

HOUSE OF ASSEMBLY

Tuesday 22 September 1987

ESTIMATES COMMITTEE B

Chairperson:
Ms D.L. Gayler

Members:
The Hon. P.B. Arnold
Mr D.S. Baker
Mr M.R. De Laine
Mr R.J. Gregory
Mr I.P. Lewis
Mr P.B. Tyler

The Committee met at 11 a.m.

The CHAIRPERSON: The procedure to be adopted will be relatively informal. There is no need to stand to ask or answer questions. The Committee will determine the approximate timetable for consideration of proposed payments to facilitate the changeover of departmental advisers. Changes to the composition of the Committee should be notified to the clerk as they occur. If the Minister undertakes to supply information at a later date, it must be in a form that is suitable for insertion in *Hansard*, and it must be submitted, at the latest, by 9 October.

I propose to allow the lead speaker for the Opposition and the Minister to make opening statements of about 10 minutes if they so wish. The Committee will take a flexible approach to giving the call for the asking of questions, based on about three questions per member and alternating sides. Members will also be allowed to ask a brief supplementary question to conclude a line of questioning. Subject to the convenience of the Committee, a member outside the Committee who wishes to ask a question will be able to do so once Committee members have exhausted a line of questioning. An indication in advance by members outside the Committee would be appreciated.

Questions should be based on the lines of expenditure as revealed in the Estimates of Payments; however, reference may also be made to other documents, such as the Program Estimates and the Auditor-General's Report. The Minister will be asked to introduce advisers prior to commencement and at any changeover. Questions are to be directed through the Chair to the Minister and not to advisers but, of course, the Minister may refer questions to advisers for a response.

Marine and Harbors, \$27 542 000

Witness:

The Hon. R.K. Abbott, Minister of Marine.

Departmental Advisers:

Mr T. Phipps, Director, Marine and Harbors Department.
Captain R. Buchanan, Director, Ports and Marine Operations.
Mr P. Salisbury, Director, Engineering.
Mr K. Freeman, Director, Administration and Finance.
Mr I. Lovell, Director, Commercial.
Mr G. Rogers, Manager, Resources.
Mr T. Bateman, Manager, Forward Planning.
Mr M. Travers, Chief Finance Officer.

The CHAIRPERSON: I declare the proposed payments open for examination and call on the member for Chaffey to make an opening statement.

The Hon. P.B. ARNOLD: I do not intend to make any opening remarks. As soon as the Minister has made his remarks, I would prefer to go straight into questions.

The Hon. R.K. Abbott: I do not wish to make an opening statement. However, my department has been requested to table the ministerial portfolio responsibilities and the organisation structure, which were inadvertently left out of the yellow book. I have copies for members of the Committee and one for incorporation in *Hansard*.

The CHAIRPERSON: I am not sure whether it is appropriate that the document be incorporated in *Hansard*, but that will be determined.

The Hon. P.B. ARNOLD: My first question relates to the construction of the vessel *Island Seaway*, which is of significant importance to South Australia and to the department. In his report on page 141 the Auditor-General comments:

Without going to tender a contract was let to a South Australian company in March 1986 to construct the vessel. The estimated cost of the project at that date was \$15.6 million or \$12.5 million net of bounty. It was expected that the vessel would be completed before June 1987.

Why did the Auditor-General highlight the fact that the Government proceeded with the construction of this vessel without putting it out to tender?

The Hon. R.K. Abbott: The Government considered allowing Eglo Engineering Pty Ltd to build the *Island Seaway* in order that it may assist South Australia in its endeavour at that time to support the State's claim for the submarine contract. As the honourable member would be aware, Eglo Engineering tendered for the submarine contract and, in conjunction with the ship lift for that project, the Government decided that it would allow the contract for the *Island Seaway* to be granted to that company. The Director-General had discussions with the Auditor-General on this matter and I will ask him to elaborate.

Mr Phipps: I discussed this matter with the Auditor-General because he was seeking to provide information on this matter in his report. I assume that the major reason for his mention of this point was that it would normally be expected that the construction of this vessel would go to tender, but for very good reasons in this situation it did not. As the Minister has already stated, the Government wanted to clearly establish that South Australia was well positioned in its claim to be the best place for a greenfield site for the construction of the submarine contract, a site in which there were no industrial relations problems, and beginning construction of this vessel quickly was a major element in that plan.

The decision not to go to tender was an important element of the fast track process. The other important element, which was a concern of the people on Kangaroo Island, was to get this vessel, which was tailor-made to the specific requirements of the trade between the mainland and Kangaroo Island, into service as quickly as possible. For both reasons a fast track means had to be established. In not going to tender, the Government took other safeguards to ensure that the price was a rigorous and competitive price by having the tenderer's price assessed.

The Hon. P.B. ARNOLD: The Director has said that the department or the Government took necessary safeguards to see that the price was competitive. While I appreciate it is a different type of vessel, I understand that just recently a 2 000 tonne cargo vessel, the *Sandra Marie*, was completed in Newcastle at a cost of about \$5 million. That is not a roll-on, roll-off vessel: it is a straight cargo vessel, but

there is the comparison of \$5 million with the estimated \$15.6 million for the *Island Seaway*. What did the department use as a yardstick to determine that the \$15.6 million was a reasonable figure?

The Hon. R.K. Abbott: We took the advice of the independent shipping consultant Mr Henning Horn from Melbourne who confirmed at the time that the price quoted by Eglo was competitive. That consultant is retained by the Department of Marine and Harbors as a shipping consultant. Mr Phipps will add to that information.

Mr Phipps: I would like to make a number of points, first with regard to the *Sandra Marie*. That is a bulk carrier vessel. The vessel that we are talking about for Kangaroo Island is a tailor-made roll-on, roll-off vessel, and it is also a passenger vessel. The purposes and the need to achieve the objectives being sought for both vessels are completely different. It is like chalk and cheese to compare a roll-on, roll-off vessel, which is also a passenger vessel, with a bulk material carrier. A bulk material carrier vessel is much lighter and does not need nearly the same degree of strength or attention to very rigorous safety and sophisticated controls that this vessel requires. That is the major reason for the difference. They are completely different vessels. The bulk carrier is a very simple vessel in comparison.

The Hon. P.B. ARNOLD: The Minister has mentioned that the department or the Government has retained a consultant in Melbourne. If that is the case, how many other roll-on, roll-off vessels have been designed and built in Australia prior to the *Island Seaway*?

The Hon. R.K. Abbott: I am afraid I would not be able to answer that off the cuff. I could endeavour to get that information for you, unless the Director knows.

Mr Phipps: All I can say—and I cannot guarantee the answer to this question—is that we believe there have been three roll-on, roll-off vessels that carry passengers, but I could not give the details. We could take the question on notice and provide further information.

The Hon. P.B. ARNOLD: As far as my own information is concerned—and I am not sure how accurate that is—no other previous roll-on, roll-off vessels have been designed and built in Australia. That is why I asked the question about the consultant. What experience has the consultant had, and leading on from that, what experience did Doherty's have in being awarded the design contract if no other roll-on, roll-off vessels have been designed and constructed in Australia?

Was it somewhat of a gamble to give a contract to a company to design a vessel when obviously that company had had no experience in that field in the past? Would it have been more advisable to have sought a design perhaps from an overseas company which at least had been involved in building and designing roll-on roll-off vessels?

The Hon. R.K. Abbott: These are matters of a technical nature, so I will ask the Director to respond.

Mr Phipps: The designer was chosen on a competitive basis. Tenders were called on the basis of the capacity to do the job and a very thorough assessment was made.

The Hon. P.B. ARNOLD: Was that just from within Australia?

Mr Phipps: Yes, as I understand it, but I would have to check that. The designer who was selected has had significant experience in designing vessels on the coastal trade in Australia. I do not believe that there would be any grounds to say anything other than that the selection of the designer was a reasonable one. I can name some of the vessels with which the designer has been involved.

Mr De LAINE: It is understood that the department is continually negotiating for increased direct shipping services

between Port Adelaide and our trading partners. Could the Minister outline, for example, the benefit of the Anro consortium which links South Australia directly to South-East Asian markets.?

The Hon. R.K. Abbott: The Anro consortium services the trade between South Australia and South-East Asia, with a fortnightly direct call at Port Adelaide. That regular service began in January 1987. Analyses of the Anro service highlight the benefits of such a regular service to shippers, the shipping lines and the South Australian community. It is one of the most successful services to have operated at the port of Adelaide. The Anro service carried approximately 6 100 TEUs in 1985-86, and this increased to 8 300 TEUs in 1986-87. The trend of increasing trade for Anro vessels continued strongly in July and August of this year. It is estimated that the Anro service has captured about 95 per cent of the South Australian trade with South-East Asia. There is excellent shipper support for the service, and obviously this is an advantage to the shipping lines. Shippers' support the service because of its regulatory and frequency. Costs and delays that are normally associated with cargo moving via other ports are avoided, and reliability of the Anro service has been high.

The South Australian community benefits from the direct calls. Such direct calls increase employment opportunities within the State and add to the economy through utilisation of its services. The resultant savings to shippers improve their ability to compete internationally, expand export markets and develop new products for new markets. The Anro service reflects the need for more direct regular shipping services between the port of Adelaide and the other major markets.

Mr De LAINE: One of the more important yet less publicised responsibilities of the Department of Marine and Harbors revolves around the prevention of oil pollution of State waters. Will the Minister advise on the number of recorded incidents of oil pollution during the past year and will he say whether any significant spills occurred?

The Hon. R.K. Abbott: There were only five recorded oil pollution incidents during this year, and each of those was very minor. However, the Department of Marine and Harbors and the oil industry continued to develop equipment to combat pollution and to undertake exercises to minimise the effect of any incidents. Indeed, at this time a series of exercises is being conducted at Port Adelaide, Port Pirie, Port Bonython and Port Lincoln. The largest reported oil spill during this year was approximately 50 litres of oil. Consequently, when considering the number of vessels operating in our waters and the volume of liquid hydrocarbons being handled, the record is excellent. It should be noted also that oil traces were found on the southern coastline of Kangaroo Island at about the end of last year. However, investigations by the Department of Mines and Energy indicate that this was from natural crude oil seeping from the seabed which occurs from time to time along our coastline.

Mr De LAINE: It is noted that significant expenditure savings will accrue to the Department of Marine and Harbors as a consequence of the cessation of bucket dredging operations. As bucket dredging has been undertaken by the department for many years, will the Minister advise the reasons for the cessation of that operation and detail the staffing and financial implications arising from that decision?

The Hon. R.K. Abbott: Bucket dredging operations ceased in the Department of Marine and Harbors on 3 September 1987. The essential reason for the cessation of bucket dredging was the lack of future dredging projects. The decision

was based entirely on that fact, namely, that there was no major dredging work around the coastline of South Australia. Although in future there will be some minor dredging work on an intermittent basis, there is insufficient ongoing work to sustain a full-time bucket dredging operation costing \$3 million per annum. The cessation of that operation will therefore result in the saving of some \$3 million per annum. There was just no way that we could retain at that cost the total workforce, the floating equipment, the dredges and the hopper barges associated with that operation. We just could not justify it with Treasury, and the men accepted that in the final decision.

The Hon. P.B. ARNOLD: I understand that the design of the *Island Seaway* utilises the Z propeller system as its form of propulsion and steering. Really my own experience with this system has been with small pleasure craft. Has it been utilised before in other large vessels of the size of the *Island Seaway*? In other words, has the system been proven up in vessels of that size?

The Hon. R.K. Abbott: As far as I know the new Z drive on the *Island Seaway* is the first of its type built in Australia.

The Hon. P.B. ARNOLD: That is what I understand. What I am getting at is whether that system has been used in a vessel the size of the *Island Seaway* anywhere else in the world? It is used extensively in small pleasure craft, tug boats, and so forth, but I personally do not know of its being used in a vessel the size of the *Island Seaway*. Was the utilisation of that system in a vessel the size of the *Island Seaway* a gamble to any degree?

The Hon. R.K. Abbott: Mr Phipps can give information on that and I ask him to reply.

Mr Phipps: The Z drive configuration is being used on a large number of smaller vessels, in particular the tugs that operate in Port Adelaide and a number of other ports. So, experience with the Z drive is not new. We are not aware of its having been used on larger vessels in our coastal trade, but one of the key requirements for the *Island Seaway* is a high degree of berthing manoeuvrability. No doubt exists that the Z drive configuration gives a high degree of manoeuvrability and cuts down berthing time. We have been advised by the major contractor for the propulsion system that a large number (I understand, 16) of this type of propulsion system are in operation in Canada, particularly with offshore vessels, where a high degree of manoeuvrability is required.

The Hon. P.B. ARNOLD: How much do we know about the process of the design of the vessel that Doherty's undertook? Was it tank tested?

Mr Phipps: No, the design was not tank tested, as we did not see a need to do that. Again, the designer went through a rigorous process of determining the performance characteristics of the vessel, weight assessment, load carrying capacity, and so on. A large number of parameters are to be achieved. Design speed has to be achieved with a full cargo load as well as manoeuvrability, economy, weight constraint and all those sorts of things. A larger envelope of parameters exist in regard to the vessel's performance. The designer has followed all the normal procedures in designing the ship. Tank testing is not normally done for every vessel: only about 50 per cent of vessels would have it done because of the problems involved with tank testing. I refer, for example, to scale and not always being sure that it will give any additional information. We saved a considerable amount of time. I referred previously to the fast track problem. The idea of building a model and carrying out an evaluation for doubtful gain would have added a minimum of three to four months to the time involved in the fast track process.

That was probably another reason why the decision was made.

The Hon. P.B. ARNOLD: I appreciate the desire to use the fast track process, but we are talking about designing, developing and building a vessel that will be in service for a long period. Can we justify keeping the old vessel in service for an extra six months so that these processes can be gone through?

This reasonably large vessel uses what might be described as a radical propulsion system, which is obviously of a different design from the conventional below-the-waterline hull to facilitate the Z-propeller system, compared with conventional bow thruster manoeuvrability. Because Australia has not been involved in designing roll-on roll-off ferries, I would have thought that it was important with this radical technological move to require Doherty's to thoroughly prove the design put forward and accepted. After all, we will be stuck with this vessel for a long time.

The CHAIRPERSON: Does the honourable member have a question?

The Hon. P.B. ARNOLD: Who made the decision that it was not necessary to go through that process, considering the nature of this technically revolutionary vessel, particularly its means of propulsion?

Mr Phipps: At the time, the Government in reaching the decision had a number of advisers, including the design company, which was concerned to follow the sure path to the correct result. The Government also had the advice of Australian Shipping Consultants, another company that helped it to formulate the design parameters and assess the design. Tank testing would have only been worthwhile if there was any reasonable doubt about the vessel being able to achieve its design speed. That is the major contribution that tank testing would have made. On trials, the vessel has been able to exceed its design speed, so we have been able to deal with the matter.

The Hon. P.B. ARNOLD: I understand that Howard Smith Industries has submitted a report of some 15 pages to the department or the Minister concerning problems, defects and so forth. Is that the case? Is the Minister prepared to table that report so that the Committee can see just what problems have been highlighted by Howard Smith Industries?

The Hon. R.K. Abbott: I am not aware of any report submitted by Howard Smith Industries to the department, but the Director may be able to advise the Committee.

Mr Phipps: The department does not have a report from Howard Smith Industries. However, when the department goes through the commissioning phase of a very complex piece of machinery, be it a vessel, crane or whatever, it is not unusual to have a very substantial number of deficiencies. I say that from my own experience in the mining industry with materials handling equipment where one deals with new systems, particularly those involving electronics control and the skilled design of electronics. One does not take a \$19 million gross ship and put it in the water and expect a perfect result after 2 1/2 days. A lot of proving and commissioning goes on.

It would not surprise me if Howard Smith Industries, the company taking over the vessel, had a very long deficiency list. In advising the main contractor (Eglo) of the remaining items to be finished, the department has relied on Howard Smith Industries where it has related directly to the department's project manager and given him items. That may be the report that the honourable member is talking about. I have not seen it but I know that the department gave Eglo a lengthy list of items. It would be the same if a person

were building his own house through a contractor; he would give the contractor a list of deficiencies to be fixed.

The Hon. P.B. ARNOLD: What I suggest is that the list might have been a lot longer than was necessary because the Government decided to use a somewhat radical design.

Mr Phipps: I do not think that that is a correct description of the situation. The whole design of this vessel is broadly based on offshore supply vessels, which have similar propulsion systems. The only benefit of tank testing is proving up the speed. When one starts to get involved in other characteristics, tank testing, because of the scale effects, is notoriously unreliable. It would be wasted money and would add to the time of the project. Nobody would be any the wiser. That was the assessment made at the time and shipping experience would bear that out.

Mr TYLER: Can the Minister say whether the Government has contemplated any action to permit the transfer of registration of motor boats along similar lines to the transfer of registration of motor vehicles? That would considerably improve the service to the boating public.

The Hon. R.K. Abbott: The Government intends to amend the Boating Act in order to more effectively administer changes, particularly relating to boat ownership. Of the 40 000 boats currently registered, about 8 000 will change ownership in a given year. Under the existing legislation, the owner of the boat is required to cancel the registration and the purchaser re-registers it with the existing registration number, where possible. Apart from the obvious inconvenience to the boat owner, this practice has the effect of being counterproductive and costly from an administrative point of view. The proposed amendments to the Boating Act will seek to overcome those problems by introducing provisions to allow transfer of registration for all boats, similar to transfers applicable to motor vehicle registration. It will streamline administrative procedures and provide a better service to the boating public.

Mr TYLER: I am sure that the boating community will look forward to those changes. Can the Minister say what capital facilities were provided for the recreational boating public in 1986-87 and what projects are planned for 1987-88?

The Hon. R.K. Abbott: Quite a number of projects were undertaken during 1986-87, and I can give the Committee an indication of what they were. The Ardrossan boat ramp was a jointly funded project using Department of Marine and Harbors labour to construct a timber boat landing and install navigation lights. Local council resources were used to install a lighting system in the car park. That project was completed at a total cost of \$67 000, with the Government contributing \$47 000.

The Ceduna boat ramp was a jointly funded project undertaken using local council resources to enlarge the existing turnaround area and provide a new concrete boat ramp. That project was completed within budget at a total cost of \$50 000, with the Government contributing \$25 000. Christmas Cove boat ramp was also a jointly funded project and was completed within budget at a total cost of \$65 000, of which \$50 000 was contributed by the Government.

The Cowel boating facility was a jointly funded project involving the local council. The project was completed within budget at a total cost of \$55 000, of which the Government contributed \$40 000. Improvements to navigational markers in the Murray Lakes were undertaken by contract at a total cost of \$10 000, of which \$1 500 was expended in 1986-87. The total cost of the project in the Port River inner reaches to improve safety of power supplies to recreational boats at the old sugar company wharf was \$4 400. That project was

part of the agreement which allowed higher fees to be charged for boats moored at that particular site.

The local council provided a landing at the boat ramp at Point Lowly near Stony Point at a total cost of \$6 000, of which the Government expended \$3 000. A jointly funded project at Port Victoria to increase the height of the breakwater and provisions for boat landing using DMH labour was undertaken at a total cost of \$75 000, of which the Government contributed \$55 000. On the Murray River, near Waikerie, a grant was given to the local council to allow the provision of a new boat ramp. The total expenditure involved in that project was \$10 000 of which the Government contributed 50 per cent. At St Kilda boating facility another jointly funded project was undertaken to complete the dredging of the channel and to undertake some bank protection work. The total cost of that project was \$55 000 of which the Government contributed \$40 000. At Victor Harbor a project was undertaken which required some dredging at the entrance channel at a total cost of \$70 000. Relocation of Franklin Parade was undertaken by the local council at a cost to the council of \$20 000.

The projects to be undertaken during 1987-88 include further work to be done at Victor Harbor, the Marion Bay boating ramp, the Port Minlacowie boat ramp and the Port Julia boat ramp. In Blanchetown, the local council is to construct a houseboat harbor at an estimated total cost of \$90 000. Government funding on a 50-50 basis for public facilities is estimated at \$15 000, with the local council to meet the remaining cost of that project, which is expected to commence early in the new year. At Port Neill the local council is constructing a new boating facility estimated at a total cost of \$170 000, of which Government funding will be \$50 000 over the 1987-88 and 1988-89 financial years. That project will commence prior to Christmas. As part of the marina proposed to be developed at Port Vincent it is intended that the Government will provide a 50-50 contribution to the public facility within that particular development. That project has been deferred pending acquisition of land by the developer.

Mr TYLER: I understand that the Department of Marine and Harbors is leading the way in curtailing escalating workers compensation costs within Government. Can the Minister outline the pilot program that is operating in the occupational health and safety area in the Government? What savings are likely to be made?

The Hon. R.K. Abbott: In this current financial year the department is planning to achieve a saving of approximately \$300 000 in the cost of workers compensation claims. That will be done through various initiatives implemented in the department's occupational health and safety program. Some of the major elements of that project will include medical testing of employees to determine fitness for tasks and to detect health problems at an early stage; induction, training and staff development to ensure that employees perform their duties in a healthy work environment; identification and elimination of unsafe work practices and equipment; the implementation of procedures for rehabilitation of injured workers as soon as possible after injury; and maintenance and analysis of information which will assist in containing and reducing costs of workers compensation.

Considerable work has been done to establish the operational elements of the program and to train managers in their responsibilities under that program. In addition, managers are being held accountable via their budget for controlling and reducing workers compensation costs. Union representatives have been consulted and have participated in the development of the program, and there is now general support for the program within the department. The level

of new workers compensation claims is being contained and it is hoped that under this new program costs will be further reduced.

Mr D.S. BAKER: In relation to the construction of the *Island Seaway*, how much does the Minister believe it has cost the Government by taking the fast track approach and awarding the tender directly to Eglo Engineering, and what amount of time was saved by not calling tenders?

Mr Phipps: I do not think there is any reason to believe that the financial outcome of the project would be any different if tenders had been called. The Government made a decision that it would enter into negotiations and if the prospective contractor, Eglo Engineering, had not been able to come up with the right price at that time the Government could have decided not to proceed. When the decision was made by the Government an assessment as to the reasonableness of the Eglo price had been submitted; so I do not believe the financial outcome would have been any different in a competitive situation. It is a hypothetical situation and is fairly difficult to answer; all the department can do is give its informed judgment.

With regard to the second question of saving time, the process of calling tenders, discussion with tenderers, clarification with tenderers, etc., could take at least three to four months.

Mr D.S. BAKER: So three to four months was the time saved.

Mr Phipps: At least—a minimum.

Mr D.S. BAKER: Will the Minister table the Henning Horn consultants' report, which gave Eglo Engineering the contract?

Mr Phipps: It is not correct to say that the Henning Horn consultants' report gave the contract to Eglo. The situation at the time was that Henning Horn consultants—Australian Shipping Consultants, as they are known—was one of the sources of advice available to the Government.

The Government made the decision to award the contract to Eglo having regard to the competitive price that had been negotiated with Eglo and other strategic matters previously mentioned such as the fast track requirement which had two objectives, namely, first, getting the ship into service for Kangaroo Island as quickly as possible; and secondly, placing South Australia in a strategically favourable position so that it could argue that it had the capacity to successfully deliver in the submarine contract situation.

Mr D.S. BAKER: Supplementary to that question, will the Minister table the Henning Horn consultant's report which is sought?

The Hon. R.K. Abbott: I do not think there is any specific report from Mr Henning Horn. There was reference in the Cabinet submission to Mr Horn's advice, but I am not prepared to table Cabinet submissions. That has not been asked for, but that was where the department received the information. That information was translated into that Cabinet submission.

Mr D.S. BAKER: We were told earlier—

The Hon. R.K. Abbott: I am quite happy to get that information that we received from Henning Horn and provide it to the member.

Mr D.S. BAKER: That was all that was required, because we were told about a consultant's report.

The Hon. R.K. Abbott: I am happy to provide that to him.

Mr D.S. BAKER: We have been told that, by going the fast track, it might have saved three to four months. It was expected that the vessel would be completed before June 1987. The Auditor-General says that the vessel was not finished at June 1987, and we are now into September, so

those three or four months already have been lost by going the fast track. What will be the final all up cost, noting that the Auditor-General says that it should be \$19.4 million gross, and could we have details of the rise and fall provision, involving \$1.35 million; the contract variations, \$976 000; the foreign exchange variations, a further \$410 000; and details of the reimbursement of costs incurred by the company due to late receipt of drawings totalling a further \$450 000?

The Hon. R.K. Abbott: On the cost and the timing, the amount identified in the 1986-87 Estimates of Payments on page 217 as being set aside is \$16.15 million, and the vessel is expected to be completed within that amount. This figure is for the total project cost and includes all design, project investigation, classification society approvals, project supervision and contract construction. That is net of bounty because the builder receives a bounty direct from the Federal Government. We certainly asked for the vessel to be completed by the end of June, so that we could qualify in relation to the investment allowance. However, that matter was extended to the end of December and there was no further problem in regard to the completion date, although we still required it as soon as possible. I will ask the Director to add further to what I have said.

Mr Phipps: When we made the comment about a saving in time by going to tender, we did not make the comment that it might be saved. I was sure that we were conveying the impression that we believed that a minimum of three to four months would be saved by our not going to tender. That was the major point. With regard to the current completion time of the contract, any contractor carrying out the work could have found themselves in the same situation as Eglo with regard to the completion time. It is not correct to draw the conclusion, with respect, if that is proposed, that the current completion time is due to the fact that the Government did not go to tender on the contract. The current completion time is a result of the circumstances in which Eglo found themselves with regard to various contractual issues.

Mr D.S. BAKER: I refer to the second part of the question, involving the increase of \$3.8 million as at the date of the Auditor-General's Report. Could we have details of the rise and fall provision, contract variations, foreign exchange and reimbursement of costs?

The Hon. R.K. Abbott: The Director will respond to that.

Mr Phipps: I would like to give a preface to the answer, as some of the information we may have to seek in detail. However, I will try to answer the question as fully as possible. The Government in its consideration of the estimates talks in net terms. We talk of the estimates net of bounty because that is the cost to the Government. The Auditor-General makes the point that the estimated cost of the vessel at 30 June 1987 was \$15.5 million net compared with a figure of \$12.5 million net which was the estimated initial cost of the project.

However, it is very important to understand that that initial cost of the project of \$12.5 million net was \$12.5 million net plus the normal provisions in the contract which provided for rise and fall, foreign exchange, adjustments, etc. So, the vessel's total cost as estimated here of \$15.5 million is \$3 million higher than the \$12.5 million net to which the Auditor-General referred. However, that \$12.5 million net referred to by the Auditor-General in practical terms is \$12.5 million net plus \$1.5 million in total for rise and fall, net of bounty, and foreign exchange adjustment. The other \$1.5 million is due to additional variations, consulting expenditure, and project management expenditure, etc.

