to operate. I think entrepreneurship should be encouraged by the government getting out of their way. I believe entrepreneurship should flourish and the government should not be taxing them when they attempt to transact.

**Mr DULUK:** So the Unlocking Capital for Jobs program is not seen as a government subsidy of business?

**The Hon. A. KOUTSANTONIS:** No, it is a market failure. When there is market failure, like with building indemnity insurance, I am happy to intervene; but, where there is no market failure, I believe business can stand on their own two feet, and we have given them the budget and the tax system to do so. I am surprised that there is anyone in the Liberal Party who does not agree with everything I am saying.

**Mr DULUK:** Just asking questions, minister. In terms of the Unlocking Capital for Jobs program, what is the guarantee fee that Treasury charges?

**The Hon. A. KOUTSANTONIS:** That is on another line and I have answered those questions in a previous estimates committee hearing.

**Mr DULUK:** But they also relate to this budget paper as well.

**The Hon. A. KOUTSANTONIS:** Where? Can you reference it?

**Mr DULUK:** Within page 100 and 101, because it is in unlocking the \$50 million of bank lending to small and medium businesses on page 101.

**The Hon. A. KOUTSANTONIS:** Yes, but that line is held by SAFA and we took some questions on notice about the guarantee fee and I will get back to the member who asked that. If you like I can carbon copy you on that answer.

**Mr DULUK:** That would be very kind.

**The Hon. A. KOUTSANTONIS:** I'm here to help. I'm from the government.

**The Hon. T.R. KENYON:** Except that you are getting out of the way.

**The Hon. A. KOUTSANTONIS:** Except that I'm getting out of the way.

**Mr VAN HOLST PELLEKAAN:** I refer to Budget Paper 4, Volume 4, page 100, Program 7: Opportunities for Small Business regarding expenses. Minister, when you became the Minister for Small Business in March 2010, the expenditure for the Opportunities for Small Business program was \$4.1 million in the 2010-11 year to provide support for small businesses in South Australia. In 2014-15 the estimated result for the same program is \$2.78 million. Please explain why we have seen this 45 per cent decrease in the cut in the government program.

**The Hon. A. KOUTSANTONIS:** Because I would much rather invest in tax cuts.

**Mr VAN HOLST PELLEKAAN:** Sorry?

**The Hon. A. KOUTSANTONIS:** I would much rather invest in tax cuts. My view is direct subsidy does not work. Businesses do not need handouts, they need a hand up, and what I am doing with the government is cutting their taxes—unprecedented tax cuts. Businesses can now buy plant and equipment from another operator or competitor and not pay tax. They can buy another business and not pay tax on goodwill. They can buy intellectual property from another business and not pay tax.

It is a competitive advantage coupled with removing conveyance duty on real property that no other business community has anywhere in Australia. That is why a \$2 million program or a \$4 million program will not change the fortunes of South Australian small business. What will change their fortunes is comprehensive tax reform, structural reform, about when they pay tax and how they pay those taxes.

It serves the state no purpose to have me tax a family or an entrepreneur 4.95 per cent conveyance duty on them buying a business, and I can tell you a grant will not change their life either. What they need is structural reform. If they want to take a risk, if they want to go out and risk their home, they have an idea they want to sell, I have no place in their transaction, and that is what this government has done. I hope you support us.

**Mr VAN HOLST PELLEKAAN:** Minister, I agree with that principle.

**The Hon. A. KOUTSANTONIS:** Thank you.

**Mr VAN HOLST PELLEKAAN:** No problem at all, but if you want to take that principle to the nth degree you would remove all of the funding which you have not done—

**The Hon. A. KOUTSANTONIS:** Well, you know—

**Mr VAN HOLST PELLEKAAN:** —because the reality is that—

**The Hon. A. KOUTSANTONIS:** —there are some small businesses that still require something.

**Mr VAN HOLST PELLEKAAN:** —there is a case for both. There is certainly a strong case for the tax cuts, no problem at all, but there are also businesses which will benefit from government programs to support them as well. It is not as simple as taking away all the support, giving them commercial and economic benefits and throwing them in the ocean and letting them swim. I do support what you said but there is certainly a place for supporting these small businesses. If you really believed everything that you just said to the nth degree—I am not saying that you didn't mean it—you would have removed the program entirely, so you do see value in keeping part of the program but at approximately half the level.

