

## HOUSE OF ASSEMBLY

Wednesday 30 June 1999

## ESTIMATES COMMITTEE B

**Acting Chairman:**  
The Hon. G.M. Gunn

**Members:**  
Mr S.G. Condous  
Ms A.K. Hurley  
Ms S.W. Key  
Mr I.P. Lewis  
Mrs K.A. Maywald  
Ms M.G. Thompson

*The Committee met at 11 a.m.*

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Department of Administrative and Information  
Services, \$168 312 000  
Minister for Government Enterprises and Minister for  
Information Economy—Other Items, \$22 438 000

**Witness:**

The Hon. M.H. Armitage, Minister for Government  
Enterprises, Minister for Information Economy.

**Departmental Advisers:**

Mr K. Brown, Chief Executive Officer, WorkCover  
Corporation.  
Mr M. O'Callaghan, Executive Director, Workplace  
Services.  
Mr G. Foreman, Chief Executive Officer, Department of  
Administrative and Information Services.  
Mr G. Dayman, Manager, Government Relations,  
WorkCover Corporation.  
Mr G. Davey, Manager, Commercialisation, WorkCover  
Corporation.  
Mr B. Miller, Director, Business Services, Department of  
Administrative and Information Services.  
Mr A. Secker, Director, Government Business Group.  
Mr R. Muncey, Director, Office for Government Enter-  
prises.

**The ACTING CHAIRMAN:** I declare the proposed  
payments open for examination and refer members to page  
62 of the Estimates, Volume 2, Part 7. Minister, do you have  
any comments you would like to make? This will be a  
relatively informal day. I ask everybody to be friendly and  
cooperate, and we will all get on well. If people do not want  
to do that, I will have no hesitation in taking the appropriate  
action and shutting down, and we will all go home early. It  
is purely in the hands of members.

**The Hon. M.H. Armitage:** Because of the diversity of the  
areas which this portfolio will cover, rather than make a long  
opening statement I intend to make a short statement at the  
beginning of each of today's sessions. The two agencies  
scheduled for this session are WorkCover Corporation and  
Workplace Services within the Department of Administrative  
and Information Services.

The Government is pursuing a series of integrated  
initiatives for 1999-2000 which involve both the SA Work-  
Cover Corporation and Workplace Services working with  
employers, employees and stakeholder representative groups  
to achieve a framework which allows South Australia to be  
a truly safe, productive and competitive State. To this end, I  
have introduced two Bills into Parliament: first, the Industrial  
and Employee Relations Amendment Bill; and, secondly, a  
Bill to increase penalties for breaches under the Occupational  
Health, Safety and Welfare Act.

There are a number of projects currently under way,  
including simplifications to the occupational health, safety  
and welfare regulations so that workplaces see them as being  
more relevant; Workplace Services and WorkCover Corpora-  
tion facilitating a number of industry trials to allow industry  
sectors to be given the opportunity to develop appropriate  
relevant workplace safety arrangements; the development of  
a comprehensive prosecution policy for breaches of OH&S  
law; the WorkCover Corporation 'Work to Live' campaign  
to promote increased awareness of safety in South Australia  
by drawing attention to the social and economic cost of  
injuries, illness and death in the workplace; and the SAfer  
industries program working with the top 20 at risk industries  
in South Australia. This is an example of what can be  
achieved when employers and employees work together  
collaboratively with a Government authority.

We remain resolute as a Government in our determination  
to pursue our social objectives in an economically responsible  
manner. In June 1995 WorkCover had an unfunded liability  
of \$276 million. The figure for 1997-98 has been reduced to  
\$79 million. These are the sorts of results that will ensure in  
the future we will be able to consider a reduction in the levy  
and still maintain worker benefits. I commend the work of the  
corporation and the division to the House and I welcome the  
considerations of the Committee.

**Ms HURLEY:** Instead of a preamble I will ask our  
omnibus questions at this stage, and the member for Reynell  
has them.

**The ACTING CHAIRMAN:** I pointed out yesterday that  
the Chair will allow it but is not very happy about the process  
of someone reading into the *Hansard* record a series of ques-  
tions in an inaudible fashion so that no one understands them.  
There is a provision open to members to put questions on  
notice every day the Parliament is in session or at other times.  
I will allow the honourable member a brief period, but I will  
not sit here for 15 minutes, otherwise I will rule it out of  
order as it is not in the spirit of the Estimates Committees  
when other facilities are open to members. It is a matter that  
we must address before next year's Estimates Committees by  
way of allowing them to be incorporated. In my view it is a  
nonsense.

The other point is that, if they are similar to what was  
asked yesterday, in view of the amount of material being  
sought it is the view of the Chair that it will take a consider-  
able amount of time and effort by the department and it is  
unlikely that some of the material can be provided before 16  
July. The Chair is of the view that other more important  
actions of the department should not be impeded to supply  
this material by 16 July. I will allow the honourable member  
to continue, but I will not sit here for 15 minutes.

**Ms HURLEY:** Because we want to get through it quickly  
and audibly, I will ask the member for Reynell to read them  
out.

**The ACTING CHAIRMAN:** We want to be able to understand them—not like they were read yesterday or they will be off the list.

**Ms THOMPSON:** In relation to all departments and agencies for which the Minister has Cabinet responsibility, including relevant junior ministers:

- List all consultancies let during 1998-99, indicating to whom the consultancy was awarded, whether tenders or expressions of interest were called for each consultancy and, if not, why not and the terms and reference and cost of each consultancy.
- Which consultants submitted reports during 1998-99, what was the date on which each report was received by the Government and was the report made public?
- What was the cost for the financial year 1998-99 of all services provided by EDS, including the costs of processing of data, installation and/or maintenance of equipment, including the cost of any new equipment either purchased or leased through EDS and all other payments related to the Government's contract to outsource information technology to EDS?
- During 1998-99 were there any disputes with EDS concerning the availability, level or timeliness of services provided under the whole of government contract with EDS and, if so, what were the details and how were they resolved?
- Which of your agencies are buying new desk top computers prior to the year 2000 and, if so, how many, at what cost and what is the manufacturer of the product and what models are being purchased? What is the hardware and software that has been replaced or identified for replacement due to achievement of Y2K compliance and at what cost? Did or will these replacement purchases go to tender?
- How much did agencies within the Minister's portfolio spend in contracting the services of Internet providers during 1998-99 and which Internet providers were involved?
- Detail how many FTEs are employed by agencies in 1998-99 for information technology services and detail the figures for 1995-96, 1996-97 and 1997-98.
- What are the names and titles of all executives with salary and benefit packages exceeding an annual value of \$100 000? Which executives have contracts which entitle them to bonus payments and what are the details of all bonuses paid in 1998-99?
- What are the names and titles of staff who have been issued with, or who have access to, Government credit cards, for what purposes was each of these cards issued and what was the expenditure on each card for 1998-99?
- What are the names and titles of all officers who have been issued with a Government owned mobile telephone, what arrangements apply for the payment of mobile telephone accounts and what restrictions apply to the use of Government mobile telephones for private purposes?
- What was the total number and cost of separation packages finalised in 1998-99?
- What is the target number of staff separations in the 1999-2000 budget, how many TVSPs have been approved by the Commissioner for Public Employment for 1998-99 and what classifications of employee have been approved for TVSPs in 1999-2000?
- How many vehicles by classification were hired in 1998-99 and what was the cost of vehicle hire and maintenance in that year?
- List all employees with use of a privately plated car in 1998-99 and outline what conditions are attached to the use of the car by the employee.
- Did any of the Minister's agencies rent vacant and unused office space during 1998-99 and, if so, what was the cost of rent or lease of this unused office space to the taxpayer?
- Are there any Government owned premises within the Minister's portfolios that are not currently occupied, what is the cost of holding these properties and where are they located?
- Will the Minister detail all executive and staff development exercises undertaken by the Minister's agencies during 1998-99?
- Will the Minister list all occasions during 1998-99 on which executive staff of the agencies under his portfolio entertained guests at taxpayers' expense, all those present on the occasion, the purpose of the occasion and the cost to the taxpayer?
- How many staff originally from within the Minister's portfolios were on the redeployment list in 1998-99, for how long have they been on redeployment and what are their classifications?
- How many public help lines did the Minister's agencies operate during 1998-99, which were located in South Australia and which were operated from interstate; can the Committee have information about what issue(s) each help line was intended to provide and what was the cost to the taxpayer of operating each help line?
- What are the names of the public servants in your portfolio and which, if any, of your ministerial staff currently serve as Government representatives on boards of management of other bodies? What is the category of the board in question, what is the remuneration paid to these individuals for service on each board, and at what level of classification are these employees?
- Detail all interstate and overseas travel undertaken during 1998-99 by members of Government boards, their destination, purpose, cost and all individuals who travelled.
- Detail all advertising and promotional activities and campaigns undertaken by all agencies within your portfolio for 1998-99, what issue(s) were the concerns of these activities, of what did these activities consist, how much did they cost, and what activities are planned for 1999-2000?
- Detail all local, interstate and overseas conferences attended during 1998-99 by the Minister, his staff and public servants within the Minister's portfolio, including the cost, location and purpose of the conference.
- Provide the name(s) of any former member of State or Federal Parliament within the Minister's portfolio currently serving as a board member, a member of the Minister's staff or a public servant and detail their duties and remuneration.

**The ACTING CHAIRMAN:** Order! How much longer will the member continue with this exercise?

**Ms THOMPSON:** About three minutes.

**The ACTING CHAIRMAN:** I have to say to the member that I believe that the department's trying to provide all this information will just about bring it to a stop. It would be completely unreasonable if this material had to be supplied and recorded in *Hansard* by 16 July because the department does have other important things to do. I suggest that the member round off her questions or I will round them off for her.

**Ms THOMPSON:** Thank you, Chair. The questions continue:

- Have any agencies within your portfolio 're-badged' or otherwise made presentational changes during 1998-99, through changes in letterheads or other stationery, signage,

etc.; what was the reason for the change and what was its cost?

- Has there been any refurbishment of your ministerial office or that of any of your CEOs during 1998-1989, what was the reason for the refurbishment, and what was the cost?

- Since the 1997 State election, have any of your ministerial staff taken up permanent employment in the South Australian public sector, name the individuals concerned and indicate the vacancy for which they applied? Were these positions advertised and, if so, when and where?

- Name all your ministerial staff and their classification and remuneration.

**The ACTING CHAIRMAN:** Order! That information about ministerial staff is well-known, and we have had enough of this. It has now taken 15 minutes. I call the Deputy Leader.

**Ms HURLEY:** Excuse me, Sir, I think all other sessions of the Estimates Committees have allowed these omnibus questions. I believe there are only two more to go.

**The ACTING CHAIRMAN:** I say to the Deputy Leader that, in relation to the questions being asked, a lot of that material is available by picking up the Minister's telephone book. In my view this is a forum for members of Parliament to seek information relevant to the lines. These are details which you could not expect the Minister to have. You have another forum by putting questions on notice. I will give you one minute and that will be all. If you want to go on with this you will have an argument with the Chair, and that suits the Chair fine. You have one minute.

**Ms THOMPSON:** I continue:

- Name all staff attached to junior Ministers and their classification and remuneration and advise whether they have ministerial cars with drivers, cars without drivers or access to ministerial cars or drivers and on what basis.

- During 1998-99 what Government land or other real estate has been disposed of, where were these properties located, did the sale involve a tender process, for how much was each property sold, who purchased the property and who acted as agent and/or legal adviser to the sale? That completes the omnibus questions, Sir.

**The ACTING CHAIRMAN:** The Chair is very pleased about that. Does the Minister wish to comment?

**The Hon. M.H. Armitage:** I have identified to the Committee that I have asked my agency to prepare the answers to those questions which are more easily determined, and I may well provide them to the Committee later.

**The ACTING CHAIRMAN:** That is quite in order.

**Ms KEY:** I refer to the first agenda item. I note that I have asked the Minister a number of questions on notice to do with WorkCover in particular. I refer the Minister to question No. 53 on non-exempt employers of 24 November 1998; question No. 68 of 1 December 1998 about the delay with regard to non-exempts, referring to section 52(5) of the Workers Rehabilitation and Compensation Act; question No. 75 of 15 December, dealing with outsourcing and contracting out within the Government Enterprises area; and question No. 126 of 16 March regarding asbestos. I have not had any answers on any of those questions at this stage and would appreciate the opportunity to get them.

**The Hon. M.H. Armitage:** I will address the first of the honourable member's questions.

**Ms KEY:** I have not finished my questions.

**The Hon. M.H. Armitage:** You have asked when you will get responses, so I am happy to give the answer. I am unaware of the answers to those questions, but I am more

than happy to address the questions and get answers. However, if the honourable member implies that the office is particularly slow for any reason I am also happy to identify the number of questions from the Opposition that I have answered in the same period of time, and I am sure the percentages will far outweigh those that are allegedly tardy. I am happy to provide answers to the honourable member's questions as soon as possible.

**Ms KEY:** That was part of my first question. I wanted to ask about exempt employers, and I understand that exempt employer status for employers under the auspices of the WorkCover system runs for terms of one to three years. I also understand that South Australia has one of the highest percentages of exempt employers; some 40 per cent of employers covered under the system are exempt employers. How accountable are exempt employers to WorkCover and you as the Minister? In light of that, will the Minister explain why a company has been given exempt employer status when it has been fined for the death and severe injury of workers? As I understand it Britax Rainsfords was responsible for the death of one of its workers and the injury of another in May 1996 and that, while this case was investigated, two years after that time Britax was granted exempt employer status. In relation to how one becomes an exempt employer, what sort of checks are put in place, what sort of reporting mechanisms are there, and how accountable are these 40 per cent of employers who have this status—which I would say is a privilege rather than a right? Where do we stand in that area?

**The Hon. M.H. Armitage:** Exempt employers must obtain an individual licence from the board and, as I said, the board assesses each individual case depending upon the submission that is made to the board. It is also important to identify that it is not 40 per cent of employers: it is 40 per cent of employees rather than employers. Some of the larger employers are exempt.

In relation to the industry or enterprise which the honourable member mentioned, I understand that there are still appeals, and so on, in relation to that conviction, so I will not comment on that incident. However, I will say that the licence is granted only to companies that have reached level three status. The requirement is not that they be accident free but that they perform appropriately. There are checks and balances in relation to how accountable the companies are, and the companies are monitored by the board that has given them the individual licence according to data which is presented by the company. The intent of the question was that companies, enterprises, become exempt without great thought being given to it or that they are granted willy-nilly. That is not the case. Careful assessment is made and progress is monitored to ensure best practice.

**Ms KEY:** My second question is in relation to occupational health and safety. Due to the shortness of time I have to squash up these questions. On 25 March 1999, the Minister informed the House that he had taken steps to achieve a prosecution rate by Workplace Services occupational health and safety inspectors of at least 20 a year. In view of the Government's record in this area and the apparent opposition by Workplace Services management to prosecute breaches of the Occupational Health, Safety and Welfare Act, how will the target be met? What measures will be taken to ensure accountability by Workplace Services management to meet this target? On 25 March, the Minister said:

Workplace Services will also be commencing a revitalised industry liaison and awareness strategy aimed at better linkage of

inspectors with industry and better dissemination of information on key safety risks.

How can this be achieved when Workplace Services managers have reduced the number of motor vehicles available to occupational health and safety field-based inspectors? What assurance can the Minister give that response times by field-based occupational health and safety inspectors to workplace fatalities, injuries and complaints will not suffer as a consequence of the cut back in motor vehicles to inspectors?

**The Hon. M.H. Armitage:** In relation to the comment about the shortness of time, I am sure that my staff and I do not think that there is a short period of time for this exercise. The allegation that there is an opposition to prosecution is denied. That is an emotional statement without any proof whatsoever, and it is denied. It is simply not true; there is no opposition to prosecution. In relation to inspectors, the honourable member did not mention that the number of inspectors has increased from 36 to 46. In relation to motor vehicles, the clear thrust of the so-called omnibus questions from the Opposition is that Governments in general—and this Government in particular—waste resources when one talks about private plated cars, mobile phones and so on. The clear—

*Ms Key interjecting:*

**The ACTING CHAIRMAN:** Order! The honourable member will get plenty of chances to ask questions.

*Ms Key interjecting:*

**The ACTING CHAIRMAN:** If the member answers the Chair back, I will cut her right off.

*Ms Key interjecting:*

**The ACTING CHAIRMAN:** I give the honourable member the first warning.

**Ms KEY:** Okay.

**The ACTING CHAIRMAN:** That is a second warning.

**The Hon. M.H. Armitage:** The clear implication of those omnibus questions is that Governments waste taxpayer resources. The motor vehicles which were previously in the Workplace Services Division were, on average, doing 16 500 kilometres a year. To any sensible person, it is a waste of a lot of Government money for motor vehicles, on average, to do only 16 500 kilometres. If the implication is that by removing cars we are affecting response time, that again is denied, because factually the response time has improved since the single office has been developed, and there has been an industry focus. So, the allegation that we are cutting back, that we are not prosecuting and that we have taken the cars away—and response times are down—is simply incorrect.