When the \$1.5 million variation is considered as a percentage the total cost is about 11 per cent. For the nature of this particular construction, that is considered to be a reasonable outcome in shipbuilding. For ships of this size and complexity, one would only have to examine the report of the Commonwealth Auditor-General into shipbuilding in the naval dockyards around Australia to realise that time and cost overruns of well in excess of 100 or 200 per cent are frequent. The performance in getting this vessel to the current time scale and variation is considered to be a reasonable performance. If the honourable member requires further detailed information that can be provided.

Mr D.S. BAKER: I would like that information, because I do not think that one lot of incompetency justifies another lot and the Commonwealth overruns of 200 per cent really are nothing to do with it. It should have all been allowed for in the initial contract. I accept the rise and fall and the foreign exchange, if hedging was done. However, in relation to the contract variations and reimbursement, something has gone radically wrong and I would like that information tabled.

Mr GREGORY: Will the Minister say what has been done to attract extra shipping calls into the port of Adelaide?

The Hon. R.K. Abbott: In May 1987 the department coordinated a submission at the Australia to Europe Shipping Conference through ANZECS, ACTA and ANL for the provision of increased direct shipping calls between the port of Adelaide and Europe. The case was jointly presented by the South Australian Government, the South Australian Chamber of Commerce and Industry and the South Australian shipping user group. This reflects the importance that the South Australian business community and the Government place on the need to increase direct shipping calls at Port Adelaide. The submission was based on a detailed study of South Australian cargo movement to and from Europe and an analysis of the ship diversion costs and savings or the rail feeder service, together with a sound understanding of the State's import and export shipping needs.

For 1986-87 the total South Australian origin of trade with Europe was approximately 13 200 TEU: 52 per cent of the total trade was shipped on vessels that called at Port Adelaide. Most of the remaining cargo had been shipped via the port of Melbourne. The submission factually demonstrated that the support for the existing conference service was excellent, particularly bearing in mind the limitations of the monthly service offered by ACTA and the Australian National Line. It also showed that more than adequate South Australian cargo exists to justify the scheduling of the equivalent of a fortnightly direct call. Furthermore, evidence was presented to show that the increased frequency of service would generate new cargo, provide substantial cost savings to those shipping lines and assist in the recapture of cargo from the non-conference operators. The Department for Primary Industry will continue to press for this increased service frequency.

We believe that that fortnightly service is a product with which we can go out in the field and sell to our exporters and importers in order to encourage them to ship through Port Adelaide rather than rail the product to Melbourne and for it to go out via the port of Melbourne. We have insisted on that. We are pleased with the amount of cooperation that we are receiving from the Chamber of Commerce and Industry, from the shipping councils and, in particular, from the shipping user group of which Mr Allan Crompton is the current President. He joined the Director and me when we had talks with the Japanese lines. Mr

Crompton is very good value and strongly supports that additional service.

Mr GREGORY: As a supplementary question, have we been able to reduce significantly the rail traffic in cargo between Melbourne and Adelaide that could be carried on vessels?

The Hon. R.K. Abbott: I ask the Director to answer that question.

Mr Phipps: The short answer to the question is 'Yes', we have been able to reduce substantially the leakage of traffic to the port of Melbourne. It was really only in 1978 that South Australia got into the container business, and at that time virtually 100 per cent of import and export container traffic originating or terminating in South Australia was being shipped through the port of Melbourne. Progressively, the situation has improved through commercial marketing to the shipping lines and seeking the support of South Australian shippers. For example, 45 per cent of the export traffic in the main trade to Japan, is going out through the port of Adelaide; on the European routes approximately 60 per cent is going out through the port of Adelaide; and on the South-East Asian route 100 per cent plus is going out because we are attracting some trade from the hinterland which overlaps between Melbourne and our own.

So, there has been a substantial improvement over time. The next few years will be critical. We have the potential to substantially increase the volume going out through Port Adelaide if we get the increased frequency of calls to which the Minister referred earlier. If we can move from the monthly call on the major European and Japanese trades to a fortnightly service, then we will see a very substantial leap forward in the volume of trade going out.

Mr GREGORY: Can the Minister advise what capital projects are planned for the fishing industry in the 1987-88 financial year?

The Hon. R.K. Abbott: The projects to be undertaken in 1987-88 include the Beachport trawler berth. After strong lobbying from the fishing industry, it was agreed to construct a \$250 000 timber structure seaward of the existing slipway on the jetty to provide a permanent berth for the large steel-hulled fishing vessels using the facilities at Beachport. The project has commenced and is due to be completed before the end of the financial year.

In relation to Coffin Bay, there is the provision of improved navigational aids to mark the approach to that bay. The project was commenced last financial year and has a project approval of \$58 000, of which approximately \$45 000 was expended in 1986-87 and the balance is to be expended during this financial year. At the Kingston boatyard, there is the provision of an enclosed hard stand area for storage of fishing boats adjacent to the commercial fishing industry boat ramp. The approved expenditure is \$157 000, of which \$88 500 was expended in 1986-87 and a further \$40 000 is expected to be expended in 1987-88, bringing the completed project in well under budget. The project is now virtually complete.

At Kingscote, the work on the relocation of the jetty crane for the fishing industry was completed late last financial year at a total cost of \$13 000, with \$1 000 expenditure outstanding at the close of 1986-87. At Port MacDonnell, at the request of the South Australian Fishing Industry Council (SAFIC) and the local fishing industry, in November a piece of land-based plant will be used to clear a channel adjacent to the existing jetty, during low tides. This work will be undertaken using a local contractor, with cost expected to be about \$5 000. The provision of a light at the boat ramp at Blackfellow Caves is under way. This is to improve the night operation of fishermen using this ramp.

The work will be undertaken using local contractors, and the estimated cost is \$2 000. Work is expected to commence within the next month and to be completed before Christmas.

The Hon. P.B. ARNOLD: I have some questions about the department and its tenants. The Minister would be well aware of the letter that many of us received from the Committee of Tenants in Swigg Street, Birkenhead, and a question was asked in the House of Assembly two or three weeks ago by the member for Mitcham, where he outlined the concern that exists. Many of the tenants believed that they had a tenure for up to 20 years or more, and it appears that that is to be terminated. Has the Minister had an opportunity to assess the matter raised by the member for Mitcham? What will be the fate of the tenants?

The Hon. R.K. Abbott: I can outline the situation in relation to the land that is involved. As a matter of fact, after the question was asked in the House of Assembly I took the opportunity to go down and have a look at the sites involved for myself. The situation is that, commencing in the 1950s, the department gradually acquired land at Birkenhead to accommodate the need for port related industries. That was the department's policy, and it is continuing. The department decided that sites could be made available on short term leases up to a maximum period of five years and for various purposes. The objective was to use the land in the period pending a long-term commitment to any port related industry that may be required.

Adelaide Brighton Cement Limited is a port related industry and it has advised the department of its need for adjacent land for the stockpiling and pre-blending of raw materials, to permit expansion of its activities in the early 1990s. The company is a major port user, is dependent on waterfront land and generates considerable economic activity for South Australia. At the time of issue of the leases to the present tenants, the reason for the five year lease period was specifically emphasised. At no time were the tenants given any assurance of long-term occupation of sites. In each case, the lease was granted for five years with no right of renewal, and all the leases will be renewed until 30 September 1990. The tenants have been advised that in the next three years—that is, to 30 September 1990—the department will seek to identify alternative land to which the tenants can relocate if they so desire. This will be done in the context of the land use review that is presently being carried out by the Port Adelaide Industrial Land Committee, which is commonly referred to as the PAIL Committee.

The Hon. P.B. ARNOLD: The following statement is made in the second paragraph of the letter to which I referred:

The department said that we had nothing to worry about as we would be able to lease for the next 20 years.

Was that assurance given by the department? Is that comment in the second paragraph of the letter accurate?

The Hon. R.K. Abbott: I have discussed this matter with the Director and he has assured me that a promise for 20 years was not mentioned. The Director has had talks with the officer who was involved, so I will ask him to elaborate on this matter.

Mr Phipps: When the issue was raised we, of course, examined the matter very closely and interviewed the officers who had been involved. Some of this goes back to as early as 1980, so this has occurred over quite some period. I went through the dockets involved in the situation; it was very clear to me that letters of offer had been sent to the tenants and that the letters of offer clearly spelt out a five-year term. I did not examine every one of the dockets, but I would say that I examined at least half of them, and in most cases the letters came back indicating that the pro-

spective tenant was willing to accept the terms of the lease as outlined in the letter of offer. In turn, the lease clearly spelt out the five-year term. As it is obvious that the letter of offer stipulated a five-year basis, that the lease was clearly for five years and that our property people would have clearly known that there was a reason for the five-year stipulation, it seems to me that all the action that they took was consistent. That is really the only comment that we can make: we have interviewed the officers, we have given assurances that what the honourable member has said was not the case, and that the written documentation, which was more than just a lease, it being a letter of offer and acceptance, followed by a lease, clearly established five years as the term.

The Hon. P.B. ARNOLD: I now refer to the paper that was put out by the Department of State Development in relation to the proposal by the Australian Customs Service to introduce an integrated cargo control and clearance system. What is the present situation as far as South Australia is concerned? In that paper the Department of State Development clearly indicated an impact on employment, involving the loss of jobs and so forth, and the predicted fall in economic output in South Australia was very substantial. What is the present situation in relation to this matter and has the problem been resolved?

The Hon. R.K. Abbott: Definitely not; the problem is nowhere near resolved. We are very concerned about the matter and we will shortly make some moves to try to counter some of the activities that will not be good for South Australia. I do not think it is necessary to outline what has occurred in the past and its effect on the State. However, last December the Premier met with Senator Button, the Minister for Industry, Technology and Commerce, and he presented our findings to him. In January I made a detailed submission concerning the integrated cargo control and clearance system to the Australian Customs Service, and reiterated the South Australian Government's concern about the damage that the implementation of the integrated cargo control and clearance system proposals would do to the South Australian economy.

The Premier also urged the adoption of a modified proposal which, if implemented, would still achieve the aims of the Australian Customs Service to improve its efficiency without having a negative effect on South Australia. Since then the Department of Marine and Harbors has maintained a watching brief on the development of these proposals. Senior officers of that department have met with the consultants commissioned by the Australian Customs Service to undertake a cost benefit analysis of the integrated cargo control and clearance system and have presented the findings of the economic impact study to them for their consideration. I intend to call further meetings.

I am trying to involve South Australia's Federal Ministers in giving the State Government support in this matter. I will be organising meetings with the trade unions involved in these areas together with SAPLAC (our South Australian Port Liaison and Advisory Committee), other depot operators and shipping users group. We will be holding a meeting to make further moves on our latest report.

Mr LEWIS: What has the Minister done about getting the Murray River in South Australia, particularly from lock 1 downstream, and even more particularly from the area downstream from Murray Bridge into the lakes area, effectively and appropriately zoned for activity purposes? Activities of different types conflict with each other and in the past this has resulted in friction between competitive user groups. Some people use the river as a leisure resource for boating, while other people want access to it for picnicking,

birdwatching and fishing from the shoreline. The boating activities I explicitly refer to include straightout speedboat operation for the thrill of it, water-skiing, houseboat use and operation, other cruise leisure craft and, finally, those people who wish to use the river as a resource in which to fish from a platform, namely, a floating vessel or dinghy.

The conflict which has arisen has increased dramatically in recent times as a consequence of the substantial increase in the number of people who have craft which can be put to water and used, either by owners of craft or people who have borrowed or leased them. I drew attention to this problem years ago and, more particularly, I have raised it in very recent times, such as the summer before last and emphatically last summer. It is reaching the point, as the Minister would know, where sooner or later conflicting users of the river will resolve the situation through violent confrontation. I leave that to one's imagination, if I need to, because it does not exclude any kind of injurious action in terms of the threats I have heard. I am concerned and disturbed that it has taken so long to make an assessment of the river and the appropriateness or inappropriateness of some activities to some localities, and a definition of where one can do what, so that confrontation does not happen. Has the Minister gone any further down the track on this issue?

The Hon. R.K. Abbott: I appreciate the question and concerns expressed by the honourable member. I do not think we differ on the problems. The department continues to apply zoning provisions in particular areas where they are warranted for reasons of safety. I emphasise that my main concern and that of the honourable member is the safety issue, and we will do everything possible to implement any safe measure possible. This is generally done in areas identified by local councils to protect swimmers in particular. Considerable effort has been put in by departmental officers to identify satisfactory general zoning provisions for all the settled areas of the river. However, these proposals have not always received the support of various community groups or local councils with riverfront interests. We have the cooperation of a number of councils, but that is not the case with all councils along the river.

Other individual community groups have different ideas and are opposed to zoning certain areas. The River Murray Management Review has recommended that zoning of the river be undertaken to protect specific areas for particular purposes, for example, canoeing, swimming, and so on. This type of zoning is receiving careful consideration. It is always the guilty minority who make it bad for the majority of people who enjoy the Murray River and environs for recreational purposes. We will do whatever possible to assist with these problems of which we are well aware.

Mr LEWIS: I know that the Minister means well, but in this instance meaning well will not be good enough. The problem is there and violent confrontation is the kind of solution that I hear constantly proposed by members of the general public. That was not the case three years ago. I could see the problem developing then, but the violent confrontation threat has now become part of the vernacular of conversation amongst people who want to watch birds in peace (and I do not mean just looking at the bird but studying its interaction with members of the same species and other species, as I like to do). Other people want to be able to fish without having their lines ripped off them.

The main part of the problem and the kind of confrontation to which I am alluding has arisen as a consequence of the ill-mannered behaviour in the first instance of power boat operators. Because it is now spoken of in the pub where those affected go to buy their beer and at the bar-

becues to which I go to say 'G'day' to them on holiday weekends or Sundays, I am alerting the Minister to the fact that we cannot just mean well but must act and act now or there will be injury, if not mortality (and I mean homicide). I am not kidding! I have heard several amateur fishermen in the Wellington area say that they will simply take the shotgun the next time they go fishing. When the lairs in the power boats go past next time and cut off their lines, they say that they will sink them.

I do not want to see that. I want the Minister to understand that these are not idle threats. In telling me these things, the men have used the same tone of voice that I use now. They are angry, as would all members be if they went fishing several weekends in a row and lost their line every weekend from the same small number of power boat operators who delight in upsetting other people, particularly fishermen. The river must be zoned properly and behaviour and utilisation of the river must be enforced in those respective zones. It must be possible to traverse the river's length from end to end by vessel, but it must be zoned in terms of where one can go fast and where one must cut the speed back to the point at which it is not dangerous to other people who are canoeing, sailing and so on in that locality.

Points must be identified where people can go in close to the shore with a power boat and where they must stay offshore by some distance. If that is not done, we will have on our heads the responsibility for the consequences of the violent confrontations that are being threatened. I do not want that and I will not wear it. I lay it at the feet of the Government and the Minister, in particular, right now. Either he knows what he is going to do about it and he can tell the Committee or he does not. In those circumstances, I urge him to get it in place in eight weeks. To wait until beyond Christmas will be too late.

The Hon. R.K. Abbott: I make the point that the department's role is one of safety; it is not concerned with environmental issues. It is considered that the most effective means of achieving a greater degree of aquatic safety is by education as well as zoning. An education program is necessary to talk to those communities about the advantages of zoning in their particular area. In the last year, safety education initiatives have been developed and the Department of Marine and Harbors has released new boating safety publications, which are intended to increase public awareness of the need to take care on the waters of our State. The Director has a few points that he would like to make on this matter.

Mr Phipps: The draft report of the interdepartmental group being coordinated by the Department of Environment and Planning (the River Murray management review) addresses the issue of zoning and the decisions taken by the Government when it considers the recommendations of the final report will be important. It is fair to say that getting an educated user group is an important objective. The department believes that it can reach more boating users than it is doing at the moment and steps have been taken in the current financial year to improve the department's reach through education. There has been a statistically significant reduction in the number of accidents that occur on the Murray River in terms of total reported accidents, deaths and injuries. It has come down steadily over the last three years. We think there is cause to conclude that a more responsible attitude is being adopted but at the same time we have a responsibility to increase the reach of our education effort. That is what the dept seeks to do this year.

Mr De LAINE: With the cessation of bucket dredging operations around the coast of South Australia, will the dredging equipment be retained for future use?

The Hon. R.K. Abbott: It is intended to dispose of the redundant dredging vessel, the AD *Victoria*, and the associated barges. The decision whether to sell or scrap the floating plant will be made shortly on the basis of optimum return.

Mr De LAINE: On page 257 of the yellow book under the heading '1987-88 Specific Targets/Objectives' is a line 'to complete the upgrading of the boat ramp and dredge the channel at Victor Harbor'. Has that dredging been done?

The Hon. R.K. Abbott: I reported that some of the work has been completed and the balance will be completed in this financial budget. It is a very small dredging operation.

Mr De LAINE: I heard the Minister say that before but I wondered whether the specific dredging operation had been done rather than any of the other infrastructure.

Mr Freeman: No, the dredging work has not been done, but it is very minor dredging and will not have any involvement with our dredging plant at all.

Mr De LAINE: In order to gain full value from the second container crane at Outer Harbour, when will the wharf extension at No. 7 berth be completed?

Mr Phipps: The No. 6 container berth is presently suitable to meet the needs of all the container vessels that are coming in. Some additional mooring dolphins have been put in to provide for two smaller container vessels in No. 7. The time to commit to a second berth at No. 7 will be when the volume of shipping is such that the queuing time at No. 6 is not acceptable. That is really the question. The department's assessment is that it would need to get the equivalent of a fortnightly service on the European service, an equivalent of a fortnightly service on the Japanese service and perhaps a New Zealand service. Once that point is reached, the department believes that it would have the potential to decide on another berth at No. 7. As members would be aware, the Department of Marine and Harbors is to a large part a commercial organisation and to make the capital investment at No. 7 ahead of need would involve the department in extra interest costs that would detract from its financial result. A close watch is being kept on the situation. It may be at least three or four years before the department contemplates a firm commitment to proceed there.

Mr LEWIS: I point out to the Committee that it seems to me that the Minister and the Government have no particular policy for dealing with the problem to which I referred earlier. In his reply to me, the Minister did not mention those other two aspects of safe and relatively peaceful access to the river subject to the rights of other people. One of those aspects is excessive noise from the exhausts of power boats, which annoys people who want to watch birds because it disturbs their behaviour and local residents, particularly those in towns built on the flood plain, not up over the lip of a bank or cliff.

I refer to Murray Bridge as compared to, say, Tailern Bend which is somewhat screened from noise by a cliff.

In relation to sobriety of boat operators, I have raised this matter previously in Parliament. No attempt has been made to subject boat operators to random breath tests, even if it were lawful to do so. I know for a fact that there are some people who cannot even walk who get out on the river behind the wheel of a power boat and hack up and down the waterway amongst skiers, canoeists and sailboat operators at speeds in excess of 100 kph. Those problems need to be addressed, and quickly.

I will turn away from that subject. I will not ask the Minister another question on that topic. Can he define a vessel for which an operator's certificate is required to traverse coastal waters or inland waters? This is an impor-

tant matter and I ask the Minister to be serious in his response about the kinds of vessels which require operators' licences. What is the definition of 'a vessel', the operator of which requires a licence?

Capt. Buchanan: Any craft that can be used for navigation in the water is a vessel. In reference to recreational boating, there is only one licence available and that is a recreational motorboat operator's licence.

Mr LEWIS: Does the operator of a seaplane require a licence when the plane is on the water, say, in the rivers, lakes or on coastal waters, and what sort of licence is required?

Capt. Buchanan: A motorboat operator's licence is required while the seaplane is being operated on the water.

Mr LEWIS: If such a person is operating a tourist service he would have to have a pilot's licence and a motorboat operator's licence?

Capt. Buchanan: That is correct.

Mr LEWIS: If a helicopter was being used which has pontoons instead of hulls on its stays, does the operator of the helicopter need a motorboat operator's licence? Does the operation of an army duck, that can go through swampland as well as over dry land, need a motorboat operator's licence?

Capt. Buchanan: The operator of any power driven vessel that is capable of being driven on the water is required to have a licence.

Mr LEWIS: We do not therefore know where the cut-off point is. I am not asking whether it is legitimate in principle, but is it legitimate in law for the department under present regulations to compel operators of hovercrafts to have a motorboat operator's licence?

Capt. Buchanan: Yes.

Mr D.S. BAKER: It has been stated that funding for the *Island Seaway* has been provided by SAFA. What is the interest rate for that funding and has that interest been capitalised? If so, at what price is the vessel to be sold? I understand it is going to be on-sold to a bank. Will any profit above principal and interest accrue to the Government? Will the Minister table the contract with Eglo Engineering?

The Hon. R.K. Abbott: In answer to the honourable member's first question, that is not a matter for which I am responsible; it is a matter for the Minister of Transport and the Treasurer. I can request that information and provide it to the honourable member. The contract is a commercial document and cannot be provided.

Mr D.S. BAKER: There were other parts of my question that were not answered: at what price will the vessel be on-sold, to the bank we presume as stated in the Auditor-General's Report, and will any profit over principal and interest accrue to the Government for taking all the risk?

The Hon. R.K. Abbott: That is a matter for the Minister of Transport because the Highways Department will be managing and operating the vessel. The Department of Marine and Harbors is responsible for the building of the vessel and once it is completed it is handed over to the Highways Department and the agents.

Mr TYLER: What is the progress on the estimated completion date for restoration of the Port Giles Jetty which was damaged by a grain vessel early this year? It is of vital importance that this jetty be restored as early as possible in the interests of the shipment of grain from the State.

The Hon. R.K. Abbott: On 9 January 1987, the vessel *Nortrans Enterprise* struck the jetty, resulting in severe damage to a 60 metre long section of the structure. Negotiations with the insurers of the vessel commenced immediately and concluded with the Government's acceptance of a lump

sum offer totalling \$1 015 000. This amount was paid to the Government in May 1987, and the project approval expenditure is \$1 055 000 which recognises the benefit accrued from the invested lump sum. Present value of this sum invested with SAFA as at 15 September 1987 is \$1 060 000.

Cleaning up of the berth and the removal of debris, etc., took place immediately after the accident in order that the berth could continue to be utilised by grain vessels prior to and during the major reconstruction phase. Major reconstruction work commenced upon receipt of the lump sum with the manufacture of piles and other steelwork, and calling of tenders for items such as the pre-stressed concrete deck units. On-site work (demolition of the damaged structure) commenced in July. Pile driving commenced on 11 September 1987, and total reconstruction of the jetty is expected to be completed by early December 1987. The cost incurred on the project to date is \$480 000.

The continuation of the grain trade throughout the winter months has resulted in disruptions to work and associated additional expenditure which was not initially estimated for, that is, not included in \$1 055 000 approval. These additional costs are \$19 000 to date, but are expected to rise to approximately \$50 000 with several more grain vessels expected to be in port before the project is completed. At this stage, it is expected that these additional costs are likely to be absorbed within the budget for the project due to efficient achievement of works undertaken to date.

Mr De LAINE: As the Minister would be aware, there is a serious deficiency in the percentage of Australian shipping involved in the shipping of Australian export cargo to overseas ports. I realise that this is a Federal matter, but does the Minister have any plans to attempt to have this percentage raised?

The Hon. R.K. Abbott: I will ask the Director to answer that question.

Mr LEWIS: By his own admission the member admits this is not relevant to the lines.

The CHAIRPERSON: Certainly, it is questionable. It is the commercial ports program, I suppose. Could you be very brief because other members have questions?

Mr Phipps: The situation is that Australian flag shipping does have a very small part in Australia's international shipping. The major part is in the coastal trade, and the Department of Marine and Harbors has done everything possible to encourage coastal services into Port Adelaide. We have the West Australian State ships operator, which is now running a service around the coast and to Papua New Guinea. They called in last week, and we are negotiating for a permanent service with them. We also have the Union Steamship Company which has recently commenced a service to replace the Holymans service between Tasmania, Melbourne and Port Adelaide. So, we recognise the importance of that coastal shipping and we are trying to encourage the Australian flag operators in that regard.

Mr PETERSON: My question relates to the future of Port Adelaide, which has been raised here today. I heard that the Australian Customs Service wants to cut back services. Anybody in the industry is well aware of Australian National's intention to set up an inter-port rail service and, where they can, to set up terminals. We have already seen the collusion between VicRail, Victorian port authorities and Australian National Rail on giving rebates to container transport between ports. We have now had the deepening section in Port Adelaide go, and who knows what is next to go from the Department of Marine and Harbors. The stevedoring manning in the port is down to below 200 men. There has been talk for years about a B grade port. If that

occurs, the mooring gangs and tugs would be affected. A recent meeting was held to discuss the reclassification of the port from an A grade to a B grade port. Has the department any knowledge of a current proposal to reclassify the port? If so, what is that proposal, and what effect would the B grade classification on the port, if given, have on Port Adelaide and especially on the container trade?

The Hon. R.K. Abbott: I have heard some rumours (and that is the only way in which I can describe them) lately about the Outer Harbor container terminal closing down within six months. I had to refute those rumours, and I would be quite anxious to ascertain where they came from. The Director has some more detail on a number of the issues that the honourable member has raised, and I will ask him to refer to them.

Mr Phipps: It is a fact of life that ports are in a very tough competitive business and that what happens in the Eastern States is often aimed at cutting our throat, and we must work very hard to prevent that. As you say, we have the continual liaison between the port of Melbourne and the rail authorities to take cargo from Port Adelaide to Port Melbourne. Fortunately for us, the rate of cost increase in that rail link, the feeder service, is escalating dramatically over time, and that is making it more uneconomical for the shipping companies to use the feeder service and making it more attractive for direct calls to Port Adelaide. That is one point in our favour in terms of the future.

In terms of the integrated cargo and control clearance system, the department made very strong representations to the consultants serving the Australian Customs Service and demonstrated to them quite conclusively that the claimed benefits for shippers, wherever they were—particularly in South Australia—were not there, and the Minister referred to the action that he will be taking on that matter.

With regard to the deepening section, that does not affect the viability of the port. We have run out, basically, of a continuity of work for them. We save \$3 million a year, representing capital and interest cost savings. That improves our financial result and makes it easier for us to set more competitive pricing in setting our charges. With regard to stevedoring numbers, they are down and approaching 200. In a way, that concerns people, because often they may think that there will not be the number of people there to do the work required. However, on the other hand, it increases the efficiency of the port operations and reduces the idle time. We are aware of the problem that you are referring to and we are making our point to AWL very strongly.

With regard to a B grade port, that is really just a rumour. It stemmed from an issue where we as a department made representation to the tug company for a more flexible use of hours under their industrial agreement so that we would be able to provide better service when we had two or three ships coming in together rather than waiting for the elapsed time between shifts. The tug company, in delivering the message to its people as part of the consultations with them (and I think they had a shipping line representative), really laid the cards on the table. They were saying, 'We are a team; we need to be more flexible in our approach to this matter, otherwise the consequences are that we could lose custom.' That is the basis for the situation.

In dealing with the future, we have three major elements of our strategy: one is to get our costs down and, therefore, enable competitive pricing. Secondly, our average charges this year have gone up by 2.5 per cent in recognition of the very competitive situation that we are in, so we are not pricing ourselves out of business. Our charges are still less than those in Melbourne. Finally, with regard to our mar-

keting operation, we are marketing to the international shipping lines for an increased frequency of calls, and Allan Crompton, a member of the board of Austrade and Chairman of the South Australian Shipper Users Group, and I will visit Japan next week to further our representations with the Japanese, and we expect to visit Europe later in the year.