**The Hon. A. KOUTSANTONIS:** If I take your argument to the nth degree, what you are saying to me is that I should have cut all the programs because you support the tax cuts and, if I take your ideology to the nth degree, you would support no government subsidy of any type, but we are all different and we all have our own personal bias and prejudice towards some programs or another. My belief is that the government should live within its means, should provide budget surpluses and we should lower taxes where possible, and that is what this Labor government is delivering—budget surpluses, lower expenditure, paying down debt and reducing taxes—something no Liberal government has ever been able to do.

**Mr VAN HOLST PELLEKAAN:** Minister, I was not suggesting to get rid of it entirely. What I am asking is why did you cut it by 45 per cent over the last five—

**The Hon. A. KOUTSANTONIS:** Because I gave them bigger tax cuts.

**Mr VAN HOLST PELLEKAAN:** —or so years? Those programs are still incredibly important.

**The Hon. A. KOUTSANTONIS:** If I asked small business whether they would prefer massive tax cuts that are game-changers according to former Liberal Party staffers like Daniel Gannon or an increase of a program that runs subsidies of \$2 million, I think overwhelmingly the answer would be, 'We'll take the tax cuts.' It's just me.

**Mr VAN HOLST PELLEKAAN:** Thank you, minister. Budget Paper 3: Budget Statement, page 35, looking at the extend payroll tax concessions. I was here this morning when this area was canvassed with the leader so I do not plan to go over all of that, but obviously there is more to talk about. In your answer this morning to the Leader of the Opposition—

**The Hon. A. KOUTSANTONIS:** The current Leader of the Opposition.

**Mr VAN HOLST PELLEKAAN:** —you said that the payroll tax is a very, very efficient tax and you said that removing payroll tax would only lead to wages growth. If that is the case, what is the logic for increasing the threshold temporarily year by year?

**The Hon. A. KOUTSANTONIS:** There is a very good reason for it because a lot of small businesses that are growing rapidly are paying payroll tax for the first time and it can be quite a shock to a lot of those businesses. What this does is help them ease into it and ease into it because they are growing their payroll for the first time. They may have increased sales or they are just growing in the orders they may have, whatever the reason their thresholds are growing. This is a very good, progressive manner of easing people into the payroll tax scheme.

My fundamental belief is that if I had listened to the opposition before the election and just cut payroll tax and nothing else, that only would have benefitted 10 per cent of South Australian businesses. Yes, they employ a large number of people but it would not have been a tax cut for all business, and those tax cuts would have been easily consumed by wages growth in the following years. What we need in this economy is wages restraint, we need improved productivity and tax cuts.

The government and the public sector has a policy of 2.5 per cent wages growth, which is only 1.4 per cent above inflation, so it is still a real wage increase but it is moderate. We have cut taxes and we are improving productivity, so we are ticking all the boxes.

**Mr VAN HOLST PELLEKAAN:** Having said that removing payroll tax would only lead to wages growth and having also said this morning that you have not done any modelling on payroll tax and the impact on jobs and the economy, is there other information? What is the basis upon which—

**The Hon. A. KOUTSANTONIS:** Well, speaking with Chris Richardson from Deloitte Access Economics and his public talks through the tax review process, which I note the opposition did not make a submission to. He spoke at length to business about the dangers of politicians advocating payroll tax cuts and what that would mean for productivity; that payroll tax cuts would lead to wages growth and would hurt productivity; that payroll tax was a very good measure to keep wages restrained. He also talked at length about the improved structural efficiency of the economy by removing the dead weight loss of conveyance duty.

Other economists share his views. You can speak to any of the accounting agencies here in Adelaide, or the national ones, former Treasury secretaries like Ken Henry and Martin Parkinson, they all say the same thing, that payroll tax is a very efficient tax and it is not a tax that companies and small businesses pay, it is generally their customers and consumers who pay the payroll tax on items and if payroll tax was reduced all you would see is wages growth.

It is a very easy political argument to make that it is a tax on jobs and if you remove the tax on jobs people will employ more people. It is a very easy argument to make. It is a great seven-second grab. It just bears no reality to what actually goes on in the economy. The tough structural reform is getting rid of the dead weight loss of transactional taxes.

**Mr VAN HOLST PELLEKAAN:** Having said that, why only increase the threshold for one year at a time year after year?

**The Hon. A. KOUTSANTONIS:** We have been doing it for a number of years and I reserve the right to do it again next budget.