**Ms KEY:** My third question relates to asbestos. As I already mentioned, I have had a question on notice for quite some time about State Government-owned and leased buildings that contain asbestos. There are certainly some concerns about the leasing of ETSA, in particular regarding the register of employees and the concerns that have been raised over many years that workers who might have been exposed to asbestos might not be under proper control or supervision. Obviously, I recognise the Asbestos Liaison Committee's very good work under your auspices, Minister, but some concerns have been raised. I point to the register and to how we will keep track of people who might have been exposed over the past few years to asbestos and who may have some complications much later. In particular, I point to the ETSA workers and ask the Minister to comment on how we can make sure that those workers are looked after and how we can monitor the progress of where those workers go.

The third part of my question relates to what priority has been put on the asbestos management plan at the David Jones building. I am advised that it has been reported that over 16 000 square metres of friable asbestos is present in that building. As this building has been sold, will the new owner have to decontaminate it, and what sort of measures are being put in place to monitor the workers at David Jones to make sure that their health is maintained? Will the Minister also advise the Opposition of the number of compensation settlements that have taken place and how many reports there are currently with regard to asbestos related illnesses?

**The Hon. M.H. Armitage:** Regarding the matter of a whole-of-Government register of State owned or leased buildings containing asbestos, I am informed that current regulations do not require the Government to maintain such a register. The Occupational Health, Safety and Welfare Regulations 1995 provide:

A person must take reasonable steps to identify any asbestos that is installed in a building of which he or she is the owner, or contained in, or located on, any plant in his or her possession.

The person to whom this applies must maintain an asbestos register which identifies the type, condition and location of the asbestos. The Asbestos Management Unit of DAIS on behalf of client agencies has progressively surveyed agency buildings for asbestos materials and has developed asbestos registers for each individual asset in compliance with the regulations. The agencies hold copies of the registers for each of their assets.

Regarding the David Jones matter, the answer is that that building has been rigorously and routinely tested. I am informed that the building has always been below the required minimum standard in respect of asbestos. That testing has continued with the building's air-conditioning duct work being cleaned by an asbestos contractor—obviously, that would have been done in accordance with the correct provisions—and I am further informed that the management of David Jones has been completely cooperative in meeting demands, as required.

I am more than happy to say that, if this testing showed a result of anything other than below the minimum standards, the situation would be vastly different. In a former occupation, I was particularly involved in the end effects of a number of asbestosis and mesothelioma cases. This is a personal crusade of mine. If any suggestion had been made that the standards were not being met appropriately, I would have asked my agencies to come down like a ton of bricks on David Jones or anyone else who was not meeting these standards.

However, I am informed that that is not the case. Accordingly, as long as David Jones is cooperative and matters progress in that vein, I am comfortable with the situation. Obviously we expect similar cooperation in respect of the ETSA buildings and, again, we will carefully monitor the situation and expect everything to be below the minimum standards in respect of asbestos.

**Ms KEY:** With reference to WorkCover, is any information available regarding the scoping study, which I understand was finalised at the end of last year? I believe three consultants were employed. I note an indirect reference in the budget papers to this particular contract or consultancy and to work done by Marsden, Wallace and Amery, who I think were the responsible consultants.

My advice is that this scoping study is not available to anybody, even the board of WorkCover. Along the same lines, issues have been raised with regard to the outsourcing

of mail, information and fraud services within WorkCover. Could the Minister say whether that is likely to happen? A number of alarms have been raised by constituents saying that they feel very uncomfortable about the prospect of the outsourcing of mail, information and fraud investigations to the private sector.

**The Hon. M.H. Armitage:** I shall ask Mr Keith Brown from WorkCover to answer the latter part shortly. In relation to the scoping study, the lead consultants, as I think I have identified to the House previously, Trowbridge Consulting, Marsden Jacob Associates and Transformation Management Services, reported late last year, and the Premier announced on 29 October that, in agreement with their recommendation, the Government would not be selling WorkCover.

The scoping process was a widely consultative one with WorkCover, the Chairman, the CEO, board members and senior management, PSA, the Employers Chamber, UTLC, the Engineering Employers Association, a number of claims agents, Self Insurers of South Australia, Insurance Council, a former CEO, a former Chairman, a rehab provider, the Workers Compensation Tribunal and the Law Society all being involved in the scoping study. As I say, that led to a recommendation late last year that we would not sell WorkCover, and that gives the lie to the accusation that the Government is intent on doing things with ideological blinkers on. Clearly we are not.

We look at these assets and make the best decisions we can make with the best of advice we can take to end up with the best result for South Australia. The scoping study was clearly a document that went to Cabinet as part of the Cabinet decision as to whether or not we would sell WorkCover and, accordingly, in the finest traditions of the Westminster Parliament, having those protections which the member's Party supports in Government obviously—I am sure they do in Queensland and New South Wales and so on, and I am absolutely confident that, heaven forbid, if the member were ever in Government, she would support the Westminster traditions as well—has not been released.

However, a number of other recommendations flow from the scoping study, and it is particularly apposite that the question should be addressed now, because the Government is right in the throes of addressing the matter of asking the WorkCover Board to deal with a number of the recommendations that did apply to the administration of WorkCover, and those that are better handled within Government we will address in our Cabinet submission as the Government dealing with them.

The key recommendation was whether or not we would sell WorkCover. We felt that it was in everyone's interest to determine that issue as soon as possible. Once that decision had been made, we are now moving on with what we loosely term in my office the non-sale recommendations, and those recommendations will be addressed shortly in the manner I have identified.

In relation to the outsourcing of the mail, information and fraud investigation, I will ask Keith Brown to talk about the particular instance. In general, I would draw to the attention of the Committee a number of statements which have been made by such luminaries as Tony Blair, people leading the Fabian Society in England, and so on, who, at best, would not be suggested as being ideological allies of me or members of the Government. They say quite clearly as we move towards the new millennium that the question in relation to the provision of services by government is not who owns the provider of services but what level of services is provided.

Whilst I will ask Mr Brown to address the particular instance, I would say that the Government is not fearful of outsourcing, privatising and so on, provided the level of services to be expected can be built into any of those contracts. In relation to the particular issue, I will hand over to Mr Brown.

**Mr Brown:** Outsourcing has been a fact of life in the corporation since the major exercise was conducted for outsourcing of claims management. It comes simply from the regular and rigorous review of our business processes to determine which services are best provided by the corporation and which are in fact best provided by those who are experts in that particular provision. As to the instances in case, no decision has been made on any of those that have been examined. They all have fallen out of that business process review, and we will examine, on the one hand, whether we think there is value in making different arrangements—and that decision is yet to be made—and, on the other hand, if we were to do that, whether there is a reasonable management of risk in doing that, and a good example of that is the issue of fraud.

A case in point recently where we made a decision was, for instance, the outsourcing of levy collection, which is a decision made since I have been in the corporation, where we had the review done and our decision was that in fact we could do much more to make it better administered, and there was no great advantage in that point in going outside the corporation, so we decided not to. There is a mix of decisions that come out of the corporation based entirely on a very rigorous review of what is our core business and how we can best have those support services delivered. Those cases in point will be examined in that context.

**Ms KEY:** In relation to the Workers' Compensation Tribunal, it has been some three years since we have had a new system with regard to dealing with workers' compensation disputes and appeals. First, is the Minister considering evaluating how that system has been operating? I notice in the budget papers, particularly on page 7.38 of Budget Paper 4, Volume 2, Operating Revenue, and also on page 7.25, that there is an expectation that the target of the number of matters lodged in the Workers' Compensation Tribunal for 1999-2000 is some 7 400. I am a bit concerned that there seemed to be a blank for 1998-99, and I wonder whether the Minister, if not today, can fill in the blanks and advise the Opposition on the estimation with regard to those targets.

In looking at the budgeted operating statement, on page 7.38, much less is allocated for 1999-2000 than either the estimated result for 1998 or the actual budget for operating revenue. I was interested to see that expenses for the Workers' Compensation Tribunal are expected to go up: superannuation and other expenses, including rental expenses, have absolutely skyrocketed. I guess I was pleased to see, not being a follower of outsourcing, privatisation or commercialisation of what I consider to be core public sector duties, that there was a consultancy of \$10 million in 1998-99.

Could the Minister outline the vision for the Workers' Compensation Tribunal because, as he would realise from the papers, it is very difficult to understand, except for looking at the hard figures, where the Government intends to go with this particular body? Returning to my first point, will there be an evaluation in three years on how the system is operating and whether it is delivering on the outcomes that have been identified for the Workers Compensation Tribunal? It may surprise the Minister to hear that I have had a lot of comments from workers' advocates, particularly from the employee associations, about the reimbursement of tribunal

costs. They believe that those costs for reimbursement are quite inadequate. I refer to page 7.25 of the budget papers. Will there be reconsideration of reimbursement of costs? As the Minister would understand, particularly if workers are not a member of a trade union, those costs make it very difficult for someone to pursue their grievance or issue. Even for unions it makes it difficult to represent people when the reimbursement costs are so low.

**The Hon. M.H. Armitage:** I have some backgrounding which may be of interest to the Committee in providing an answer. Most referrals of these sort of things to the dispute resolution process relate to the amount of compensation rather than the basic entitlement to compensation itself, and the vast majority of claims are simple and straight forward. About 3 per cent of the claims (a small percentage) for the calendar year ending last year were rejected due to the particular circumstances, and in that case it may be necessary for the worker to take his or her claim through the dispute resolution process, which commences with reconciliation and conciliation and after that it is referred to the Workers Compensation Tribunal.

The implied question in respect of whether there will be an assessment is whether it is working appropriately. The implied question in that is whether there should be any disputes. In any area where there are claims we will have disputes. I do not think we will ever get to a stage where we will have such a seamless system that there will not be disputes. Accordingly, we contend that disputes are quite normal and, in the nicest sense of the word, a healthy part of a workers' compensation system. There has been a reduction of about 9 per cent in the number of disputes lodged at the Workers Compensation Tribunal for the financial year 1997-98 (that is from the annual report of the Industrial Relations Commission and the Industrial Relations Court 1997-98). I am informed that the reason for there being a blank in the estimates paper for 1998-99 is that 1999 ends today and it will be filled in later, according to my advice. We are not able to give those figures at the moment.

There is an advisory committee, and Mr Brown is the Chair of that committee. That advisory committee recently formed a working party to review a number of issues relating to the operation of the Workers Compensation Tribunal. That report will come to me later in the year. The reimbursement of costs is a very vexed issue because clearly people want to get every bit of cost reimbursed. It is fair to say that costs are just that—they are costs that somebody has to pay. Whilst *carte blanche* would be lovely, that is not the way the world works. We will be looking at matters like that. I would be wary of any potential offence to the doctrine of the separation of powers in that I would not want to be seen as determining ways in which courts or tribunals ought to act, but clearly the advisory committee will address large numbers of issues, and that is something on which it will be able to give me advice.

**Ms KEY:** I refer to rehabilitation. I note that, in WorkCover's 1997-98 annual report, rehabilitation costs amounted to \$10.015 million. Unfortunately, when you compare that to the legal costs of some \$16 million we have that ratio again. I asked a question about this last year, so the Minister is probably not surprised that I am raising it again. It is of great concern that we still have that discrepancy. Looking at rehabilitation costs, I have received, as I do as the shadow in this area, a number of complaints about rehabilitation and the choice of rehabilitation providers—the list goes on endlessly. There is a lot of dissatisfaction, certainly on the part of

workers and their representatives with regard to the current situation with rehabilitation.

I was advised this week that a worker had complained that he had sat down with a rehabilitation provider to develop a rehabilitation plan and the cost had been some \$2 400 for one hour's work. Although the Minister is not in a position to comment on that instance, I indicate that it is of some concern that this amount of money is being put aside for a rehabilitation plan, however important it may be. As part of the rehabilitation costs, how much goes towards the retraining of injured workers to assist them in obtaining new jobs, and how much of the rehabilitation budget goes towards rehabilitation consultants? What sort of assessments are done about the return of workers to their workplace and the effectiveness of these rehabilitation providers? What assistance is given to new employers who may like to assist workers in resettling in a different position?

**The Hon. M.H. Armitage:** I have addressed this matter before either in the Parliament or on a parliamentary committee, of which the member for Hanson is a member. We acknowledge that legal costs are too high, but we have not sat around because we have addressed that matter, as I have identified to the House before. If not, I am happy to do it for the Committee. I am informed that legal costs are going down. Obviously that means that the ratio that the member talked about before will be affected.

In relation to the rehabilitation issue itself, it is factual that rehabilitation payments have been steadily increasing since 1995, and key drivers for that increase have been identified as the introduction of new legislation, agents automatically referring claims, many claims having multiple providers involved in the delivery of services leading to duplication and overlap of services, and poor management of rehabilitation activity by some of the agents. Very importantly, the increase in rehabilitation costs did not result in a decrease in income maintenance compensated claim costs. That meant that claim duration was increasing and the return to work rates were decreasing. The corporation took note of that and it has developed a number of strategies to address the rising rehabilitation costs, which had been reported to a parliamentary committee of which the honourable member is a member. However, I will go through it again for the benefit of other members of the Committee.

There has been an expectation of increasing agent responsibility in the review of provider performance. That has been done through the introduction of Contract 98, which monitors rehabilitation costs, effectiveness and claim discontinuance rates for each agent and is very focused on allowing each agent's performances to be monitored. Also, the creation of contractual agreements with rehabilitation and return to work service providers has clearly outlined the corporation's expectations in relation to service standards and the achievement of cost-effective outcomes. Another strategy has been the monitoring and review of individual provider and organisation outcomes using the corporation's database and, further, the development of case management critical intervention strategies that have been designed for use by the claims agent.

The member clearly has forgotten—and I do not blame her for that because we receive an awful lot of information—the information that was provided to the parliamentary committee of a couple of months or six weeks ago where a number of critical intervention strategies were identified from a layman's perspective and focused on stopping the development of a 'compensation mentality', particularly on confer-

ences at the workplace with the relevant players at a time when the intervention will best lead to rehabilitation and return to work.

Further strategies are being developed by the corporation which include an enhanced case management approach, looking to define and deal with work injury medical specialists. That is a subject near and dear to my heart having been in associateship with a fellow who was a member of the Australian College of Occupational Medicine. As with any specialist I know that there are bonuses in going to people who are focused completely and trained in that area of specialty. It is also pleasing that, given that I am the Minister for Information Economy, a strategy which the corporation is developing is an enhanced technological framework in relation to all these things.

That is what the corporation has done to address the issues. Is it having an effect? I am informed that the rehabilitation strategies are beginning to have an impact now and I believe that we have a meeting of the committee to which I have referred—it might even be next week, but it is certainly coming up soon—and I know that Mr Brown and other people from WorkCover will give us an update on those matters. The question relating to rehabilitation versus lawyers, I guess, is 'Yes; it is a matter about which both the Government and WorkCover have been particularly perturbed.' Strategies have been put in place and we are focused on getting as many people as possible returning to work as quickly as possible.

**Mr CONDOUS:** Can the Minister advise whether Workplace Services has implemented the Government's position on shop trading hours and what has been the community reaction?

**The Hon. M.H. Armitage:** Following a review of shop trading hours last year, the Government announced in October 1998 that it would be implementing some changes to trading hours in South Australia. These included the following: trading in the city by non-exempt shops was to be allowed until 9 p.m., Monday to Friday; trading in the suburbs by non-exempt shops was to be allowed until 7 p.m., Monday, Tuesday, Wednesday and Friday and there was to be no change to the Thursday night 9 p.m. closing time; no change to public holiday arrangements, except that, following a lot of representation from a lot of people, trading would be allowed on Easter Saturday in the city only from the year 2000 and thereafter; and Sunday trading would be unchanged in the city but it would be allowed in the suburbs between 11 a.m. and 5 p.m. on six Sundays per year, with four of those Sundays being before Christmas and two others being prescribed following consultation.

A decision was also made that extended trading would not be made available to traders selling motor vehicles and boats in that they would have the same closing time. There is no change in the existing list of exempt shops other than adding shops which sell predominantly caravans or trailers, and the decision was made to retain the current provisions relating to the type of retail facility and the size of that retail facility. Members of the Committee would recall that a Bill reflecting these changes was passed by both Houses of Parliament on 10 December 1998, and I acknowledge the input from the members of the Committee and particularly from the member for Colton, who had been a rigorous advocate of people who had brought their views to him during the review of shop trading hours.

As Minister I discussed the issue of the operative date for these changes with the Retail Trade Advisory Committee in

February this year, and the changes then were implemented on 8 June 1999, being 12 months after the end of the moratorium. It has been most interesting to me to see the reaction to those new trading hours. Some people have adopted them with great glee and have identified to me that, if we had given them more hours in which they could be open, they would have taken those hours as well. Obviously, some shops have decided not to trade at those hours. Those hours are completely voluntary, as I have indicated before and, indeed, as is evidenced by opening times, in that what is an interesting nuance to shop trading hours is that shops can open at one minute past midnight if they choose to—most, of course, do not choose to do so—but no-one is concerned about the fact that they do not open early. It is more the concern about not opening during extended trading hours at the end of the day.