Also, we are aligning the customers of the shipping lines—the exporters and importers of South Australia—to make their point really felt with the shipping lines: that they want increased frequency of calls. They are now writing letters to the shipping lines. The implicit message that the international shipping conferences must be getting is that, unless they are able to meet this need for local service, there are non-conference operators who will be willing to move in and take away their market share.

The CHAIRPERSON: I am afraid that we have run out of time. There being no further questions, I declare the examination of the vote completed.

Minister of Marine, Miscellaneous, \$1 566 000—Examination declared completed.

Works and Services—Department of Marine and Harbors, \$7 625 000—Examination declared completed.

[Sitting suspended from 1 to 2 p.m.]

Lands, \$34 927 000.

Minister of Lands, Minister of Forests and Minister of Repatriation, Miscellaneous, \$295 000.

Works and Services—Department of Lands, \$6 065 000.

Chairperson:
Ms D.L. Gayler

Members:

Mr D.S. Baker
Mr M.R. De Laine
Mr R.J. Gregory
Mr G.M. Gunn
Mr I.P. Lewis
Mr P.B. Tyler

Witness:

The Hon. R.K. Abbott, Minister of Lands, Minister of Forests and Minister of Repatriation.

Departmental Advisers:

Mr J.A. Darley, Acting Director of Lands and Valuer-General.

Mr J.G. Maher, Registrar-General.

Mr L.B. Kidd, Director, Operations Services.

Mr J.R. Porter, Deputy Surveyor-General.

Mr R.N. Emery, Manager, Management, Accounting and Budgeting.

Mr GUNN: The Opposition has a number of matters which it wishes to raise in relation to the Government policy on the Pastoral Act, Crown Lands Act, the future of the Department of Lands itself, the shack site policy and a number of other related matters.

Over a considerable period of time there has been discussion in relation to the eventual policy which the Gov-

ernment will put into effect and how shacks which have been designated unacceptable—particularly in the Riverland, where, as I understand it, shacks that are below the 1956 flood level have been classified as unacceptable—will be dealt with. Of course, people have a life tenure on those shacks, many of which are in need of repair. It has been suggested to me that the most sensible policy would be to allow people to replace those shacks during their life with suitable transportable buildings which could be shifted when the tenure expired.

Have the Government and the Minister considered this proposition, because it would appear that it would greatly enhance the area; it would make living conditions far better for those people who desire to upgrade and improve their shacks; and, also, it would be a responsible policy to put into effect. Really, there should be no argument in relation to this matter.

The Hon. R.K. Abbott: The answer to the honourable member's question regarding the progress that is being made in implementing the 1982 review with regard to acceptable sites is that all sites have been surveyed and freeholding offers are being made. These include the recovery of costs incidental to the division of land, such as relocation of ETSA poles. An anticipated revenue of over \$2 million is projected for this financial year. In regard to management plans, progress is being made in some areas. However, preparation and implementation are proving to be very slow. We anticipate completion of the plans during this financial year.

With regard to non-acceptable sites, rent review and conversion to life tenure leases, they are proceeding. In relation to unacceptable classified shacks, tenure arrangements for the first of them will expire in 1995. The department intends to contact the affected shackowners about two years prior to the expiry of their leases. Offers will be made then to sell a site in an acceptable location to those shack owners or residents who are willing to relocate. I do not know whether or not that satisfies the honourable member.

Mr GUNN: In relation to those people whose shacks have been designated unacceptable, can the Minister advise whether the department has set aside or has found suitable areas where people can relocate in the very close proximity to where they are, because I am sure that the Minister and his officers would be aware that many people have been going to these shacks perhaps for generations and, really, it has become a very important part of their recreational and family life.

There is first a need to have areas set aside for people who have been affected by these regulations and, secondly, I believe, a fairly urgent need to look very carefully at providing other areas for people who wish to build shacks. The Shackowners Association has promoted the fact that shacks are a very important part of our recreational lifestyle and, therefore, it is really essential that adequate areas in close proximity to the river, sea or other areas where people like to spend their leisure time are made available.

The Hon. R.K. Abbott: The general answer would be 'No'. The only shackowners who have indicated their desire to relocate are those at Younghusband. The Valuer-General has dealt with this issue and I have had some discussions with the Hon. Mr Arnold in relation to some of these problems. I have discussed those also with the Acting-Director.

Mr Darley: The department has purchased some relocation shack sites at Younghusband and at Hardwicke Bay on Yorke Peninsula. However, there has been no intimation by existing shackowners that they want to relocate, so the department considers that it will not purchase any further

sites until about two years prior to the date on which the tenure expires.

Mr GUNN: The Minister said that no decision had been made about finding new sites. Could the Minister undertake to have his officers give fairly close attention to the provision of new sites for recreational shacks, because I believe it is an important matter that ought to receive the Government's attention. Many people like to reside close to the beach because of their recreation. It is a very healthy environment in which the whole family can be involved, and adequate and suitable areas must be set aside.

I realise that this takes time. Can the Minister or his officers indicate whether the department is prepared to consider this matter? Is the Minister prepared to again reconstitute the Shack Site Review Committee for the purpose of reviewing or revising the measures implemented by that committee, because, as I understand it, there are now some people—particularly in the Riverland—who believe that the benchmark of the 1956 flood might not actually be necessary in applying some of these restrictions because of various other courses of action that have been undertaken?

The Hon. R.K. Abbott: I understand the honourable member's concern and I am also concerned about this matter. That is why I have taken up the issue with the department. We were keeping our eye on the situation, but we think it is premature at this time to define relocated sites. As I said earlier, we are planning to contact the people involved two years prior to the expiration of the leases. It could be that quite a number of people are not interested in relocating. That aspect must be considered; some people may opt to relinquish and get right out of it. We will do everything possible to look after those who desire to relocate, and we are planning to do that two years prior to the expiration of leases.

Mr GREGORY: Will the Minister give details of the subsidy that is provided by the Department of Lands for the maintenance of the dog fence?

The Hon. R.K. Abbott: The Government has an ongoing commitment to the maintenance of an effective dog fence to protect the sheepgrowing areas of South Australia. The subsidy payable by the Government this year is \$146 000, which does not include day to day administration support, paid from the recurrent account. Those administration costs amount to \$58 000. Investigations are under way to relocate the eastern end of the fence, to make it easier to maintain and, hence, more effective. This might involve capital funding next financial year.

Mr GREGORY: Do dogs get through the fence and, if so, how frequent are these intrusions?

The Hon. R.K. Abbott: The broad objective of the Dog Fence Board is to protect the sheep industry, and to a certain extent the pastoral industry in general, against wild dog and dingo predation, and in pursuit of this objective the board, in cooperation with local boards and fence owners, maintains a dog-proof fence, commencing at the Great Australian Bight and winding 2 225 kilometres across the north of the State to the borders of New South Wales. The fence is the first and the only barrier to the intrusion of dingoes and wild dogs into the State's sheep pastures and, as such, is an inseparable part of an economically important industry, with a gross annual income conservatively estimated to be in excess of \$300 million. We are concerned at the escalating cost of fence maintenance and repair and at the knowledge that fence owners can no longer afford capital replacement of unserviceable fence sections.

The board has encouraged the development of solar powered electric fencing which, as an alternative dog control system, is about one third of the cost of conventional netting

fences. The board directed the installation of computerised electric fence monitoring equipment north of Ceduna in July this year, and this system is very advanced and is the only one of its type operating in Australia. The system is capable of providing a reasonably comprehensive report on the state of the fence's power output and equipment conditions at 10 minute intervals, thereby providing the security backup necessary to generate confidence in this new dog control technology.

I shall now outline the projects that were undertaken in 1986-87. These included the establishment of a community fence patrol service in the north of the State, whereby six properties combined to employ a fence contractor to service their dog fences, resulting in a more cost effective and efficient resource utilisation, to the benefit of fence owners and the dog fence structure. Further, in 1986-87 major repairs and upgrading were undertaken on the Callana, Muloorina, Mundowdna and the Mount Freeling fences, at a material cost of \$52 805. The properties as named were responsible for the employment and payment of suitable contract labour to complete the requirements. With the cooperation of manufacturers of radiotelemetry equipment, the first electric fence monitoring system was established.

Mr GREGORY: Will the Minister provide details of the feasibility study for the computerisation of certificates of title, stated as one of the specific targets of the department under the program 'Administration of State titles system' (page 226 of the yellow book)? Can the Minister say how far the department has progressed with this study and will he indicate the advantages of a computerised certificate of title system?

The Hon. R.K. Abbott: The Department of Lands has completed the feasibility study and is now in the process of considering the system design. The significant advances are perceived to be as follows:

1. A computerised title eliminates the problem of the original certificate of title being off file and allows multiple accesses by remote and internal users. Further, access hours for remote users can be varied according to demand.
2. Searching procedures are simplified because only current title details are given.
3. The expansion of the manual register would be halted, achieving considerable savings in valuable storage space.
4. With many of the mundane tasks, for example, copying of titles being replaced by computer produced information, the opportunities for staff to develop new skills and to obtain job satisfaction are substantially increased.
5. An automated register facility, issues new certificates of title following deposit of plans, thus reducing some of the existing labour intensive tasks, such as title production and manual endorsing.
6. Better use of staff resources can be made through the rationalisation of processes, such as document examination and registration.
7. Provision of more timely information to the land information system.
8. Greater security and backup is provided in the case of natural disasters.

These advantages cannot be considered in isolation, of course. Solutions have to be found to problems likely to arise from technical difficulties with computing equipment, and some constraints are likely to be placed on word processing through inflexibilities in the system. Staff related issues arising from technological change of this order have also been addressed and substantial amendment to the Real Property Act and other legislation may be necessary. But the effects on other systems of the department, for example, the land ownership and tenure system, the automated reg-

istration indexing and inquiry system, and the digital cadastral data base all require careful consideration.

Mr GREGORY: Will the Minister say whether the Department of Lands has embarked on a comprehensive program of computerisation on the provision of information, which receives a mention at page 226 of the yellow book, and has any consideration been given to increasing the scope of services available to individuals and organisations on their own computer terminals?

The Hon. R.K. Abbott: The provision of efficient services to the department's clients is of prime concern. The department's vast computer network has been used through its regional and metropolitan offices to order photocopies of certificates of title for some time. In the last financial year the service has been extended to include individuals and organisations connected to the Department of Land's remote user network. The client—that is the solicitor, licensed land broker, land agent or financial institution—can order a photocopy of a certificate of title on his own terminal. The request is received in the Lands Titles Office with the copies prepared and placed in the client's delivery receptacle, awaiting collection. This system is considered beneficial to the client as it eliminates the time taken in ordering and waiting at busy public counters within the office. Besides this benefit to the clients, it allows for an even distribution of work within the department by eliminating the peaks and troughs that occur. As new and improved systems are developed, they will be introduced to our clients to ensure the department remains in the forefront of servicing its clients. I apologise for omitting to mention at the outset the absence of the ministerial portfolios and also the organisation and management. They are available to members of the Committee if they so wish.

Mr GUNN: I refer to shack sites. I asked a long question in relation to reconstituting the Shack Site Review Committee to look at the recommendations and decide whether it wishes to tender further evidence on how these recommendations could be implemented and any other matters outstanding that are of concern to the shack owners, in particular the 1956 flood levels.

The Hon. R.K. Abbott: It is my understanding that a decision has been made that the committee will not be reconvened, but I can ask the Valuer-General to elaborate.

Mr Darley: No intention exists to reconvene the Shack Site Review Committee. It completed its investigations and reviewed all shacks on the waterfront areas of the State. It is now a matter for the department to pursue the removal of the unacceptable sites by 1995 or such other time as is determined by the expiry of the life tenure leases.

Mr GUNN: Will the Minister respond to the suggestion I made in relation to allowing people to demolish their existing shacks and replace them with more suitable forms of shack or transportable homes that can be shifted when the lease expires?

Mr Darley: The decision taken in connection with those unacceptable sites is that the shacks be removed from 1995 or dates thereafter. The only alternative is for those tenants to relocate to other sites, which would be classed as acceptable. The department will be embarking on that program about two years before the expiry date to make alternative sites available for those people who may wish to relocate.

Mr GUNN: I refer to page 110 of the Premier's statement, referring to the transfer of functions of land assessment from the Department of Lands to the Department of Environment and Planning. A staff of three scientific officers engaged in the land assessment for outback management unit will transfer to the Department of Environment and Planning. Why did the transfer take place and is the Min-

ister not concerned that the Department of Environment and Planning may be attempting to whittle away the authority of the Department of Lands and its functions or operations? Some people in the community are concerned that the Department of Environment and Planning, which is endeavouring to expand its operation, is taking over the role of the Department of Lands, and this decision adds to that fear.

The Hon. R.K. Abbott: The Land Assessments Branch of the Department of Lands is still involved in scientific assessment but the emphasis in its work is changing from design of methodology and procedures to an implementation phase. The branch still employs a number of range land scientists, but the balance of skills required has changed. As a consequence of this change three scientific officers were found to be surplus to the requirements of the branch and were transferred to the Department of Environment and Planning on the understanding that, if their skills are needed, the Department of Environment and Planning will provide the required service. We are assembling a nine-person team to undertake a 14-year program of land system mapping and range condition monitoring to provide the accurate inventory of the land resource to allow pastoralists and departmental staff to arrange the proper management of grazing in order to ensure long-term stability of the land and its uses.

The Premier has placed much emphasis on cross pooling between departments to avoid duplication. If we are able to obtain that specialist advice from any other Government department, it is open to us to do that. In this aspect the people we transferred to the Department of Environment and Planning are available to us at any time we require their advice.

Mr GUNN: Is the Minister quite confident that there will not be any attempt to rationalise Government departments, thus leading to the further downgrading of the department, and can the Minister confidently say that the Government will not attempt to abolish the Department of Lands or greatly alter its functions?

The Hon. R.K. Abbott: I am confident in saying that that will not occur. In recent times the Department of Lands has come a long way in implementing new policies, practices and procedures. We have a business plan to be implemented and it has already begun. The department will go from strength to strength. In the past a lot of areas have needed change and there is always resistance to that. It is now changing for the better and is a strong and viable department.

Mr De LAINE: In relation to the Roads (Opening and Closing) Act, I notice on page 225 of the yellow book that the department will process 200 road plans and 200 applications for certificate of title under that Act. Has anything been done to reduce the time and cost associated with the opening and closing of roads in this State?

The Hon. R.K. Abbott: Following questions that were raised in Parliament on this issue, the Surveyor-General was directed to instigate a review of the Roads (Opening and Closing) Act. Public submissions were called through the press and a legal officer was appointed to consider these and to work up a proposal for consideration by Cabinet. Liaison between the Department of Lands, local government and the surveying profession has already occurred and it is expected that a draft submission recommending amendments to the current Act will be put before Cabinet shortly. In the meantime, the Surveyor-General has endeavoured to speed up those transactions over which he has some control. Indeed, while the target for completion of 150 road plan dealings in 1986-87 was set last year, the achieved figure

was 224. While this reflects the increased effort of the survey division, it does not tell the full story.

It is important to be aware of the growth in demand for dealings under the Roads (Opening and Closing) Act, particularly in the areas of walkway closures in some suburbs and the closure and disposal of old road reserves in rural councils where the road has never been developed. Both of those activities have raised considerable public interest which in turn has increased the complexities of dealings and the number of objections that are received. The department is working on this review of the Roads (Opening and Closing) Act and hopefully amendments will be presented to Parliament in the new year.

Mr De LAINE: I notice on page 231 of the yellow book that a start has been made on the departmental business plan. The Minister mentioned overseas contracts in this context. Can he tell the Committee what the department has already achieved in this regard?

The Hon. R.K. Abbott: The department has put a good deal of effort into overseas contracts in association with Sagric International, and several officers from the Department of Lands have been seconded to that body. This activity has two major objectives: promoting South Australia as a State of technological excellence and contributing to the achievement of the business plan. A small project was completed in Cyprus and a larger project in the Yemen is still under way. A great deal of effort has been put into submissions for two major projects in Indonesia and the Philippines in conjunction with private sector interests in both cases. The outcome of those submissions has not yet been determined.

A representative of the Department of Lands spoke of South Australia's expertise at recent meetings of the Commonwealth Association for Surveying and Land Economy in Port Moresby and Honiara. Follow-up work is in train in relation to contacts made at that time. Many members will recall the presentation of the Land Information System video, which I made available to all members of Parliament last month. That video demonstrates the increasingly high reputation that South Australia is developing with agencies such as the World Bank and the expertise that is being developed primarily to satisfy the needs of the South Australian community. A lot is being achieved and the department is quietly confident that it might win the projects in Indonesia and other South-East Asian countries.

Mr De LAINE: What are the long-term benefits to the State of the policy to sell off land surplus to Government requirements as outlined in the yellow book?

Mr Kidd: There are basically two advantages in the financial sense in quitting land that is not required. One is the injection of capital funds for use by the Government on projects of higher priority and the second is the reduction in the amount of recurrent funds that would be required to manage and look after this land. There are other physical concerns about underutilised or unutilised land but all of those concerns emerge eventually into some cost or another that can be avoided if the land is put to better use. They are the direct advantages to the Government but the sale of land to someone else who can make better use of it is of general benefit to the South Australian economy.

Mr D.S. BAKER: I notice from pages 126 and 129 of the Auditor-General's Report that there are 22 000 perpetual leases in South Australia at present and that 11 000 of them have an average rent of less than \$7 per annum. Can the Minister give the Committee an idea of the cost of maintaining leasehold land, that is, all the notations that have to go on leasehold land, compared with the cost of maintaining freehold land, from the department's point of view?

The Hon. R.K. Abbott: I do not have that information here, but I will obtain it and make it available.

Mr D.S. BAKER: On page 126 of the Auditor-General's Report mention is made of the sale of Crown lands. Does that refer to freeholding land or is it the sale of Government land to private individuals? If not, how much was obtained by the Government last year in freeholding land?

The Hon. R.K. Abbott: The honourable member refers to the freeholding of Crown land, and receipts from those sales totalled \$5.2 million.

Mr D.S. BAKER: Given that it is a losing proposition to look after all these small leases on which rents cannot be changed, will the department consider making it easier for people to freehold land to increase revenue to the Government and to remove its financial burden of looking after those leases?

Mr Darley: The information that is provided obscures the answer a little bit. It states that a number of those 21 000 leases return less than \$7 per lease. Effectively, one finds on an examination of those figures in depth that approximately \$600 000 is received each year in rental from perpetual leasehold properties.

The cost involved to maintain those leases is fairly insignificant. If he so desires, the actual details can be obtained for the honourable member, but where the cost is incurred is in relation to leases that are changed by subdivision or transfer.

Mr D.S. BAKER: Because the cost of a perpetual lease property is greater than a freehold property the incentive should be to freehold as much land as possible. In other words, if it is easier for people to freehold land that would relieve the department of a burden.

Mr Darley: The intention of the department is to freehold wherever possible. However, where these other leases are incurring costs in terms of subdivision or transfer, the department is considering the cost involved and doing something about it.

Mr D.S. BAKER: I understand there are some fairly rigid guidelines as to the freeholding of land which is financially restrictive because of the cost. Would it not be better financial management to ease some of that burden of the cost of freeholding land to make it more attractive for people to do it. That would have the two-fold effect of increasing income to the Government from freeholding of land and easing the financial load in maintaining those leases involved in transfers and registrations.

Mr Darley: That may or may not be the case depending on the circumstances. As the honourable member would be aware, the Government's freeholding policy requires the payment of 15 per cent of the current unimproved value to freehold land or capitalisation of the lease rental. It could be argued that a reduction from 15 per cent to some other figure may have the effect of providing an additional incentive for people to freehold land, although I suggest that would only partially solve the problem. I think the real problem is that the perpetual leases are costing money to administer and those are the leases that are changing.

Mr D.S. BAKER: I cannot understand why a lease changing hands would cost the department more money. Does it cost the department a lot of money to register and transfer a perpetual lease property because the Minister has to sign everything?

Mr Darley: Yes.

Mr D.S. BAKER: Whereas a freehold lease goes through automatically, would it not follow that the more you can encourage people to freehold, the less burden on the department?

Mr Darley: There is no question that if all perpetual leases were freehold the burden would be reduced. However, in the circumstances, it is impractical for that to occur and therefore there will be an incidence of perpetual leases being transferred or subdivided. For example, at the present time the department charges approximately \$30 for documentation, whereas the private sector charge for an equivalent operation would be in the order of \$260.

Mr GUNN: At the last budget Estimates Committees I asked a question about the availability of allotments in country towns. From time to time concern was expressed about the shortage of allotments. Has the department taken any action to make available more allotments in country towns so that people can build homes or businesses or construct other facilities on them? In my own electorate people have raised this matter. I know it is a problem across South Australia. I have had correspondence from the Progress Association at Lyndhurst requesting that more allotments be made available. Does the department plan to release more Government land, either directly itself or make that land available to local government so that it can be involved in the subdivision of that land?

The Hon. R.K. Abbott: In response to the honourable member's question, I shall table this document and incorporate it in *Hansard*.

LAND DEVELOPMENT—COUNTRY DEVELOPMENTS

The department is involved in all country areas of the state and is currently active in 44 council areas.

Towns involved as at September 1987:

Land on Sale	Residential	Industrial
	Berri [5]	Berri [16]
	Morgan [7]	Loxton [2]
	Berri [43]	Kadina [1]
	Cobdogla [4]	Blanchetown [5]
	Kadina [4]	
	Marion Bay [101]	
	Port Hughes [55]	
	Clinton [3]	
	Barmera [12]	
	Cape Jervis [2]	
	Lock [8]	
	Lincoln Cove [60]	
	Coffin Bay [7]	
	Whyalla [10]	
	Kingston S.E. [7]	
	Cooper Pedy [25]	
Under Construction	Waikerie [16]	
	Port Rickaby [25]	
	Thevenard [14]	
	Wirrabarra [14]	
Under Investigation	Wool Bay	Loxton
	Black Point	Strathalbyn
	Pt Julia	Wudinna
	Coffin Bay	Milang
	Pt Augusta	Beachport
	Miranda	Riverton
	Loxton West	Streaky Bay
	Copley	Millicent
	Moorook Sth	Barmera
	Parndana	Berri
	Ardrossan	Jamestown
	Mypolonga	Parndana
	Cleve	Kingston S.E.
	Minlaton	Robe
	Big Bend	Tantanoola
	Balaklava	Victor Harbor
	Barmera	Clare
	Ceduna	Berri
	Glossop	Elliston
	Beachport	Maitland
	Tintinara	Tickera
	Loveday	Xmas Cove
	Cadell	Walleroo
	Kadina	Berri West
	Thevenard	False Bay
	Emu Bay	St. Kilda
	Louth Bay	Victor Harbor
	Robe	

Mr GUNN: Can the Minister advise in which areas local government bodies believe that Government land should be made available for residential purposes? Will the department react favourably to such requests and if it is prepared to make that land available is it prepared to allow the local government bodies, where they so desire, the opportunity to develop those allotments and put them on the market as developed allotments?

The Hon. R.K. Abbott: The answer is 'Yes' to both questions.

Mr D.S. BAKER: The Lands Department has an office in Naracoorte. I have made representations to the Minister about this matter on a previous occasion when a rumour existed that that office was going to be closed. It would appear that it is practical to have that office—a lot of the work done by the officers of that department relate to valuations—and it would be an exercise in inefficiency to require officers to travel from Mount Gambier for that purpose. The next available office of the Lands Department is in Murray Bridge. Will the Minister assure the Committee that the Naracoorte office of the Lands Department will be maintained and not downgraded?

The Hon. R.K. Abbott: In view of the current economic constraints, I am not able to give an assurance to the honourable member that that Naracoorte office will be maintained. A land resource officer and a clerical officer are currently employed at Naracoorte. When the member raised this matter with me last year, I investigated the matter and undertook to keep the office open because we were able to transfer some of our staff to do that at that time.

Serious consideration was given to closing the Naracoorte office in the face of budgeting constraints in 1986-87. The necessary savings were achieved by relocating a surplus clerical officer from Adelaide to Naracoorte. Nevertheless, maintenance of the office is of a relatively low priority. Provided that arrangements could be made for the continued supply of maps and other departmental products in the town, in association with private enterprise or whomever, the remaining services of the department could be provided satisfactorily from Mount Gambier. Therefore, the closure of the Naracoorte office will be reconsidered as the relevant retirements occur. I am not exactly sure of the timing of those retirements; perhaps the Acting Director could elaborate.

Mr Darley: One person could retire next year and the other one could be four years away from retirement.

Mr D.S. BAKER: As a supplementary question, will the Minister give an assurance that the cost benefits of any moves are fully investigated and that it is not even contemplated to close the office just to boost the bureaucratic influence of the Mount Gambier office? I can assure the Minister that the cost of running vehicles up and down the South-East is substantial and that there are tremendous cost benefits in having an office established in the central part of the South-East as against one at the northern end, in Murray Bridge, and one in the far south, at Mount Gambier.

The Hon. R.K. Abbott: The service is also available at Murray Bridge, but we think the service that is provided out of Naracoorte can quite adequately be provided from either Mount Gambier or Murray Bridge. We are not doing this simply to give any boost to the Mount Gambier area. If it is at all possible, the Naracoorte office may be retained. If we can restructure our staffing levels and numbers in a way that will permit us to keep it open, I will certainly give that consideration, because I do appreciate the vastness of the area. Great distances are involved and, if that is at all possible, I will certainly give it consideration. However,

financial constraints are putting us under this pressure to restructure some of our operations.

Mr D.S. BAKER: Would the Minister be happy to receive submissions from us on that point?

The Hon. R.K. Abbott: I think the departmental officers have gone very thoroughly into the feasibility of the Naracoorte office and its operations. I have not personally investigated it, but I accept their advice on those sorts of issues. However, as I mentioned, I will certainly see what we can do to overcome the problem or try to rearrange a way of keeping it open. It will be conducted in a businesslike manner.

Mr De LAINE: I refer to page 227 of the yellow book in relation to the Grand Junction and Regency Park industrial estates. Many problems are associated with the highly undesirable mix of industrial premises and residential houses in many areas, especially in the western suburbs, and there is a real need to separate those conflicting land uses. When the Grand Junction and Regency Park industrial estates are completed, will incentives be offered to companies that now operate within residential areas to relocate to these new estates?

The Hon. R.K. Abbott: I take it that the member is asking that we give that matter consideration?

Mr De LAINE: Yes, Minister.

The Hon. R.K. Abbott: I will do that.

Mr De LAINE: Since the Cruelty to Animals Act was proclaimed just over one year ago, has an assessment yet been made on its effectiveness?