**Mr VAN HOLST PELLEKAAN:** But if you believe everything you have just said, why not do it as a one-off permanent change?

**The Hon. A. KOUTSANTONIS:** Like I said, it is very important that we bring the budget into surplus. It is very important that we maintain the tax cuts and live within our means. I mean, I have the opposition calling on me to increase spending, cut taxes and balance the budget. Sure, that is the cry of every opposition since time immemorial, but what I have done and what the cabinet has

done, and what the parliament, I hope, will do in passing these measures, is give South Australian businesses an unprecedented advantage in the most competitive tax regime in the country.

**Mr VAN HOLST PELLEKAAN:** But minister, if you keep rolling it on year after year, that will not help you balance the budget at all. It will make your forward figures look better, but it will not help your—

**The Hon. A. KOUTSANTONIS:** The fiscal outlook is showing budget surpluses of nearly \$1 billion by the end of the forward estimates. I know the Liberal Party is not used to seeing numbers like that, because you have never delivered a surplus.

**Mr VAN HOLST PELLEKAAN:** My question was, why just roll it along year after year after year with successive—why not just make it a one-off move, because it does not balance your budget?

**The Hon. A. KOUTSANTONIS:** The tax cuts are staggered, so they are coming in progressively over time. I said to you earlier this morning I reserve the right to bring them forward at a time when the market is not prepared for them.

**Mr VAN HOLST PELLEKAAN:** This is payroll tax?

**The Hon. A. KOUTSANTONIS:** I am talking about the conveyance duty. I am talking about the overall economic picture.

**Mr VAN HOLST PELLEKAAN:** The question is about payroll tax.

**The Hon. A. KOUTSANTONIS:** Yes. It is part of the budget measures, so I reserve the right to continue to do it.

**Mr VAN HOLST PELLEKAAN:** But why not make it a one-off? If you believe everything, as I am sure you do, that you just said—

**The Hon. A. KOUTSANTONIS:** We did it last year as well, and the year before that. We will roll it out.

**Mr VAN HOLST PELLEKAAN:** Why not just make it permanent?

**The Hon. A. KOUTSANTONIS:** We will see.

**Mr VAN HOLST PELLEKAAN:** Is there a reason? Because it is not going to be balancing the budget. Announcing it year after year, that will not help you balance your budget. It will make your budget look slightly better in forward years, but if you always live in the world where there is actually the increased threshold, it will not help your real expenditure versus income.

**The Hon. A. KOUTSANTONIS:** I'm in a parallel universe: are you arguing against the tax cuts?

**Mr VAN HOLST PELLEKAAN:** No, I am not at all. I am asking why do you not make it a permanent change rather than year after year?

**The Hon. A. KOUTSANTONIS:** I have just said to you, because the cabinet and the government have decided that we will extend it for another 12-month process. I would like to see national reform on payroll tax. There are many South Australian companies which are operating interstate in other jurisdictions and which are paying high levels of payroll tax, especially those operating in Liberal jurisdictions, and I want to see them have a competitive advantage.

I would like to see a national payroll tax scheme, where the money is returned to the states on a per capita basis but set nationally. I would like the commonwealth government to adopt the South Australian scheme, which is the most competitive, according to the Commonwealth Grants Commission, has the lowest tax effort of all the jurisdictions. We would give companies that are operating interstate in, say, New South Wales or Western Australia, where the payroll tax regimes are more aggressive, in those Liberal jurisdictions, a competitive advantage by adopting Labor's more progressive payroll tax scheme which is a lower tax effort which would benefit those businesses.

While the government white paper is in play, I am not making any permanent cuts to payroll tax, but I am advocating on a national basis that the commonwealth government should retake payroll tax and set it at the low level South Australia has it at.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister. Given that there are six different payroll tax rates, are you considering simplifying those?

**The Hon. A. KOUTSANTONIS:** It is progressive, so we do not want to give an advantage to the larger multinationals over the small operators who operate exclusively in South Australia. Simplification can mean disadvantage for some, so I would not do anything that would disadvantage operators that operate solely in South Australia.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister. I refer to Budget Paper 4, Volume 4, page 101—'Improve the business and regulatory environment for all small businesses in conjunction with industry'. When will the review of the Late Payments of Government Debts (Interest) Act 2013 be complete?