Having said that, I point out that a number of stores did take that up. For argument's sake, Coles supermarkets have reported better than expected trade and do indicate, as we have been led to believe, that people are shopping on their way home. I am interested to note that a number of other retailers even today are making the decision to open their shops for longer hours. Just as the Sunday trading issue of several years ago grew gradually into the consciousness of people, it is my view personally and certainly that of the Government as well that exactly the same thing will happen with extended trading hours. As I have said before, I have yet to find a shopkeeper, store owner or business owner—whatever one wishes to term them—who would not be open at a time when someone is walking past with a dollar to spend.

It is clear that shopping is changing. All the advice to the review was that in this day and age people now see shopping almost as a relaxing activity with the family. I have to say personally, having gone shopping with my family on occasions, I do not always find it terribly relaxing, but nevertheless that is what the surveys show, and accordingly the spending pattern is altering as well. It is a change well and truly towards a more deregulated status in South Australia and we believe that the trend of shops to open up in the hours which we have extended for them to be open will increase.

**Mr CONDOUS:** Will the Minister advise what the State Government is doing to promote and protect youth employment in South Australia?

**The Hon. M.H. Armitage:** The Government's workplace relations reforms, which were tabled in Parliament on 11 March 1999 and passed by the House of Assembly on 27 May, will require the South Australian Industrial Relations Commission to ensure that South Australian awards where appropriate contain junior rates of pay. The reforms will also insert a new object into the Industrial Employee Relations Act 1994 (as it is now) to encourage and facilitate the employment of young people and to protect their competitive position in the labour market. We consider as a Government that the retention of junior rates is imperative for the South Australian youth market. Our view on the retention of junior rates is based on factors such as the belief that the removal of age based junior rates will render the South Australian youth labour market uncompetitive with both the adult labour market and the youth labour market in any State that retains age based junior wages and, very importantly, the lack of a satisfactory replacement youth wage structure. Despite considerable effort, the alternatives that have been proposed so far either are indirectly age discriminatory or will price youth workers out of the labour market.

It is particularly interesting that the Australian Industrial Relations Commission brought down a report recently which had been the subject of considerable debate in the Federal Parliament, and it will be most interesting to see what the Federal Labor Opposition does in relation to that, because I understand that it was suggesting that the decision of the independent umpire—the AIRC—should be upheld. That decision quite clearly supports the thrust of the Government in this legislation and indeed the Federal Government, and I do not hear a lot of support coming for that position now that the independent umpire has spoken.

Importantly, the figure from a well researched study which I believe I have previously quoted to members of the House is that for every 1 per cent by which junior rates of pay go up, youth unemployment rates go up by twice as much. Clearly, in a State where youth unemployment is an issue, that is not an outcome the Government would like to see. Coincidentally, during consultation on the workplace relations legislation I have been informed that large numbers of employers of youth in South Australia at the moment not only would not be encouraged to continue to look for young employees if there were not junior rates of pay in the awards but also identify that they would look to not continue the employment of their present younger employees. This is a key question, and we believe that the issue of junior rates of pay in awards is clearly important in addressing the youth employment question.

**Mr CONDOUS:** My next question is on the establishment of major projects. I refer the Minister to Budget Paper 4, Volume 2, at page 7.3 regarding the Deputy Chief Executive Group. I note that the new Major Projects Group has been established: will the Minister advise what the group does and how many people it comprises?

**The Hon. M.H. Armitage:** The Major Projects Group is particularly important within Government. For a long time South Australia has been painted, perhaps to the joy and glee of other States (and I think they have been part of this painting of the picture), as a State in which development and legitimate processes that have passed all the required steps are then slow to come to fruition. The Government believed that this issue needed to be addressed so that people who wished to invest in South Australia and hence provide jobs and growth in the economy were encouraged to do so. The Major Projects Group is responsible for managing the Government's interests in a number of major and very significant projects. It is also providing support for the Industrial and Commercial Premises Corporation, which is responsible for a scheme which builds premises for companies that are expanding or relocating into South Australia. That corporation has had huge success and I believe it may even be mentioned later today.

The major projects function was established to take on a number of projects which were previously coordinated through the Project Delivery Task force. The projects currently handled include the Holdfast Shores development, the Adelaide Shores boating facilities, the Barcoo Outlet, the Convention Centre expansion, the Riverbank Precinct, the Virginia and Southern Vales pipelines, the Barossa Valley water infrastructure, aquifer storage and recovery projects, the Wallaroo marina and the Barossa Valley Resort; and the total value of these projects is in excess of \$500 million. So, a very significant quantum of money is being invested in South Australia and the Major Projects Group is providing input in that. Some of the projects that I have mentioned are driven by the private sector, and in that respect the Major

Projects Group's role is to coordinate Government agency requirements and ensure that momentum is maintained so that the projects are brought quickly to fruition once they have passed all the relevant legalities, constraints and so on. Other projects are not driven by the private sector—they have a significant Government funding component—and in these projects the group is required to ensure that the project outcomes are delivered whilst meeting all necessary processes.

Because of the importance and significance of the projects, we believe it is vital to put them under the control of a small separate group and to ensure that that group is resourced with highly skilled and experienced people. The industrial and commercial premises function is also extremely important. Its role is to work closely with key people in the Department of Industry and Trade to help ensure that premises can be built within a very tight time commitment to meet the needs of individual conditions. There is nothing worse than companies wishing to expand or locate in South Australia experiencing the matter of premises as the rate limiting factor. Whilst in these sorts of instances design and construction are undertaken by the private sector, the group coordinates all activities, including gaining the necessary Government and parliamentary approvals. More than 100 companies have been assisted under this scheme and right as we speak work is commencing on the latest project, putting in place final steps in the stage 3 extensions of the Motorola facilities at Technology Park, at a cost of \$7.5 million. So, the Major Projects Group is a key focus within Government to ensure that people wanting to invest in South Australia are encouraged to do so.

**Ms KEY:** I note that on page 7.4 of Budget Paper 4, Volume 2, and in answer to the member for Colton, the Minister has referred to issues regarding the Glenelg West Beach development and the Barcoo Road development and its different names. Constituents in West Beach have asked me to get some clarification with regard to the Barcoo Road development and also what used to be called the West Beach outlet but which is now being called the West Beach flushing system. Would the Minister comment on that? The locals are telling me that they are not convinced by the new terminology and that it is the same project with a different name. They are concerned about what will happen with regard to stormwater and other waste flowing into the West Beach area.

**The Hon. M.H. Armitage:** The Barcoo Outlet, as it is known, whether people like it or not, is a component of the Government's strategy to redevelop the Glenelg foreshore and to clean up the Patawalonga. The role of DAIS, my agency, is that of project manager. Inherent in dealing with the problem, which comes from up the hill and down towards the coast and the Barcoo Outlet, advanced concept design work is in progress in respect of stormwater management, (which has long been an issue in Adelaide), water quality improvement and marine environment effects so that they all achieve the greatest overall balance of benefits and the best investment of public funds.

The concept, which I believe will be given final Cabinet approval in the near future—because I have been involved in an across Government agency group to bring that to fruition—is that the Patawalonga will be a naturally flushed mechanism whereby water will enter through the now Patawalonga gates at the southern end of the Patawalonga and, indeed, will flow outwards via the outlet at the other end. That will lead to a high quality marine environment. We are expecting that there will be the normal fish, etc., because it



will be a normal environment—which it certainly has not been for a long time.

There are a number of issues in relation to the Barcoo Outlet and, given that the focus of the honourable member's question was stormwater and its handling, I can indicate that many studies are being done at the moment in relation to the outlet—for instance, where the outlet might be off the coast—and, thus far, all the studies that I have seen indicate that the dispersing of that will meet all relevant environmental concerns. Obviously, there will be an EIS in relation to that. It will be released very soon and it will be available for public comment.

It is very important to acknowledge that there will be, for a short period of construction time only, a cutting of both the sand dunes and the hills as the thing goes through, whereupon it will be buried and the cutting will be reversed. In the longer term, people walking along the beach will notice nothing. The assessment that we have had is that all environmental concerns are met. I am very happy to go on; I could go on for a long time, but I think that addresses the pertinent part of the question.

**Ms HURLEY:** The final line of page 7.28 refers to the extant components of the MFP. Given the Minister's confirmation that he did not take the proposed pay-out for Dr Laurie Hammond to Cabinet, who did?

**The Hon. M.H. Armitage:** That matter was addressed by the Premier in Estimates, so the question has already been answered.

**Ms HURLEY:** I refer to page 7.9 which sets out targets for 1999-2000. One of the targets is the \$7.5 million Stage 3 extension of Motorola's premises at Technology Park. Will the Minister confirm that this extension will bring employment at the site up to as much as 400? Can the Minister explain the contradiction between this decision to spend extra money on the Motorola extension and the Premier's statement to Parliament of 21 September 1994 that 'some 400 software engineers will be employed by the year 2000'? Can the Minister explain why the Premier on a trip to the US in October 1998 announced an expansion of Motorola's operations to employ 400 people—no longer necessarily software engineers—following which a further \$7.5 million incentive was provided when five years ago the Premier said that there would be 400 engineering jobs as a result of the deal announced at that time?

**The Hon. M.H. Armitage:** I think the Deputy Leader can address her questions in respect of the Premier to the Premier. In relation to the software development centre, the facts are these: Stage 1 was completed and has been occupied since 1 October 1995 under an 11 year lease with an option to purchase; and Stage 2 was completed in the final quarter of 1997 with the lease extension beginning on 1 October 1997. Very pleasingly, the Motorola Software Development Centre currently employs in excess of 230 people and is staffed to capacity.

*Ms Hurley interjecting:*

**The Hon. M.H. Armitage:** The building is staffed to capacity necessitating the addition of a northern office Stage 3 building. Given that the Deputy Leader's electorate is in that direction, I suggest that she make an appointment to call in at the Motorola Software Development Centre to see just how the staff are occupying that building to capacity. To date, as I say, the facility has been built in two stages, comprising 3 636 square metres for Stage 1 and a further 615 square metres for Stage 2 at a total capital cost of \$7.5 million. The proposed Stage 3 northern office building will add a further

3 725 square metres to the facility enabling staff numbers to increase to a minimum of 400 persons. Construction of that is planned to begin soon, with occupation early in the year 2000. My responsibility in relation to this is, if you like, to project manage the building. We are doing that and, very pleasingly, this will see an increase in employment in South Australia.

**Ms THOMPSON:** I refer to the upgrade of the Loxton irrigation district which is identified at page 2.49. Reference is made to major projects, including the Loxton irrigation district. The project is described as follows:

A continuing program of refurbishment. . . and upgrading the pumps for the existing district and including areas for new development outside the current boundaries of the Loxton irrigation district.

Given that the Loxton irrigation district uses the environmentally damaging and inefficient open channel method of irrigation, how were the priorities for the Stage 1 work determined and why is it that, when the existing system is considered to be at the end of its economic life, the first stage will service only 18 per cent of current growers but will add 25 per cent to the area under irrigation?

**The Hon. M.H. Armitage:** The specifics of the question I will have to take on notice. DAIS is the major project manager. The issue of the irrigation areas is focused very much on no longer maintaining the open irrigation channels. Indeed, I have opened a number of other areas where the communities have addressed very cogently matters such as evaporation and so on from the channels such that by reinvigorating the infrastructure they are able to increase dramatically the amount of water which can be applied without actually taking more water, because they are using the water which is no longer evaporated from the open systems. That is what has been the focus in the other areas. It may well be that that applies specifically to the instance to which the honourable member is referring, but as I indicated I will have to provide the detail to the honourable member later.

**The ACTING CHAIRMAN:** The member for Colton.

**Ms THOMPSON:** I have several others questions relating to the Loxton irrigation district. Would you—

**The ACTING CHAIRMAN:** The member for Colton now has the call.

**Mr CONDOUS:** In recent times there has been an enormous amount of criticism in the western suburbs of the present condition of the beaches at West Beach. I have inspected beaches from as far north as Semaphore Park and Tennyson to the sand dunes at Minda Home and to Brighton Beach and Sellicks Beach, and it seems that the storms over the past three weeks have created problems along the entire metropolitan coast. One letter to the editor of the *Western Times* last week indicated that a group of people want to blame everything—from unemployment to youth crime—on the West Beach boat harbor. Photographs provided by the Coastal Protection Board after the great storms of 1987 showing the sand dunes at West Beach fronting onto the caravan park indicate that, in fact, the coast today is in far better condition than it was some 12 or 13 years ago. What action has the Government taken to fulfil its commitment to maintain the beaches around the Adelaide Shores boat ramp?

**The Hon. M.H. Armitage:** I thank the member for Colton for this question and, in providing an answer, I acknowledge his continued interest in this matter and his dogged support for his electorate, because it has meant that as Minister responsible for the boat harbor project I been kept up to speed all the time. Yes, the member for Colton is correct: I have

seen some most interesting photographs which do compare the aftermath of the storms of 1987 with the one a couple of weeks ago. The reason why that particular storm was chosen as a comparison is that it involved the same concurrence of natural factors such as wind velocity, length of time at that velocity, height of tide and a number of other conditions such as that. The factors were all very similar between the two storms.

Interestingly, the quantum of sand which had been cut from the sandhills in 1987, which obviously was prior to the building of the boat harbor, was estimated to be 25 000 cubic metres. For basically the same storm a couple of weeks ago, the estimated quantum of sand that had been cut from the sand dunes was 10 000 cubic metres. So, it is a very significant difference and, clearly, it gives the lie to any contention that the boat harbor has been a cause of problems regarding the sand dunes and beaches.

It was also particularly interesting to note that the same ravages which occurred at that area of the beach immediately off the West Beach Trust land—and that is the land I am referring to in terms of the 10 000 and 25 000 cubic metres of sand being cut—had, as the member for Colton referred to, occurred all the way along the beach. I was quite interested to find that the sand which is cut from the dunes apparently does not go very far offshore: it then forms a sand bar. In calmer weather, as the water breaks over it, and so on, it tends to bring the sand back up again, so there is a natural ebb and flow.

In relation to the Adelaide Shores boat ramp and to the beaches in general, sand management is obviously a very critical component of the Government's commitment to build that boat ramp. A management plan has been established, and about 28 000 cubic metres of sand was added to the beaches on the northern side of the Adelaide Shores boat ramp during the early construction works. That does represent an increase in the amount of sand in this section of the beach system. In addition, about 13 000 cubic metres of sand which had accumulated on the southern side of the boat ramp during construction was moved onto the beaches to the north in March this year. As would be no surprise to anybody, the Coast and Marine Section of the Environment Protection Agency has found that the impact of the boat ramp on the beaches has been consistent with pre-construction modelling. In other words, not only has everything that we were saying in Parliament in this regard been verified experimentally but it has also been found to occur in the wild, if you like.

**Mr FOLEY:** The wild?

**The Hon. M.H. Armitage:** Yes; the wild of the storms. There is expected to be some adjustment as the beaches reach a new dynamic equilibrium in relation to that. So, there are clear evidences from our going back into the past that Governments will always have to manage sand on Adelaide's beaches. Governments of all hues have done that; we are no different. As part of the ongoing management of Adelaide's beaches, a number of actions have been put and will continue to be put in place. In relation to the photographs to which the honourable member referred, it is disappointing that a small percentage of people still continue to ignore the facts and the history about Adelaide's beaches; but there is, as I have demonstrated, no connection between the recent storm events, sand management and the Adelaide Shores boat ramp—

*Mr Koutsantonis interjecting:*

**The Hon. M.H. Armitage:** I might try to remind myself to send a copy of this answer to the member for Peake so that he can actually read it.

**The ACTING CHAIRMAN:** The member for Peake is out of order.

**The Hon. M.H. Armitage:** I am observing that I might do it just in case the member for Peake was in order. As I said, the Government will continue to manage the beaches. Mr Acting Chairman, it has been pointed out to me that, regarding the previous question about the Loxton Irrigation District Rehabilitation program, page 2.49 of the budget paper, that is actually a project within Primary Industries and Resources. It might be better if it was addressed to the Minister for Primary Industries and Natural Resources.

**Mr CONDOUS:** On the many occasions that I have visited the latest West Beach boat ramp I have been very surprised at the number of small craft using that facility, although that should not be surprising in light of the fact that the figures being released tell us that fishing is now the largest single recreational sport in South Australia, having a participation rate of somewhere between 300 000 and 350 000 people. How have the public responded to the new Adelaide Shores boat ramp, and what impact has this ramp and the Adelaide Sailing Club had on sailing and boating activities in South Australia?

**The Hon. M.H. Armitage:** I am delighted to answer this question because it involves a real success story. Both the recreational boating fraternity and the industry have welcomed the Adelaide Shores boat ramp facilities with enormous enthusiasm. General expectations have been exceeded with more than 4 000 boats being launched since the opening on 14 March 1999. There continues to be significant interest amongst members of the public with many sightseers visiting the area. It was a terrific experience to be there on the day of the opening, which many people attended—the general feeling was very positive.