The Hon. R.K. Abbott: I think it is premature to determine its effectiveness at this point in time. We are receiving quite a number of approaches, ranging around the whole area of animal welfare, from community groups, and these relate to the production of food, the development of new drugs and other scientific research. Some recreational pursuits also raise animal welfare questions, and debate on the topic normally generates an emotional response from a large proportion of the public. Therefore, if the Government is to respond rationally and logically in the face of such a debate, it must be well prepared by a constant monitoring and assessment of the issues that arise from time to time. The Animal Welfare Advisory Committee advises me, as Minister, on animal welfare matters. The committee is serviced by the animal welfare officer in the Department of Lands, which also provides a day to day service to the Minister.

The following issues are currently being addressed: establishment of animal ethics committees in research and educational institutions; the development of a code of practice for the pet shop trade and possible licensing of other controls; participation in the Commonwealth development, and implementation of codes of practice for agriculture; monitoring the effect of the new legislation and the need for any amendments; and establishing methods of achieving uniform legislation around Australia.

In March this year I inaugurated the joint Animal Welfare Council, comprising those officers in each State, Territory and the Commonwealth with direct responsibility for advising their Ministers on animal welfare matters. The executive service of this council has been provided by the animal welfare officer in the Department of Lands, and I deliberately initiated that move to try to get some uniformity among all the States and Territories in Australia. Quite a lot of keenness was shown by the officers of the various departments that are in charge of animal welfare throughout all the States.

Mr De LAINE: I refer to page 229 and the Entertainment Centre site. What percentage of the necessary land has yet to be acquired and when will this acquisition be completed?

The Hon. R.K. Abbott: As Minister of Lands, I was allocated the task of acquiring a site on which to facilitate the development of the Entertainment Centre. In order to achieve this objective, the Department of Lands has implemented an acquisition program. It is undertaking property management—that is, letting, rent and acquisition, etc., in respect of properties as they are acquired into my ownership, as Minister.

The Minister of Lands will continue in the ownership and management of the properties until an appropriate management structure has been established by the Government for the development and ongoing management of the centre. The total site comprises 19 individual ownerships of 36 separately identifiable properties. To date 17 properties have been purchased from the Commissioner of Highways, 20 have been purchased or acquired from private owners and the remaining property is the subject of negotiations and acquisition. Ten properties were vacant as at 15 September, and six of that number are considered to be unsuitable for tenancy. It is anticipated that the four properties suitable for rental will be occupied by the end of November 1987. The net rental income, after allowing for rates, taxes and maintenance costs, is expected to be \$150 000 in the 1987-88 financial year. If we find it necessary to demolish some of the buildings, we will use a part of that money to do so.

Mr LEWIS: In relation to soldier settlement units, I remind the Minister that he wrote an undated letter to me which I received on 18 February. He wrote to me again on 8 April. Although I will not bother with names and places, I will read a letter that was written by one of the soldier settlers in this group which is east of Keith. In response to a letter from the Minister, Mr Ted Aitken states:

In it, you [the Minister] understood that there were two types of settlement, 'single unit' and 'project' settlers. Your advisers have missed the point. We are project settlers and have certainly not bypassed the merit system or jumped the queue as alleged. I had been selected to do the Wingfield course for would-be soldier settlers. The AMP gave preference in their scheme for ex-service-men. To save time I applied and was approved as suitable. I worked on all phases of the scheme, including time spent helping to develop the Brimbago area.

That is south of Keith where there is another project. The letter further states:

This was certainly a project if ever there was one. In no way did a 'single unit' apply to me, as it did to some whose family and friends had a farm to offer in isolated separate cases in various areas around the country. I did not know which farm I would draw at the ballot and had to wait my turn in order of seniority. It took five years of work and my family living in less than comfortable conditions—

In fact, anybody living in those same conditions these days would be considered to be acting irresponsibly if they had children; the Department for Community Welfare would step in and take their children away from them. That is the way that those men and their wives lived. It was really rough living in a shed that in most parts did not have lining. They were lucky if they had lining around their bedrooms (the area around the shed was considered to be the bedroom). The letter further states:

... (as did other project soldier settlers) before I balloted for a block. Two of the Brimbago settlers, although eligible, did not take part in 'project work', yet they were included and had their rents reduced in line with their neighbours. Did they have a stronger case than mine?

In view of the points made above and your sympathetic consideration of previous issues raised, would you reconsider an approach to the Commonwealth for a further review of our claim?

He was speaking on behalf of five other people, the most outspoken and constructive of whom is Mr Henry Young, who, because he has a more articulate turn of phrase and a more agile mind, is more able to represent their views. I draw the Minister's attention to his letter to me of 8 April, which is his last correspondence. The letter, which came from the Secretary (Jim Rundle), states:

The Minister of Lands, Mr Roy Abbott, has asked me to acknowledge receipt of your letter of 27 March 1987—

which I wrote after being made aware by Ted Aitken and others that they had written to him—

seeking a copy of his response to your constituent's (Mr H. Young) recent letter concerning the six war settlers at Keith. In due course a copy of the Minister's reply will be provided for your information.

Given that today's date is 22 September, some 5½ months later, would the Minister give me his reply?

The Hon. R.K. Abbott: The War Service Land Settlement Agreement between the Commonwealth Government and the States was embodied in the War Service Lands Settlement Act 1945. The legislation was declared invalid through a High Court decision and subsequently agreements with all States were terminated. The ability to fund the scheme was rectified by the States Grants War Service Land Settlement Act 1952. A statement of the conditions for granting financial assistance was made separate from the legislation. The statement of conditions determined by the Commonwealth was framed to suit the development and divisions of land for settlement as projects and not for the purchase of fully developed land for allotment to specified settlers.

Complaints by the war service single unit settlers in the Keith area have dated back to the early 1970s and, regardless of repeated efforts by officers in the Department of Lands, together with several Crown Law opinions, the fact remains that there are no firm bases on which I can approach the Commonwealth for a further review of this matter. If the honourable member can give me some new information, I would be quite happy to make that approach. However, each of the five soldier settlers has been informed in writing as to the outcome of my further inquiries on their behalf.

The Commonwealth Government's policy on these matters dates back to July 1953, and each of the settlers took up their lease during the 1950s. So despite being sympathetic to the wishes of the settlers, I feel that the matter is quite complicated, and the information given to me is that any legal appeal is likely to be unsuccessful. I would hate to see these people spend money on what could be a fruitless exercise. Their cases and claims have been thoroughly reviewed and, as I mentioned, no new evidence has been uncovered for me to put to the Commonwealth. If the honourable member can uncover any new evidence and provide that to me, I would be happy to look at it.

Mr LEWIS: I put it to the Minister that, whilst he may be sympathetic to the landholders in that locality, there are only six of them and, let us make no bones about it, my involvement in the matter is only to try to ensure that they get honest, honourable and just treatment. There are no votes in it. It is a matter of securing natural justice for these people. As much as officers from the Commonwealth, together with officers from the State, in particular the Department of Lands, would like to argue that these people were single unit settlers, they were not.

The Minister, his officers at the table and other officers in the department (and some of them who are now dead) know and knew that these people were not single unit settlers. That was a project, and the settlers had no idea which blocks they would ultimately receive. It was a travesty in the first place to refer to them as single unit settlers. They never acknowledged that that was the case. This mat-

ter has continued for over 30 years. To use Henry Young's words (and I agree with him), they have fought through what they believe to be 'over 25 years of blatant overcharging, threats, contracts signed (by Government) and not honoured, promises made and broken' and letters mysteriously lost, or otherwise then mysteriously found.

They now believe that their request is not unreasonable, namely, that the issues raised in the letter which Henry Young wrote on 20 February receive urgent attention. He indicated in that letter that the remaining members of that group of settlers are determined to push for what they believe to be natural justice, and it is my assessment now that they do not mind if they have to sell their farms, such as they now are, and take whatever cash they can get to meet such costs as they will incur in the process of testing every avenue available to them both legally and then politically. I accept my responsibility in the latter case, but in the first instance, if the Government imagines that it will be better off to simply allow the case to rest where it stands at present, it can forget it, because it will not happen.

These settlers will go broke first; that is their attitude to the way in which they have been treated, and they have respectfully requested that the re-examination of their position be undertaken on the basis that they are not single unit war service settlers there in the Hundred of Pendleton but that in fact it was a project. The valuation they were given was falsely based on what appeared to be high productivity of the land which looked good at the time and which, in fact obviously is not more productive than the best land farther south in the South-East, yet that is the value that was put on their land at that time. They have always protested that it was wrong. Just because it looked good is no reason for us to continue to accept that it was indeed good.

The Minister knows—and I have no doubt that this applies to every member of this Committee—that the land in Pendleton comes nowhere near the same productive output capacity as land on the volcanic soils around Mount Gambier—and yet its valuation is based on productivity levels higher than the highest productivity that can be obtained from the very best land in the South-East. I want the Minister to understand, therefore, that these people are not prepared to lie down and simply accept that the bureaucracy finds their case too hard to handle. I ask the Minister and/or his officers whether they will reconsider the view that these settlers have to be treated as single unit war service settlers.

The Hon. R.K. Abbott: I met a deputation of these people in November 1985 and I agreed to examine their longstanding grievances concerning the valuations and rentals of their leases. The review was undertaken and the settlers were informed of the outcome. The matter had also been previously considered by the Ombudsman. I am satisfied that in reaching its decision the department has thoroughly reviewed and carefully considered the matter. However, I reiterate: if any new evidence can be provided to me in any way, shape or form that will allow me to approach the Commonwealth I shall be quite happy to do that. But, on the evidence that we have at present it is not possible to do that. As I mentioned, the matter has been thoroughly reviewed. It goes back well beyond my time; I think Tom Casey was the Minister of Lands at the time when this first came to his attention, and no-one has been successful with it.

Mr LEWIS: I do not deny that it has been around for a long time—it was around when I was in short pants, and that is a day or two ago now. I conclude simply by quoting a paragraph from Mr Young's letter, as follows:

It is inconceivable to me, as a layman, that the Brimbago group of AMP settlers should have a rental adjustment given to them

voluntarily by the State which has denied the AMP group of 'single unit' settlers in the Hundred of Pendleton who cleared and developed not only their own blocks, at no cost to the State, but also all the Brimbago settlers' land.

And the Brimbago settlers got the rental adjustments. You tell me whether that is justice?

I now leave the matter and turn to another matter concerning a piece of land which was originally set aside under the Crown Lands Act 1929-1975 under the section 'Land reserve for allotments to Aborigines.' This land is in the Hundred of Bonney, a small parcel of land comprising about seven acres just outside Meningie. It was originally intended that this land be made available to an Aboriginal family which could then settle on it, establish a family home and raise a family there. I have written to the Minister about this matter, and I now ask whether or not the applicant for this land, a Mr Day, a member of the Ngarrindjeri tribe (this was the tribe which occupied the land around the lower Murray and estuarine lakes and Coorong) can have this land.

Mr Day has sought this parcel of land and there has been some toing and froing between myself and Ministers of the Government since the application was made. I now believe that the Minister is able to say whether or not Mr Day can have this land and, if so, whether or not it will be allotted to him as originally intended or sold or leased to him. If it is to be sold or leased to him, why does the Government now require payment for land which was originally acknowledged as being Aboriginal land, the Aborigines now being ripped off in one way or another?

The Hon. R.K. Abbott: When did the honourable member write to me?

Mr LEWIS: In April.

The Hon. R.K. Abbott: Has the honourable member received a reply?

Mr LEWIS: Only to the extent that a letter from the Minister of Aboriginal Affairs of 26 June stated that:

I have also recommended that a satisfactory settlement be reached with Mr Robert Day, who I believe would like to purchase or lease this property on a long-term basis.

The Minister of Aboriginal Affairs forwarded a copy of that letter to the Minister of Lands. I received a letter from the Minister of Lands in June to the effect that it was proposed to resume the land and to make a decision about its future. I have not received further correspondence since then. I understand that the Minister of Aboriginal Affairs recommended that the Minister of Lands might like to let Mr Day purchase or lease the property.

The Hon. R.K. Abbott: I will have to take this question on notice in order to investigate the matter that the honourable member has raised. I will provide him with a report as soon as possible.

Mr GUNN: My question concerns the records that the department holds on pastoral and other leases, including shack site leases. Will the Minister give an assurance to the Committee that none of that information will be provided to the Commonwealth for the purposes of the ID card or anything to do with it so as to identify the people? I ask that none of the records be provided to that organisation without first the permission of the lessee or the Parliament of this State. Many people have grave reservations about it and would believe it to be an intrusion on their privacy if this information was provided to the Commonwealth as information obtained purely in relation to their holding of these leases. Will the Minister give those unqualified assurances?

The Hon. R.K. Abbott: I understand that that is already public information.

Mr GUNN: That may be true in some cases. However, in view of the fact that many people would not be aware

that this information can be obtained by the public, will the Minister give an assurance that no action will be taken by the department to facilitate or provide this information to the Commonwealth? As I understand the current situation, one has to pay a fee to obtain such information. However, as I understand the arrangement with the Department of Lands, it could program the computer to provide a list to the Commonwealth very quickly. That would be without the individual knowing that this information will be made available to the Commonwealth or that the Commonwealth had even sought this information, which is quite a different matter. In view of the overwhelming public rejection of this proposal, will the Minister give an assurance that the State Department of Lands, without the permission of the individual or this Parliament, will do nothing to facilitate this information being made available to the Commonwealth for the purposes of the ID card?

The Hon. R.K. Abbott: The Commonwealth would be fully aware of this information. Quite frankly, I am not in a position to give any assurances one way or the other currently. The Premier has stated that he did not want to commit himself one way or the other to the ID card. I will raise the matter with the Government and ascertain its attitude and consider the honourable member's request.

Mr GUNN: When the Minister and the Government have considered the matter, will he give a response by way of ministerial statement to the Parliament so that everyone is aware of the Government's policy in relation to this important issue?

The Hon. R.K. Abbott: I will also consider that matter.

Mr GUNN: My next question concerns pastoral leases. The Minister has made a number of statements relating to negotiations taking place for a new Crown Lands Act and a new Pastoral Act. In view of the current situation, the pastoralists have rejected the proposals, as recorded in the *Stock Journal* of 13 August 1987 in an article which is headed 'Pastoralists call for new lease scheme' and which states:

SA pastoralists have rejected State Government proposals for terminating leases to be applied to their land. Instead they have called for a new system of infinite-term leases to be linked to regular land care reviews. United Farmers and Stockowners Pastoral Committee Chairman, Mr Chip Sawers, said this week security of tenure was essential if responsible pastoral land care and land use was to be fostered.

He was releasing details of the UF&S pastoral land policy which rejects Government proposals for the present 42-year pastoral leases to be scrapped in favour of rolling leases subject to covenant review every 14 years. The policy review was promoted by Government plans for a new Pastoral Lands Management and Conservation Bill. However, the UF&S has urged the Minister of Lands, Mr Abbott, to rethink the plan for rolling leases, which would face covenant review when current leases still had 28 years to run.

The article further states:

Mr Sawers said lending institutions believed their loans to pastoralists would be limited to a relatively short term under the present Government proposals. 'The proposal reinforces a system of discretionary tenure which has been shown to be inadequate in the administration and management of pastoral lands across Australia,' Mr Sawers said . . . Mr Sawers said covenants should aim to foster positive trends.

Positive trend management would be a planned, productive use of land that preserved natural attributes and gradually enhanced them if for any reason they had been historically depleted.

As I understand the situation, the western lands leases are perpetual leases in New South Wales. I further understand that legislation was put forward to the Western Australian Parliament which amounted to continuing leases. I understand that that is also the situation in the Northern Territory. Will the Minister now respond to the criticism of the proposal put forward, and will he say what are the current arrangements in relation to legislation?

The Hon. R.K. Abbott: We received the draft legislation only last week. It will be released to interested parties for comment, and consultation processes will be gone through very thoroughly with all organisations and members of Parliament. We will take into account the comments received.

Mr Darley: The draft Bill was received last week. In terms of the pastoral legislation, the Bill provides for 42-year leases with a 14-year review of covenants. In connection with the questions raised by the honourable member as covered by the United Farmers and Stockowners, the Department of Lands is continually in discussion with the UF&S on the various aspects of the proposed Bill and is awaiting discussions with the Conservation Council of South Australia and other interested parties.

Mr GUNN: Whose advice will carry the most weight—the pastoralists or the Conservation Council? I ask the question because the pastoralists who have occupied this land since the early history of South Australia are the only people who have paid for the use of this land. They have made a considerable economic contribution to the welfare of this State, providing valuable income, and will continue to do so. They only want to be placed in a situation where they can permanently plan their future operations with some security. Whose views will be paramount when final decisions have to be made in relation to the introduction of the legislation?

The Hon. R.K. Abbott: The Government will be taking a balanced view on the legislation. I am certain that the Government will ensure that the management of the lands will be determined in the best interests of the whole community.

Mr De LAINE: The 1986-87 specific targets refer to the planning of an accelerated program to complete the tertiary network. The 1987-88 figures specifically refer to Renmark and Victor Harbor. What is the significance of the tertiary network and what are the major reasons for accelerating the program?

The Hon. R.K. Abbott: The tertiary network is a breakdown of the primary geodetic network to a localised level and it provides the means for all survey work to be coordinated and tied to the national coordinate system in both position and height. Traditionally the tertiary network has played an important role in engineering, mining and mapping exercises but its major application in the years ahead will be to provide the framework for the State's Land Information System and land boundary system.

This year Cabinet approved the introduction of the coordinated cadastre project and work is in hand to develop minor legislative changes to allow the system to proceed. This legislation will require that all land boundary surveys within declared survey areas be tied to the national coordinate system. Before those areas can be declared, the Surveyor-General must ensure that a proper tertiary network of survey marks is in place. The first area to be declared will be the City of Adelaide, including North Adelaide, as the accelerated program has enabled this area to be properly coordinated for the first time, much to the delight of the Adelaide City Council, surveyors, mappers and planners alike.

It is stated in the 1987-88 specific targets for the survey division that Victor Harbor will be completed. This area has been selected as a result of an approach from the council for assistance with control marks for proposed developmental work in the area. The accelerated program will eventually extend the tertiary network through the metropolitan area and country towns.

Mr De LAINE: One of the objectives listed for the Surveyor-General in 1986-87 was the remarking of the New South Wales/South Australia border. What progress has been made on this and what is the status of surveys in regard to other State borders?

The Hon. R.K. Abbott: The important task of securing the State borders commenced in 1983. Work has continued steadily since that time as a joint exercise involving the Queensland, New South Wales, Victorian and South Australian Surveyors-General. I report that the border with Queensland from Poeppel Corner at the Northern Territory/Queensland intersection to Haddon Corner in the north-east and down to the Queensland/New South Wales border at Cameron Corner has been surveyed and remonumented. Plans are currently with the Queensland Government for its acceptance.

The South Australia/New South Wales border has also been marked from the Murray River north to the Barrier Highway. However, a closing section north to Cameron Corner still remains to be done. Work is proceeding on the South Australia/Victoria border. South Australia agreed to survey a 200 kilometre section of that border between Peebinga and the Wimmera Highway as this State's contribution. The field work and monumenting is now complete and plans are being prepared for acceptance by the Victorian Government.

In the north, the Northern Territory border is marked permanently in all but two sections: 200 kilometres west from Poeppel Corner across the Simpson Desert and 85 kilometres through the Mann Ranges in the Pitjantjatjara lands. The Western Australian border, over 630 kilometres long, has never been surveyed, so that project is in the long term.

Mr De LAINE: My next question relates to property valuation and the trend towards the department providing valuation services for local government rating. Some residents are surprised and concerned that valuations put on their homes in the past three years have reduced each year. In other words, the valuations indicate that properties are reducing in value instead of increasing, as is the norm. What criteria are used by the department to establish valuations on residential houses for local government rating purposes?

Mr Darley: Valuers in all instances use comparable sales as evidence in determining valuations of residential and other properties. However, in the past three years, market conditions have been fairly volatile in South Australia and there has been a decline in residential property values in the last 18 months.

Mr GUNN: Can the Minister advise whether Pastoral Board inspectors have visited the Pitjantjatjara lands in the past 12 months on the same basis as they visit other pastoral properties in this State to carry out inspections to make sure that properties are grazed in accordance with the requirements of the Pastoral Act? I raised this matter with the Minister last year and since that time amendments have been made to the Pitjantjatjara land rights legislation. I therefore wonder whether the Minister's officers have visited the area. If they have not, will the Minister give an assurance that, during the next 12 months, they will be encouraged to carry out what would be a normal inspection if this land was ordinary northern pastoral land?

The Hon. R.K. Abbott: Pastoral inspections of Aboriginal lands continue to be arranged on a cooperative basis. No alteration in cost is expected.

Mr GUNN: Have they actually been to the Pitjantjatjara lands this year?

The Hon. R.K. Abbott: As I understand, inspections have been made.

Mr GUNN: My next question concerns valuations. I notice in reading the documents that there has been a downturn in revenue because of a number of objections to certain valuations. Can the Minister advise what system is being used to value land? Is the department fully using the site or actual value, which I understand is what the legislation says, or has it not fully adopted that principle? During the Estimates Committee last year, there was considerable debate about valuations in this State because a number of people were most concerned that the unfortunate downturn in the economy was not being reflected in values that were applied. Will the Minister ask the Valuer-General to explain which system is used and whether the downturn is fully reflected in values?

The Hon. R.K. Abbott: I am happy to ask the Valuer-General to reply.

Mr Darley: The downturn in property prices has been reflected in all valuations this year as it was last year. In answer to the honourable member's other question concerning actual use and highest potential use, I point out that all properties are valued on the basis of their highest potential use except those properties used for the business of primary production, those on the heritage list or those that are the principal place of residence of an owner.

Mr GUNN: The actual site value of the property is now used?

Mr Darley: Yes

Mr LEWIS: In connection with the question I raised with the Minister concerning land being sought by the Day family near Meningie, the Minister said that he would get a report for me. I think I quote him correctly. The land in question is section 340 in the hundred of Bonney. I thought that the land was to be made available under section 5 (d) of the Crown Lands Act. I first wrote to the Minister on 29 April. I am amazed that he has not taken the trouble to make himself familiar with the situation in five months. If Aborigines cannot get justice in five months, is it any wonder that they are angry at us and ready to tear the streets up to throw at us when we drive past? Aborigines are getting cross with us because we do not seem to want to respond to their inquiries.

The Hon. R.K. Abbott: There must be a reason why I have not replied to the honourable member's letter.

Mr LEWIS: I daresay there is, but will they understand and accept that?

I turn now to the question of cruelty to animals. There are laws on our statute books that preclude people from being cruel to animals, for example, coursing or pitfighting, in order to prevent people from developing the basic instinct of simply engaging in killing. That instinct is probably latent in all of us; I do not know, I am not a psychologist. Clearly, cruelty cannot be stopped simply by preventing people from participating in activities in which animals are pitted against each other. You, Madam Chairman, and the Minister and everyone in this room would know that every day millions of animals lose their lives to other animals. Very often they are not simply caught and chewed up for tucker, they are tortured and terrorised, for example, when a cat plays with a mouse or a bird. There are other ways in which animals of predation can terrorise their prey and we accept that.

We cannot say that this legislation exists because we do not want animals to suffer cruelty. I argue that the basic reason for this legislation is that we want to prevent people from developing the baser instinct of cruelty to animals. This legislation, which I support, rests very uneasily with the ALP's stated indifference to the problem of mutilated

children's toys, which must appeal to the same baser instincts at a very critical time in the development of children's attitudes, ethics and morals. I wonder how the Minister feels about having this kind of legislation in place and having to spend money on prosecuting people who participate in these nefarious activities and yet allowing those nasties to be sold to our children. As a matter of policy does the Minister support the continued availability of those kinds of toys?

The Hon. R.K. Abbott: My answer is 'No'.

Mr LEWIS: Can the Minister provide the number of successful prosecutions that have been launched against dog nappers in the past 12 months in the light of the escalation of this nefarious practice? It is not only cruel to children who are naturally upset, but it is cruel to the dogs who invariably end up dead. I am not as concerned at the way in which these dogs are sold interstate, that is, some of the more fancied breeds, but more concerned about the consequences for breeds such as Staffordshire terriers and bull terriers. Bull terriers are outstanding dogs, very loyal, very strong and very committed and they can be easily antagonised into a fighting mood. The practice of stealing those dogs has extended outside those few suburbs in the metropolitan area where it began three years ago.

People in places like Murray Bridge are having their dogs stolen now. Obviously, there is an organised group involved and I am anxious to see the harshest possible penalties meted out to those people who are caught stealing the dogs, involving them in fighting and betting on the outcome of those fights. I think it is an abhorrent practice. It is appalling that anyone in this country can contemplate dog fighting as a legitimate recreational activity. God alone knows what goes on in their brains; they must be sick. How many successful prosecutions have been launched and what kinds of penalties have been handed out and does the Minister know if amongst those prosecuted there are any recidivists, that is, people who re-offend after having been caught and penalised?

The Hon. R.K. Abbott: There has been mounting evidence that organised dog fights occur in this State. That evidence comes from people who claim to have inside information. Injured dogs, mainly bull terriers, have been seen on the streets and at times are left with veterinary surgeons. There have been gatherings of people with bull terriers that are not associated with dog clubs at certain locations around Adelaide and there has been an increase in theft of bull terriers and other small breeds used as baits from private homes and dog pounds. The project officer from the Animal Welfare League has been monitoring the matter and is in constant contact with the officer-in-charge of the Gaming Squad. The Animal Welfare Advisory Committee has also been informed of the matter. It would appear that not a lot can be done except to tell people that they must ensure that their animals are kept on their properties and not allowed to roam the streets.

If it is thought that a dog, particularly a bull terrier, has been stolen, the police should be informed as soon as possible. I am not aware of the number of successful prosecutions, but I can check that for the member. We have made an additional grant of \$150 000 available to the RSPCA, and the Government will continue to recognise the great work that is done by the RSPCA in this State in policing the Prevention of Cruelty to Animals Act. We asked them to administer the new legislation, and that was one of the reasons why we increased the grant by \$150 000 to the existing amount, and that is on a dollar for dollar basis on the amount raised by the RSPCA. Subject to prior acceptance by the Government, \$1 will be provided for every \$2

raised by the society towards the replacement of major items of equipment such as motor vehicles and radios. So that their inspectors can police the provisions of the new Animal Welfare Act, it was necessary for the Government to recognise that and provide additional finances. I will check the number of successful prosecutions and let the member know.

Mr LEWIS: Supplementary to that question, would the Minister be kind enough to provide the number of apprehensions in which prosecutions have been launched, the number of times that that has been successful, and the number of recidivists—that is, people who have been charged more than once, in particular in relation to stealing and/or using the stolen dogs for pit fighting?

The Hon. R.K. Abbott: Yes, I will undertake to check that out.

Mr LEWIS: We vote the money to them, but we want to know that it is being used effectively. That is my reason for asking—because the practice is spreading rather than being contained.

For my last question, I turn to land valuation. At the present time conventional wisdom amongst valuers is that we check market value of similar property, whether it is a suburban dwelling of one category or another or farmland, or just real estate anywhere. I recognise that this practice has in the past met with acceptance by the agencies that use the information, such as local government and so on. However, there are some nagging doubts in the back of many people's minds, and they come to the surface in particular where valuations on that basis are used to compensate folk who own tracts of native vegetation and are to be given heritage agreements. Market valuation in these circumstances is no longer relevant.