**The Hon. A. KOUTSANTONIS:** Imminently.

**Mr VAN HOLST PELLEKAAN:** Will it be ready by 17 August, which was the commitment?

**The Hon. A. KOUTSANTONIS:** I am not going to pre-empt any cabinet deliberations.

**Mr VAN HOLST PELLEKAAN:** So, is that a cabinet process to do the review?

**The Hon. A. KOUTSANTONIS:** No, but adopting the findings of the review is, and any legislative changes.

**Mr VAN HOLST PELLEKAAN:** But I did not ask about that. I just asked about when the review would be complete. I did not ask about what you are going to do with the recommendations.

**The Hon. A. KOUTSANTONIS:** We will have more to say about it later in the year. I cannot give you a time line, but it will be within the guidelines of the time frame that we had set out. Whether it is the 17<sup>th</sup>, a little bit before or a little bit after, I could not tell you.

**Mr VAN HOLST PELLEKAAN:** A little bit after, I guess, we could all accept. If it was much later than the deadline you set yourself, it would be—

**The Hon. A. KOUTSANTONIS:** I am having surgery on 6 August, so I might be out for two weeks.

**Mr VAN HOLST PELLEKAAN:** I hope it goes well for you, minister.

**The Hon. A. KOUTSANTONIS:** Yes, I am sure you do!

**Mr VAN HOLST PELLEKAAN:** It would be pretty ironic if the government's review of its own late payments ran late, so I am pretty keen, on behalf the small businesses in our state, to hold you to that 17 August commitment that you made. Minister, has the automated payment system been introduced for small business to claim interest on late payments?

**The Hon. A. KOUTSANTONIS:** No, it has not.

**Mr VAN HOLST PELLEKAAN:** When will it be?

**The Hon. A. KOUTSANTONIS:** Again, I will have to delay any findings post the review.

**Mr VAN HOLST PELLEKAAN:** So, that automated payment system is dependent upon the review?

**The Hon. A. KOUTSANTONIS:** The review is into the late payment system. They both speak to each other.

**Mr VAN HOLST PELLEKAAN:** So, it was not something you intended to do anyway or said that you would do anyway?

**The Hon. A. KOUTSANTONIS:** I do not have a recollection of what the policy pronouncement was, but I can look it up for you.

**Mr VAN HOLST PELLEKAAN:** Have you done modelling, minister, on the financial impact on the state as a result of late payments? If you think about it, obviously, it helps the cash flow for the government, it hurts the cash flow for business, but then that has an economic impact as well.

**The Hon. A. KOUTSANTONIS:** Late payments do not help me at all. I am not sure if we have done any modelling on economic impacts. I understand that the Small Business Commissioner has not done any modelling. I will check with Treasury.

**Mr VAN HOLST PELLEKAAN:** Sorry, has or has not?

**The Hon. A. KOUTSANTONIS:** Has not. I will check to see whether Treasury has or has not, but there has been a dramatic improvement in the government's late payments procedure.

**Mr VAN HOLST PELLEKAAN:** Can you put a dollar figure on that or a percentage of invoices or something similar?

**The Hon. A. KOUTSANTONIS:** The Office of the Small Business Commissioner continues to closely monitor the performance of the state government in paying its accounts. As part of this process, there is now in place a Late Payment of Government Debts (Interest) Act. The Office of the Small Business Commissioner is a dispute handling body for late payments by the state government able to support businesses all over the state. The office provided me in my capacity as Treasurer with advice in relation to the performance of agencies.

Under Treasurer's Instruction 11, all government agencies are expected to pay accounts within 30 days. I am advised that the figures provided by the Department of Treasury and Finance suggest that as of April 2015 there was \$42,917,806.56 in unpaid accounts 31 days or longer across government, which is an improvement from \$59,019,949.10 in July 2014. So there has been an improvement and it has been dramatic, but there is more to go.

**Mr VAN HOLST PELLEKAAN:** Page 101. This is about the target to create a business environment that encourages and supports entrepreneurship and enterprise creation. Please provide an update on the Building and Construction Industry Security of Payment Act, especially given that retired District Court judge Alan Moss's review of the act included comment on the lack of enthusiasm to bring the act into effect.