The Adelaide Sailing Club, which incorporates the former Holdfast Bay Yacht Club and the Glenelg Sailing Club (with a combined membership of 411), currently has 734 members. The club has been able to introduce winter sailing at West Beach which previously could not be undertaken. People were unable to launch boats during winter because of the conditions, but now, with this sheltered boat launching facility, they can.

The Adelaide Sailing Club will host the Seventh Australian Masters Games this year, several national events over Christmas and a further event at Easter 2000. Further great news is that the Adelaide Sailing Club has been invited to make a submission to host the World Police and Fire Games in 2005. These sorts of events are being attracted to the club partly because of its renewed vigour resulting from the increase in membership from 411 to 734.

The South Australian Sea Rescue Squadron has advised that the new facilities provide for a vastly improved and quicker response capability for rescue craft as well as the ability to land persons who may require medical and ambulance attention in a safe environment. All the squadron's operational activities are now located at West Beach. This will ensure much more efficient coordination between the squadron and the police in the event of an emergency. Surf Lifesaving SA is to relocate its jet rescue craft from Lonsdale to the Adelaide Shores boat ramp. This will further enhance emergency rescue capabilities along the central metropolitan coast.

The member for Colton identified fishing as a particularly popular sport. One member of my staff took his boat out from Glenelg last weekend and limited out on whiting. So, he is

particularly happy. This facility is meeting with the approval of the broad community.

**Mr CONDOUS:** Does the department have any figures to compare the number of launches per month from the new facility with those from the old facility at Glenelg so that we can gain an idea of the increase in the number of people who are using this facility?

**The Hon. M.H. Armitage:** I do not have those figures here, but I will try to obtain them. I am aware that the 4 000 launches exceeded expectations, but I think there will be a definitive increase in the number of launches, particularly during winter. When I first looked at the site before construction started, I saw two young children, who looked like they were brother and sister, attempting to launch their little yacht. They could not do so, because the breakers kept forcing them back onto the beach. So, they literally could not launch their boat at West Beach. As I have said, the Adelaide Sailing Club is now able to introduce winter sailing at West Beach. I will try to obtain comparative figures for the honourable member.

**Mr CONDOUS:** I will ask a series of questions this afternoon about four parcels of land: namely, the land at Mile End, the vacant land at Northfield, the Mawson Lakes development, and the Islington railway yards. My first question relates to the Islington railway yards. I refer to Budget Paper 4, Volume 2 (Chapter 7: pages 50 to 51). What is the current status of the Islington railway yard remediation project and what are the likely benefits that will flow from this project?

**The Hon. M.H. Armitage:** I am delighted to address this issue of remediation of an area which is proving to be particularly difficult. I will ask Bruce Harper of the Land Management Corporation to address the Committee.

#### **Additional departmental adviser:**

Mr B. Harper, Chief Executive Officer, Land Management Corporation.

**Mr Harper:** For over 60 years, industrial waste from the Islington railway workshops has effectively been dumped at the northern end of the site at Islington. Comprehensive field investigations undertaken over the past two years confirm that the industrial waste area contains a range of heavy metals and, what is of more concern, friable asbestos. Most of the asbestos material goes back to the steam era where decommissioning of old steam locomotives and rolling stock resulted in the indiscriminate dumping of waste such as asbestos blankets.

In recognition of its prior ownership of the land, the Commonwealth has provided the State with \$5.5 million to remediate the site. A complex environmental project such as this cannot be undertaken without successfully obtaining the cooperation and involvement of the community, local government and other stakeholders.

The role of the Land Management Corporation in this project is as project manager. In bringing forward the project, we have established a community consultation group consisting of all those stakeholders which I previously mentioned. This group has proved to be very effective in facilitating communication between all parties. A number of options were considered for the remediation of the site and, in consultation with the project stakeholders, a remediation program has been developed which involves the construction of an engineered and capped landscape repository on the site.

A number of significant environmental, economic and social benefits will accrue as a result of this project, including the following. It will provide a 7 hectare landscaped open space area, which will enhance recreational opportunities and the amenity of adjoining residential areas. The project will result in a landscaped buffer zone being created between residential areas and the rail operations of Australian Southern Railroad. As project manager, the corporation believes that, upon completion of the remediation program, land that is currently unusable will be available for further economic development. The remediation will remove any environmental and health uncertainties of nearby residents and workers. Finally, the corporation believes that it is likely that property values of nearby housing and Housing Trust properties which adjoin this land at Islington will improve.

Tenders for the remediation work have been called and are currently being evaluated. Subject to the approval of the Minister for Transport and Urban Planning (the lead Minister in respect of this project), work is scheduled to commence within a matter of weeks. It is anticipated that the works will take about six months from commencement and that they will be completed by about December this year.

#### **Membership:**

Mr Foley substituted for Ms Key.

**Mr FOLEY:** Excuse my ignorance, but has the Playford Centre yet moved to the EDS building, or is it in transition?

**The Hon. M.H. Armitage:** It will move in October this year.

**Mr FOLEY:** How much space will the Playford Centre occupy in the EDS building?

**The Hon. M.H. Armitage:** Some 550 square metres.

**Mr FOLEY:** Is the price per square metre that the Playford Centre is paying for the EDS building the back-to-back contractual price with the head lease, or did the Playford Centre lease it at a figure somewhat less than the sum for which the Government is leasing the floor?

**The Hon. M.H. Armitage:** I am informed that the relevant concerns for the Playford Centre and for me as Minister responsible for the Playford Centre is that the cost per square metre excluding outgoings in Hindmarsh Square, the present accommodation, is \$230, and in the EDS Centre the cost per square metre, excluding outgoings, is \$220. So, this move from Hindmarsh Square to the EDS Centre for the Playford Centre is to a less cost per square metre.

**Mr FOLEY:** I hope your understanding of finances is a little better than that example. It might be a little less to the Playford Centre, but bearing in mind that the Government has contracted the square metreage of the entire building with a head lease for a fee of \$324 per square metre, depending on the figure included for outgoings, you are saying that the subsidy per square metre could be quite considerable. You have mentioned \$220 per square metre excluding outgoings. Is the Playford Centre paying for the outgoings and, if so, what are those costs?

**The Hon. M.H. Armitage:** I am informed that the outgoings in both Hindmarsh Square and the EDS Centre are paid for by the Playford Centre, and they are roughly equivalent because they are roughly equivalent outgoings—things like electricity and those sorts of things.

**Mr FOLEY:** You are saying that the \$220 per square metre is the total price that we are paying for rent for the Playford Centre. That represents a \$104 loss on what it is costing the Government to rent that space. The Economic and

Finance Committee, as you would recall, Mr Acting Chairman, was told—and one loses track of which Government agency is responsible for all of this, I might add—that the expected commercial price rate for which we would be attracting tenants in that building would be about \$270 to \$280 per square metre, representing a \$40 to \$50 loss per square metre, but it would appear that, if the Playford Centre is paying only \$220 per square metre, that is more like what you would expect the market rate to be in that building. Is that the figure, therefore, that we would expect for the balance of the space to be let in that building?

**The Hon. M.H. Armitage:** As I clearly identified, my responsibility is for the Playford Centre. From the Playford Centre's perspective, the move from the Hindmarsh Square accommodation presently to the EDS Centre is a good move. Not only is there, as I indicated, approximately equivalent costings per square metre but there are all the benefits which will flow from being involved in a high profile building in a prominent position. I am informed it is on the ground floor, in what is becoming a much revitalised area of North Terrace, where the opportunity to sell the wares of the companies which are being fostered by the Playford Centre will be enormous. If there are questions in relation to the EDS Centre and its rental, I am very happy for them to be passed onto the relevant Minister. That is not my responsibility. From the Playford Centre's perspective, it is a good move.

**Mr FOLEY:** As a point of clarification, it is your junior Minister, Minister Lawson. I would have thought you had oversight of that. I am happy to ask Minister Lawson later in the evening. Whilst the Playford Centre may gain a small advantage, the taxpayer on this particular example alone is losing over \$100 per square metre, and that is something that Government should be worried about and not something Government should be attempting to sweep under the carpet.

**The Hon. M.H. Armitage:** There is absolutely no question: we are not attempting to sweep it under the carpet. That is why I identified it earlier on. I could have answered the question in many ways, but we are not attempting to sweep it under the carpet. So, any allegations that we might be are simply wrong. The Government frequently makes decisions in relation to these sorts of things. I was looking at a Cabinet submission only last night from Minister Lenehan where these sorts of considerations are taken into account in making Government decisions, and I am very happy to discuss those sorts of matters with the member at some stage.

*Mr Foley interjecting:*

**The Hon. M.H. Armitage:** Decisions are taken where overall benefit is clearly seen in making a decision. There is little question, as I indicated before, that with the exposure at the EDS building for the Playford Centre—where visitors would obviously be those who are best involved in the information industry, where they will notice the Playford Centre, where the Playford Centre will be able to sell its wares to maintain a high profile, to encourage media inquiry and so on—the benefits that will flow from that to the small start-up companies where the Playford Centre is already having a very positive effect will be huge.

**Mr FOLEY:** I do not have a problem with the Playford Centre living in the EDS building. There is a lot of sense in what the Minister has said. It is a good position to have it, but it is just a pity that, through the incompetence of your Government, it will cost the taxpayers of this State over \$100 per square metre to subsidise it.

**Mr CONDOUS:** I refer to Budget Paper 4, and I am returning to the matter involving the land at Northfield; is that all right?

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** There is only one vote.

**Mr CONDOUS:** It is just that it is an important piece of land.

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** No, there is an agreement that certain matters will be discussed, but there is actually only one vote.

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** Order! I say to the member that, if he is reflecting on the Chair, he knows the consequences. The Chair is trying to facilitate this Committee. It has given the Opposition a lot more questions than have gone to the Government side. If you want me to do it one for one, I will do it from now. I ask the member to withdraw his reflection on the Chair.

**Mr FOLEY:** I did not reflect on the Chair, Sir, and I have no intention of withdrawing.

**The ACTING CHAIRMAN:** I did not quite hear the honourable member. Did he say—

**Mr FOLEY:** I made no reflection on the Chair, so I have no intention of withdrawing.

**The ACTING CHAIRMAN:** Then on whom did the honourable member reflect? I point out to the honourable member that it is the view of the Chair that the basic tenor of his accusation was that the Chair was not in control of the situation. The Chair has been flexible. I therefore ask the honourable member to withdraw his comments in relation to the reflection he made on the Chair.

**Mr FOLEY:** I did not reflect on the Chair, so I have nothing to withdraw.

**The ACTING CHAIRMAN:** The honourable member better clearly explain the basis of his comments or we will not be here much longer.

**Mr FOLEY:** I made a comment as I sat in my chair—that was not a reflection on the Chair. I have no intention of withdrawing.

**The ACTING CHAIRMAN:** The Committee will proceed and I will check the *Hansard* during the lunch break. I will allow the Minister to answer the question. I just make clear to everyone that it makes no difference to the Chair whether or not we proceed this afternoon. If members want to have a fight with the Chair, there are many things I would like to be doing other than being here today. If the honourable member wants to fight with the Chair, I will put the Standing Orders into operation. This is the last warning I am giving to anyone.

**Mr FOLEY:** I am sorry if I have upset you, Sir.

**The ACTING CHAIRMAN:** You certainly have.

**Mr FOLEY:** With great apology I withdraw whatever it is that I might have said that got you off side, Sir. I apologise.

**The ACTING CHAIRMAN:** I thank the member. It is a pity he did not do that earlier. I do not want to be at sixes and sevens with anyone—life is too short for that.

**The Hon. M.H. Armitage:** Maybe the member for Colton is unaware of the arrangements.

**Mr CONDOUS:** I am happy to put my questions on notice.

**The Hon. M.H. Armitage:** That would be more appropriate because the Deputy Leader and I have an arrangement.

**Mr CONDOUS:** I refer the Minister to Budget Paper 4, Volume 2, page 7.8, paragraph 3. Will the Minister advise

what action he is taking to ensure that the legislative environment in South Australia supports the widespread adoption of electronic commerce?

**The Hon. M.H. Armitage:** The whole concept of electronic commerce is a key issue for the Government, for South Australia and for Australia. Everyone realises that Australia is, in world terms, a small market. Everyone realises that physically we are a long way from the major markets if we look at them numerically, but electronic commerce, where people can operate at the press of an 'enter' button, opens up huge opportunities for Adelaide and South Australia. Accordingly the desire of the Government to move into the electronic commerce arena is very large. I ask Robert Martin from the Information Economy Policy Office to address the issue.

**Mr Martin:** The Government has set up the Information Economy Policy Office to look at a number of areas in the development of the information economy, and an important one is the development of appropriate legislation. Electronic commerce involves moving into global markets. Markets are no longer local. Considerations in relation to legislation are that whatever legislative environment we have in respect of laying the foundation for electronic commerce needs to be compatible with the interstate and international environments. To further that, the Commonwealth set up working committees with the cooperation of the States to look at electronic transactions and to develop model legislation, which each of the States could pass compatibly.

The Bill to which I am referring is the Electronic Transactions Bill, and that is one component of the Federal Government's legislative framework for the development of the information economy in Australia. This Bill is to operate as an interpretation law and the effect of it is that, where a law of the Commonwealth has a requirement for permission for matters to be lodged or given in writing or by signature, the production of a document or its recording or retention, then any such requirement can be satisfied or permission exercised by the use of an electronic communication, which satisfies the various criteria specified in the Bill.

The Standing Committee of Attorneys-General is considering these matters, and each of the States is cooperating in passing compatible legislation. The South Australian Government considers that such legislation is vital in order to facilitate the growth of electronic commerce in the State. There are other aspects of legislation that will need to be addressed as well, and they include copyright, privacy and data legislation and looking at intellectual property and proposals for the establishment of a national authentication authority. South Australia has representation on a number of national committees working with the other States and the Commonwealth to address these issues.

**The ACTING CHAIRMAN:** I point out to the witness that it is now lunch time. Many people have been sitting for a considerable time. Perhaps we will finish the answer after lunch.

*[Sitting suspended from 1.7 to 2 p.m.]*

**Additional Departmental Advisers:**

Mr H. Lacey, General Manager, Operations, SA Water.  
Mr J. Caporn, General Manager, SA Water.  
Mr P. Prodanovski, Financial Services, SA Water.  
Mr P. Edmonds, General Manager, Ports Corporation.  
Mr G. Pitt, Chief Executive Officer, TAB.

Ms J. Roach, Chief Executive Officer, Lotteries Commission.

Mr G. Button, Chief Financial Officer, Lotteries Commission.

Mr A. Frolow, Manager, Corporate Services, TAB.

Mr I. Millard, General Manager, Forestry SA.

Mr G. Nunn, Manager, Finance, Forestry SA.

Mr J. Bastian, Director, SAGRIC.

Mr K. Nelson, Project Officer, Government Business Group.

**The Hon. M.H. Armitage:** Prior to the lunch adjournment, Robert Martin from the Information Economy Policy Office was answering a question. He has concluded his answer. To start this session, I seek the Committee's concurrence in making a short statement, as I indicated I would do.

The Government of South Australia owns a broad portfolio of commercial businesses, which provide important services to the community and to the State's economy. Nine significant Government businesses have come together into the Government enterprises portfolio—and representatives of all of them are present. I have made a decision to invite those representatives to the chair according to the focus of the question. The coming together of these Government businesses has enabled the Government to bring a more consistent and structured approach to its ownership responsibilities to ensure that risks are appropriately managed and that there is sound stewardship and proper accountability for the significant investment of taxpayers' funds in this area.

The Government Businesses portfolio collectively makes a major financial contribution to Government. The total budgeted 1999-2000 dividend for the Government businesses within the portfolio is \$234 million. This is in addition to substantial tax equivalent payments which in total exceed \$180 million. The Government has undertaken or commenced scoping reviews of a number of portfolio businesses, including the Lotteries Commission, the TAB, the Ports Corporation, WorkCover and SAGRIC as part of a review of Government's current ownership arrangements announced in February 1998. These reviews are consistent with the Government's commitment to meet its responsibilities under the Competition Principles Agreement.

In addition to the continuing strong commercial performance, and the quality and range of services provided by these businesses, I am particularly pleased with the continuing efforts made to support the State's economic development through various local, interstate and international initiatives. The list of positive and innovative initiatives being implemented is far too long, but it does include a number of programs such as:

- the Water Industry Alliance, which is helping to boost the international capabilities of local water industries; and SA Water's master planning exercise in West Java;
- the Ports Corp's drive to increase volume which sees its current projection for 1998-99 reaching volumes in excess of 120 000 TEUs (20 foot equivalent units) going through Port Adelaide, which compares dramatically with the 65 000 TEUs going through the port only four years ago;
- SAGRIC International is currently managing an advisory support facility program to assist the Government of Papua New Guinea;
- the Replacement On-line Lotteries System provides for greater flexibility and responsiveness for players and retailers;

- the TAB has been expanding the extent of its own TABRadio coverage into regional areas;
- the interest in farm forestry attests to the success of the program being maintained by Forestry SA.