Nobody wants to buy pieces of land with native vegetation on them where it is highly unlikely that they will get approval to clear the native vegetation. It is equally well understood by the prospective customer that there is no other economic application to which that land can be put. They must simply possess it, so there is no bid or offer on such land. The esoteric approach therefore used is to take the notional value market wise, of the land once cleared (and that is just notional) and deduct from it the costs of clearing. That assumes that a contractor's quote would be the cost incurred by the farmer, and in most instances that is patently absurd. The landowners, be they farmers or graziers, would attempt to spread the exercise, that is, destroying the native vegetation on the land, over several years and use their own time and resources to do the work. This would be done when there was not such a demand on their labour throughout the year: it would be a seasonal activity when they were younger and fitter and able to do it. Clearly then, the cash cost would be much lower than that which is used in the formula.

It is my judgment then (and I put the question to the Minister and/or any of his advisers whom he may wish to have comment to the Committee) that the fairer and more sensible approach for valuing blocks or patches of native vegetation would be to assess the value in terms of dry sheep equivalents. Whilst some members of the Committee may have difficulty knowing what that is, I am sure that the Minister and his officers at the table would know what I am talking about. In simple terms, it relates to what area of land would be required to support one wether, a dry sheep, or a ewe not in lamb, not milking and not mated.

A dry sheep equivalent is a notional value of a standard weight store wether and the area of land required by that animal to obtain productive sustenance from the land on which it grazes. If that were the case, then true market value, net of production costs, of the dry sheep equivalent

in man terms would be obtained, whereas at the present time the current formula gets in the way, in that we use this notional concept of market value as well as having not only the impact of no-one wanting to buy native vegetation, but also variable interest rates affecting that sale price.

Does the Minister believe that it would be fairer to use dry sheep equivalents in determining the value of rural land, especially where it applies to compensation under heritage agreements and the Native Vegetation Clearance Control Act than it would be to use the current valuation principles?

The Hon. R.K. Abbott: I will ask the Valuer-General to take that question.

Mr Darley: The question of compensation under the Native Vegetation Management Act requires a determination of the value of land having regard to what the scrubland would have been worth prior to the implementation of those controls and what it is currently worth with the implementation of those controls. I question whether the honourable member's approach to the solution of the problem would provide the answer that he is looking for. The basis on which we determine compensation is, first, to arrive at what the improved value of the land would be at the present time, and that is available from comparable sales. On the other hand, it can be derived from the sheep area value, as the honourable member has mentioned, then deducting, first, the added value of improvements, not the cost, bearing in mind that the value of those improvements may not equal the cost. In any event, in arriving at the compensation, every element of doubt is resolved in favour of the owner of the scrubland, so that he is not disadvantaged in any way at all.

Our valuers calculate the compensation on, first, the value of comparable scrubland sales, whether it is in this State or taken from other States where the controls do not apply, making appropriate adjustments, or by hypothetical development where you start with the improved value of the land and then deduct the relevant value of the costs of clearing. In the final analysis, the higher figure is adopted for the compensation.

Mr LEWIS: I express my gratitude to the Minister and to the Valuer-General for that helpful information. If I am not mistaken, that is somewhat at odds with what I was told in the field recently. There was no recognition of the fact that it was possible to use an 'either/or' approach to valuation and to take into account comparable values interstate. As recently as Sunday night, when I attended a meeting at which officers of the Lands Department and other Government departments were present, we discussed these and other problems associated with compensation to landholders who, having been required to retain tracts of native vegetation, decided to sign heritage agreements. I would be pleased if the information provided to the Committee could be circulated to all officers of the department who apparently do not understand that it is possible when determining values to take into account factors other than land values for what is said to be equivalent land in the immediate vicinity. Would the Minister and/or the Valuer-General ensure that valuers throughout the State, particularly in the South-East, are made aware of the range of options available to them when assessing land values?

Mr Darley: I will remind our valuers on that point.

Mr GUNN: Could the Minister use his good offices to assist a group of landholders in the Aldinga/Willunga area whose land currently is subject to a freeze? These people have farmed that area for generations, but they are now prohibited from subdividing that land into hobby farms or into such closer settlement so that they can sell their parcels

of land. As a result of the restrictions, the properties virtually are not viable, because these people cannot sell them in order to capitalise their assets and move into another form of agriculture in other parts of the State. They are being considerably disadvantaged by these planning and other laws which the Government has inflicted upon them. They have not requested it. Really, they are the innocent victims of the Government's actions.

Can the Minister of Lands do anything to assist these people to get out of their predicaments as soon as possible? They have tried unsuccessfully by rational debate and discussion to have their problems resolved.

The Hon. R.K. Abbott: I understand that they can sell the land, but they are unable to subdivide it. There is a freeze on the land and that would have to go through the Department of Environment and Planning.

Mr GUNN: As a supplementary question, that is the problem. As a consequence of a Government decision these people have had a considerable part of their assets just written off with the stroke of a pen. Therefore, the question has to be whether, if the Government is not prepared to allow them to obtain full market value, it is prepared to compensate these people so that they will not be financially disadvantaged. I put it to the Committee that, if the Government tried to impose similar restrictions on a householder at Burnside, Brompton or Plympton, there would be an outcry. However, because these people are isolated they have lost their potential development rights and been discriminated against. As a matter of natural justice, can the Government take action to allow these people to obtain what is rightfully theirs and what they have always expected to be theirs? I ask the Minister of Lands to use his good offices to assist these people, who have farmed that area for generations. Really, if it were not for urban development, they would have been able to continue doing so. However, they are being forced out, and these planning and other laws have been inflicted on them against their will.

The Hon. R.K. Abbott: Under the Planning Act, no compensation is payable for any rezoning, and that applies also within the metropolitan area. Certainly, we can give consideration to ways of assisting these people, and I would be happy to consider that.

Mr GUNN: Can the Minister advise whether, in the course of this year or the next financial year, he intends to reduce the number of statutory authorities, boards or committees under his administration? I refer, for example, to the Land Board, which I understand consists of all public servants. Also, will the Minister repeal any Acts of Parliament which result from considerations of the deregulation committee which is currently looking at all Government regulations?

The Hon. R.K. Abbott: The only one that comes to mind is the Land Board. Under the new Crown Lands Act, that board will disappear.

Mr GUNN: I refer to the action of the Department of Lands in having departmental officers carry out reviews and drawing up land management plans, particularly along similar lines to the Nunyah Conservation Reserve management plan. It is not my purpose or role in this Committee or in Parliament, except on fairly rare occasions, to express strong criticism of departmental officers, their policy or their actions. However, I was surprised to receive from the Minister a letter dated 16 September. I suggest that, in that reply, some officer, who obviously was fairly annoyed with me, gave me a slight raspberry. I would have thought that the best way to handle the matter would be to telephone me but, in response to matters that I raised on behalf of a constituent who, to put it mildly, had been given a fairly

long-winded run-around, I received a letter from this officer. The constituent concerned comes from Cadney Park. Really, he wanted merely to develop his property for the benefit of the tourist industry. Unless the Minister can assure me that people's rights will be protected, I will be somewhat critical.

Great concern has been expressed about the preparation of and attempts to implement the Nunyah conservation management plan. Other than the Lands Department officer concerned, I do not know anyone who wanted to put this into effect. The views of the local residents have been ignored. People are most concerned that their miscellaneous and pastoral leases will be taken from them. Since I first entered Parliament in 1970, I have never received any complaints about Lands Department officers in Port Lincoln. The previous Manager had my great respect and admiration. I never received a complaint about that person. I had a lot of contact with that officer, who performed his duties in a manner that pleased everyone. He was a very sensible and responsible person.

However, great concern has been expressed to me that the personal views of one person are being put into operation and that the views of those people who hold these leases have been ignored. Can the Minister give an unqualified assurance that all those people on Upper Eyre Peninsula and other parts of the State where this sort of exercise is carried out will not have their miscellaneous and pastoral leases arbitrarily removed from them and that they will be allowed to renew them?

The Hon. R.K. Abbott: The 1984 report on unallotted Crown land on Eyre Peninsula recommended that much of the land be dedicated for conservation under the care, control and management of the Minister of Lands and that the Department of Lands would then prepare a management plan for each area. The dedication has occurred and, in relation to Nunyah, a draft plan has been prepared and is now on public display for comment. It raises the issue of who can and should manage the land.

With the removal of mining constraints by the Department of Mines and Energy, arrangements have been made to proclaim much of the remaining land as conservation parks under the National Parks and Wildlife Service. This requires surveying, fencing, boundary alteration to add farming land to adjoining properties, sometimes in exchange for scrub land, and arrangements to protect the dog fence, and it is anticipated that this will be completed this financial year. My information is that 45 copies of the report have been circulated for comment. To date we have not received any response.

Mr GUNN: You got one from me; you have had a complete explanation of what I think about the whole exercise.

The Hon. R.K. Abbott: The point I am making is that all concerns will be considered.

Mr GUNN: Can the Minister give an unqualified assurance that those landholders who currently have miscellaneous leases and pastoral leases in the area and who wish to renew them will be able to do so and that their wishes will not be completely ignored? The Apex club at Kimba encountered trouble because the departmental officer concerned completely ignored commonsense. We do not want this to happen again and I therefore ask whether the Minister can give an assurance that the wishes of those landholders will not be ignored and that the view of this one person who appears to have a conservation point of view will not prevail against all other wishes.

The Hon. R.K. Abbott: Commonsense will prevail. I ask the Acting Director to reply to the honourable member's question.

Mr Darley: In response to the question concerning the pastoral leases, no assurances can be given that those leases will be renewed. However, the department will take a commonsense approach. From the year 2000 onwards, whenever these leases come up for renewal, the first thing that will happen will be that a capability and land use assessment will be made of the land in question, and subject to the satisfactory completion of that requirement, leases will be renewed for 42 years, on the basis of the 14-year review of covenant.

Mr GUNN: What about the miscellaneous leases in that area?

Mr Darley: Provided that the land is being managed appropriately, the miscellaneous leases should be reviewed.

Mr GUNN: I will talk to the Minister and his officers privately about my concerns, but I want an assurance that commonsense will prevail in the management of land on upper Eyre Peninsula and that the understanding that has previously existed in relation to the Department of Lands administration of that area will again prevail. I raise this matter here, as this is the forum to which we are all elected to make known the views and concerns of our constituents. I have not mentioned any names, and I will not do so, but I ask the Minister to give an assurance that commonsense will apply in the administration of the Department of Lands office on Eyre Peninsula.

Previously, I have never heard criticism. I now hear a lot of criticism about the attitude which exists; it appears to be not favourable towards agriculturalists and more emphasis has been placed on environmental considerations. I think that I have given enough information to make clear the concern. I have even had a person ringing me at 10 o'clock on Sunday night in relation to this matter. I have had lengthy discussions with some of the people involved; people have continuously complained and I am personally concerned that far too much emphasis has been placed on points of view other than those of farmers.

The Hon. R.K. Abbott: The honourable member stated earlier that he is a very reasonable man, and I consider that I am one also. I can assure him that commonsense will prevail.

Mr GUNN: I thank the Minister for that. A number of committees are looking at matters pertaining to land in the Flinders Ranges. What role is the Department of Lands taking in this matter? Further, will the Minister give an assurance that in the proceedings of any of these committees the views of local residents of the Flinders Ranges will be borne in mind? Many people in that part of the State are concerned that more and more people are trying to advise local residents on how they should conduct their daily affairs, many of them having little practical understanding of the issues involved. In the *Advertiser* of 14 May this year an article was headed 'Flinders group in bid to rewrite planning papers—bureaucrats ignore locals'. I understand that the committee did have an unfortunate setback, when an officer of the department was killed in a road accident some 12 months ago. I understand that she was performing very valuable work and that she was very highly regarded. That has perhaps put back some of the operation. Will the Minister give an assurance that officers of the Department of Lands will endeavour to accommodate the views of local residents?

The Hon. R.K. Abbott: The Department of Lands is providing a lot of input to the land systems mapping aspects of this study and will be involved in policy discussions later in the process. The Department of Environment and Planning will take the lead in the preparation of this plan as it leads to a revision of the development plan. I can give the

assurance that the honourable member has requested from this department.

Mr GUNN: Does the Land Acquisition Act come under the control of the Minister of Lands?

The Hon. R.K. Abbott: It is committed to the Attorney-General.

Mr GUNN: That completes our examination of these votes. We have many other questions but, unfortunately, time does not permit us to proceed as there are other portfolio areas to be examined. I thank the Minister and his officers for the information they have provided.

The ACTING CHAIRPERSON: There being no further questions, I declare the examinations of Lands and Department of Lands completed.

Chairperson:

Ms D.L. Gayler

Members:

The Hon. H. Allison

Mr D.S. Baker

Mr M.R. De Laine

Mr R.J. Gregory

Mr G.M. Gunn

Mr P.B. Tyler

The CHAIRPERSON: For the convenience of members, we will deal with the proposed payments for the Minister of Lands, Minister of Forests and Minister of Repatriation, Miscellaneous. I refer members to page 84 of the Estimates of Payments and to page 218 of the Program Estimates. We will deal concurrently with proposed payments of a capital nature for the Woods and Forests Department. I declare those payments also open for examination and refer members to page 188 of the Estimates of Payments and page 232 of the Program Estimates. Does the lead speaker for the Opposition wish to make an opening statement?

Mr GUNN: This examination obviously is the most important with which we have been involved today because the Auditor-General has clearly indicated to the Parliament that many matters have to be raised not only in relation to the Woods and Forests Department but also in relation to the Timber Corporation and its related activities. The Opposition's questioning on this matter and on the general administration of the department will be constructive. If we do not raise a number of the issues that we have in mind, we will be failing in our obligation as elected representatives of the South Australian Parliament. Therefore, our comments in relation to all aspects of the Woods and Forests Department and the South Australian Timber Corporation are based on the premise that we have a responsibility to the people of this State to ensure that their money has been invested or spent in a manner that will be most beneficial to the people of this State. We will raise a number of matters in relation to involvement of the Australian Workers Union in the day-to-day management of the Woods and Forests Department and related activities, to which I will refer later.

Works and Services—Woods and Forests, \$2 600 000

Witness:

The Hon. R.K. Abbott, Minister of Forests and Minister of Repatriation.

Departmental Advisers:

Mr P. South, Director, Woods and Forests Department.

Mr M. Curtis, Finance Executive, South Australian Timber Corporation.

Mr D. Mutton, Assistant Director, Support Services, Woods and Forests Department.

Mr R. White, Assistant Director, Commercial.

Mr R. Cowan, Assistant Director, Forest Operations.

The Hon. R.K. Abbott: I make available for the Committee the list of portfolio responsibilities and organisational structure.

Mr GUNN: In view of the fact that the Auditor-General indicated early in his report that the South Australian Timber Corporation's total investment in IPL(H) including interest capitalised amounted to \$21 500 000 at 30 June 1987 of which \$12.8 million relates to IPL (New Zealand) and page 405 he said that the corporation's indebtedness to the South Australian Financing Authority (SAFA) increased by \$14 million to \$37 million, can the Minister provide the Committee with a detailed account of the assets and liabilities of IPL (New Zealand) at the time that the purchase was made by the South Australian Timber Corporation and all other related documents that the Cabinet considered? According to the Premier, a considerable number of reports were made available to Cabinet at that time. The Premier said:

The initial investment received Treasury scrutiny and Cabinet was in receipt of advice across the board when approval was given, which was made conditional on a special assessment being made by an independent accountant.

I draw to the Minister's attention an article in the *Advertiser* of 15 May 1987 titled 'Mayor Unmoved at Closure Threat' as follows:

The mayor of the NZ town of Greymouth, Dr Barry Dallas, is resigned to the threat of closure of the IPL factory, the town's biggest business with 130 employees. 'We have seen our gold and coalmines and our forestry operations all closed down. If the IPL factory is to close it is better that it happens now, so we can get over it all at once,' he said. 'We don't want to live on Government handouts and charity.'

The business editor of *The Press* in Christchurch, Mr Adrian Brokking, said the SA Government might have bought a 'lemon' when it paid \$3 m for IPL. He said the company had been in financial trouble for years. The factory, in Greymouth, formerly had been owned by Fletcher Challenge Ltd, a giant New Zealand construction, forestry and finance company.

'Fletcher's wanted to get rid of that company for years,' Mr Brokking said. The company was then taken over in 1984 by its workers, who tried to run it as a co-operative. Their efforts failed and last year the SA Timber Corporation bought the firm. 'Your Government must have known what it was getting into. And if it did buy a lemon, it did so with its eyes wide open,' Mr Brokking said.

In view of those comments, I ask the Minister to provide the information and the inventory of assets and liabilities that would have been provided to the appropriate authorities at the time the initial investment was made.

The Hon. R.K. Abbott: On pre-investment advice, the Government had the benefit of independent advice from a public accountant and a firm of commercial lawyers. The relevance of the Auditor-General's comments about the qualification placed on advice given by the chartered accountant has been taken out of context. The qualification dealt substantially with his lack of specific technical knowledge about production and marketing of plywood. We did not engage him for those skills but to analyse the financial information provided to the South Australian Timber Corporation and recommend an appropriate way to structure the group bearing in mind the implications of income tax on those trading investments. The work done by the legal and accounting consultants did not discover the asset discrepancy now in dispute, nor did it signal particular alarms about the viability of the proposal. Nor should they, as Coopers & Lybrand reaffirmed our earlier conclusions, which resulted in the Government's taking up the investment.

On the Westland Industrial Corporation Limited and the negotiations with its shareholders, it is true that the three persons who represented Wincorp in these negotiations were also shareholders of that company. Their interest was disclosed before discussions commenced and if, as some people have inferred from the Auditor-General's comments, this in some way meant that our negotiations should have been doubly cautious, I am happy to confirm that they were. The engagement of a public accountant was aimed at ensuring that the information provided in relation to the New Zealand company's assets and trading results were accurate and proper for the purposes of our discussions. The fact that the audited accounts had not been completed for the current financial year was another reason for engaging a public accountant.

The Auditor-General commented in his latest report that the financial information provided by Wincorp negotiations was unaudited. This comment relates only to the October 1985 balance sheet. Audited accounts for 1984-85 were provided to me, and the public accountant engaged to advise on the proposal reviewed the information presented in the October accounts. Settlement took place in December 1985 based upon the October accounts and, by agreement, the accounts prepared up to settlement day were to be audited as soon as practicable after settlement. Provision was also made in the agreement to adjust any variations between the October accounts and those prepared up to the day of settlement. It is therefore quite erroneous to conclude that because the accounts to 31 October 1985 had not been audited, the transaction should not have been concluded. The independent advice sought and provision for adjustments were adequate protection in the circumstances.

Mr D.S. BAKER: My first question concerns the Auditor-General's Report about SATCO. IPL(H) made a loss of \$189 055 to 30 June 1986, IPL Australia made a loss of \$18 384 for the same period and IPL New Zealand showed no trading result for that period. What were the losses of these companies for the trading period to 30 June 1987 and are the financial statements of subsidiary companies, trading trusts and partnerships for the period ended 30 June 1987 now available and filed with the appropriate authorities?

The Hon. R.K. Abbott: Some of these issues are *sub judice*. The possibility of losses is certainly a *sub judice* matter because that has a bearing on the action that is being taken in the courts. I will call on Mr Curtis to elaborate on that aspect.

Mr Curtis: The issue before the Federal Court of Australia at the present time takes two thrusts: first, it is an issue dealing with misrepresentation on the part of the New Zealand negotiators and that matter goes to the formation balance sheet. The matter in dispute relates to the value of assets on the settlement date in December 1985. The question, as I understand, relates to the trading results of IPL(H), IPL New Zealand and IPL Australia and the second thrust of the claim before the Federal Court deals with losses which IPL(H) incurred whilst it traded in New Zealand in partnership with Westland Industrial Corporation. Those losses were incurred during the whole of 1986 and, I am informed by the Crown Solicitor's representative that the matter is *sub judice* in the sense that the Government has claimed unspecified damages which relate to the trading losses incurred during the whole of 1986.

The CHAIRPERSON: I think we should proceed on the basis that those specified matters that Mr Curtis has referred to are *sub judice* and if the Committee proceeds with questions that do not fall into the two categories referred to, I think then we will be on firm ground.

Mr D.S. BAKER: Mr Curtis is saying that any question towards IPL(H) or its losses or profits or any questions about that company or any questions about IPL (Aus) or IPL New Zealand are all *sub judice*. That is not right and cannot be substantiated.

The CHAIRPERSON: As I understand it, two aspects are *sub judice*: one in relation to the value of assets as at December 1985 and the other relating to alleged or actual losses by IPL(H) in 1986.

The Hon. H. ALLISON: Is it IPL(H) New Zealand or IPL(H) Australia or both? Does IPL(H) embrace everything or simply the New Zealand operations?

The CHAIRPERSON: Can the Minister assist the Committee?

The Hon. R.K. Abbott: I will ask Mr Curtis to explain it.

Mr Curtis: The investment in both New Zealand and Australia is through International Panel and Lumber Holdings and the timber corporation holds 70 per cent of the shares in that company and Westland Industrial Corporation holds 30 per cent. The action before the Federal Court of Australia is firstly brought by the South Australian Timber Corporation and a second quite distinct action is brought by International Panel and Lumber Holdings Pty Ltd. The matters in *sub judice* relate to trading losses incurred by the three companies in that group during the whole of 1986.

The CHAIRPERSON: Bearing those points in mind we will endeavour to proceed. The member for Mount Gambier.

The Hon. H. ALLISON: On page 499 of the 1986 Estimates Committee B the Minister or one of his officers said that IPL(H) had become profitable. There was a correction at page 499 where the Minister said it was IPL Beedison which was not profitable at the time. Laminated veneer lumber (LVL), which is manufactured at IPL Nangwarry, was sold to the Woods and Forests Department. I understand that a substantial amount was sold during the last 12 months and whether profitable or not I will leave that out. Was a large quantity of LVL sold to the Woods and Forests Department and commission paid on the sale? If so, to whom was that commission paid? What situation does that leave the Woods and Forests Department in which has a substantial amount of LVL to dispose of? I assume that either the Woods and Forests Department received that stock on consignment to be sold on commission or it purchased the stock and it appeared as a sale in IPL's LVL books and that the Woods and Forests Department has the task of selling \$1 500 million worth of laminated veneer, on which possibly commission again would be paid when the material is disposed of.

Can the Minister give details of that particular transaction to enable the Committee to assess whether IPL sold the material to the Woods and Forests Department or whether the Woods and Forests Department is simply acting as an agent or an intermediary for IPL? I suggest this would have some bearing on the court case because if the material was sold and \$1 500 million worth of stock went to the Woods and Forests Department then IPL could be seen to be in a position of profitability. If the material was not sold to the Woods and Forests Department I assume the LVL would have been stockpiled. A substantial amount of laminated veneer lumber has not been sold in the South-East. Anyone who drives past the yard at Nangwarry would see material covered over with black plastic. There is also material stored in several sheds in Mount Gambier. This is an important question that should be resolved.

The Hon. R.K. Abbott: Originally the Woods and Forests Department was the sole agent of LVL but they are no longer, and during the 12 months of operation stocks of

this product were accumulated initially to ensure that the range of customer needs could be promptly satisfied. By early 1987 stocks had passed the level needed for that purpose and a reassessment of demand in the short term resulted in a reallocation of production at the Nangwarry plant. LVL production was reduced to one shift and the veneer was released and redirected into plywood production. The present sales levels are expected to absorb current production rates and clear excess stocks within 18 months. I will ask the Director to elaborate on this question.

Mr South: The factory which manufactures LVL, which is a new product to Australia, is the plywood factory belonging to IPLA. At the time that Laminated Veneer Lumber commenced production, it went very smoothly. Because it was a structural product and not a panel product, it was decided that it was best sold through the Woods and Forests Department alongside its products. For this reason, the product was sold to the Woods and Forests Department and sales commenced. Because it was a new product, we needed to build up some stock so that, when we introduced it to the market, we would not be caught in the situation of not being able to manufacture fast enough.

We must remember that this was a very poor market. However, despite that, the product itself was very much appreciated. It became obvious that it was not something that one sold in exactly the same way that one sold a pack of timber, and the course that marketing then took was into timber engineered structures.

It is true that the Woods and Forests Department had at that stage bought what we considered was enough stock, and it was decided that the marketing would be rearranged. That is why LVL now markets its own. The Woods and Forests Department collaborates to market the stocks that it has, and I am pleased to report that everybody is very pleased with the LVL market. It is going very well, and I believe that at this point in time the Woods and Forests Department has 1 200 cubic metres of stock left, and that will be fed into the market alongside the IPL sales.

The Hon. H. ALLISON: The specific questions that I asked were not answered. I wanted to know whether the material was sold to the Woods and Forests Department, and the answer from Mr South was 'Yes'. I asked whether commissions had been paid and whether subsequent commissions on sale would be paid when Woods and Forests disposed of the timber, and I asked the value of the timber left. The volume does not mean much to me. If we said we had \$1.5 million to start with and \$1 million was left, that would give a very clear indication of how sales were going. Can the Minister give some further clarification?

The Hon. R.K. Abbott: I will ask the Director to answer that.

Mr South: My very rough calculation says that 1 200 cubic metres is about \$800 000 worth of stock. I think the major point is that the material was sold to the Woods and Forests Department for on sale; it would be on sold by Woods and Forests Department to merchants, for timber, engineering buildings, etc., and the lumber that is now sold from the timber corporation is sold in the same fashion. It generally goes from the factory to a wholesale situation.

Mr GREGORY: The Auditor-General has raised the issue of equity funds in respect of South Australian Timber Corporation operations. Can the Minister comment on the impact that this has had on the South Australian Timber Corporation results for 1986-87 and what steps, if any, he is taking to rearrange funding for the corporation's activities?

The Hon. R.K. Abbott: In his 1987 report, the Auditor-General again raised the issue of the corporation's total

dependency on borrowings to fund its investment program. In 1987 the corporation incurred an operating loss of \$1.2 million after interest commitments of \$4 million. During the same period, its income from investments was \$2.7 million, including interest recharged of \$2.5 million. During 1986-87, the position was aggravated by the need to increase borrowings to continue the development of Scrimber by the full impact of interest costs on IPL Holdings. These factors were reflected in the increased trading loss in 1986-87.

However, the problem is essentially a timing one, as recent advice from Coopers and Lybrand W.D. Scott indicates that Satco's investment in IPL Holdings has the potential through its expansion in production in New Zealand and the successful launching of Laminated Veneer Lumber in both Australian and export markets to provide a satisfactory return on shareholders' funds. Other Satco investments—Satco and Mount Gambier Pine Industry, Shepherdson and Mewett, and the Timber Distribution Centre in Victoria—all suffered a decline in earnings during the year due principally to a slackening in demand, particularly in the building and construction industry.