**The Hon. A. KOUTSANTONIS:** The review of the Building and Construction Industry Security of Payment Act 2009 was tabled in the parliament on 12 May 2015. The state government has not made any decisions concerning the recommendations. The Small Business Commissioner will provide me with advice shortly on ways in which the government can act to ensure that subcontractors get a better deal in terms of outstanding payments.

It is apparent to the government that there are ongoing concerns in this area from small business; however, I am not going to increase the burden of red tape. I am not going to increase the burden on the building and construction industry and there is a very fine line we are walking here. It is very easy to be all things to all people, but some tough decisions need to be made.

Some people rely overwhelmingly on government regulation to see them through and there are others who say that it will stifle them, so it is a very difficult path to navigate. That is why I have John Olsen's former chief of staff, who has lots of experience in dealing with the private sector, as our Small Business Commissioner to give me advice on how to navigate these very choppy waters.

**Mr VAN HOLST PELLEKAAN:** When do you expect to be able to come forward with some actions, recommendations or outcomes from that review after you have received the advice?

**The Hon. A. KOUTSANTONIS:** My view on policy-making is that it should be considered. It should take into account all opposing ideas and then you should think about it some more. I am not about to impose major costs on the building and construction industry because right now is not the right time to do it, but there must be a way of navigating through this which gives everyone a bit more security without it being stifling regulation.

The tools I have are blunt. The thing about government is that we are blunt. When we walk into a room to try and regulate, it can be very overpowering and can do a lot of harm to the economy. We are very careful about the way we conduct ourselves here.

That is why I want the Small Business Commissioner to take his time to consider this and give the appropriate advice, and then I will consult with the MBA, the HIA, contractors, contractors who are not members of any association, and the union. Then I will consult some more because, if I did what the union wanted, there would be taxes and charges in place tomorrow. If I did what some subcontractors wanted, there would be taxes and charges in place tomorrow. If I did what the HIA and the MBA would want, there would be nothing at all.

There is a way through this, but, again, very gently, without doing any harm to any economic growth because the aim of all this is to create jobs. If everyone is making money and we are all creating jobs, everyone gets paid. That is the ultimate aim.

**Mr VAN HOLST PELLEKAAN:** I agree.

**The Hon. A. KOUTSANTONIS:** Good.

**Mr VAN HOLST PELLEKAAN:** But 8.2 per cent unemployment is obviously a long way away from everybody's ultimate aim.

**The Hon. A. KOUTSANTONIS:** Absolutely. It is no time to be introducing new strict regulations on an industry that needs to grow.

**Mr VAN HOLST PELLEKAAN:** Same page, minister, and in fact the same line item. What small business specific red tape reduction initiatives currently exist? So, separate of tax, because we have discussed that already, but what small business red tape reduction initiatives currently exist?

**The Hon. A. KOUTSANTONIS:** I will just ask the Industry Participation Advocate, Mr Nightingale, to say a few words.

**Mr NIGHTINGALE:** Some of the things that the office has been doing in this regard is looking at removing unnecessary barriers and costs associated with government tenders. Two of the significant pieces of work that we have done are, firstly, looking out one single prequalification process for the whole of government and, in fact, the government also removed fees in respect of the prequalification process of \$62,000 in 2014-15.

The second thing we looked at assisting small business with was removing limitations of liability for low-risk contracts which was often making small business unviable in the sense of some of those small contracts. So they are two of the fairly key things that removed burden for small business both in streamlining the prequalification and limiting liability.

**Mr VAN HOLST PELLEKAAN:** Thanks, Mr Nightingale. Minister, what is the difference between the red tape steering committee and the Simpler Regulation Unit?

**The Hon. A. KOUTSANTONIS:** The red tape steering committee was a non-statutory advisory body established as part of the 2013-14 state budget and was chaired by the minister for small business, the member for Newland. The purpose of the committee was to build on previous action to reduce red tape, provide industry feedback to government on priority areas impacting small businesses and facilitate red tape reduction strategies.

In 2014, the government established initiatives such as Simplify, the Simpler Regulation Unit and the Small Business Round Table. These provide a more appropriate and flexible mechanism to engage with industry in relation to red tape. In January 2015, the legacy of the member for Newland, the red tape reduction steering committee, was wound up in order to reduce industry confusion, streamline government activities, and provide a more coordinated, flexible and innovative approach to engagement with industry. Next we will be airbrushing you out of history.