These initiatives demonstrate the Government's success at managing a diverse set of commercial entities for the benefit of South Australia. We will continue to develop the Government enterprises of the State to ensure that we move towards the optimum blend of Government oversight and private sector involvement. In this way we are able to bring together the best of private sector know-how with the security of Government accountability and social responsibility.

**Ms HURLEY:** I refer to page 43 of the Capital Works Program and to the \$210 million environmental improvement program, an issue of which the Minister is well aware and which I do not believe has been adequately addressed until this point. In the interests of openness and accountability, I am sure that the Minister will be delighted, without the constraints of Question Time, to take me through this issue in a calmer and more deliberative manner with the help of the extensive cast of advisers that he has behind him.

In part, this issue deals with the evidence provided to the Public Works Committee in January this year regarding the environmental improvement program. I acknowledge that this is an excellent program and one which the Opposition supports. However, it is a very expensive capital works project and there are matters before us which are still unresolved and which are open to question.

SA Water's Project Director gave evidence to the select committee in January that directly conflicts with statements the Minister made to Parliament only three weeks later. I would like to clear this up now, and I want to do this with the aid of some leaked information which I have received very recently and which has helped the Opposition enormously in coming to an understanding of this issue. On 27 January this year, the Project Director of the Environmental Improvement Program, Mr Robert Thomas, said:

The United Water variation agreement was approved by State Cabinet in September 1997. That provided, as the evidence previously indicated, for United Water to design, project manage and construction manage the capital works projects for the environmental improvement program.

Can the Minister explain why Mr Thomas's statement conflicts with his statements to this House on 16 February this year that this so-called variation agreement was signed three months earlier in June 1997 and that the agreement merely put into place a cooperative arrangement that allowed United Water to utilise the design and engineering expertise of SA Water? How did Mr Thomas get it wrong?

**The Hon. M.H. Armitage:** I am informed that the relevant officer made a mistake with the date. My statements are correct as advised.

**Ms HURLEY:** Given that the Minister claims that the variation agreement only puts in place a cooperative agreement on how United Water could best use the design skills of SA Water, will the Minister table a copy of the variation agreement so that we can all be clear on what it contains since there would be nothing commercial in confidence about this agreement?

**The Hon. M.H. Armitage:** As we have discussed on a number of occasions before in relation to these matters—and I was just reviewing yesterday's *Hansard*; it was raised yesterday and it has been raised again this morning—these are documents which, in the finest Westminster tradition, have Cabinet solidarity and protection. However, the issue is

whether in the original contract this variation, if you like to call it such, was identified. The request for proposal quite clearly stated that the successful bidder would be required to develop and manage the capital works program within the project area and manage the delivery of capital projects. That was within the request for proposal, which is public documentation, and the member for Hart has made great play of saying that he has the contract. So, if the Opposition puts the two documents together, it will see that there is no subterfuge or whatever, but I am indicating that factually the cooperative arrangement to provide engineering services was approved by Cabinet.

**Ms HURLEY:** Is United Water undertaking the design part of this capital works program? Did SA Water give permission for United Water to undertake this work and, if so, was this permission ratified by Cabinet?

**The Hon. M.H. Armitage:** I am informed that on 6 May 1996 Cabinet gave approval for SA Water to seek an offer from United Water for the provision of engineering services for the major environmental improvement projects.

**Ms HURLEY:** Supplementary to that, so SA Water did give specific permission for United Water to undertake the design part of the capital works program?

**The Hon. M.H. Armitage:** I am informed, in answer to the supplementary question, that it was approved by Cabinet to seek an offer from United Water for the provision of those engineering services as has been detailed.

**Ms HURLEY:** Why did the design work for the project not go to open competitive tender?

**The Hon. M.H. Armitage:** The request for proposal asked the bidders specifically to submit proposals as to how the specialist engineering, project management, contract management and other skills that existed within SA Water could be developed and then used in the best interest of the South Australian water industry. Bidders clearly then submitted details of these matters, and further negotiations were carried out with the preferred tenderer. I am very happy to keep going because I have answered all these questions before. I do not particularly enjoy Estimates Committees a lot, but I have answered all the questions before. The more questions the Opposition asks me about this, the more I enjoy it, because it is clearly in line with the original request for proposal, with the contract and with everything that Cabinet signed off. Now, keep batting up the questions; I will keep firing them back to you.

**Ms HURLEY:** Given what the Minister is saying, why then does the original United Water contract stipulate quite specifically (and he just read it out) that United Water can only project manage capital works programs for SA Water and that it could charge a fee for this service of up to only 7 per cent of the total value of the capital works project? The Minister would be very familiar with the original request for proposal documents that were distributed to each of the three final bidders in the water contract. On page 33 of that document it states:

It would be inconsistent with your project management role for you [that is, the successful bidder] also to act as a contractor on capital works projects other than Connections (as defined in s. 4.7). Therefore, you and your affiliates will not be permitted to tender for, or perform, capital works unless specifically authorised by SA Water. SA Water does not anticipate that it will ordinarily authorise you to tender as a contractor for capital works projects.

Again, on the following page of the document (page 34) it is clearly stated:

Your project management responsibilities will include for each project: preparation of tender documents, management of the competitive tendering process, tender evaluation and submission of recommendations to SA Water.

Why were these stipulations written very specifically into the request for proposal documents?

**The Hon. M.H. Armitage:** I am advised that there may be a misunderstanding in relation to contracting, construction and design and so on. I am informed that all construction other than very minor construction is competitively tendered but that the design and project management was competitively tendered, as is specifically identified in the request for proposal, which asked the bidders to submit proposals as to how the specialist engineering project management, contract management and other skills and so on could be utilised in the best interests of the South Australian water industry. The request for proposal included developing and managing the capital works programs for projects within the contract area and providing project management services for the above projects. I reiterate what I am sure I have said in Parliament before: that all of this led to a \$7 million saving.

**Ms HURLEY:** The Minister says it leads to a \$7 million saving and he quotes something that as I understood it purports to include the design part of the project, whereas I did not hear that at all in the section he quoted. He is saying we saved \$7 million; how can we be sure United Water is delivering the best and cheapest price for this work, given that it did not go to competitive tender?

**The Hon. M.H. Armitage:** Just so that we are absolutely clear about this, I am informed that each project in the EIP is assessed individually by an independent quantity surveyor. After that quantity surveyor has looked at each individual project the price is agreed between SA Water and United Water and then becomes the target construction price. The first of these projects under that scheme, the \$37 million Bolivar dissolved air flotation filtration plant, was delivered for \$30 million, a \$7 million saving. If the Deputy Leader of the Opposition wished either to impugn the work of independent quantity surveyors or to identify that she is displeased with making a \$7 million saving on a \$37 million project I would be surprised.

**Ms HURLEY:** I think my point is that it may have been possible to get an even greater saving than \$7 million if it had gone to competitive tender in a competitive market. Given that United Water is the project manager for this program, does this mean that United Water is supervising its own design works?

**The Hon. M.H. Armitage:** Again, for the benefit of the Committee, as I explained previously—and it is very important that this is acknowledged—the construction work was competitively tendered. We are talking about a number of different elements about this, but the Deputy Leader should understand that the construction work was competitively tendered. I am informed that a large percentage of that work went to South Australian companies and that SA Water is the supervisor, not United Water.

**Ms HURLEY:** So, SA Water not United Water is the project manager for this program?

**The Hon. M.H. Armitage:** I am informed that in this instance that is the case: United Water works for SA Water in this instance.

**Ms HURLEY:** Yet you were quoting to me contracts and the request for proposal that indicated that the winning tenderer would be specifically responsible for project

management. You are saying they are not doing it in this instance; why is this so?

**The Hon. M.H. Armitage:** I am not sure that I completely understood the intent of the Deputy Leader's question. However, in an attempt to be clearer, I will have another go at explaining what is being done, in line with the original contract. SA Water is the project manager of the whole environmental improvement program. In that context, United Water works for and in the project management of SA Water. In relation to the individual construction of the contracts which has been competitively tendered, United Water manages the contractors, who do the individual, competitively tendered construction. In relation to the design, which is the part on which I believe the honourable member is or, I believe, ought to be focusing, SA Water and United Water are involved in designing both the system and the individual projects.

**Mrs MAYWALD:** I refer to Budget Paper 2, chapter 8, page 14. Will the Minister say what activities SA Water has undertaken in relation to economic development within the water industry in South Australia?

**The Hon. M.H. Armitage:** The economic development successes of the water industry in South Australia are something of which the Government is proud and from which it takes great satisfaction. Even while the industry is still in the early stages of its development into an export oriented and internationally competitive industry, very strong positive trends are emerging which indicate that the Government's vision for the development of the South Australian water industry is well on the way to being realised. I am very pleased to announce that, as a result of the innovative outsourcing arrangements put in place by the Government, exports of \$122.4 million have been achieved in the first three years of the United Water and Riverland Water contracts, with an increasing number of South Australian companies developing capabilities and contributing to export achievement.

Very importantly, there has been strong growth in the performance of registered water industry participants, with the number of companies contributing to exports growing from 33 in 1996 to 51 in 1999—a clear indication of the growing strength of our local industry as the participants in the industry draw on the experience of our international partners. Net exports generated by these companies correspondingly have increased from \$7.4 million in 1996 up to \$45.2 million in 1998. A total of 47 companies in the South Australian water industry have reported directly benefiting from the presence of international companies in Adelaide since 1996.

During 1998, three new major international companies involved in the water industry established operations in South Australia following the awarding of contracts by SA Water. Those major international players are: Schlumberger, which established a meter manufacturing facility at Wingfield; Acqua-Gas-AVK, which established operations for the manufacture of valves and fittings; and Tyco International entered the industry through its acquisition of Adelaide based valve and fittings manufacturer, Promet.

When large international firms begin establishing operations in South Australia, it is a clear vindication of Government statements—and mine, in particular—on the success of the industry; and the investment of such companies in South Australia is a very tangible vote of confidence in the water industry in South Australia. Over 40 companies are now involved in the water industry best practice program

funded by SA Water, and the group has recorded very impressive results. Those results include a 20 per cent increase in revenue; a 9 per cent increase in employee numbers; an increase in net profit of 129 per cent; a 29 per cent increase in research and development activity; and more than 85 per cent of the companies have achieved quality assurance certification. Obviously, the two major international partners, United Water and Riverland Water, have also continued to record excellent results in 1998. United Water achieved net exports of \$50.6 million in 1998 against a contract requirement of \$34 million. United Water was contractually committed to achieving \$68.4 million in exports in the first three years, and the preliminary triennial appraisal indicates that the company will have achieved net exports of \$103.5 million, which is more than \$30 million above the contracted requirement. That, of course, provides an enormous boost to the local industry, to the State economy and so on. Riverland Water achieved net exports of \$13 million in 1998 against a contract requirement of \$10.9 million. It was contractually committed to achieving \$18.6 million in exports in the first three years, and the preliminary triennial appraisal indicates that it will achieve exports of \$18.9 million.

Another recent and very significant achievement was the signing of a meter order placed by North West Water Limited UK, one of Riverland's parent companies, with Schlumberger's South Australian operation, and that is a \$15 million deal representing an exciting landmark as we see the major sale of a South Australian manufactured product into the core business of one of the international businesses operating in South Australia.

As well as leading the development of an export focused water industry in South Australia, SA Water is actively pursuing project opportunities and building partnerships in areas of the world such as West Java, China and the Philippines, and perhaps the most exciting is the involvement of SA Water in the Cooperation Board in West Java. This board is legally empowered to approve all water and waste water work for the 43 million people in West Java. The assistance by SA Water is provided on the condition that South Australian companies have the first right of refusal for all work. The Cooperation Board is carrying out a major master planning water and waste water infrastructure management project using South Australia's digitised facilities information system.

This system has enabled SA Water through the Cooperation Board to coordinate West Java's integrated data capture program and to produce a master plan for the design, construction and operation of waste water treatment plants for flood mitigation, for the supply of clean water, the development of flood prone land and bulk water storage. A number of other opportunities are being pursued through Government to Government relationship building with Government agencies at national and provincial levels in the Philippines and elsewhere. There is also a memorandum of understanding signed by the Shanghai Municipal Water Works Company in China, and that provides for SA Water to offer advice and assistance on commercial reform issues and collaboration in major water and waste water projects.

In essence, we are more than beginning to reap the rewards of the vision for the industry. We have moved the inwardly focused engineering based water department to a commercially focused outward looking corporation as a spark to ignite and build that entire internationally focused water industry, which is putting South Australia on the international water map. It is driven home to me several times a month

when I visit small companies which are opening expanded premises and companies which are developing new exports, and so on, all of which is good for South Australia.

**Mrs MAYWALD:** In relation to Budget Paper 2, chapter 8, page 14, can the Minister advise what action SA Water has taken to ensure the delivery of high quality services to customers; and what consideration has been given to expanding the supply of filtered water to rural communities such as Paringa and Glossop in the Riverland, given the success of the filtration plant project over the past couple of years?

**The Hon. M.H. Armitage:** As a customer focused organisation, SA Water has undertaken a number of specific programs and introduced a range of new services in the past year. SA Water maintains a dedicated customer service centre which takes over 240 000 telephone calls a year. The centre operates at industry best practice levels and offers a service where customers can speak to someone rather than to an automated answering machine. Ease of bill payment is a significant issue for all customers, and over the past year the corporation has introduced a number of new payment methods to make bill paying more convenient.

SA Water customers are now able to pay their accounts via a dedicated Internet web site, through the B-Pay banking system, and via a new telephone payment service where customers can make payment by credit card, that is, Visa, Mastercard or Bankcard—already, one of my colleagues has complained because their card was not taken—obviously 24 hours a day, seven days a week. This is an example of innovative use of technology allowing the Government to offer a more complete and better service to South Australians.

These new services obviously provide more flexibility in the way people can pay accounts. They are still able to pay by post or in person as before. The response to customer calls for assistance in relation to water and sewer main bursts is also important, and United Water continues to meet and exceed standard performance requirements under the contract. Extension of improved services to customers is also a priority.

Within the current capital expenditure budget for 1999-2000 are allocations for a number of important projects to extend or enhance water supplies to enable further development and ensure long-term viability of supply. A significant project was commenced to augment water supplies on Eyre Peninsula where a bore fill at Uley South will be extended and associated pumping station upgraded at a cost of \$3 million. Also, a major 14.2 kilometre long section of the transfer main from the Uley South and Lincoln ground water basins to the Todd Reservoir will be duplicated to increase supply capacity significantly, and that will cost \$3.4 million.

Major work will continue on augmenting water supply headworks to areas south of the Onkaparinga River and down the Fleurieu Peninsula to enable additional residential development at a cost totalling \$18.5 million, \$8.5 million of which has been allocated for 1999-2000. There is also a program of ongoing work to review the safety of dams and necessary upgrading works to ensure continued efficiency of supply and operation. Forecast expenditure in that area is \$3.4 million. Obviously, we will continue to strive to deliver enhanced services across the State. The honourable member in particular would know that we are involved in a \$115 million contract to provide filtered water to people living in country areas of South Australia. The reason I say that the honourable member would know that is that she has



been present when several of them have been opened. The honourable member and I have both commented on the fact that people usually say that they are now able to see the bottom of the bath when this water—

**Mr FOLEY:** Does it taste all right?

**The Hon. M.H. Armitage:** It tastes fantastic. Indeed, there are some areas at the moment which, because of the high per capita cost of providing filtered water, are not extended the full facility; we are obviously looking at that. But, clearly, as shepherds of the taxpayers' money, we focused the initial program of filtration plants on the area where the investment had the largest dividend in terms of new customers gaining access to filtered water. It is a fact that the costs of providing filtered water beyond the areas we have identified have at least doubled—sometimes more than that—the cost of the current program. For argument's sake, in Adelaide it is about \$1 000; and in the Riverland it is about \$2 500 per property. In terms of the schemes we are looking at, after that it would be about \$5 000 per property. I am informed that about 100 000 more people are receiving filtered water, which is obviously of benefit to them, their families, the industries and so on in those areas, and we are continuing to look at the other issues.

**Mr CONDOUS:** I refer the Minister to Budget Paper 2, chapter 8, page 14. Will the Minister say what activities SA Water has undertaken in relation to improving water quality monitoring, research and testing?

**The Hon. M.H. Armitage:** The whole question of water quality monitoring, research and testing is of great interest to the Government. We are indeed fortunate to have one of the national and international leaders in water quality and testing on our doorstep. I am speaking of SA Water's Australian Water Quality Centre. The AWQC manages the comprehensive water quality monitoring and testing program and is currently carrying out trials of leading-edge technology in the field of rapid detection and analysis of parasites in water, ensuring that the quality and safety of our water supplies are in world-class hands, with world-class technology overseeing that. The centre is likely to become one of only a handful of laboratories to achieve accreditation of its testing programs from the National Association of Testing Authorities for the parasites cryptosporidium and giardia. The National Association of Testing Authorities has invited the AWQC to become involved in setting up a national program of inter-laboratory validation for these tests.