It is clear that two significant Satco investments—IPL Holdings and Scrimber—will need time to reach their full earning potential, and I am presently reviewing this position with the Chairman of Satco and the Under Treasurer to establish a funding basis that will more accurately reflect the corporation's role as a participant in the development of the timber industry in this State. One very satisfying feature of the corporation's recent initiatives is the export potential of some of the products.

Mr GREGORY: The Auditor-General in his recent report to Parliament expressed concern about the department's method of presenting its financial statements this year and, in particular, about a departure from accounting standards laid down by professional accounting bodies in Australia. As the responsible Minister, were you aware of these changes, and do they in your view present an appropriate and accurate view of the department's financial results for the 1986-87 financial year?

The Hon. R.K. Abbott: As Minister, I am aware of the changes proposed in the method of forestry accounting. The valuation based method of forestry accounting was adopted in the interests of providing a more meaningful measure of the department's performance. The concept of income employed in this method is fully consistent with both economic theory and the irrefutable fact of physical growth of the forest. There has been full disclosure in the department's notes to the 1986-87 accounts of the reasons for change but, in the interests of completeness, let me provide some further background and detail.

With regard to the accounting methods, forestry accounting is unique in that it has to account for a renewable asset which has a very long production cycle and undergoes physical change. A variety of accounting practices has evolved for forestry purposes. Prior to Ash Wednesday, for a number of years the department adopted a sustained yield method of accounting which proved suitable while the forests were considered to be within 1 per cent of sustained yield. After the Ash Wednesday bushfires of February 1983, the department's forests were no longer in a state of sustained yield as about 20 per cent of the resource had been destroyed and was planned to be replanted over about 10 years. As a result of this, the sustained yield method of accounting was no longer applicable, and a revised accounting treatment had to be introduced.

The approach taken was to capitalise that portion of the re-establishment and maintenance costs that related to the replanting of fire damaged areas. In addition, a proportion

of overhead costs and interests deemed attributable to fire replant areas was also capitalised. At this time, an annual re-evaluation of the forest resource was also undertaken so that the asset value would more accurately reflect the real value of the forest.

The method adopted was not seen as being ideal, and further investigations were carried out by a working party. In early 1986 the department became aware of work being done at the University of Waikato in New Zealand by private forestry companies, the university and other interested parties to develop a generally accepted uniform and consistent method of accounting for forest assets and output. A copy of the report of this working party was received by the department in May 1986, and the departmental executive approved an investigation into whether the method was suitable for adoption by the department.

The findings were that the method was well suited to the department's operations, and it was agreed that changes be introduced for the 1986-87 financial year. The main features of this valuation based accounting method are: an annual revaluation of the forest at market value; all forest expenses incurred in the year are treated as a cost in obtaining the incremental growth in the forest; and any change in forest value in the year represents a gain or loss in that year. The major strengths of this method are: it is applicable both to mature and development forests; it recognises the physical growth of the forest; it recognises changing money values; it accounts for changes in the planned end use of the forest; it enables a profit calculation that can be compared with a value of the forest to calculate a meaningful return on investment; and it eliminates the need for arbitrary allocation between operating and capital expenditures. This method of accounting is quite new and, to date, has been adopted by the Woods and Forests Department in Australia. I refer also to a report in the July 1986 accountants' journal, *New Zealand Society of Accountants*, by Fletcher Challenge for Tasman Forestry Limited in New Zealand.

To date, the professional accounting bodies in Australia have issued 21 standards for the preparation of accounts. It is the Woods and Forests Department's policy to comply with these standards, except where compliance would result in misleading financial information, or where the scope of a standard excludes a part or whole of the operations in which the department is engaged.

In the preparation of its 1987 accounts, the department departed from accounting standard AAS10 'Accounting for the Revaluation of Non-Current Assets' for the following reasons:

- (1) The scope of the standard as defined in section 1 is '... within the context of conventional accounting in relation to accounting for the revaluation of non-current assets'. The valuation based accounting method cannot be described as 'conventional accounting'. It is in fact a current value basis. The department therefore considers that this accounting standard is not intended to apply in this instance.
- (2) Application of the standard would have produced a misleading result. The underlying assumption of the valuation based accounting method is that the revenue from timber harvested plus the change in value of the forest during a year can be matched against the total expenditure on the forest to determine the economic return (profit or loss). A significant portion of the economic return relates to the change in value. Exclusion of this amount would not produce a comparable matching.

If I can give some comparisons with previous accounting methods, it is estimated that, had the new valuation method of accounting been applied in the 1985-86 accounts, the results for that year would have included a growth in forest assets of \$26.5 million (1987, \$28.5 million) and an operating profit before notional tax of \$26.9 million (1987, \$21.6 million). It is estimated that, had the old method of accounting been applied in the 1986-87 accounts (after appropriate adjustment of the level of overhead and interest capitalised), the results for 1987 would have been an operating profit before notional tax of \$165 000 (1986, \$5.7 million).

In relation to the Auditor-General's Report, Australian auditing standards require that, where there is a departure from an Australian accounting standard, the Auditor should refer to the departure in his report and express an adverse or exception opinion. An exception opinion is issued when the auditor concludes that an unqualified opinion cannot be issued, but that the effect of any disagreement, uncertainty or limitation on scope is not so material as to require an adverse opinion or a disclaimer of opinion. An adverse opinion is issued when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that an exception opinion is not adequate to disclose the misleading or incomplete nature of the financial statements.

In the case of the Woods and Forests Department's accounts the Auditor-General issued an exception report. The Auditor disagreed on one point—the treatment of the incremental value of the forest as operating income. He fully supported the revaluation of the forest. In a letter to the Director subsequent to the audit, the Auditor-General stated:

The accounting treatment of this matter is not a simple one and there are differing opinions as to whether the method your department has adopted or the recording of the increment in an asset revaluation reserve is the correct one.

Mr GREGORY: The Woods and Forests Department manages large areas of forest in the South-East. I think that a major part of that management would be protection from fire and Sirex wasp attack. Can the Minister advise what the department is doing in relation to protection of the forests and how many people are engaged in management and support functions?

The Hon. R.K. Abbott: In South Australia the department manages an estate of more than 133 000 hectares. The most significant commercial forests occur in the South-East of the State, where roughly half of all pine plantations are Government owned. These plantations are managed by 35 professional foresters whose activities can be segmented into general forest management, forest research, long-term planning, harvesting, public recreation, and environmental issues. Five of those foresters are engaged directly in research activities which support the forest industry, both privately and publicly.

Forest management includes day-to-day forest planning, establishment, trading of plantations, including weed control, fertiliser application and pruning, and protection from fire and insects. Professional forester staff in forest research ensure that research findings can be tailored to suit the practical needs of the forest manager. The main activities are nutrition, competition control and genetic research. These findings are promulgated through research papers and seminars not only to departmental managers but also to the forest industry at large, particularly in South Australia.

Long-term forest planning is carried out using specifically developed computer models to predict future forest growth so that yield estimates may be made; the forest estate may thus be properly regulated on a sustained yield basis. Harvesting managers ensure that logging contractor activities

are properly supervised and that volumes cut and delivered in appropriate products match processing plants licence requirements. In the central and northern region, where public recreation in the forest is now a significant factor in forest management, some professional foresters have specific roles in monitoring environmental factors.

Over all these activities, some of which supply a service to industry and some of which supply a service to the general community, in addition to the normal commercial aspects of the department, the number of foresters employed per hectare of plantation is comparable to that of our major commercial competitors in the South-East of the State.

Mr D.S. BAKER: I want to follow on from the question asked by the member for Florey about the accounting methods that are used. I premise my question by stating that the Auditor-General quite clearly and specifically points out that a departure was made from AAS 10. It is pointed out quite clearly that the finding of the New Zealand study into forests was a consensus opinion and that some of the participants had reservations about bringing unrealised gains from growing timber into the accounts as income. The Auditor-General states, 'Notwithstanding, my report is qualified accordingly.' In fact, every major company that has tried to revalue assets in this way has been pulled up and told to reverse the decision because it did not comply with AAS 10. However, that being done, I ask the Minister: what will be the effects of future accounting operating profits for the years to 30 June 1988, 1989 and 1990 if this method is continued? Further, will the Minister place on record the formula used for reaching the increment in revaluing forest?

The Hon. R.K. Abbott: I just make the point that the Auditor-General is not asserting that those accounts are misleading in any way, and I think he has made a fairly important decision. I ask Mr Mutton to respond to the question.

Mr Mutton: The two aspects of this issue that are being discussed at the moment are, first, the issue of forest revaluation and, secondly, bringing the increment that is achieved in any year into the profit and loss account. Both these issues were discussed at some length with officers of the Auditor-General's Department prior to the department's changing its method of reporting for the 1986-87 year. The forest revaluation method is done by using quite detailed scientific information on our resource base. That gives us very clear indications of the growth models that occur within our forests. We have based the valuation in two sections: first, the forest which is at an age where it is able to be utilised is valued at market levels and, secondly, valuation of forests that are too young to be used in a marketable way is based on the cost of production to that point. It is a complex set of calculations to do, but the method is based on the sound and scientific knowledge of professionals within the organisation.

The issue of bringing into the profit and loss account the increment in any particular year was, as mentioned by the Minister, a methodology that came out of the New Zealand study. In fact, the people who were involved in that study had quite diverse backgrounds, including the accounting profession. Some had undertaken employment in most of the native forests and forest product companies in New Zealand and there were also a number of university academics. The report that came out of that study was seen to be appropriate for the Woods and Forests Department to use in its accounting method approach. As the Minister said, we are looking for an accounting method which truly reflects the profitability of the organisation, bearing in mind the long-term nature of the resource and the fact that it continues to grow for a significant time.

Mr D.S. BAKER: The questions that I asked were: what will the effect of future accounting operating profits be for the years to 30 June 1988, 1989 and 1990, and will the Minister table the formula used in reaching the revaluing increment? I do not think that either of those questions were answered.

The Hon. R.K. Abbott: I ask the Director to add to what Mr Mutton has said.

Mr South: We cannot give you the figures for the future because the figures relate to the current evaluation of the forest for the year in question. We do not have the current formula for revaluation here but we can make details of the method available to the honourable member. If it is any comfort to the honourable member, I point out that Australian forestry accounting, including the sustained yield system, which we previously used, but not for all that many years, was regarded internationally as being a very good system. Indeed, Australia has been chosen as the forum for an international forestry finance meeting which will be held in October this year and which will be under the auspices of the Commonwealth Forestry Association. It is being held here because Australia is considered to be well advanced in relation to the type of forestry involved, particularly plantation forestry, which of course is becoming very common in many countries.

Mr D.S. BAKER: I now refer to the operation of Satco: as at 30 June 1986 the holding company, IPLH, had an investment of \$3.589 million in IPL Australia and \$1.532 million in IPL New Zealand. Have the losses to date completely eroded the shareholders' funds in each and do the directors of the holding company and the directors of each subsidiary company believe that each business can properly conduct its business and be able to meet its debts as and when they fall due?

The Hon. R.K. Abbott: I ask Mr Curtis to take the question.

Mr Curtis: The honourable member correctly states the investment levels in IPL Australia and IPL New Zealand. In fact, the performance of IPL Australia (without quoting specific figures, and as we discussed earlier) has not eroded in any way the original investment of \$3.589 million. As the honourable member may be aware, the information for IPL New Zealand was discussed in the newspaper some little time ago and it was the subject of a report by Peat Marwick Mitchell of Christchurch, and that indicated a loss level which, if correct, would have eroded substantially the corporation's investment of \$1.532 million in that company. The ability of these companies to meet their commitments as and when they fall due is not in question, because the corporation has provided working capital to these companies, and members are fully aware of the total advances that have been made to the individual companies, and that has enabled them to trade without any difficulties in terms of meeting their commitments as and when they fall due.

Mr D.S. BAKER: Who are the directors and officers of the holding company in each of its subsidiaries? Can that be placed on the record?

The Hon. R.K. Abbott: Which subsidiary?

Mr D.S. BAKER: The subsidiaries of Satco.

The Hon. R.K. Abbott: I do not have those details. I ask Mr Curtis to reply.

Mr Curtis: That is a matter of public knowledge. The information is available from the Corporate Affairs Commission, so I see no problem with that being placed on the record.

The CHAIRPERSON: If that information is to be incorporated in the *Hansard* record of Committee proceedings,

I ask that it be provided to the Clerk by 9 October at the latest.

Mr TYLER: The role of Governments in developmental or risk-taking ventures recently came into question: it would seem that the Woods and Forests Department has played a significant role in developing the wood-base industries in this State. In this regard I note from the program papers, that \$1.04 million will be spent on softwood plantation research in 1987-88. Will the Minister confirm the appropriateness of this in the context of maintaining a healthy wood-based industry in this State?

The Hon. R.K. Abbott: The State Government in South Australia has played a very significant and ongoing role in the forestry and forest products industry since 1875. It is noted that a member of Parliament recently acknowledged the valuable role of the department as a developer of radiata forests, but he omitted to complete the picture by extending his comments and referring to the innovative and visionary approaches taken by the department in the research and development of new industries and products; in fact, he inferred that this is not the role of Government. I would suggest that Government has a major role to play in supporting, developing and becoming directly involved in new processes and products.

Some very significant activities have been pioneered by the department. Plantation forest management of radiata was a world first and the department continues to be regarded as a world authority. The department took the lead in the sawmilling of radiata pine. At the time there was little interest from the private sector. There is certainly now no reluctance for this sector to become involved.

Other areas worthy of note in commercial operations where the Government took a lead have included: laminated beam technology and production; research into timber preservation in conjunction with CSIRO; production of finger-jointed material; water storage of radiata pine logs; and kiln drying of radiata pine. These are examples of activities where energy and expertise were committed to untried processes. They have assisted in putting the industry in its current solid position. It is a known fact that such work has assisted in replacing imported wood products by Australian grown and value-added commodities.

Mr TYLER: I thank the Minister for his answer and completely agree that Governments have an important leadership role to play in industry. The department ought to be congratulated for that. The Auditor-General's Report, page 222, indicates that the sawmilling division of the Woods and Forests Department made a loss of \$264 000 in 1986-87 on the lowest level of earnings since 1983-84. Will the Minister comment on this result and outline the outlook for 1987-88?

The Hon. R.K. Abbott: The Woods and Forests Department currently operates three sawmills in the South-East of South Australia. They are located at Mount Gambier, Mount Burr and Nangwarry. At Mount Gambier other processing takes place, including the production of laminated beams, finger-jointed material and preservative treated products, including posts. Comments recently made in Parliament by members that the department's commercial operations are less efficient than their private sector counterparts are unfounded. That does not mean to say that the department does not work under some significant constraints, including that of public scrutiny.

The Radiata Pine Association of Australia, an organisation set up to assist the total radiata industry in research and marketing—and, I might add, with significant input from departmental officers—conducts an inter-firm comparison of production costs. Its confidentiality is maintained

through using the Australian Institute of Management. The department's performance in cost of production compares more than favourably with industry averages and, in many aspects of sawmilling, kiln drying and dry milling, departmental mills are extremely competitive. Comparative figures are also maintained in relation to selling prices of finished products, stock levels and market share. In all these aspects, the department is favourably placed.

In summary, the department's total share of the radiata pine market is good, bearing in mind recent increases in available raw material and the increased output from sawmills in the Eastern States. Market share has declined marginally in the past 12 months but is now again improving. The marginal decline related to reduced demand in South Australia in comparison to other States, and to some degree a reduction in available finished products from departmental mills tied to log resource. Market share in Victoria has, in fact, improved. The price being received for products is higher than the industry average. This is an indication of quality of product, professionalism in marketing and hard work. If the department is receiving prices above industry averages, there must be a range of companies selling below these prices. The department's stock control has also been good. While total industry stocks have escalated over the past 12 months, the department has been able to contain any increases in levels to less than 1 per cent of volume.

Mr TYLER: I now turn to occupational health and safety, as it is an important issue in the work place. The timber industry has traditionally been identified as a hazardous industry. What initiatives are being taken in the woods and forests area?

The Hon. R.K. Abbott: The final stage of a safe operations program was completed early in 1987. This was the third stage of an extensive education program and provided all departmental employees with the opportunity to gain an understanding of accident prevention and work place safety measures. The program that has now been running for three years has produced positive results in raising awareness of employees and focusing attention on safety in the work-place. The department has continued to place a high priority in this area, and performance indicators are now reflecting the efforts of management, supervisors, employees and shop stewards. The department's lost time accident frequency rate decreased from 79 in 1985-86 to 63 in 1986-87. This significant improvement is also demonstrated in the number of lost time accidents recorded (196 to 142)—a 28 per cent reduction. Many work units recorded highly commendable performances and were recognised for their efforts and commitment.

To assist in the improvement of the work environment, a range of surveys and audits was conducted by departmental staff and officers of the Department of Labour and the South Australian Health Commission. Safe work procedures are currently being finalised in line with the code of general principles. Access to training in occupational health and safety has been provided both externally and within the department. Supervisor training has contained a significant component, and specialist courses have been conducted in fire safety, compressed air breathing apparatus use, hearing conservation and back education. Secondments of supervisors to the safety section for periods of three months commenced in early 1987.

A major initiative completed during the year was the production of a user manual for employee induction. Providing employees with an understanding of safety issues is a significant component of the program. The manual formalises the induction process with all new employees now being exposed to a comprehensive orientation. This approach

was an initiative of the Departmental Occupational Health and Safety Committee. Other policy areas addressed by the committee include: safety footwear; rehabilitation; fire truck safety; fire crew fitness; danger and out-of-service procedures; smoking in the work place; and accident investigation.

The Hon. H. ALLISON: I place on record that I am still not happy about the substantial change in the accounting method. While I agree with the Minister that the Auditor-General said quite clearly that the forest is revalued annually and that he agrees that the annual revaluation of forests is fully supported as it provides an accurate assessment of the value of growing timber for disclosure in the balance sheet; nevertheless he says equally clearly that this is a departure from the Australian accounting standard AAS 10: accounting for the revaluation of non-current assets. That requires that an increment be credited directly to an asset revaluation reserve. The Auditor-General added that the increment of \$28.5 million brought to account as forest revaluation revenue resulted in a reported operating profit before notional tax of \$21.6 million.

I suggest that it is a strange situation of reporting \$28.5 million as forest revaluation revenue to offset a possible loss of about \$6.9 million, giving a profit before notional tax of \$21.6 million. A company in private enterprise would be faced with the invidious task of raising money in order to pay taxation and then having to capitalise the money that it borrowed. It seems to me that it is a silly state of affairs to do something that would have an adverse effect on a public company. The fact that this is a Government organisation should not allow it to do that sort of thing, and I am not happy about that. If the forest is to be revalued annually, I ask the Minister, in view of the major problems with Sirex wasp, what sort of formula will be used at the end of the present financial year to place a value on that proportion of forest that has been damaged and will be unsaleable in coming years?

The Hon. R.K. Abbott: I am no expert in accounting procedures, so I ask Mr Mutton to reply to the question.

Mr Mutton: Regarding the impact of Sirex wasp on valuation, as I said earlier, a valuation will take place each year that will, as was mentioned by the Minister, take into account any increase or decrease in the incremental growth on the forest. As a result of the Sirex wasp, there may be some decrease over this year's increment in relation to the added value of forest growth that would occur during the next financial year. That will be taken into account in any valuation.

The Auditor-General's comments relate to his opinion of accounting methods. We as an organisation made it quite clear in the notes to our accounts that we departed from Australian standard AAS 10. That was done for very good reasons because of the unique nature of the forest industry. As was mentioned by the Minister, we are not the only organisation to do it and at least one very large international private forestry company has done so.

The notional tax is part of that profit that includes some unrealised profit in the 1986-87 financial year. Obviously part of that notional tax is a deferred liability. With the department and any private company there would not be a need to pay that deferred liability in this particular year.

The Hon. H. ALLISON: In the business section of the *Advertiser* on Saturday 12 September, the head of the National Companies and Securities Commission (Henry Bosch) warned that it was the statutory duty of all auditors to report all variations from approved accounting standards. He said that the warning was certain to spark some rapid rewriting of annual reports as it is believed that auditors

tend to overlook such notices as company directors fear they might be seen as qualifications of the accounts. The further explanation is almost exactly as the Minister presented it a little while ago and because the details tally very closely, I do not propose to go through them again.

I point out that on page 209 the Auditor-General states that the report of the auditor in respect of the financial statement of the Woods and Forests Department is qualified. He is quite unequivocal about that and explains why. I will not labour the point. However, I ask why there is a further divergence from accounting procedures with regard to Satco's decision that although it had shown a shared loss and provided for a shared loss on the Beddison transaction of \$1.5 million and had made a \$400 000 provision for it, the Auditor-General points out that no decision was made by Satco to provide for a loss on IPL(H). I have quoted publicly available figures from page 407 of the Auditor-General's Report; they are not *sub judice*. Why was provision made on the one hand but not on the other for something that is probably more substantial?

Mr Curtis: The provision for loss on Bedison was made because the loss was incurred upon the transaction to form International Panel and Lumber (Holdings) Pty Ltd because the corporation's interest in O.R. Bedison was subsumed into that holding company formation. The loss was realised upon that transaction being completed. With regard to a possible provision for loss in International Panel and Lumber (Holdings), the answer is set out in a lot of detail in the notes to the accounts which accompany the Auditor-General's Report on page 408. In fact, 7.2 details the reasons why members of the corporation took the view at this time that they should not make any provision for loss of investment in that company.

Mr D.S. BAKER: Satco is in receipt of a loan from the South Australian Financing Authority. What are the terms of that loan; is interest being paid by the corporation; has SAFA provided in full or in part for the possible loss of this debt; and does SAFA bring interest received on this loan into its income?

Mr Curtis: The Auditor-General reports that the corporation has unpaid interest which has been capitalised on its advances from SAFA of \$5.9 million. I understand that the representatives of the Treasurer in the Estimates Committee reported that SAFA does not need to make provision for any losses on advances to the corporation because they are in fact guaranteed by the Treasurer. I do not have the answer to the last part of the question which should be directed to the accounting staff of SAFA. I am not aware whether or not SAFA brings interest into its accounts that has been capitalised. I assume it does.

Mr De LAINE: Commonwealth assistance was made available in 1983 to assist the huge salvage operation undertaken by the department to mitigate its losses as a result of the devastating bushfires in February of that year. Can the Minister advise the level of funds made available to the department and whether or not these advances are repayable in the future in view of the costly replanting program being undertaken?

The Hon. R.K. Abbott: During the 1982-83 financial year and following the fires of Ash Wednesday the Commonwealth Government advanced an \$11 million loan to the department for a period of three years interest free. The loan was to assist in the salvage and related operations following the fires. Significant expenditure was incurred over and above normal operating costs to cut burnt forests, transport logs and establish and maintain storage sites to enable logs to be kept wet at all times.

The \$11 million loan was of significant assistance to the program and ongoing costs directly related to the fires, storage and re-establishment, etc. necessitated ongoing borrowings. The \$11 million loan has become part of that borrowing program with the Woods and Forests Department now paying interest to the Treasury on the loan and the Treasury in turn is responsible for servicing the loan from the Commonwealth Government.

Mr De LAINE: I understand that much of the timber salvaged after the 1983 Ash Wednesday bushfires has been extracted and milled. How much timber still remains in storage and has the log retained its strength characteristics?

The Hon. R.K. Abbott: As at last week a total of 839 000 cubic metres of log had been extracted from water storage. The balance of log remaining is approximately 148 000 cubic metres, which is located at Lake Bonney in the South-East. During this year log storage at the two sewerage plants in Adelaide—Christies Beach and Glenelg—and at the sprinkler storage site in Penola forest have been completely removed. Of the log remaining in Lake Bonney it is anticipated that removal will extend over the next two years, concluding in June 1989. Apart from some small pockets of log previously stored in the Adelaide storage area, the log has remained sound and usable for a wide range of finished products. It has been essential, however, for material once sawn to be kiln dried. The initiative taken to store logs has enabled the industry to function both in the South-East and in the Adelaide Hills at levels of production similar to pre Ash Wednesday 1983. The local economics have therefore not suffered as they would have if large volumes of timber were declared unusable. The storage program has created a high level of interest both nationally and internationally, and it was a very successful salvage operation.

[Sitting suspended from 5.58 to 7.30 p.m.]

Mr De LAINE: The Public Works Standing Committee recently reported favourably on the establishment of a woodroom in Mount Gambier. Can the Minister briefly outline the purpose of this project, bearing in mind that wood users in the past have drawn supplies direct from the forest?

The Hon. R.K. Abbott: The department has conducted detailed studies into the establishment of a woodroom in the South-East of South Australia. The term 'woodroom' is used to describe a central site for the receipt and initial processing of a small diameter log. This initial processing involves the conversion of the delivered long length log into various primary products that are required by the department or its clients, and these products include saw log, debarked small round wood for preservation treatment, pulp chip, fuel, bark, and material for the Scrimber process. The woodroom approach is aimed at improving recovery by being in a position to utilise a greater volume of material per unit area of forest; providing a facility to enable the harvesting of areas previously seen as uneconomic; economies of scale reducing the unit cost of the semi-processed product; improving hygiene of plantations, particularly in relation to fire protection and resistance to insect pest attack; and closing the gap between the level of demand for a product at any time and production.

This is achieved by eliminating the separation of round wood into various products in the forest, transporting to a merchandising facility in long lengths, debarking, then segregating into product types using a mechanised facility, having the ability to convert waste wood into saleable product (that is, chip, fuel and bark), and having the ability to upgrade round wood into more valuable products—for example, pulp wood and preservation material, and pulp

wood to small saw log. Increased availability of round wood for preservation and saw milling will provide additional throughput for the department's conversion plants within the South-East.

The exhaustive studies undertaken into the woodroom and related operations—for example, the Scrimber project—have included discussions with relevant unions and with the customers who would be supplied from such a facility. It is anticipated that the project will be responsible for generating additional jobs. The proposal, agreed in principle by Cabinet, has been considered in detail and supported by the Public Works Standing Committee. Estimates of total capital cost based on the processing of 144 000 cubic metres of wood during two shifts and rising to 216 000 cubic metres over three shifts anticipated by 1990 is \$3.89 million. Means of finance are currently being discussed between the Director of the department and the Under Treasurer. It is anticipated that direct employment will increase by between eight and 10 positions, based primarily in the area of wood harvesting.

Mr GUNN: In view of the very high debts of some \$37 million currently accumulated by the South Australian Timber Corporation, can the Minister assure the Committee that that amount of indebtedness has not created a situation where the assets of the timber corporation are now exceeded by its liabilities? Can the Minister assure this Committee that there is no chance that any of the very large outstanding debts and loans that the timber corporation has is likely to be lost? Also, is he confident that the timber corporation can repay all its outstanding loans and commitments?

The Hon. R.K. Abbott: I will allow Mr Curtis from Satco to respond.

Mr Curtis: The question deals with the issue of the shortfall of assets over liabilities, and in fact the Auditor-General did comment upon that. Because of the peculiar nature of the corporation's funding base, its recorded losses to 30 June 1987 totalled some \$3 million. Therefore, at that point the assets are exceeded by liabilities of \$3 million. As the corporation is totally funded by debt capital through SAFA, it has interest obligations, and any losses that it incurs erode that position.