**Mr DULUK:** Page 101, minister, SA Micro Finance Fund. Obviously the budget notes say the SA Micro Finance Fund was launched in 2014-15, and the question is: where is the appropriation allocated for this fund? Is it in the 2014-15 budget or is it in the 2015-16 budget? How much funding has been provided for the current application cycle, and how many business are expected to receive assistance?

**The Hon. A. KOUTSANTONIS:** We do not have that here and I will take it on notice.

**Mr TARZIA:** Just a supplementary, Chair.



**The CHAIR:** A question is fine, member for Hartley.

**Mr TARZIA:** Budget Paper 4, Volume 4, same page, 101. Would the minister be able to provide a list of businesses who are recipients of that assistance? If you could detail the amount and the list of businesses once that due date passes. I think it is open until 31 August.

**The Hon. A. KOUTSANTONIS:** We will get that to you.

**Mr VAN HOLST PELLEKAAN:** Same page, but looking at the last target, 'Continue to undertake and contribute activities that support the implementation of the small business charter,' how many meetings did the state government convene to allow small businesses to put their views to the Premier and relevant ministers since the election?

**The Hon. A. KOUTSANTONIS:** The Small Business Round Table was chaired by minister Hamilton-Smith and me. I do not know how many meetings have been held, but I will find out. There has been a number of them, but I will find out and get you the exact number.

**Mr VAN HOLST PELLEKAAN:** Is there a schedule of meetings for 2015-16?

**The Hon. A. KOUTSANTONIS:** I do not have that here.

**Mr VAN HOLST PELLEKAAN:** An estimate of how many meetings. One of your advisers might know how many times a year.

**The Hon. A. KOUTSANTONIS:** I am often very cautious about having scheduled meetings and taking people from running their day-to-day businesses just to have a meeting with me so that I can fill criteria, answer a question in estimates and look good that I have had 12 meetings with the Small Business Round Table. I would much rather do it on an as-needs basis. It is a collaborative approach between industry, small business and the government. I will try to get you a forward timetable.

**Mr VAN HOLST PELLEKAAN:** As I was saying, it is more about an estimate of how many times a year it happens.

**The Hon. A. KOUTSANTONIS:** It is roughly four a year. That could increase or decrease depending on what is going on at the time.

**Mr VAN HOLST PELLEKAAN:** When will the charter for small business be completed and implemented as part of the agreement between the government and the member for Frome?

**The Hon. A. KOUTSANTONIS:** I am advised that there was no set time frame; it is just a matter of meeting ongoing commitments. For example, we facilitate strong representation for small business in government decision-making through the Small Business Round Table, and we appointed two high-profile representatives of small business, Miss Lily Jacobs of Renew Adelaide and Mr Rob Kerin, a former premier of South Australia—the last successful Liberal.

We are supporting entrepreneurs and new business through our investment in start-ups such as Co-HAB and Hub Adelaide. We are ensuring that our businesses have the best opportunity to win government contracts through the work of the Office of the Industry Advocate. There have been 791 businesses attend Meet the Buyer and connecting with business workshops since December 2014. Eighty per cent of the value of government contracts was awarded to South Australian businesses compared with 51 per cent in 2012-13 and 42 per cent in 2011-12.

Our Jobs Plan is supporting SA businesses in transitioning to new high-growth industry sectors. We are delivering a range of manufacturing and automotive industry programs aimed at securing the future of the state's manufacturing sector and diversifying our economy. We are reducing costs and red tape. WorkCover reforms are dramatic: \$180 million per year for every single South Australian business, so that is a large quantum of money. A simpler regulation unit is working with business to communally resolve unnecessary burdens and create a system of regulation that supports innovation, investment and jobs.

Payroll tax assistance for small businesses. Small businesses and their representatives are making valuable connections with our key trading partners and accessing export opportunities. Abolishing taxes: \$2.5 billion worth of tax cuts over the next 10 years. The government has already

abolished stamp duty on non-real property transactions, such as transfers of licences and businesses purchases, goodwill and IP. Share duty on non-listed shares, and the phasing out of stamp duty on non-residential properties. We are committed to the charter for small business following the 2014 election and it is an ongoing process.

**Mr VAN HOLST PELLEKAAN:** Are there any commitments made between the government and the member for Frome under the small business charter which have not been met?