While the AWQC is recognised for its existing testing services, the centre also has been trialing new technologies which will provide more accurate results even more quickly. The centre recently purchased a new piece of equipment, a flow cytometer, which makes SA Water the first corporation in Australia to install such equipment for the purpose of developing an improved methodology for the detection of cryptosporidium and giardia. The flow cytometer has generally been used only for research in universities and hospitals and works by firing a laser at a stream of liquid to identify specific parasites which previously have been stained with fluorescents. So, we are at the cutting edge. The AWQC has been modifying the flow cytometer for use in detecting giardia and cryptosporidium. In the very near future it is expected to become part of the standard testing program. The flow cytometer is cutting edge, and the AWQC has been undertaking extensive trials to ensure that the unit delivers appropriate results, given that it is a new scientific area. It is expected that it will also have a number of other applications

in monitoring the quality of water supplies, such as the detection of bloom causing blue-green algae, and so on.

New pre-treatment processes for water samples are also being explored. At the moment, it takes a minimum of six hours to carry out a test, because water samples have to be concentrated through a process of centrifugation. Scientists at the AWQC are now evaluating a new process called immuno-magnetic separation. Initial results have been encouraging. We have also recently improved staining techniques which enable scientists to distinguish parasites from other elements in water such as algae and, indeed, are investigating DNA and RNA tests which can distinguish cryptosporidium parvum, which is the only species harmful to humans, from those which are not harmful. Refinements of monitoring and testing for parasites in water supplies are very recent scientific achievements. What we are doing at the AWQC, frankly, is pushing the boundaries of these testing processes.

The AWQC remains the headquarters for Australia's leading research centre for water quality, the Cooperative Research Centre for Water Quality and Treatment, and is carrying out research into low cost methods of regenerating granular activated carbon and novel water treatment processes such as membrane filtration and a project aimed at identifying the sources of pathogens in catchments. In other words, we are right at the cutting edge.

**Mr FOLEY:** Minister, from the outset may I congratulate you: today you have broken your own record on the number of advisers present. At last count there were 38: I think that is about eight up on last year. As my colleague the member for Peake said, you have more advisers here today than Ronald Reagan had for the SALT II negotiations with Mikhail Gorbachev. My question is: why was United Water able to carry out the design part of the capital works project over and above its responsibilities as laid down in the original request for proposal documents and over and above the requirements of the water contract itself?

**The Hon. M.H. Armitage:** In relation to the observation, yes, I have a lot of advisers, because I have a very big portfolio with nine Government enterprises. We had an option of not having anyone here and taking a series of questions on notice. We prefer to give the answers. We go through this every year, Kevin. I am happy to keep going; in fact, I will go for another four or five minutes if you like, but I am sure you would not want me to do that.

*Mr Foley interjecting:*

**The Hon. M.H. Armitage:** I know; I can't either, so I will go on for a moment. It is a part of the democratic process of providing answers. In relation to the question, I am not sure whether the member for Hart has been present for all the questions, but we are happy to go through it again. The request for proposal in relation to the outsourcing quite clearly stated that the successful bidder would be required to develop and manage the capital works program within the project area and manage the delivery of capital projects. It specifically asked the bidders to submit proposals as to how the specialist engineering project management, contract management and other skills that existed within SA Water could be developed and used in the best interest of the South Australian water industry. That was then considered within the contract where there was clearly an intention to enter into a cooperative agreement to provide engineering services relating to SA Water capital works.

On 6 May 1996, Cabinet gave approval for SA Water to seek an offer from United Water for the provision of

engineering services for the major EIP projects which we have discussed. Later that month, the then Minister for Infrastructure approved the scope of the negotiations being extended to cover all capital works within the Adelaide contract. At the end of May 1997, the proposal was presented to Cabinet for notation and discussion. In June 1997, the proposal to transfer employees from SA Water was approved and the allocation of the engineering and design work involved in the contract to United Water technology was also approved. I have detailed that chronology before in the House. I believe it answers the honourable member's questions.

**Mr FOLEY:** Two of the unsuccessful bidders assured me that they clearly understood that they would have the opportunity to tender for design and construction work in respect of future capital works for SA Water. Obviously, the Government changed its mind after that, but I assure the Minister that both those consortia were of that view. If the Government had given any thought to how more competitive the final bids for the water outsourcing contract could have been—if, up front, it had been put into the RFB and made clear to all three tenderers that there was extra work to be had—we may have had three more competitive bids at the end of the day.

**The Hon. M.H. Armitage:** I am happy to reiterate that the request for proposal asked the bidders to submit proposals as to how the specialist engineering, project management, contract management and other skills which existed within SA Water could be developed and used in the best interests of the South Australian water industry. That was contained in the RFB. I have already taken issue with the Deputy Leader (not today), when she was given information by an unsuccessful bidder regarding another project, that that is not the best way to look at it. Unsuccessful bidders notoriously paint a picture about why they might have lost out on a bid. Factually, the RFB, as I have detailed, contained those expectations.

**Mr FOLEY:** I appreciate that this Minister was not the Minister responsible at the time. I was the shadow Minister, and I was intimately involved throughout the whole process.

*The Hon. G.A. Ingerson interjecting:*

**Mr FOLEY:** The water contract was leaked to me? That's right.

*The Hon. G.A. Ingerson interjecting:*

**Mr FOLEY:** I leaked the document? What document could I have leaked? Your Government sent me the water contract. So, that's your problem.

**The ACTING CHAIRMAN:** Order! The honourable member will ignore the interjections from the side.

**Mr FOLEY:** At that time, the RFB did not stipulate that the successful tenderer would automatically be given not only the management of the capital works program but also the ability to do all the capital works in the contract. That was not made clear up front. This is not a question of contractors being upset about losing a bid. This was said to me during briefings, in parliamentary select committee hearings—a lot of this was done prior to those contracts being let—and following discussions with SA Water officials.

I am referring not to just one of these companies but to both. The Minister should be careful about what he says about these companies, because one of them manages the Riverland water project. North West Water was not shy about telling me about what it felt about the whole process. If the Minister needs further clarification, I am happy to go through the history again. The reality is that the position was not

made clear up front, and we may have got a better competitive bid from these companies had that been done.

**The Hon. M.H. Armitage:** I am at a loss, but I will try again. Perhaps the Opposition's difficulty is because it is mistaking a request for proposal for a tender document. I know that members of the Opposition know what the difference is, but I assure the Committee that, having been involved in a large number of these matters over the past half a dozen years, unless the circumstances were quite extraordinary I would never put out a tender document to involve the private sector in something which the Government does. The reason for that is that the private sector is extraordinarily creative in looking at different solutions.

I think the preferable way to handle these sorts of matters, whether it be water outsourcing or whatever, is to put out a request for proposal. I reiterate that, in this case, the request for proposal asked the bidders to submit a number of proposals. I will not read that into *Hansard* for the eleventh time this afternoon—every member of the Committee knows what was contained in the request for proposal. Clearly, in a request for proposal bidders have an opportunity to be innovative and to think laterally. Benefits can accrue to the public of South Australia from the creativity contained in any of these projects.

Obviously, companies which are more innovative and creative and provide a broader range of services in an RFB in comparison with strict allegiance to the following of a tender document will do better. That may form part of the blinkered thinking which I contend the Opposition has in respect of this issue. It is important to identify, as I did before—and I am not sure whether the member for Hart was present—that the first right in respect of a project is given to United Water but that once the project has been defined by United Water it is then checked by an independent quantity surveyor.

As I have said before regarding the Deputy Leader, if the member for Hart wishes to say that the quantity surveyor is a dud, that is fine, let him address that matter, but we do not believe that that is the case. Factually, if a quantity surveyor says that a project as defined by United Water is too expensive, SA Water has the right to go elsewhere. The fact is that it is the assessment of an independent quantity surveyor that will determine whether a project is competitive. If it is not competitive, United Water will not get that project. So, its 'exclusivity' is maintained, because it is an independent quantity surveyor who determines whether that is a good price for the project.

As I have indicated, in a \$37 million project, the first such project in this process, we have a \$7 million saving. That is about 18 per cent. Those are the processes of the EIP in general. The benefits of the whole outsourcing projects are well known in that there is a saving of \$10 million or thereabouts, there are exports, increases well above the levels originally identified, improved service levels, and the standards which we are expecting are now higher; so there are endless benefits as well. In summing up my answer, first, a request for proposal is not a proscriptive document; secondly, United Water does not have the right exclusively to these contracts. It has it only as long as the quantity surveyor continues to give them the nod.

**Mr FOLEY:** Thank you for that, Minister. You are obviously being advised and have briefing notes. I was actually there at the time. I do know the difference between an RFP and a request for tender. Do you know what the difference was? Had it been a request for tender, United

Water would not have won. United Water lodged its documents four hours late; they were opened up by SA Water before they should have been, distributed to over 20 people who did not have authorisation to look at them, the probity auditor went home at 6 o'clock, and they happened to be the cheapest bid. I was told at the time by no-one less important than the Auditor-General that, under an RFP, that sort of latitude can be extended. Under a request for tender, United Water would have missed out and one of the other bidders would have been successful.

**The Hon. M.H. Armitage:** It was never a request for tender. It was a request for proposal all along.

**Mr FOLEY:** Like with United Water. I have a couple of issues with respect to this water contract. It was promised by the Premier repeatedly that United Water would be 60 per cent Australian owned. That has not occurred. We were told that Macquarie Bank each year would provide a report as to why it would not be a good time to float. I might add that the equities markets have not been stronger over the past three or four years, but we all know why it will never be floated, nor will it be Australian owned, because there is very little behind the name plate of United Water. Would the Minister tell me where we are at with the Australian ownership issue?

**The Hon. M.H. Armitage:** I am happy to identify that to the Committee. In doing so, I would assume that the member for Hart did not mean what he said. What he actually said was that Macquarie Bank would provide a report each year saying why it would not be a good time to float, and that is not clearly what the report does. The report—

*Mr Foley interjecting:*

**The Hon. M.H. Armitage:** If that is what it says independently, that is what it says. But that is not the point of the report. The point of the report is: is it a good or valid time to 'Australianise' the—

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** Order! The member for Hart has had a fair go. The Minister has the call.

**The Hon. M.H. Armitage:** The contract requires United Water to produce a report by an independent expert financial entity:

... if making the required offer would not be commercially advisable having regard to prevailing market conditions and the objective of optimising the value of United Water as an international water company and its potential for success.

In other words, if to make the offer was a bad idea, that had to be verified by an independent financial expert. To date, United Water International has complied fully with procedural aspects of the contract in that it is making the required offer within the initial 12 month period, and at subsequent 18 month intervals, if it was not commercially advisable, it had to provide independent advice. In June 1998, prior to the end of the first 18 month period after the first 12 month period, United Water provided SA Water with a report by Macquarie Bank which concluded:

The sale of equity in the business to Australian investors at this point in time would not optimise the value of the business over the medium to long term. Under the terms of the contract, UWI, Thames and CGE are required contractually to continue to seek opportunities to make the required offer and to report as to their success or otherwise at the end of each subsequent 18 month period until such time as an offer is made.

United Water is required under the contract to make the required offer next by 31 December 1999, which obviously will be 18 months since June 1998, which I believe I replied to in the last Estimates Committee. So, the point is that the

independent report has said that the sale of equity at this point in time would not optimise the value of the business. That is clearly what was identified in the contract, that that would be what was required if Australianisation was not in the best interests of optimising the value of United Water as an international water company. The Opposition does not like that, but I would put a rhetorical question to the Opposition: does it actually want United Water to be Australianised if it will minimise its value? I would have thought that—

**Mr FOLEY:** You are the one who said it would be. It wasn't us. It was a nonsense argument at the time and it is a nonsense argument today.

**The ACTING CHAIRMAN:** Order! I ask the Committee—

**Mr FOLEY:** Well, he asked me a question. I apologise, Sir.

**The Hon. M.H. Armitage:** With respect, you are like the Ministers for whom you used to work and for whom you used to put on all those yellow stickers when you did not answer the questions. The question I have been asked is, 'Has the contract been followed?' That is the implied question. The answer is, 'It has been followed to the letter.' If the member for Hart wishes the Government, first, not to follow the contract and, secondly, to minimise the value of United Water by offering it against the advice of Macquarie Bank, please let him tell us.

**Ms HURLEY:** It was also my recollection that a report on the economic development activities of United Water would be made public year by year. Has that been done?

**The Hon. M.H. Armitage:** I am not clear where the Deputy Leader of the Opposition got the impression that there was a contractual requirement to release that documentation. I am advised that that is not the case. The Deputy Leader was out of the Chamber when I gave an answer to a previous question. In the preliminary triennial appraisal of the United Water contract, the company has achieved net exports of \$103.5 million, which is \$30 million more than the contract required United Water to do, and Riverland Water has achieved \$18.9 million in its preliminary triennial appraisal, as opposed to a requirement under the contract to provide \$18.6 million in exports. So, the contracts are well and truly above what they are required to be delivering in exports.

**Ms HURLEY:** Has United Water International won in its own right any contracts in Asia, as I understand that the original thrust of the proposal was to get a world water industry going in South Australia?

**The Hon. M.H. Armitage:** I am not the spokesman for United Water International, so I am not sure of all the detail, but I am aware of at least two contracts it has won. I will not enter into discussions about them or anything to do with that.

*Mr Foley interjecting:*

**The Hon. M.H. Armitage:** I am informed of two. There may well be more—I am not the spokesman. I was asked whether there were any, and on quick recollection I can think of two.

**Ms HURLEY:** Will the Minister table the report about the economic development achievements of United Water and make it public so that we can all see the achievements that the Government continually talks about?

**The Hon. M.H. Armitage:** I read it into the record before, but I am happy to think of some document that will satisfy people.

**Ms HURLEY:** Will the Minister advise me of the status of the PICA carbon plant?

**The Hon. M.H. Armitage:** We had that question in Estimates last year.

**Ms HURLEY:** You will keep getting it, too.

**The Hon. M.H. Armitage:** That is good; it is fantastic. The PICA plant I believe last year was identified as a key commitment of the contract, which it is not. The PICA activated carbon processing and packaging plant is now operational, as I informed the House late last year. The plant, which commenced operating from leased factory premises in the north of Adelaide in November 1998, will initially process 1 000 tonnes of carbon annually for both the drinking water and mining industries.

Reduction of material through the sieving station has commenced and sufficient stocks of various products are being accumulated ready for sale and delivery. Sales, deliveries and exports from Adelaide commenced during December 1998. The highly specialised grinding station was installed and began operating during April 1999, and the carbon processing and packaging plant is now operational. It will provide new exports from South Australia to water and mining markets, and PICA has stated that the plant is expected to generate export earnings of \$3 million to \$5 million per year. There are now six full-time people working in the PICA activated carbon factory.

**Mr CONDOUS:** I refer the Minister to Budget Paper 2, chapter 8, page 14. Will the Minister advise what initiatives SA Water has taken to enhance the quality of water supplied to South Australians?

**The Hon. M.H. Armitage:** SA Water is always focused on providing new services for specific customer groups. We are always looking at ways of providing the same services in a better way. As part of this commitment SA Water is today looking beyond its traditional utility functions of delivering standard water and waste water services.

The corporation always looks at new ways of providing customised services to particular industries and regions. There are a number of opportunities to do this. Indeed, there is continual focus within SA Water on the quality of water supplied. Very importantly, a range of major capital works projects and operational performance improvements are being looked at to improve the quality of water.

A significant proportion of work under the \$115 million Riverland water contract has been completed. As I mentioned before, there are now 100 000 country South Australians in more than 90 rural communities getting that filtered water. Plans have been brought on stream at the summit storage near Balhannah, Swan Reach, Waikerie, Barmera, Mannum, Berri, Tailem Bend and Renmark, and the two remaining plants at Loxton and Murray Bridge are due to be commissioned soon.

In metropolitan Adelaide improvements have also been achieved through the partnership between SA Water and United Water. United is required to meet a number of performance targets, including some relating to water quality that are more stringent than those applied to SA Water prior to outsourcing. I am pleased to advise that United Water has delivered significantly improved micro-biological quality for Adelaide's water over the past two years. Since 1996 the number of water samples free of coliforms—the standard measure of water quality—has increased from 90 to 99 per cent, exceeding the contract target level of 95 per cent. This improvement has meant that lower levels of chlorine are required to ensure a safe supply, and that leads to improved water taste in Adelaide.

For rural South Australians, SA Water has been progressively implementing a water quality improvement strategy,

as we have talked about. There are a number of ways in which the quality of water supplied to South Australia is improving following initiatives undertaken by SA Water.

**Mrs MAYWALD:** I refer to the services SA Water is providing. Will the Minister elaborate on what new services are being provided for specific customer groups?