To answer the second part of the member's question, in relation to the future earning capacity of the corporation, it depends substantially upon the performance of International Panel and Lumber Holdings. The Auditor-General has commented again on the total investment in that organisation of some \$21 million. The Coopers and Lybrand report, which has recently been provided to the Minister, indicates that with some rationalisation and tight management control, an appropriate rate of return can be achieved on those funds. Given that, it would be a reasonable assumption to conclude that the corporation will, in the next three or so years, be in a position to not only service its debts but also produce a level of income that would be adequate to provide an appropriate rate of return.

Mr D.S. BAKER: Following on from that, the Auditor-General has stated that there is a need for the holding company to write down the value of its investments because the losses exceed the paid-up capital. If that is the case and they do it, on what basis did the directors of IPL New Zealand continue to trade if there was a need for the holding company to write down the value of its investment?

Mr Curtis: The Auditor-General makes a comment specifically related to the need for the timber corporation to consider the value of its investment in terms of the net asset position of International Panel and Lumber Holdings. I perceive that as being distinct from the issue facing the directors of International Panel and Lumber Holdings,

because in the corporation's position it has to take into account the value of the total group, and that, of course, includes International Panel and Lumber Australia as well as International Panel and Lumber New Zealand.

In the case of IPLH, the directors will be addressing the issue as part of their report which will be produced and which in fact is being audited right at this very time. The directors of that company will address the issue raised by the honourable member at their next directors' meeting in early October.

The Hon. H. ALLISON: At page 404 in the Auditor-General's Report, it is stated that Scrimber is to be developed and subsequently produced, and we assume that it will be sold. Has any market research been undertaken and completed and, if so, by whom has a report been made to the Minister and what were the recommendations contained therein?

The Hon. R.K. Abbott: The Scrimber product will compete with other products used in commercial buildings, such as hardwood, the imported Oregon to which I referred earlier, laminated beams and steel. The combined volume of these products presently sold is substantial and the output from the first Scrimber plant represents only a very small percentage of that total. Hence we are confident of achieving the results that have been forecast. It needs to be remembered that this development is the result of substantial research and development by CSIRO and is subject to world patents. Certainly, there are risks, but, having assessed these against the confidence that we can place in the primary development work done by CSIRO, which has since been completed by our own specialist staff together with the potential rewards, we are confident of success.

Too often research commenced in Australia is sold to overseas developers who obtain these substantial rewards and this is one opportunity that the Government is committed to keeping for the benefit of all South Australians. The product is scheduled to become available in the third quarter of 1988.

Mr GUNN: In view of the very high debt structure and the very large number of companies in which the South Australian Timber Corporation has invested (and a list on page 410 includes IPL(H) Pty Ltd, O.R. Beddison Pty Ltd, Gambier Radiata Pty Ltd, and so on), has the Government considered privatising or commercialising, to use the Premier's term, any of these operations with a view to providing capital for the Timber Corporation? This course of action has been taken by Governments overseas in order to provide badly needed capital. It is a course of action that is being promoted by the Prime Minister in relation to Australian Airlines and other organisations that will need extensive capital if they are to compete. Has the suggestion been considered in relation to the Timber Corporation or the Woods and Forests Department, as a whole, or has the Government considered adopting the New Zealand course of action where it has turned the whole of the New Zealand department into one corporation and has allowed it to operate commercially?

The Hon. R.K. Abbott: No, we have not considered this matter. I ask the Director to clarify that situation.

Mr South: The Timber Corporation and the department, each in its own way, has built up a product range which we consider is very valuable, considering the future of the forest products industry. At this stage our aim is to rationalise the marketing and production of those products and, whilst privatisation has not been considered, certainly the commercialisation, in the sense of a properly structured joint operation, is being considered.

Mr GUNN: Has the New Zealand concept been considered where the whole department is turned into a State corporation on a commercial basis?

Mr South: That question has not been attacked seriously as yet, but of course that is a step in commercialisation.

Mr D.S. BAKER: The Auditor-General made some quite firm recommendations for reviews of IPL(NZ) following its results. What reports have been received and what have they revealed so far?

The Hon. R.K. Abbott: The business plans incorporated in the last Coopers and Lybrand report cover the operations both of IPL(Aust.) and IPL(NZ). These reports project profitable trading over the three-year period 1987-90. Interest commitments should be met in part this financial year and in full by 1988-89. The most recent Coopers and Lybrand report and business plan was provided to the Government on a commercial-in-confidence basis and it contains a substantial amount of market research information which is important to the achievement of the targeted results. Release of that report would not only be in breach of our agreement with Coopers and Lybrand but also would be commercially naive.

Mr D.S. BAKER: The Auditor-General states:

The corporation and the Government would need to be satisfied on the point if the operations of IPL(H), particularly the New Zealand operation, are to continue and the position would need to be reviewed against actual results received at regular intervals.

Has this taken place, what are those regular intervals and what do they reveal?

The Hon. R.K. Abbott: Under the business plan, we have demanded eight-weekly reports, or more often if that is necessary. The business plan recommends that we adopt the medium achievement. If that is not adopted, then the situation will be reviewed, but I think that the Committee should understand that a little time is required so that the action taken already will have time to improve the results further.

Mr D.S. BAKER: You are saying that you are not prepared to reveal the contents of the eight-weekly reports that have been presented so far this financial year?

The Hon. R.K. Abbott: At this stage, we have not received a report, because the Government adopted the business plan only some three weeks ago.

Mr D.S. BAKER: Even though the Auditor-General said at the end of June that it should be on a regular basis, you have adopted an eight-weekly report, but at this stage it has not been implemented?

The Hon. R.K. Abbott: It certainly has been implemented, but the eight-weekly period from the date of adoption of the business plan has not yet occurred. By the action taken the situation improved to the extent that pre-interest profit was made at the end of April, and I think that a break-even situation occurred by the end of May.

Mr D.S. BAKER: That is IPL(NZ)?

The Hon. R.K. Abbott: That is IPL(NZ).

The CHAIRPERSON: Order! I would appreciate it if the questions could be directed through the Chair.

The Hon. R.K. Abbott: At this stage we have not received a further financial report. If the honourable member would like statistics, Mr Curtis may be able to elaborate on what I have said.

Mr D.S. BAKER: We would like to know where the company is going. The Auditor-General has made some very firm proposals. It is now September and they were implemented only since the Cabinet meeting the other day. This has now been going on for two years.

The Hon. R.K. Abbott: I am referring to the business plan that was adopted recently by the Government. I do not think it is fair to say that it has been going on for two

years—that is not quite the true situation. We took a decision to enter the joint venture only in January 1986.

Mr Curtis: On a point of clarification: the Auditor-General's Report was not tabled on 30 June—it has been tabled only within the past three weeks.

Mr D.S. BAKER: In other words, it was not available to Satco.

Mr Curtis: No.

The Hon. H. ALLISON: I was interested in the question asked by the member for Fisher about the Wood Room at Mount Gambier. I went to the launching of that project, and regarded it with some enthusiasm because it seemed to me that this was a Woods and Forests operation which would enable very efficient sorting of all the sizes of material—and I refer to material for LVL, for the Mount Burr small log line, for chips for Apcel, some for fuel and for alleviating the problems concerning backlog orders of poles for vines and for fence posts for farmers, and so on. All these problems might be redressed through the Wood Room. The only thing that the Minister did not mention—and I would like to be corrected if I am wrong—is that currently that project is frozen. Is it really going ahead or is some major problem stopping it from being completed?

The Hon. R.K. Abbott: It is definitely not frozen. We are planning to commence the project later this year. I invite the Director to provide details on the Wood Room.

Mr South: We see the Wood Room as being a very key project. We see the expansion of pulp and paper manufacturing in the South-East, and the other things that the honourable member mentioned, as being capable of economic expansion with the Wood Room in position, and we are certainly anxious to get on with that project. We are in the course of arranging funding to commence it.

The Hon. H. ALLISON: Funding is the problem?

Mr South: Yes, temporarily.

The Hon. R.K. Abbott: And we are looking at the alternative funding arrangements with Treasury, as I indicated earlier.

Mr De LAINE: The objective of increasing log resource by providing encouragement of private woodlots is referred to in the yellow book: what sort of encouragement or incentives are envisaged?

The Hon. R.K. Abbott: The South-East of South Australia provides one of the best environments, both physically and commercially, for radiata pine afforestation, and this is clearly demonstrated by the existence of a well established and fully integrated processing industry located near Mount Gambier. The high winter rainfall and the flat terrain favour the fast growing and versatile radiata pine and allow for year round harvesting.

With regard to research and technology, most of the significant research and development achievements in radiata pine afforestation and its processing technology originated in South Australia. They include plantation establishment and intensive management methods, saw milling technology appropriate for radiata pine, seasoning kiln drying of radiata sawn wood, and preservation. The conversion of research results into commercial realities continues in South Australia, for the benefit of the whole industry. Examples of this include the commercial processing development of Scrimber and the testing of new preservation material, fertilisers and weedicides. With regard to quality, the South Australian resource is considered to be more mature and of a higher density and strength. It can be used for a variety of wood products, including sawn timber, reconstituted panels and paper.

One of the key factors in tree growing profitability is the sale of pulp log from early thinnings. Future develop-

ments—and I refer to Apcel's expansion and the manufacture of Scrimber—will substantially increase the pulp log usage in this State and improve the prospects of private woodlot owners. The department is also giving much assistance to the private growers. A scheme to assist private growers to establish productive forests on their land, with flexible leasing arrangements, has been approved in principle by Cabinet for further detailed development. The department is working on that at the moment.

Mr De LAINE: Considering the extreme importance of a good industrial relations climate in the industry—in fact, in any industry—and in line with the 1987-88 specific target and objective of continuing to foster a better industrial relations climate on all work sites, does the department have any particular plan to achieve this objective and, if so, what is it?

The Hon. R.K. Abbott: We have a joint union/shop stewards committee which meets regularly, and management personnel are involved in those meetings with the executive of the joint unions. A number of unions are involved in the industry. The major union is the Australian Timber Workers Union. The minutes of those meetings are forwarded to me regularly. I read them with interest and I take up with the department anything that I am concerned about. Recently, as a result of those meetings and the consultative process the industrial relations situation has improved enormously. Certainly there is still room for improvement, and the department is working closely with the employees to achieve the objective referred to.

Mr De LAINE: I note with much pleasure that 50 apprentices were trained during 1986-87: when these apprentices complete their training are they offered permanent employment?

The Hon. R.K. Abbott: In most cases, yes. It depends on the number of apprentices who complete their time in any one year and on the staff ceiling levels that are applied to Treasury allocations. However, I would think that the majority of our apprentices are taken on full-time.

Mr South: That is true, but apprentice training in the Woods and Forests Department in many trades, such as saw doctoring, electrician training, etc, is regarded as being very good training and, quite often, apprentices at the end of their term, or just before they receive their indentures, transfer, after having found a job in the private sector or in one of the other forest product industries of the South-East.

Mr GUNN: Can the Minister table for the consideration of the Committee the original advice that was tendered to the Government which led to the initial approval to invest in IPL New Zealand? Will he also table the consultants' reports, which the Government subsequently called for and considered at a later stage, to enable the Committee to be in a position to have all the information which was available to the Government and which led it to make its considerable investment decision in relation to IPL New Zealand?

The Hon. R.K. Abbott: I will ask Mr Curtis from Satco to answer the question.

Mr Curtis: The original advice provided to the Minister and Cabinet before the decision was taken to invest in International Panel and Lumber Holdings or form that company as part of a joint venture agreement to absorb the two plywood operations of Satco through O.R. Beddisons and Aorangi Forest Industries through Wincorp is now the subject of a dispute before the Federal Court of Australia. The action goes to the heart of the agreement between the parties—the South Australian Timber Corporation, Wincorp, and International Panel and Lumber Holdings. The documentation associated with the decision of course

includes information about the net asset position of both companies, and projected profit results for those companies. The dispute substantially involves both those issues. In fact, an asset shortfall for breach of agreement and poor trading results are both the subject of this matter before the Federal Court. Our advice is that it would be detrimental to our position to have that information made public at this time.

Mr GUNN: From my reading of Erskine May, I dispute the *sub judice* rule as it is a narrow issue according to the practices of the House of Commons, which we put into effect here. In relation to the other consultants' reports that the Government has, will the Minister advise whether he is prepared to make them available to the Committee? I include in that the Hill Samuel and Heard reports which were also involved—will they be made available?

The Hon. R.K. Abbott: The most recent Coopers & Lybrand report and business plan was provided to the Government on a commercial in confidence basis. There is no way that we can release that report. We would be doing a disservice to our consultants and also be revealing a lot of commercial information that would eventually become available to our competitors. The honourable member will understand that it is impossible for us to release that report at this stage.

Mr GUNN: There were other consultants' reports besides the two which the Minister does not see his way clear to provide. Are they available to the Committee for consideration? There was the report that Mr Heard compiled, which was subject to comment by the Auditor-General. I understand another consultant's report exists in relation to this operation which appears to be a continuing investigation in this matter. The Opposition is of the view that these matters are most pertinent to the public and substantial evidence exists to suggest that there are problems. The community and the Parliament at least have the right to be fully informed of where the taxes it has raised have been directed.

The Hon. R.K. Abbott: If it were not for the legal action we are taking we could give much more information on the amounts and figures that the Opposition has been requesting. However, due to the court action we do not want to take any step that will jeopardise the State Government's case in the Federal Court. I will ask Mr Curtis to elaborate further on those reports.

Mr Curtis: The John Heard report was the subject of the original negotiation and is caught up in the legal action presently before the court. The honourable member mentioned a report by Hill Samuel. There was never a report from Hill Samuel. I believe the Auditor-General mentioned several reports and, taking them in chronological order, certainly the Heard report was the first one prepared as advice for the Minister. A firm of local solicitors was involved and it might be regarded as a consultant to the project. Subsequently, reports were prepared by Peat Marwick Mitchell in Christchurch and Mt Gambier. Those reports are also caught up in this legal action. The final report prepared by Coopers & Lybrand was provided to the Minister commercial in confidence.

Mr D.S. BAKER: The report to which the shadow Minister was referring was the Hill Samuel report which was commissioned by Satco for the takeover of O.R. Beddison. He was asking for it to be tabled.

The Hon. R.K. Abbott: That report was for a different purpose and it is quite irrelevant now.

Mr D.S. BAKER: Mr Gunn wanted to know whether it would be tabled.

The Hon. R.K. Abbott: Mr Curtis can give information on that.

Mr Curtis: The Hill Samuel report was prepared for an entirely different purpose. It was done at the time the corporation first took an interest in O.R. Beddison, which was then a private family company. When it entered into plywood production it issued further shares and the corporation was invited to participate in that float. The Hill Samuel report was prepared during those discussions and it was purely to place a value on the shares because the company was a going concern. Not being a public company, it had no readily available Stock Exchange quotation for the value of the shares, so the corporation obtained a report for that purpose. It is not relevant to the International Panel and Lumber consideration. In fact, it predates that by several years.

Mr D.S. BAKER: It is relevant to the Committee. We are asking whether it will be tabled. Is the answer 'Yes' or 'No'? The relevance is surely up to us to decide.

The Hon. R.K. Abbott: At this stage it is very hard for me to say whether we could table it because it could be useful advice in the court proceedings.

Mr D.S. BAKER: Will the Minister table the terms and conditions of the contract with Mr Sanderson in his appointment to O.R. Beddison or the terms and conditions of G.A. Sanderson Pty Ltd, if that was the identity that was employed by O.R. Beddison?

The Hon. R.K. Abbott: I do not know that it is necessary to table that information. Mr Curtis can report on that to the Committee now.

Mr Curtis: I do not recall the terms and conditions off the cuff. However, it seems to me that individual members of the public would be entitled to some privacy in these matters, not that there is anything to hide. It would be inappropriate to provide that answer without further clarification of the details required.

Mr D.S. BAKER: Is it correct that Mr Sanderson was employed, in the initial stages, on three days a week at a set salary? If he was employed as a consultant, did he receive commissions on sales? A lot of matters are pertinent to future questions.

Mr South: The history of this matter is relevant inasmuch as Mr Sanderson has long been regarded as a very honest and good marketing manager in the plywood industry. He was a client of the department for a business of his own that he operated in that area. When the corporation became involved with O.R. Beddison, it sought some advice on the rehabilitation of that factory from Mr Sanderson. The honourable member is probably referring to the stage at which Mr Sanderson was employed purely as an adviser to the previous management of that factory. I cannot remember the exact stages, but Mr Sanderson is now a contract chief executive officer in IPL(H). Nothing is wrong with the details of it; it has just changed. The matter that the member mentioned was in the early stages when he had his own business and was helping to reinstate the Nangwarry factory.

Mr TYLER: Members will have noted considerable press recently about Sirex wood wasp attacks in the pine plantations in the South-East of the State. Can the Minister explain to the Committee what his department has done to recover timber from the damaged forests?

The Hon. R.K. Abbott: A program to salvage sawlog or pulpwood from Sirex infested trees commenced on 29 June 1987 and is intended to be completed by the end of this month, by which time it is expected that larval activity within the trees will have increased to the stage at which log quality will be unacceptable. It is expected that approximately 1 700 hectares of forest will be salvaged to produce a volume of 34 000 cubic metres for both sawlog and pulpwood and a total value of approximately \$750 000.

The salvage operations are generally limited to plantations that are at least due for second thinning so that efforts will be concentrated upon higher value sawlog, which is in the age group of 20 to 30 years. The majority of these operations is concentrated in Myora and Caroline forests where the most severe infestation is located. Part of the salvage work will be carried out by Softwood Holdings Limited, which will take Sirex infested timber as part of its usual log allocation. Departmental work will be handled by four contractors who have been diverted from usual operations.

At this stage I report that the log quality is good. However, moisture content is rapidly dropping, which is starting to have an adverse effect on pulpwood quality. Fortunately this moisture content problem will have little impact as the salvage program is almost complete. As an integral part of the salvage program, the unutilised tops of salvage trees will be inoculated with nematodes to assist in the Sirex control program.

Mr GUNN: Does the Minister consider that it will be necessary for Satco to continue to inject further large amounts of money into the operation of IPL? Will it be necessary for Satco to obtain more funds from the South Australian Financing Authority? Does the Minister consider that Satco will be in a position not to have to capitalise its interest?

The Hon. R.K. Abbott: The total amount committed to the New Zealand operations on 30 June 1987 was \$12.8 million. That amount included initial share capital and asset purchases of \$2.3 million. Actual cash advances for working capital purposes totalled \$8.8 million. The balance of \$1.7 million is capitalised interest. No further funds have been advanced since 30 June 1987. The need for further funds will be determined by several factors, the most significant being market conditions. Some improvement has been evident over the past few weeks but substantial improvement is still required. Distribution arrangements in New Zealand will be a high priority for the Managing Director to address on his arrival in New Zealand.

Mr D.S. BAKER: Was Mr Sanderson ever paid or is he being paid a sales commission as well as a contract fee for his employment with IPL(H)?

Mr South: The answer is 'No'.

The Hon. H. ALLISON: My question concerns laminated beam production in Mount Gambier. I refer the Minister to page 214 of the Auditor-General's Report regarding stock on hand which, for timber products, stands at \$4.65 million. I understand that about \$250 000 of that is in laminated beam. Why has the size of the timber been changed from a width of 35 millimetres to 33 millimetres? Why has the thickness been changed as well with little prior notice to customers? Why have the formerly well received premium grade beams, which were manufactured almost entirely from F8 timber, been downgraded to a more standard grade beam which has F8 timber on the outer skin and is advertised throughout Woods and Forests' brochures as having F4 to F5, which is an inferior grade, inner timber? It seems to have caused some rejection among customers from Victoria and South Australia who claim that the previously well accepted premium grade beam is now manufactured to a lesser standard and an unacceptable size.

I am informed that one result is that other firms have moved in and are manufacturing premium grade beam to fill the vacuum left by the Woods and Forests Department. I believe that the Minister should be able to say who made the decision, why and on what market advice it was done, and whether the Woods and Forests Department intends to return to its former high grade product.

The Hon. R.K. Abbott: The department changed laminated beam specifications after long and careful considera-

tion, with the express purpose of lowering the product cost to enable pricing to be reduced in real terms. The use of F5 and F4 inners has not reduced the quality and has reduced span capability by an average of less than 4 per cent. Users were advised of the proposed changes well in advance, and for some months beams to both specifications were produced to ensure that there was a smooth change-over. The changes constitute a valuable engineering exercise resulting in a more cost-effective and marketable product. I ask Mr Roger White, the Commercial Manager, to elaborate on this aspect of the honourable member's question.

Mr White: The matter raised by the honourable member in relation to the strength of the beams and the apparent downgrading of quality from F8 to an F4/F5 grade was done in order to produce a more competitive product. That was done because in the use of these beams commercially the design criteria which determines the size of the beam to be used is dictated by the stiffness of the beam rather than by its strength, and the F rating is largely one of strength.

We are endeavouring to produce a better or equal quality beam at a lower price, and we have managed to do that by changing the base material. The size change is a function of the new technology which is being introduced into sawmills today, whereby the sawing tolerances which can now be achieved in producing sawn timber mean that we have a target size for timber much smaller than it used to be.

Finished timber is taken from the sawmill and moved into the laminated beam production. It is not possible any more to use the old sizing which resulted in a lot of waste wood. By reducing the size a much more efficient product is produced. Adequate notice of the changes in size and strength was given to all the department's clients, and it has resulted in little comment directly from its users.

Mr De LAINE: The demand for use of forests for recreational activities is increasing, 47 000 visitors having been recorded last year. Are fees charged for this use and, if not, would this aspect be considered?

The Hon. R.K. Abbott: The introduction of regulations was contemplated earlier in order to achieve more protection in forests throughout the State. A lot of vandalism and a lot of consequent damage to the forests occurred, barbecue fires being lit in hazardous areas and fences being cut. As a result of some strong protests received by the department, it was looking at introducing more regulations to control these situations. However, in recent years the public use of forest reserves, particularly in the Adelaide region, has definitely increased and, along with that increase, instances of careless use and wilful damage have become much more prevalent.

In order to improve control of these activities, regulations under the Forestry Act 1981 were being prepared by Parliamentary Counsel and staff of the Woods and Forests Department. A number of public meetings were held throughout the State with individuals, community groups and local councils providing a lot of input into the drafting of those regulations.

As a consequence of these meetings and other concerns raised by departmental staff, questions to Parliamentary Counsel revealed some structural inadequacies in the Forestry Act, and in this time of increasing litigation arising from matters of public liability it was deemed prudent to fix these technical and legislative difficulties before formalising extensive public use through regulations. The current timetable for this activity suggests that amendments to the Forestry Act and the drafted regulations will be prepared and gazetted within the next 18 months.

Mr D.S. BAKER: I note that the address of IPL(H) in Melbourne is 2 St Andrew Street, Brighton. I also note that the address of Austwood is the same. What dealings does IPL(H) have with Austwood, and is Mr Sanderson connected with Austwood?

The Hon. R.K. Abbott: I will ask the Director to answer that question.

Mr South: Austwood was a company in which Geoff Sanderson was involved when he was operating a family firm. I understand that that firm is no longer operating.

Mr D.S. BAKER: What dealings does Austwood have with IPL(H), as they both have the same address?

Mr South: That is right. The company was operating with one employee, who then left. But, certainly, he had an office in the same building.

Mr D.S. BAKER: Who was that employee?

Mr South: Andrew McNaught, a young professional forester.

Mr D.S. BAKER: I have a document which relates to a search of a company which changed its name from Tesleve Pty Ltd. This document was lodged in March 1986, and the company changed its name from Tesleve to Austwood. The document was signed by Mr Sanderson as a director of that company.

The Hon. H. ALLISON: What considerable advantage is to be achieved in Satco maintaining a Melbourne presence, overselling timber to Victoria direct from Mount Gambier via a 008 telephone line which could be connected to the sales office there? I ask this because I believe that Melbourne would take 40 per cent of the Woods and Forests timber, mainly of an inferior grade—second grade timber—and that substantial discounts are offered on the Melbourne market in order to compete effectively.

In addition, there would be freight charges from Mount Gambier to Melbourne. There is a large shed there which to a large extent would be empty. In addition, there is a redelivery charge from the Melbourne storage of \$30 per pack of timber which could be covered by the 5 per cent surcharge which Satco quotes but which, I understand, it rarely charges, again because of the competitive nature of selling in Victoria. It is a fairly fierce market in Victoria, and it is obvious from the Auditor-General's Report at page 410 that for several years profit margins have been very low.

When you look at the realisation of \$93 000 by Satco on \$14.7 million turnover in timber in 1985-86, and a profit of \$186 000 on \$16.5 million of revenue in 1986-87, it seems that there is very little return. In fact, when one considers the cost of production, the freight charges and the discounts that are offered, the timber going out from the Woods and Forests Department in Mount Gambier, through Satco, is very close to being sold at a loss.

Mount Gambier already sells direct to Queensland, Western Australia, and New South Wales, and I just wonder why the same thing could not be done with sales staff operating from Mount Gambier on a daily delivery basis, bearing in mind that in Mount Gambier are two or three of the largest transport operators in Australia, and a decade or so ago one of them was alleged to have been the largest in the southern hemisphere. Freight is not really a problem and I wonder whether the Minister would have his officers have a good look at this situation and find out whether the operation is profitable through Satco, Melbourne and, if not, cut those losses and operate from Mount Gambier?

The Hon. R.K. Abbott: Satco was appointed agent of the Woods and Forests Department in Victoria in 1985. Sales levels in 1986-87 are 15.4 per cent higher than the 1985-86 levels, and 22 per cent above the 1984-85 levels. In these

circumstances, I can understand that our private sector competitors are telling a gullible Opposition that we are being outmanoeuvred by the private sector. The plain fact is that we are doing better than they are and they do not like it. As to the accusation that the warehouse is too large for our purposes—

The Hon. H. ALLISON: The Minister assumes that the information came from the private sector. I will say clearly and unequivocally that that is a false assumption.

The Hon. R.K. Abbott: As to the accusation that the warehouse is too large for our purposes, this is just another indication of the desperation of our competitors to find something to attack. The warehouse has been invaluable to us in the past 12 months of depressed markets generally, and during these times resellers cut their stocks to a minimum and depend upon producers to carry them. Because we have had a range of products readily available on the market doorstep, we have done better as the figures that I read out indicate.

Let me now turn to profit. The recent comment by the Hon. Mr Davis in the Legislative Council, when he related the surplus made by Satco, Melbourne to the gross sales value, only confirms to me that he does not understand the fundamentals of the agency trading arrangements. The corporation operates on a very modest commission from the Woods and Forests Department—in fact, the same as was paid to Gibbs Bright. Out of this, Satco pays all of its operating costs, salaries, rent and other administrative charges, which in 1987 left a surplus of profit of \$186 000. Because of these arrangements, this profit is now returned to South Australia, whereas it was reflected in the agent's profit in the past. The Satco Victorian agency has done very well in the past 12 months in the face of very difficult market conditions. I hope that answers the honourable member's question.