**The Hon. A. KOUTSANTONIS:** Not that I am aware of, and if there are I am sure he will let me know.

**Mr VAN HOLST PELLEKAAN:** On the same page, same target, are there any representatives from small business on the Economic Development Board?

**The Hon. A. KOUTSANTONIS:** Well, the chair runs a small business, he owns a winery, Lily Jacobs, the CEO of Renew Adelaide, Tania Monro, Rob Kerin. Who represents small business?

**Mr DULUK:** Not the Labor Party.

**The Hon. A. KOUTSANTONIS:** If that were true, the opposition would never have lost an election, because we are a small business state, but yet they keep on repudiating you election after election after election. I think you are the only Liberal, member for Davenport, to receive a swing against you in a by-election when the Liberals are not in office—quite a remarkable feat. Davenport is made up of a number of small business owners, and again, for whatever reason, they swung to Labor. Labor is delivering tax cuts to small business.

The Small Business Commissioner, who Liberal members voted against, for whatever reason—we have appointed someone who worked for a fine former premier, Mr John Olsen, who did a lot to improve the productivity of South Australia. I am prepared to receive advice from Liberals, especially good ones.

**Mr VAN HOLST PELLEKAAN:** I refer to Budget Paper 4, Volume 4, page 100. As the minister would know, the inner west BEC closed its doors on 19 June this year. That BEC had performed over 18,000 client contacts, many of which were start-ups and existing small businesses. Where do you as Minister for Small Business recommend that small businesses go for that sort of support? I have heard everything you have said about the tax cuts, but where do you recommend they go now for that sort of advice and support?

**The Hon. A. KOUTSANTONIS:** The government is not the answer to their ills. The government does not have the answer for small business. Small business is made up of a group of entrepreneurs and risk takers, doers, people who put everything on the line to get ahead. There is nothing a government agency can teach them, in my view. Small business can benefit by informing government about what we are doing wrong, about how we get in their way. If we have learnings we can share it with them.

BECs are not the be all and end all. There are associations and chambers of commerce they can join. There are a number of chambers they can join that have very low fee structures. There is a Small Business Commissioner they can go to free of charge. They can send emails to their members of parliament, they can work in the hubs, in strips, and talk to each other about opportunities. The idea that the government has the answers for small business quite frankly is an antiquated and old idea belonging more to people like Sir Thomas Playford and Don Dunstan than to the modern economy.

**Mr VAN HOLST PELLEKAAN:** Minister, page 101: supporting 50 small and medium-sized businesses to enter new global markets. How many small and medium businesses have been supported to enter new global markets in 2014-15?

**The Hon. A. KOUTSANTONIS:** I refer you to minister Hamilton-Smith for that, but I can give you some detail. I am advised that between 1 July 2014 and 31 March 2015 TradeStart assisted 28 companies achieve over \$9 million in export sales. More than 100 new companies signed up to the program between July 2014 and April 2015, of which 38 are first time exporters. The China trip, one that the opposition criticised roundly, was supportive. My view is that we get out of the way of business.

**Mr VAN HOLST PELLEKAAN:** In providing those numbers, how do you measure or identify having entered a global market? Is it setting up an office, having a certain level of sales or having been there for a fixed period of time? How do you judge success?

**The Hon. A. KOUTSANTONIS:** I will take that question on notice as we do not have the answers here. It is not my portfolio.

**Mr VAN HOLST PELLEKAAN:** On exactly the same line, targets: 'unlocking \$50 million in bank lending to small and medium businesses'. Has that \$50 million guaranteed business loan scheme actually commenced?

**The Hon. A. KOUTSANTONIS:** Yes.

**Mr VAN HOLST PELLEKAAN:** How many businesses have accessed it?

**The Hon. A. KOUTSANTONIS:** I understand one, Australian Fashion Labels.

**Mr TARZIA:** I was going to ask for a list, but there is only one.

**The Hon. A. KOUTSANTONIS:** Australian Fashion Labels.

**Mr TARZIA:** We hoped it would be more, but give it time.

**The Hon. A. KOUTSANTONIS:** You want more government subsidy? I am not surprised.

**Mr TARZIA:** No, more than one.

**Mr VAN HOLST PELLEKAAN:** Minister, page 104 again under highlights—'Launched the SA Micro Finance Fund to help people to translate good ideas and business models into new growth'. Since the SA Micro Finance Fund was launched, how many businesses have received—

**The Hon. A. KOUTSANTONIS:** You have asked this question already and we have taken it on notice.

**Mr VAN HOLST PELLEKAAN:** Did you answer it?

**The Hon. A. KOUTSANTONIS:** Sorry, I have it here; my apologies. It has been asked and I took it on notice, but I have the answer now. Ten firms have received \$50,000 in the first round of applications of the new SA Micro Finance Fund. We will get you a list of the names of the companies.