**The Hon. M.H. Armitage:** I am pleased to do that. It was recently a great pleasure for me to go to the Barossa Valley where, in 1998, a highly innovative and successful scheme was established between SA Water and growers in the Barossa Valley where additional water resources were identified as being essential to support long-term development in the region. Clearly the Barossa Valley region is an area of South Australia that is world renowned, and it is only commonsense for South Australians to capitalise on the name and the development of the wine industry in the Barossa Valley.

SA Water developed a proposal for using spare capacity in the Swan Reach to Stockwell pipeline to transport water to the Barossa Valley in the off-peak season. Growers could then purchase the water and store it on their properties for use in the hotter and drier months. In the first phase of the project more than 80 growers embraced the scheme and signed agreements for a total of 1 000 megalitres of off-peak water, and it is anticipated that this may double as the project enters its second season in 1999.

It has been very well received and a number of the growers and wine makers believe that is the most significant initiative in the Barossa for many years. Obviously, it has the potential to see the development of additional land for premium grape production and will make a very significant contribution to the economic development of the Barossa Valley region. When I was there the other night, there was a very positive response from the growers.

The scheme provides a commercial opportunity for SA Water to derive additional income to make more efficient use of public infrastructure and is a first for the water industry in Australia. SA Water is now in negotiation with a consortium to develop another water infrastructure program under the BIG (Barossa Infrastructure Group) proposals. A new, privately owned, piped irrigation network will be constructed, taking bulk water from SA Water's pumping and pipeline infrastructure to transport privately owned Murray River water via the Mannum to Adelaide pipeline and the Warren transfer main and using the Warren reservoir as a winter storage for some of the water.

There are also a number of other innovative solutions to meet customer demands. Two large waste water re-use schemes being developed in conjunction with private consortia are close to completion in both the north and south. In the south, water from the Christies Waste Water Treatment Plant shortly will be used to irrigate vineyards in the Southern Vales; and, in the north, the Bolivar Waste Water Treatment Plant will end up irrigating gardens in Virginia. In the past, almost all the waste water ended up offshore or in rivers, and this was a situation that the Government could not countenance and, in stark contrast to previous decisions, we are now maximising the productive use of treated waste water wherever this is economically and environmentally sustainable.

**Ms HURLEY:** In terms of the level of water exports in the State, will the Minister specify which South Australian enterprises were involved; the value of assistance given; the value of additional output, exports or import replacements

generated; the net number of additional jobs created; and the role of United Water in bringing this about?

**The Hon. M.H. Armitage:** In relation to which South Australian enterprises were involved in the exports, some examples include: AMEC-Mayfield, involved in stainless steel fabrications and electrical control equipment; GAF Veith, an air scale blower; Newell Group, storage tanks; Ottoway Engineering, carbon steel fabrication; Prophecy International, billing systems; and SE Fluid Controls or Orcades Engineering, penstocks and trash racks. It is inappropriate to disclose details of specific business dealings, which is obviously potentially sensitive commercial information. Nevertheless, the exports achieved under the United Water contract are subject to independent assessment and verification of specific export transactions of the company involved.

**Mr CONDOUS:** I refer the Minister to Budget Paper 2, chapter eight, page 14. Will the Minister advise what benefits have been achieved through the formation of the Water Industry Alliance?

**The Hon. M.H. Armitage:** The Water Industry Alliance is one of the key successes of the development of the water industry, because indeed it is the members of the Water Industry Alliance who have probably made some of the greatest steps in changing their focus in the water industry. When the Government instituted the two major contracts, there was an intention to create a viable export focused water industry (about which I have spoken so often), and the Water Industry Alliance has been a key industry player, representing 300 registered water industry companies operating in South Australia. It has been the industry vehicle used to achieve the increase in exports from the local water industry.

The desire was to harness the skills and capabilities of local businesses and assist them to infiltrate markets in the Asia-Pacific region. The water industry cluster was formed to explore options by focusing on the future of the industry and seeking involvement in driving the projects. The process was facilitated by SA Water, its partner companies, and the Department of Industry and Trade. In further detailing the achievements of the Water Industry Alliance, I would like to ask Mr John Caporn to address the Committee.

**Mr Caporn:** The original water cluster group has now formed into an incorporated body, the Water Industry Alliance, which is located at SA Water's Australia-Asia Water Centre. Membership of the alliance is made up of the international water companies with interest in Australia, SA Water, major South Australian firms, small and medium size businesses and the South Australian Government agencies. The Water Industry Alliance exists to provide SA Water companies with the services and support they need to make them successful international markets. The alliance is assisting members of the companies with the bidding processes, improvements in quality assurance and building consortia to bid for interstate and overseas projects.

As an example of the new technologies developed in South Australia, a local consortium of alliance members is being formed to bid for the major water desalination plant in Singapore. The project initially is of the order of \$5 million. In a spin-off of the contract with Riverland, one of the parent companies, North West Water has been developing an initiative to involve local companies in bidding work in the United Kingdom and Europe. The alliance recently convened a seminar in conjunction with North West Water and selected various alliance members to discuss North West Water's plans to place the senior bid manager, Ian Smith, in the

United Kingdom to assess contracts and match certain requirements with local expertise.

More than 15 local companies responded enthusiastically and a methodology was developed to ensure that local companies were kept informed and were given every chance to respond to specific requirements. It will be an ongoing activity of the alliance to ensure that the relevant information is relayed onto local companies. The Water Industry Alliance is providing significant benefits for members, including networking to ensure effective collaboration between member companies so that they can win national and international business and to increase awareness of industry capabilities; early market intelligence on national and international water projects; promotion of member capabilities as individual companies and as a strategic alliance to potential national and international clients and decision makers; access to help in establishing alliances with other members and commercial advice; matching of potential clients and suppliers; marketing support and promotional activities, including trade shows and overseas missions; and active participation in the expansion of a dynamic South Australian water industry.

To its external clients, potential buyers of SA goods and services, the alliance aims to become a single point of contact as a supply source and solution provider for a broad range of needs related to the water industry. It will build on capability through endorsement of leading global players located in South Australia and the strong support of the South Australian Government. With its international experience it will deliver reduced transaction times and costs, provide high quality customer service, and facilitate easy access to the right people via offshore representation of member companies through alliance links with South Australian Government offices, Austrade and the major water companies which are members.

**Ms HURLEY:** Is any part of the total export figure accounted for by United Water made up of repatriated dividends and profits?

**The Hon. M.H. Armitage:** The answer is 'No'.

**Ms HURLEY:** What is the expected level of exports for 1999 and is it in line with contractual obligations?

**The Hon. M.H. Armitage:** I am informed that the 1999 target is determined only at the end of 1999 and we will look at it early in 2000 and review whether or not that target has been met. However, I am informed that they are tracking well and we would expect them to meet the goals. I would remind members of the Committee that the cumulative effect after the first triennium is of a \$30 million bonus, so the exports are progressing well.

**Ms HURLEY:** Referring to the estimates for the Minister of Industry and Trade and in discussing the water alliance, Mr Nagel, from his department, said about the water economy:

Major expansion has occurred in some of the more innovative small to medium size companies; however, exports have risen only marginally to date, mainly due to the downturn in Asia.

Will the Minister comment on that and advise how much exports have risen since the United Water international contract came into effect over three years ago?

**The Hon. M.H. Armitage:** I am aware of Mr Nagel's statements, and I understand that he was referring specifically to companies in the water industry best practice program and not to the industry overall or to exports under the United Water contract. Moreover, his response was based on overseas exports only.

**Ms HURLEY:** Where would exports go if they are not going overseas?

**The Hon. M.H. Armitage:** I would have thought the member for Hart had briefed you on that previously. Exports of \$103.6 million were achieved under the United Water contract from 1 January 1996 to 31 December 1998. These exports were measured in accordance with the contract requirements and were subject to independent verification.

**Mrs MAYWALD:** I refer to forestry in Budget Paper 2 at page 8.16. Point 4 refers to public access to forests. Will the Minister comment on the use of forest reserves for community recreation?

**The Hon. M.H. Armitage:** The use of our forests for recreation by members of the community is a real bonus of the forest reserves, with a wide range of recreational uses of those reserves, especially those close to Adelaide. Some of the more passive activities include walking, picnicking, nature study, nature appreciation, and so on. I have certainly bush walked and picnicked in them on many occasions and these activities can be freely undertaken without a permit. I will ask Mr Graham Foreman as Chairman of the Forestry Board to tell the Committee about some of the other recreational uses and the advantages deriving from them.

**Mr Foreman:** Other uses of forest reserves across the State include camping, horse riding, fossicking, cave diving, car and motor cycle rallies and a range of organised events. These activities require a permit, as they may require an area of the forest to be set aside especially for the activity and require significant levels of management because of the potential impact upon the environment or the assets within the forests. Forest reserves are increasingly being used by the community and special interest groups for major events. For example, the Bundaleer Forest Concert Weekend, staged by the Belalie Art Society, the Tom Quilty Horse Endurance Event and the Birdwood Farm Day have all been held recently in association with forest reserves and with the support of Forestry SA. A recent study of forests in the Mid North and Mount Lofty Ranges indicated that the value of the forest reserves for recreation is high. A 12 month survey of visitor numbers in the Mount Lofty Ranges forests has been undertaken and found that about 200 000 visits are made to these reserves annually.

Our forest reserves largely consist of pine plantations; however, significant areas are zoned as native forest reserves and are managed for conservation purposes. Recreational activities in native forest reserves are limited to those that are compatible with the management objectives of these areas for conservation. The plantation areas provide the opportunity for a wider range of community activities and are a valuable asset for this purpose. Both forest types generally occur in a mosaic and offer the community a pleasant and varied outdoor environment to enjoy.

In 1996 the Government announced the ongoing ownership and management of the northern forests at Bundaleer and Wirrabara as community forests. This decision specifically recognises the recreational and social values of these forests as well as their wood production value. In 1997 the Government also announced the ongoing ownership and management of the forest reserves in the Mount Lofty Ranges. These will be managed as multifunction forests, recognising the range of benefits that the forests provide to the community, including opportunities for recreation. The forest reserves provide a unique recreational experience for users and one which cannot easily be transferred to other public lands. The

high usage of these areas indicates that the public values these opportunities.

**Mr CONDOUS:** I refer the Minister to Budget Paper 2, Chapter 8, page 13. What is Ports Corporation doing to improve the efficiency of getting cargo to and through the ports?

**The Hon. M.H. Armitage:** At its inception the board and management of Ports Corporation recognised that the core strategic requirement for success was to improve and achieve total efficiency for the port. Total efficiency requires that all port service providers, such as the stevedores, tugs, customs and quarantine, transport service providers and unions, must work together to improve efficiency in moving cargo to and through the port. It is one of the 'hidden' success stories, although we try not to hide it—we tell many people. To provide further examples of the ways in which Ports Corp has improved the efficiency, I will ask the CEO, Mr Peter Edmonds, to address the Committee.

**Mr Edmonds:** Ports Corp has recognised that the port is very much dependent on all service providers in the port and not just the corporation. We have been instrumental in establishing the Port Services Working Party which comprises representatives from all the port service providers. The terms of reference for that group are very simple, that is, to work on how we can make the port work better for the collective benefit of all participants in the port and for industry in the State. The working party has been extremely successful in fostering a very unique level of cooperation and communication between all the parties within the port.

Ports Corp has also provided leadership in establishing the South Australian Freight Council for Sea Cargo, which is Government funded, partly State and partly Federal. It is an industry driven body and it is aimed at addressing the issue of improving the total logistics management of moving cargo to and through the port, the chains that service the port. This council was established in late 1998 and is progressing quite constructively.

Ports Corp is also providing leadership in the South Australian chapter of the International Cargo Handling Coordination Association and, again, the aim of that organisation is to foster the cooperation and coordination of cargo chains leading to the port. We also maintain a very active association with a whole range of industry groups, the core industries which use the port, and work with them to identify ways in which to improve the efficiency and, again, focus on the total efficiency of the port. These are all basic initiatives aimed at improving our competitive advantage as a port and also the industry in the State.

**Ms THOMPSON:** Earlier I referred to the Loxton irrigation district in which SA Water is playing a major role, and I asked about the way in which the first stage was determined, particularly with reference to the fact that only 18 per cent of current growers will be covered by Stage 1 and that 25 per cent of additional land will be added to the area under irrigation. Does the Minister have any information about that aspect of it?

**The Hon. M.H. Armitage:** As I indicated before, the actual funding for the project is in the PIRSA line: SA Water's role is as project manager. We can provide some information in a project management sense, but not in the more detailed nuances of the project itself. I will ask Mr Howard Lacy to address the Committee with the information we can provide.

**Mr Lacy:** The irrigation district at Loxton was established by the Commonwealth Government in 1948 under the War

Service Land Settlement Scheme and involves around 3 200 hectares of irrigated horticulture in 220 farm units. From 1 July 1997 the district has been operated by the Central Irrigation Trust under contract from the South Australian Government, which is responsible for the district's administration by agreement with the Commonwealth Government. In recent years the highland irrigation areas, controlled by the South Australian Government, have been progressively rehabilitated. The process was completed in December 1998, leaving the Loxton irrigation district as the only South Australian highland irrigation district delivering water through open channels.

The existing irrigation scheme at Loxton limits the efficiency of irrigation practices and creates high drainage volumes which contribute to rising ground water tables and saline flows to the Murray River with adverse downstream effects. The proposal to rehabilitate the Loxton irrigation district at an estimated cost of \$42 million has been approved by Cabinet and has received a favourable report from the Public Works Committee. South Australia has committed, through the Minister for Primary Industries and Natural Resources, to participate in the project with contributions from the Federal Government.

The project is planned to be implemented over six years, with Stage 1 of the rehabilitation program comprising about 8.3 kilometres of new piped mains, construction of a new booster pumping station and connection to 30 grower outlets at an estimated cost of \$4.1 million. This is currently under construction and scheduled for completion in August 1999. Further expansion of the scheme requires funding from the Federal Government, and negotiations are under way with the Federal Government to try to secure that funding. SA Water's role in this project is to provide project management services from the concept design right through to the delivery of the rehabilitated scheme.

**Ms HURLEY:** We heard a little earlier about how efficient our ports are in South Australia and how important they are to the State. I was very disappointed to hear the Minister's announcement that the Government proposes to sell the ports. The ports are, obviously, an important part of South Australia's infrastructure, very important for many of our industries, and a crucial transport corridor for many of our exports and the movement of goods around the State. The ability to determine what happens in this port can be very important for economic development in the State. Under what conditions will the Government allow the sale to proceed (for example, will there be no forced redundancies); will there be appropriate and competitive pricing and appropriate levels of competition; and will it be sold as a private monopoly rather than a public monopoly?

**The Hon. M.H. Armitage:** The Deputy Leader says that she was disappointed with the announcement that we were intending, in principle, to sell the ports. I think all the sentiment behind that reverts to what I said before about Tony Blair and the Fabian Society, and so on, and the more enlightened thinkers saying that, as we move towards the third millennium, it no longer matters who owns the service providers, provided Governments are able to ensure that those services are provided. With that sort of background and endorsement from the Fabian Society—although it does not endorse this particular policy; it has not been asked to—when the scoping study returned a view that, clearly, the best decision for South Australia was to offer the ports for sale, the Government made that decision.

There were a number of reasons why it was determined that it was the best decision for South Australia, but the prime reason was that we felt that the ports were now coming into a new phase of their development. We felt that there were real opportunities for, perhaps, vertical integration of transport corridors given that, if one looks at the total cost of an export across the ports, the actual ports component of the cost is only 13 per cent of the cost of that export. That means that as international ports become more competitive, as better infrastructure is provided and so on, and as the total transport chain is looked at, we felt—and the consultants agreed—that there was a real opportunity to maximise the benefit to South Australia.

One of the ways in which the benefit to South Australia will be maximised from the sale of the ports is that we believe that the sale price which we may get—and, no, I will not identify that; it would be commercially silly to do so—is such that the new owner will be very keen to see exports across the ports increase dramatically to provide a return on his or her money. Obviously, we will be looking at a whole number of features, such as access regimes and so on, given that there were some implied criticisms in the Deputy Leader's comments. But we can assure the honourable member and interested people—as we are doing in our discussions around South Australia and, indeed, as we are doing in relation to the web site chat group that was established regarding the Ports Corporation where we have had a number of interesting inputs so far—that these decisions are being taken very carefully and cautiously with South Australia's best interests in mind.

In relation to the immediate next phases, the Ports Corporation will be 'prepared for sale' in that the issues which the Deputy Leader has identified, such as redundancies and so on, will be discussed with the employees; in fact, we are in the throes of doing that at the moment—as I identified 12 months ago when I spoke with a number of the employees' representatives. Obviously, in these matters there are a number of options regarding transfer over to the new owner, redeployment, TVSPs and so on, and those are exactly the options we will be looking at.

In relation to the suggestion that this would be transferring a public monopoly to a private monopoly, that will not be the case because of the access regime which I identified previously. Indeed, some observations have already been made which would seem to indicate that there are a number of opportunities to increase the availability to other players within the ports arena; hence, there would not be a change to a private monopoly. It is a decision that has been taken in the best interests of South Australia following the best advice we could get.