The Hon. H. ALLISON: It answers it, but it does not satisfy me. As I said, the assumption that the information came from—

The ACTING CHAIRPERSON (Mr Tyler): Does the honourable member have a supplementary question to ask?

The Hon. H. ALLISON: No, I am just responding to the Minister's allegation that it came from the private sector. In fact, those statistics I quoted are purely from Satco in Melbourne. They are not private enterprise figures: they are your figures.

The Hon. R.K. Abbott: Then they are misread.

Mr De LAINE: In the area of protection of flora and fauna, why is it considered necessary to cull kangaroos on forest reserves?

The Hon. R.K. Abbott: I think this is purely a matter for management in order to control the build-up of kangaroos in the forests, so that they do not eat the farmers out nextdoor. The Second Valley forest is one forest in particular that has a lot of kangaroos in it, and it is necessary to implement control measures from time to time. The foresters do see that that occurs within reason.

Mr D.S. BAKER: Getting back to Austwood, I have a list of directors in front of me. What association does Mrs D. Sanderson have with Satco?

The Hon. R.K. Abbott: I am not able to answer that.

Mr D.S. BAKER: Is she employed with Satco?

The Hon. R.K. Abbott: I have no knowledge of Mr Sanderson's wife's participation in any of our operations. Mr South can answer that question.

Mr South: It is another thing of the past, inasmuch as Mrs Sanderson was in the business of Austwood with her husband. When Geoff first worked with Satco assisting with the Nangwarry factory, she continued to run the sales office

for their own business in Melbourne. She has since left the company and is not employed there. Other staff are in that sales office at IPL.

The Hon. H. ALLISON: The Minister will be aware that a major piece of equipment, a saw valued at some \$1.3 million which was referred to in the address made by the Hon. Legh Davis some week or two ago, rests at Port Adelaide. I believe that it was purchased for Shepherdson and Mewett but the fact that it has remained on the dockside for some considerable time makes me ask the Minister what the saw was bought for, why it is still on the dockside and what problems currently confront Shepherdson and Mewett in that they cannot install the saw and put it into use.

The Hon. R.K. Abbott: We are in the process of re-equipping the Williamstown mill of Shepherdson and Mewett, but again the facts have been distorted in recent statements made by the Hon. Mr Davis in the Legislative Council. The Williamstown mill is an important conversion plant, milling logs from the central region forests of the Woods and Forests Department. Only one other significant mill operates in the region and the economies of amalgamating these operations are doubtful owing to the haulage distance involved in harvesting operations, which range from Second Valley in the south to Mount Crawford in the north. The Williamstown mill is old and, consequently, expensive to maintain, and employs outdated saw milling technology, in view of which the members of Satco agreed to proceed with a re-equipment program and a complete log mill was ordered through a local machinery supplier late last year.

This equipment was imported from Sweden and, following its arrival in Australia, was delayed in customs for a short while. On 8 July this year clearance was obtained. The project is in the final specification stage and work is expected to commence shortly. The best time to undertake this sort of development work is during the Christmas close down and we aim to have the necessary contracting arrangements in hand by that time. Finally, the cost that was stated by the Hon. Mr Davis for a circular saw was quite wrong. The purchase includes all log mill and conveying equipment to replace the present green mill at Williamstown.

Mr D.S. BAKER: As a point of clarification, as to the relationship between Austwood and IPL(H) and the fact that they are at the same address, were you saying that they are one and the same company or were you saying that Austwood does not exist.

Mr South: I could not be quite definite as to whether or not Austwood still exists. I do know that it is not operable.

Mr D.S. BAKER: As a supplementary question, today when I rang for information, Austwood was at the same address as IPL(H) and I had two telephone numbers. When I rang both numbers and asked for Mr Sanderson, I received the same answer and was told where he was and when he would be available.

The Hon. R.K. Abbott: I cannot answer that question. I do not know whether or not the Director can give you some information.

Mr South: I am not surprised about the telephone numbers because, although as far as I am concerned Austwood is not operable, it could be that it still has a telephone number. I can only suggest that the honourable member take up that matter with us and we will see if we can sort it out. As far as I know, Austwood is inoperable. It may still be a name and I imagine that, if it has an address, it would be that address because, originally, it was in that building.

Mr De LAINE: In an effort to expand the potential of our timber industry, is any research being carried out to

investigate the possibility of establishing forests of exotic timber types not indigenous to Australia?

Mr Mutton: The plantations that the Woods and Forests Department already have in the South-East of South Australia, the Adelaide Hills and the northern area of this State in fact are exotic plantations of species that are not native to Australia. Late last century a lot of research was undertaken to determine appropriate species for growing in this State and radiata pine came out on top in those research experiments. We have also some small areas of other exotic species planted throughout South Australia, but they do not produce the growth rates comparable with radiata. Therefore, the prime species that we have is radiata pine, an exotic species originally from southern California and, from other information that has been presented this evening, it has proved to be a very appropriate species for the production of a whole range of sawn products in this country.

Mr GUNN: At page 243 of the yellow book reference is made to monitored demonstration areas of hardwood plantings for domestic fuel woodlots at Bundaleer Forest reserve. Will the Minister briefly indicate how much hardwood has been harvested for the domestic market? I have been advised that considerable problems have been encountered with the harvesting of this product, because a number of employees who have been rostered for this work have subsequently gone out on workers compensation, as it appears that the work has been too hard. How much hardwood has been harvested? Further, have there been problems in the harvesting of that wood?

The Hon. R.K. Abbott: To my knowledge, there has not been a claim for workers compensation in the past 12 months from the northern forest areas. In regard to firewood, permits are issued to the public to enable them to collect their own firewood. A charge, of course, is made for that wood, and there is limited hardwood available. Encouragement is given to the use of softwood, through lower costs and high availability from areas of clear felled pines. Provided that the softwood pine has been properly dried before use over summer, it is quite a useful fuel for use in home heating, particularly in slow combustion heaters. This information is from a study undertaken by Amdel some years ago.

There is increasing concern in the Adelaide Hills forests in relation to firewood collectors who cut down standing trees, in part due to the increasing scarcity of the hardwood resource and in part due to convenience. The department has also examined ways of improving the availability of hardwood fuel in the Hills. This has involved trials in bringing longer lengths of wood from the northern forests to the Hills forests and allowing the public to then cut and load their own requirements. This system is currently being evaluated. In regard to the northern forests, the department has areas of hardwood plantations in those areas. Methods of cutting and handling this resource, so that it can be placed on the Adelaide market economically are being continually assessed. To date, prices achieved through tender have been lower than anticipated. Contract firewood cutters are also operating in these forests. In relation to private woodlots, expert advice is being provided by departmental officers to farmers who are interested in establishing woodlots on their properties for the purpose of producing fuel wood.

Mr GUNN: Can the Minister advise the Committee on how many occasions, both at Bundaleer and elsewhere in the various South Australian forests, foresters or other people in management positions have had to withdraw reprimand notices to employees who have contravened safety requirements, following representations made by the State

Secretary of the Australian Workers Union? On one occasion brought to my attention an employee failed to observe normal safety requirements in relation to bushfire control. I am advised that an employee entered the forest area after 4 o'clock and committed a number of breaches of the normal rules and when he was reprimanded action was taken by the Secretary of the AWU in approaching the Minister.

I have seen the correspondence, and those involved have had to withdraw the notice of reprimand. I also understand that this has occurred in other areas where employees have breached safety requirements and been reprimanded by foresters. On one occasion I believe the person had to withdraw the notice in front of all the employees. Will the Minister advise whether this is correct and, if so, why is it taking place? It appears to be making it very difficult for managers to manage in an effective and efficient manner?

The Hon. R.K. Abbott: I answered that very question that was placed on notice in the House of Assembly a week or so ago. The only thing I can add is that the information provided in that answer was correct. I received two complaints from the Australian Workers Union on the penalties that the department wanted to apply and I think in both instances the penalties were modified slightly. At no time was any manager of our forests or any officer of the department asked to withdraw the letters threatening disciplinary action. At no time were any of them asked to apologise by me or, to my knowledge, by anybody within the department. I can only add that some modification was made to what I regarded as a severe penalty, particularly in one instance where no warning had been given to the union member involved. The union member ought to have known the rules and therefore some penalty was appropriate in my view.

Mr GUNN: In view of the serious disclosures we have been questioning in relation to the debate on these lines, is the Minister confident that the action already taken in relation to Satco and its involvement in International Panel and Lumber Holdings, both in this State and in New Zealand, is such that these organisations will be financially successful and that, by the time this Committee meets next year, the complete financial situation will be completely reversed and the Auditor-General will not be forced to make a similar criticism to that made this year?

The Hon. R.K. Abbott: I sincerely hope so. I am confident that the measures we have taken and future measures under consideration, including the medium targets we have set, the demand for continuous review and the eight-weekly reports, are such that it will prove to be the right decision. It has been supported by Coopers and Lybrand—the consultants who worked on the reports for which we asked. As reported previously, the whole decision of Satco entering this joint venture was on the principal basis of the availability of top quality log in New Zealand. We would not have had to take that action had it not been for the 1983 disastrous bushfires in our State in which we lost something like 50 per cent of our resource.

O.R. Beddison found itself in a very precarious situation, which led to the establishment of International Panel and Lumber (Holdings). The markets in New Zealand and overseas were very attractive. Had it not been for the misleading information by the New Zealand directors, which coincided with a downturn in the building industry, the operation would not be in the situation that it is in today.

South Australia lost its log in the Ash Wednesday fires. High quality log is available at Greymouth, and that resource will grow and become more available over the next 10 years. However, South Australia will not have that resource for

another 20 years. The availability of top quality New Zealand log and the expansion there over the next 10 years will be quite significant. The Greymouth plant has the capacity for greater volumes to provide improved returns on funds invested. Greymouth production can be tailored to complement the Australian output, and that is necessary to maintain the workforce at Nangwarry from which approximately 40 workers could have been lost had we not had the New Zealand resource.

The combined output of New Zealand and South Australian plywood mills provides a sensible volume and product range for IPL to be a major competitive force in the Australian market. Potential from the South Island of New Zealand indicates that volumes could increase markedly. The New Zealand plant has the potential to export plywood to North America and Europe, and major distributors in those countries have been contacted and selective shipments sent for evaluation. We hope that they will be an available market for the IPL operations. I am confident that the action that has been taken will be successful, if it is given all the support that we can give. The upturn in the industry is encouraging. It is to be hoped that, in a short period, I can indicate to the Parliament that the situation has turned round for the better.

Mr TYLER: The Woods and Forests Department has conducted several rural tree schemes in recent years. Can the Minister say how successful they have been and whether he expects a good result for the bicentennial rural tree scheme?

The Hon. R.K. Abbott: The scheme has been operating for six years and in that time approximately 600 000 trees and shrubs have been established in rural areas in South Australia. It is a good contribution to the revegetation of the State and is an activity that is supported by individuals, community groups, local councils and other Government departments. We are confident of continuing success because the sale of seedlings under the scheme is supported by sound technical advice and a commitment by farmers to the establishment of seedlings.

The scheme provides for a two-way information exchange between farmers and the Woods and Forests Department. Not only can we supply up to date effective information on planting techniques, maintenance and species selection but also it has provided a mechanism for farmers to tell the department something of their successes and concerns. In some cases farmers have concerns such as the cost of fencing, seedlings and available land which affect their capacity to undertake a more extensive tree planting job.

This program represents good value for Government effort because it operates on a self-funding basis. The rural community is certainly addressing a significant environmental problem. The high level of cooperation between the department and the Greening of Australia Program in the revegetation of South Australia by encouraging land holders, local government bodies and the community in general to plant trees and shrubs should be noted.

Mr D.S. BAKER: I note that Geoffrey Alexander Sanderson is a director of Wincorp Australia, Managing Director of G.A. Sanderson Pty Ltd, trading as the Wood Veneer Company and Austwood, and he is listed as the Managing Director of International Panel and Lumber Australia Pty Ltd. I note in the company searches that he goes from being a company director in some of them to a machinery consultant at Austwood. It appears to me that Geoffrey Alexander Sanderson has had considerable influence in all of those companies, particularly Satco, over the years. However, when the Government is forced to take action against Westland Industrial Corporation, which is Wincorp in New

Zealand, he is no longer a director of that company. I ask again what Austwood did at the same address as IPL(H), when it ceased operation and what was its role.

The Hon. R.K. Abbott: I reiterate that I have no knowledge of Austwood or of Mr Sanderson's past history or business involvement and I will have to rely on the Director of the department for this information. Austwood was before my time as Minister of this department and I have no knowledge of its operations or who, in fact, were the managers. I had no idea that Mr Sanderson was involved.

Mr South: I am not sure that I can answer the question entirely, but I think I mentioned before that Austwood was a company which dealt in machinery when Geoff Sanderson and his wife worked in Victoria as customers of the department in buying solid wood. In importing machinery he was a machinery consultant because he is one of the most outstanding authorities on plywood technology in Australia and is currently vice-president of the Plywood Association of Australia. Since his original connection with R.R. Beddison as a helping hand when the plywood factory was first established and not operating well, he subsequently became a contract employee of the corporation.

As I said before, as far as I know he does not operate Austwood now, but he did have a person operating it for him for a while. Mr Sanderson has been more than fully employed by International Panel and Lumber Australia, then Holdings, and has been instrumental in the improvement of the New Zealand operations since the department continued the operations after the New Zealand directors left. The contract under which Geoff Sanderson works, that is, IPL(H), contracts with Austwood for the supply of Sanderson services to IPLA, that may be the answer the honourable member is looking for.

Mr D.S. BAKER: You are saying that Sanderson gains financially from the activities of Austwood.

Mr South: It is, or was, his company.

The Hon. H. ALLISON: The Minister spoke with enthusiasm just a few minutes ago of the source of timber in the South Island of New Zealand and I wondered whether that timber source would be competitive now as well as in the future with timber produced in the North Island of New Zealand? While the Minister was speaking, it did occur to me that the New Zealand Government has phased out special incentives that were on offer to New Zealand timber producers by way of, I think, taxation, freight, export incentives and the rest, so that now the North Island and the South Island would be on the same terms.

However, logging in the South Island at Greymouth has special problems in that the Greymouth harbor is not an easy access harbor, and I understand that timber would have to be sent out over the hills to Christchurch on the other side of the island, adding freight charges. How will that compare in the longer term and in the short term with the relative ease and efficiency with which logging can be undertaken by New Zealand companies which tend to concentrate on the North Island?

The Hon. R.K. Abbott: Claims have been made that exports from the New Zealand mill on the South Island at Greymouth will suffer a cost disadvantage having to freight goods across the South Island for export from the Lyttelton Harbor, which is over near Christchurch. These factors were recently reviewed by Coopers and Lybrand and they are reflected in future profit estimates. Taking one factor in isolation is inappropriate, and in this case it led to the conclusion that the plant is uncompetitive. However, it enjoys a number of other benefits, significant among these being the quality of log supply, which more than offsets the freight disadvantage.

The Hon. H. ALLISON: What does the Minister mean by 'quality'? Is it the very large size log that is available?

The Hon. R.K. Abbott: Mr South will provide further information.

Mr South: Principally it has a high clearwood content from pruning regimes that they had. It is also pertinent to note that the new forestry corporation in New Zealand is negotiable on its log supplies on period sales. They sell somewhat similarly to us except that they do not have a standard royalty rate, and we have found them very cooperative in negotiating sales of this material.

The Hon. H. ALLISON: Do I understand that there is a possibility, with the Crown being the owner of the forests, that the New Zealand Government would be prepared to negotiate better royalty rates to compensate for the added difficulties of logging in the Greymouth area?

Mr South: Most of it is not logged in the Greymouth area, of course. It is at various places, with the plywood mill at Greymouth being the only plywood mill on the South Island. Obviously, having created these high quality logs, they wish to have them utilised. The sawmillers certainly do not want to buy them at the premium price; they can get ordinary saw logs cheaper.

Mr TYLER: Can the Minister say whether the Woods and Forests Department reviews its log royalty rates each year? If so, on what basis is the review undertaken, when, and by how much were the rates last increased?

The Hon. R.K. Abbott: The Woods and Forests Department reviews annually the level of royalties payable on softwood log by both private and departmental mills for adjustment in July each year. Annual review takes into account inflation factors, labour cost changes, forest owning and growing costs and the market climate. An increase averaging 6.5 per cent for sawlog and veneer log was applied from 6 July 1987. Prior to applying this increase major log users were advised of the department's proposal and reasons for the moderate level of increase. It has been the department's custom in recent years to restrain increases in forest royalties below the consumer price index, which to December 1986 was stated to be 9.3 per cent and to December 1987 is forecast to be 7.5 per cent.

Although the market for sawn products is poor and demand for products is unpredictable, the recorded profits of a number of customers indicate that the capacity to sustain an increase in log cost remains. Round wood for preservation treatment is experiencing much lower demand and the royalty increases for this material have been held at 5.4 per cent average in an attempt to provide some encouragement to the users of that product.

Mr D.S. BAKER: I have evidence that the Plywood Association visited the Nangwarry mill of IPL(Aust) after Mr Sanderson was appointed as Managing Director. The association made some comments on the quality of structural plywood. Is the Minister aware of the comments the association made as to the quality and is he aware that it threatened to withdraw the Plywood Association's Australian rating stamp? Further, is he aware of the time span given for IPL(Aust) to improve the product?

The Hon. R.K. Abbott: No, I am not aware of those matters. I can ask Mr Curtis or Mr South if they are aware of them and to report to the Committee.

Mr South: I think that I have been connected with that operation ever since the corporation has been involved. This may have been so in the quality control situation under the Woods and Forests Department, under the Radiata Pine Association's quality control scheme and notice may have been given saying that there is too much defective timber in the pack grading. I do not know about the incident and

nor do I know the date of it, but it might be important. I would be very surprised if it is a major matter. I would not think that the incident was recent.

The Hon. H. ALLISON: Another matter that was raised by the member for Fisher related to the supply of alternative timbers in South Australia. Looking at the annual report of the Woods and Forests for 1986, mention is made of hardwood production essentially for firewood and, also, mention is made of hardwood production plantings at Wanilla (I think that is a small planting of no significance at all), but very recently I recall reading that in the South-East there are other organisations, at least one, interested in planting not exotic timbers but Australian timbers. In my own garden the *eucalyptus globulus*, the Tasmanian blue gum, has grown at a tremendous rate. I have had to chop it down two or three times to keep it below the level of the house. Have experiments been undertaken with native timbers which may prove to be just as good in certain circumstances as the exotic *pinus radiata* as an alternative timber to be planted in some areas. We must bear in mind that in the South-East of South Australia the Mount Burr region has 28in. of rainfall, which is the highest rainfall in the South-East outside the Adelaide Hills. It may be that alternative Australian timbers could be considered for plantation.

The Hon. R.K. Abbott: We are cooperating with Apcel, which are pulp manufacturers, in the production of various hardwoods. I do not know to what extent that has developed. Perhaps the Director could outline further details.

Mr South: At this stage Apcel is encouraging the forest owners to undertake trial plantations. Certainly, at this stage this includes SAPFOR and the Woods and Forests Department. Some very good trial plantings have been put in by the airport by CSIRO, and they are a species indicator of what could be commercial. Obviously, if one puts in commercial plantations of hardwood one does not rely entirely on a firewood market, particularly in the South-East where there is plenty of red gum around, anyway, and one has to grow a pretty big volume on which to base an industry. That is one of the reasons why we have not ventured into hardwood plantations before. But the change has come about because in Apcel's expansion it has been importing short fibre pulp in some quantity to mix with its long fibred pulp. I was given details of the quantities, but I do not have that information with me. Apcel is suggesting that if we can find sufficient land—which is always a problem in the South-East, of course—it would be very happy if we grew some short fibred pulp to underwrite its short fibre pulp requirement, along with the long fibred softwood.

Mr D.S. BAKER: I have some correspondence from the SEAS Group, which over the past few years has entered into a contract with the department for the supply of pinus pinaster. I think there were some interesting negotiations at that stage in relation to whether there was enough pinaster or whether the dept had pinaster to sell, and I think it came to light that there was pinaster, and the SEAS Group is purchasing that material from the department. However, that company now finds itself in a position where in relation to the continued operation of the Kalangadoo mill it is very short of timber. I understand that discussions have taken place in the last few days. One of the contentious issues (and the Minister may confirm this) is that before Ash Wednesday the Woods and Forests Department operated on a 50-year rotation for forestry production, whereas following Ash Wednesday that rotation period was lowered to 45 years. I think it is factual that all commercial pine forest operations in Australia operate on a 25 to 30 year maximum period. It appears that the future of the sawmill at Kalangadoo is in jeopardy if it cannot obtain more sawlog. If the

dept would reduce its rotation from 45 years to a more commercial length of rotation, it is believed that there would be ample sawlog in the South-East for all sawmills and Kalangadoo would not be in the difficulty that it is in. Would the Minister or Mr South like to comment on that?

The Hon. R.K. Abbott: I have recently had approaches from the timber workers of South Australia with regard to the contract to supply timber to the SEAS Group.

Mr D.S. BAKER: That was in September, I gather.

The Hon. R.K. Abbott: It was only very recently. The SEAS Group, a public company, based at Millicent in the South-East of South Australia, purchased a sawmill at Kalangadoo from Softwood Holdings Ltd in 1985. Although the SEAS Group of companies owns a plantation resource, it is mostly in the younger age grouping and is not able to provide enough logs on a sustainable basis to supply the Kalangadoo mill for a number of years. SEAS approached the Government through the Department of State Development for assistance. Included in the package sought was access to part of the department's plantation log resource.

As I am sure the honourable member would be aware, my department sustained enormous pine plantation losses in the bushfires in 1983 which limited the ability to supply industry until the replanted trees reached merchantable size. Thus, no additional *pinus radiata* resource was available to industry—in fact, purchasers from departmental plantations suffered a 15 per cent reduction in volumes available. No additional sawlog from *pinus radiata* plantations could be diverted to the SEAS group without further reducing existing commitments. Nevertheless, it was acknowledged by the department that *pinus pinaster* plantations could be made available for purchase, even though such a move removed one of the last insurances against further plantation losses by fire or insect attack in the next decade.

I approved the sale of *pinus pinaster* sawlog for conversion at Kalangadoo to the SEAS group on 25 November 1985, and an agreement was drawn up for a 10-year clear felling contract commencing on 1 January 1986. Clear felling commenced in September 1986 on the transfer of the Kalangadoo Sawmill ownership from Softwood Holdings Limited.

Since 6 July 1987, Timbersales Kalangadoo Ltd have only purchased 2 071.7 cubic metres of *pinus pinaster* sawlog. This is a very low figure and reflects the performance of the mill over the last three months in a very competitive market situation and demonstrates a lack of acceptance of the product produced by the company. In addition to the sawlog purchased, Timbersales Kalangadoo Ltd has obtained a quantity of small roundlog for preservation treatment. This was sold to the company from material too small from *pinus pinaster* plantations to be logged for sawlog. Royalty rates applicable for this material are current roundwood preservation rates. Quantities sold were, to 5 July 1987, 1 038.9 cubic metres and, from 6 July 1987 to 28 August 1987, 775.7 cubic metres.

Recently the SEAS group have been making inquiries about the purchase of an additional 15 000 cubic metres of *pinus radiata* sawlog per annum to supplement their *pinus pinaster* supply. A number of factors have placed Timbersales Kalangadoo Ltd in a precarious position. These include inexperience in sawmilling operations, the age and unsuitable equipment in the sawmill itself, and the lack of sufficient sawlog resource. These were identified by the department prior to agreements being put into place with the company for sale of the *pinus pinaster* plantations.

The department has no surplus *pinus radiata* sawlog available. It is also anxious to replant the clear felled *pinus pinaster* plantations with *pinus radiata* as future sawlog

availability from departmental plantations in the south-east region is contingent on this actually occurring. Retaining *pinus pinaster* plantations beyond 1995 will only jeopardise future sawlog production. It should also be appreciated that the recent severe outbreaks of Sirex infestation of plantations in the region has made further, presently unquantified, inroads into future sawlog production.

Mr D.S. BAKER: Prior to Ash Wednesday there was a 50 year rotation for clear felling of the pine forest. After Ash Wednesday it went back to 45 years. Commercially it is 25 to 30 years. The contention is that you lost 20 per cent of the forest on Ash Wednesday but that, if the clear felling operation came back to the accepted commercial age in Australia, plenty of timber would be available not only for SEAS but also for the department. If that is not correct, why is commercial clear felling 25 to 30 years?

Mr Mutton: It depends very much on the products that one looks for out of forests as to what the rotation age is. The department is looking for the best economic return on its forests for the State, and that is the basis on which it determines the rotation age. The prime reason for the State forest is to produce sawlog material and the department prides itself on having high quality sawlog for the sawmilling industry in the South-East of the State and provides sawlog to Softwood Holdings, which is one of the major private companies. As a result of Ash Wednesday, less sawlog is available. I am unaware that other major companies, including Softwood Holdings, operate a rotation age of less than 30 years, particularly at 25 years. The department's rotation age is set on economic returns. When one is looking to produce sawlog with the sort of equipment that the department has, one does not consider clear felling forests at age 25 to produce maximum returns on the investment in the forests.

Mr De LAINE: The Minister mentioned increasing amounts of vandalism and damage in our forests because of the increase in public usage. With the preparation of amendments to the Forestry Act, are there any plans to completely prevent public access to particularly sensitive or vulnerable forest areas?

The Hon. R.K. Abbott: There are no plans to stop the public entering the forests. As I reported earlier, that is encouraged in certain areas. However, the department wants to implement regulations that will control the activities and the many requests that it receives for sporting activities, particularly from trail bike riders, who can get out of hand and cause quite a lot of damage to the forests. The department will try to bring in the necessary controlling measures rather than deprive people of entering the forest.

The Hon. H. ALLISON: My last question relates to the possibility of fine tuning within the higher echelons of the Woods and Forests Department. Can the Minister make a management chart available? The 1986 annual report carries only the photographs of the four Assistant Directors and the Director. Different titles have come across my desk recently including Assistant Director (Commercial), who addressed the Committee this evening. Others include Marketing Manager, Sales Manager, Production Coordinator, Production Manager and Marketing Development Manager. I also heard that the position of Assistant Director (Marketing) may be established. I seek clarification to remove any suspicion of duplication and top-heaviness in the sales production and marketing area. Can the Minister make a management chart available for the Woods and Forests Department and Satco?

Mr South: It is available. The position has not changed a great deal since last year's annual report, but some changes are going on to meet issues that have arisen as a result of

the 1983 fires, reforestation and the need for some concentration on future planning. I could present a structure as it stands, but it is not yet in its final form.

The Hon. H. ALLISON: Will the document be tabled before the Committee so that it can be included in the final report of *Hansard*?

Mr South: Yes.

The CHAIRPERSON: There being no further questions I declare the examinations closed.

ADJOURNMENT

At 9.46 p.m. the Committee adjourned until Wednesday 23 September at 11 a.m.