**Mr VAN HOLST PELLEKAAN:** On the same page, what support does the government provide to small business through the Polaris Centre in the northern suburbs?

**The Hon. A. KOUTSANTONIS:** The Polaris Centre delivers a range of business support programs for the northern business community, including business advisory services, business fundamentals program, innovation program, coaching and mentoring program, and business networking. We have provided funding of over \$400,000 over three years to the Polaris Centre to deliver the Digital Growth program as part of this commitment by the Premier in the most recent state election.

The aim of the program is to allow small businesses to increase their digital expertise and improve their competitiveness and accelerate growth. The centre is an initiative of the City of Salisbury and the University of South Australia and is supported by the City of Playford and the Department of State Development. The Digital Growth program includes:

- Digital Start—90 minutes of one-to-one mentoring to help target 80 start-up businesses;
- Digital Audit—a structured program for 100 established firms to identify opportunities to improve their digital presence;
- Digital Growth Mentoring—a program for 25 businesses that have participated in either Digital Start or Digital Growth Audit to receive targeted mentoring to implement recommendations and strategies; and
- Digital Horizons—a series of seminars, workshops or masterclasses promoting applied expertise.

To date, the Polaris Centre is on track to reach its target participation numbers for the program.

**Mr DULUK:** Supplementary, minister. I fully agree with the work of the Polaris Centre. However, given your previous comments already on the record, why do we need a Polaris Centre? Why can't businesses in northern Adelaide join industry groups, chambers of commerce and the like, which you have already stated is what you believe in.

**The Hon. A. KOUTSANTONIS:** That is a very good question.

**Mr DULUK:** That is the one I am asking.

**The Hon. A. KOUTSANTONIS:** The reason is because of the unprecedented attack on the northern suburbs by the commonwealth government by removing—

**Mr DULUK:** Rubbish!

**The Hon. A. KOUTSANTONIS:** You asked me the question and I am answering it.

**Mr DULUK:** Given that you say we are a small business town—

**The Hon. A. KOUTSANTONIS:** Don't verbal me.

**Mr DULUK:** —and not big, then there is no attack.

**The Hon. A. KOUTSANTONIS:** I listened to your question quietly and now I ask you to listen to my answer quietly. I have shown you the respect of answering all your questions. The commonwealth government's decision not to invest in General Motors Holden is seeing the largest restructure the northern suburbs has ever seen since it was founded by Sir Thomas Playford.

Sir Thomas decided to establish an automotive industry in this state and we used government subsidy to get them here. Every motor vehicle in the world, no matter what its brand or where it is made, has government subsidy. The commonwealth government, when they first came to office in 2013, made a decision not to invest, and that means probably the most dramatic and destructive impact on the northern suburbs in its history since it was established.

I do not generally support government subsidy for business, but there is no auto industry in the world that can operate without subsidy. So, if you want to have a capability of mass assembly of motor vehicles in the automotive industry, you need to subsidise.

Once that subsidy is removed, it falls away and, because it has fallen away, it is only appropriate that the government make investments to try to prop up and keep up and help companies adapt and overcome the large challenges they face. That is why programs like this are well intended. What I would like to see is a commonwealth partner, but I do not have one.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 4, Volume 4, page 101: do you support the Minister for Investment and Trade's proposal to increase the Jobs Accelerator Fund of \$15 million over two years to \$20 million per year?

**The Hon. A. KOUTSANTONIS:** You will have to wait and see at the next budget.

**Mr VAN HOLST PELLEKAAN:** See who wins in cabinet.

**The Hon. A. KOUTSANTONIS:** Who dares wins.

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

**The CHAIR:** It is now 7 o'clock. It is time for me to close off this line. There being no further questions, I declare the examination of the proposed payments completed. I thank the minister and his advisers for attending and the members for their cooperation. I lay before the committee a draft report.

**The Hon. T.R. KENYON:** I move:

That the draft report be the report of the committee.

Motion carried.

At 19:01 the committee concluded.