**Ms HURLEY:** In the Minister's answer he referred to vertical integration, to the ports representing 13 per cent of export costs and that that was a good reason to privatise. I did not quite follow that logic. Could the Minister go over that again?

**The Hon. M.H. Armitage:** I am not sure that I said that was necessarily a good reason to privatise: I was merely explaining that, within the whole dollar of a good being exported via the ports, the expenditure on the actual port charges—on the advice we have—is about 13 per cent. In other words, there are a whole lot of other charges which impinge on the 100 per cent charge of exporting something across the ports. That means, we believe, that there will be some opportunities for players with other parts in the transport industry, for argument's sake, to be potential

bidders. We think there are lots of other opportunities for potential bidders as well: that is not the only one by any means. But it does really mean that, as someone looks at the whole continuum of what constitutes a port, be it the tugs, the stevedores, the quarantine, the customs agencies, the freight forwarders, the truckies, the unionists and so on, there are obviously a number of elements, all of which compose 100 per cent of that 13 per cent. There are a lot of other areas outside that 13 per cent that perhaps could be made more efficient, which would be to the general benefit of a purchaser. We think that that is a reason for a sale of the Ports Corporation being perceived as a bonus for South Australia's economy, because the people will want to get a return on the money which they invest, and we think there are some ways in which they can do it.

**Ms HURLEY:** I appreciate that the Minister cannot speculate on the price and therefore jeopardise perhaps possible proceeds from the sale, but there must be a point at which the sale of the Ports Corporation would be budget positive, given that it currently returns a dividend to the State Government. Over what period would the Minister estimate the corporation's income stream to determine that right price?

**The Hon. M.H. Armitage:** They are intricate dealings. If we identify them, we would be clearly identifying multipliers and so on through which people would then be able to identify the prices we would be seeking. As I have indicated, we do not intend to do that. That would be like someone having an auction but saying, 'We want \$150 000 for our house.' That means that everyone bids up to \$150 000 and then stops. Clearly, we want to maximise the dollar value for South Australians. I can say that there are a number of speculative prices that have been put around by the usual suspects which the Opposition brings to bear in these sorts of things, and—

**Mr FOLEY:** What have we done now?

**The Hon. M.H. Armitage:** Well, there are various people, academics and co., who have—

*Members interjecting:*

**The Hon. M.H. Armitage:** Well, what if I said that there was a report prepared by a fellow called Quiggin or Quiggins (I am not sure which one it is) which, interestingly enough, came from the Centre for Labour Research. Incidentally, it was commissioned by the Public Service Association.

*Mr Foley interjecting:*

**The Hon. M.H. Armitage:** Yes. The interesting thing is that a number of assertions have been made in relation to that report about a figure which we would have to get before this would be even budget neutral for the Government. What is extraordinarily interesting about the report is that it has many fundamental flaws. For argument's sake, the wrong discount rate is used. There are a number of future income projections based on the 1996-97 annual report but, unfortunately, it did not exclude income from three assets that have already been sold: bulk grain handling facilities, a parcel of land and a wool store. There was then talk about the recreational jetties and so on. In relation to that, the figures in this report were actually 34 per cent too high; indeed, that was then compounded by adding 4 per cent growth on the income each year to 2007, and so on.

So, there are huge differences with the facts in that academic report. My purpose in bringing this to the notice of the Committee is that all sorts of figures have been bandied about which are incorrect. We have a figure in our mind which we believe is correct, because of the collaboration between the Ports Corp board and staff and the scoping study

consultants. We believe that all the information is correct and that this will be a good figure for South Australia. We are confident that that figure will be reached and that it will then have a positive effect on the economy in general.

**Ms HURLEY:** Other people in South Australia are not as confident, I believe, and some industries obviously have a key interest in what happens with our ports. One of those industries is the grain industry which is very strong in South Australia and which plays an important part in the South Australian economy. For instance, the South Australian Cooperative Bulk Handling Limited has many investments in the ports around Australia. It has played a strategic part in ensuring that the export of grain proceeds well. Will the Minister assure the SACBH, in particular, that the sale process will not hamper major development plans particularly where land acquisition might be involved? I am thinking of new rail receival facilities at Port Adelaide and new bulk loading facilities.

**The Hon. M.H. Armitage:** In respect of a number of other potential industry sectors, we are not in any way ruling out consortium bids. We think there may well be players who might want to get involved as a member of a consortium and who would have a particular interest in certain parts of the Ports Corp land and assets, but our strong advice is that we will maximise the dollar for the South Australian public if we sell it as a whole. I have already identified that we are not only interested in the dollar value, but of course that is a major consideration.

**Ms HURLEY:** It is my feeling—and I believe that the budget papers say that the sale process will continue until towards the end of the 1999-2000 financial year—that the SACBH might feel that it needs to move quickly. After all, the SACBH is part of an industry which is being deregulated and privatised and it will have to act quickly to shore up its own profitability and that of its suppliers, the South Australian farmers. My understanding is that it might want to proceed with land acquisitions before the completion of the sale process. Will that be held up at all?

**The Hon. M.H. Armitage:** As I said before, the Ports Corporation is being 'prepared for sale' in the first instance. Some issues such as that will be addressed during that preparation for sale. If, however, the SACBH says that it wants to purchase, say, three of the ports quickly, on the advice of our consultants, we would not be interested in entertaining such a proposal. However, if the proposal involved, say, some parcels of land, I believe we could look at that in the process of preparing the ports for sale.

**Ms HURLEY:** I believe that substantial work is still required in the deep sea port process and the dredging of the Port River has been suggested as part of that process. How will the Government now deal with the cost of this work, will it be done beforehand—I understand that an estimated \$16.4 million worth of work is involved—or will it be a condition of the sale process that this work should be done after the sale?

**The Hon. M.H. Armitage:** I am interested to hear the Deputy Leader ask how the Government intends to deal with the cost of this process. This has never been a cost that Government has entertained. The economic argument for the deep sea port to allow extraordinarily large ships to come in we have always believed is such that the players in the industry would be interested—

*Ms Hurley interjecting:*

**The Hon. M.H. Armitage:** We believe that it will probably be afterwards, but if a proposition was put and



moneys were invested it could be made part of the sale. However, we are not looking specifically at advancing the deep sea port work and having it completed before the ports are sold.

**Ms HURLEY:** The Minister said that he is not looking at advancing the process of the deep sea port work, but I presume that the Government will take it into account and ensure that any buyer of the port will cooperate in the work being done.

**The Hon. M.H. Armitage:** As I said before, we believe that the economic case for the provision of a deep sea port stands on its own. Any purchaser of the ports would want to ensure that that occurred.

**Ms HURLEY:** But you will not insist that it occur?

**The Hon. M.H. Armitage:** It is our view that it is an incontrovertible argument, that there is no question about it, that the economic case is very strong, and that that is why the industry looked at it in the first instance.

**Ms HURLEY:** I think this illustrates one of the arguments against privatising the ports: the Government will lose control of the ability to ensure that the correct infrastructure is in place to assist economic development. Clearly, this illustrates why the Government needs to be in control of essential infrastructure.

**The Hon. M.H. Armitage:** With respect, it clearly indicates that the Government does not have to be the milch cow that provides every bit of infrastructure for something that has its own economic case. Other people will provide that. This is a philosophical difference on which we will never agree, but it is not the Government's view that because it has a good economic case it must put its hand into the taxpayer's pocket and provide the facilities so that private industry can make more money out of it. We believe that if there is a case for it private industry will do the work.

**Ms HURLEY:** As the Minister has said, it was never proposed that the Government would do the work, but the Government was there to encourage and facilitate the work.

I turn now to the question of port charges. The Minister implied in earlier statements that he expected port charges to drop. There seems to be some concern within the industry and the community that this might not happen. Some people feel that the wharfage charges are too high already but that a private purchaser operating a port might seek to recoup some of the initial purchase cost. In particular, those with a lower level of cargo going out might find that they will pay a higher price.

**The Hon. M.H. Armitage:** The idea that the Government has adopted is that, because of the price we believe a new purchaser would pay, a new purchaser would be encouraged for economic reasons to increase freight across the port, not to increase the price. By increasing the price in an extraordinarily competitive environment—and there are examples of other ports in Australia that are competing with Adelaide on a daily basis—if the new owner were to compete by jacking up the price, in a competitive environment, he or she may lose trade across the wharf. We believe that that would be in his or her worst interests and would be an economically crazy decision, so we do not think that will occur.

**Ms HURLEY:** That could possibly be so for the port of Port Adelaide. Will it necessarily be so where there is a rather more captive market, for example, Port Giles, Wallaroo or Port Lincoln?

**The Hon. M.H. Armitage:** It is our strong view that bulk freight is subject to exactly the same competitive pressures and exactly the same arguments. For those reasons, we

believe (and it is the advice of consultants) that the attraction for any new owner will be to increase trade across the wharves. As I indicated before, access and price regimes will be involved; it will not be a private monopoly. We are confident there are safeguards in that from the perspective of the consumer who may be concerned that he or she will face inexorably rising prices because of the sale.

**Ms HURLEY:** You are saying that pricing and access regimes will be in place. Does that mean Government regulation? How will that work?

**The Hon. M.H. Armitage:** Where it is necessary, that is the case. For argument's sake, a case has been made particularly for Kangaroo Island. It has been suggested by people on Kangaroo Island that the service ought to be treated in the same category as a national highway by the Federal Government. We do not necessarily agree with that, because we think there are ways of putting in Government regulations and so on in access regimes that will mean there will be a competitive pricing regime.

**Mr FOLEY:** Has the ACCC commented on any conflict involving purchasers of the assets who may already be operators of assets in terms of any anti-competitive practices that could creep in?

**The Hon. M.H. Armitage:** It has not at the moment. We will obviously be looking at that as part of the preparation for sale. There have been private purchasers of other ports around Australia. Clearly they have been smaller ports than the port of Adelaide and others, but we do not believe that will necessarily be a problem, although it is an issue we have to address as part of the sale preparation.

**Mr FOLEY:** I know that this would go without saying, but it would be appropriate if the local member at appropriate times could be informed of any issues involving the local area. With respect to the dopey ship-breaking proposal that everyone is aware of—I should not be so offensive about the operation: I will just say what the Premier's former Chief of Staff called it, 'the silly ship-breaking project'—how will that impact on Ports Corp land at Pelican Point? Currently we have three container cranes, and we are expecting a fourth. The port of Adelaide under Sealand had been booming, and I would also compliment the Ports Corp.

The notion of building next to our advanced port a project that would see the cutting up of rusting old hulks being towed in two a week from around the world, being smeltered into steel and railed out of the port of Adelaide: fair dinkum, that would have to be the dopest idea I have come across in my years in Government—or near Government. Could the Minister offer me some encouragement that there is somebody with a light on in Government who actually also sees this as a nonsense project?

*Ms Hurley interjecting:*

**Mr FOLEY:** Well, Alex does, and with Alex I am at one. Could I look to you, Minister, as someone who is prepared to stick his neck out occasionally, as an ally to help me in my quest to make sure that this does not happen in Port Adelaide? That aside, how does it impact on the Ports Corp?

**The Hon. M.H. Armitage:** If you had not been so rude to me earlier, I might have been better disposed! The area identified by Australian Steel Corporation (ASC) as being required for this proposed ship-breaking project does encompass the vacant land at Pelican Point and Osborne and areas owned by Ports Corp, as well as any leasehold land that may subsequently become available. The vacant Ports Corp land at Pelican Point includes the area between the existing container terminal and the Pelican Point power station now

under development, and it is adjacent to or contiguous to the main deep water channel service in Port Adelaide. It is identified by Ports Corp as being within an area required by the corporation to accommodate future growth of the port, and obviously there are nuances for that in relation to the general economic advance of the port.

The general nature of the proposed ASC development is known by the Ports Corp. The specific requirements of the development are not well established, although a number of the requirements which are identified are obviously understood. No commitments have been made by the Ports Corp to ASC, and there are a number of issues which we think will need to be sorted out. These are the sorts of decisions which Governments take on a regular basis. I would expect that, over the course of the ASC project becoming more fleshed out, I will be able to provide more detail.

**Mr FOLEY:** This is encouraging. I promise not to be rude to you for a full 12 months.

**The Hon. M.H. Armitage:** What about 12 months and one day?

**Mr FOLEY:** Yes, 12 months and one day. In the Minister, there is a possibility that I have an ally at long last. What we need to do is ensure that the Premier and his office and those who are handling this project are aware of this view about the land by Ports Corporation. Deutsche Bank has indicated that it is prepared to fund a feasibility study. The Government has to make a decision in the next two weeks as to whether it will give the company a hold over the land for a 12 month to two year feasibility study. Could the Minister ensure that the Premier's office is made fully aware of your concerns and the Ports Corp concerns, and perhaps together we can stop this nonsense project?

**The Hon. M.H. Armitage:** It is not unknown for the member for Hart to try to put words in people's mouths, and he is doing it again. The Government is aware of all of the nuances in the future development of the port, and clearly there are decisions which need to be taken and, as we have done on many of these sorts of decision making processes, we will be making decisions bearing in mind all of the effects.

**Mr FOLEY:** As I said, notwithstanding your point of clarification, I am encouraged that at least somebody in Government is seeing the nonsense in this project. Let us look at it from this perspective. If we are trying—and if you get the will of the Parliament and whatever—to do what you want to do in terms of selling the port's businesses, how would that look to a prospective purchaser who may want to develop the port of Adelaide into a sophisticated transport hub to actually have to queue up behind tugs towing rusting hulks from the shipping lanes of Asia and the rest of the world?

We will have a log jam of traffic in the narrow reaches of the Port River as we will be towing two or three of these ships per week. I would have thought that, from the viewpoint of marketing our ports as a saleable item, this is the last thing we would want at Outer Harbor. I am concerned that the sale process for the port of Adelaide will be severely hampered if this project is allowed to hang over the northern tip of Le Fevre Peninsula—yet another reason why we should make sure that this does not happen.

**The Hon. M.H. Armitage:** I am delighted to understand from the honourable member's question that he supports the sale of Ports Corp.

**Mr FOLEY:** That is not what I said—I said 'depending on the will of the Parliament'.

**The Hon. M.H. Armitage:** No; that is exactly what the honourable member said. He said that he was keen to maximise the value of Ports Corp in any sale—there is only one way that one can take that, namely, that the honourable member supports the sale of Ports Corp. I am very happy to report that to the Premier.

**Mr FOLEY:** That is not what I am saying at all.

**Ms HURLEY:** Will any legislation be required if the sale of Ports Corp proceeds?

**The Hon. M.H. Armitage:** We believe that the setting up of access regimes will certainly require legislation. We are discussing with the Crown at the moment other matters and there are divided views on that, but in particular we are confident that the setting up of the access regimes, which is the most important element for a number of the people the honourable member was talking about before, is required. We have looked at a number of ways of doing that such as feeding it into one access regime or whatever, but they will develop as the project develops.

**Ms HURLEY:** I understand that community briefings are occurring. If a particular community or a series of businesses object to the sale of their port, for example, Kangaroo Island or Port Lincoln, is there a possibility of that port being excised from the sale process or is it set in concrete?

**The Hon. M.H. Armitage:** I am happy to go through it again, although I have identified it before. The advice from the consultants is that the maximum value to the people of South Australia will accrue from selling the Ports Corp as a whole. We identified that there may be some issues where people would be interested in excising a port here or a port there, but the view was that clearly the maximum benefit would accrue if other than that was done. As I have also identified previously—and it is partly related to an answer I gave when being quizzed about SA Water—the private sector is particularly creative and there will be nothing in any part of the sale process that will prevent consortia bidding for the Ports Corp as a whole. If it wanted to look creatively at elements from around South Australia, at elements of particular industries or whatever, forming consortia within which particular interests could be identified to 'own' particular ports would be a matter for them once we had accumulated the greatest value for the people of South Australia, namely, by accepting the advice of the consultants.

**The ACTING CHAIRMAN:** I have a question about my electorate. The Minister would be aware that for a number of years—

**The Hon. M.H. Armitage:** Is this in order, Sir?

**The ACTING CHAIRMAN:** It is absolutely in order, because I have given a ruling. For many years the community at Hawker has been concerned not only about the quantity of water but also the quality. Will the Minister indicate whether in this budget there are any plans to make improvements to the water? The community is most concerned about the damage that occurs to evaporative air conditioners due to the mineral content of the water up there.

**The Hon. M.H. Armitage:** Mr Acting Chairman, as you and members of your constituency would know, there has been a problem with the water up there for some time. Those problems have included areas of bacteriological safety, salinity and so on. Water quality recently had an upgrade such that it is now bacteriologically safe. A plant was commissioned in June, within the past couple of weeks, and it is now operational. It was assessed by the Public and Environmental Health Service and has been given the go ahead. That plant was a chlorinator and iron removal plant,

installed at a cost of \$180 000. P&EH guidelines are now being looked at, and as soon as it receives the final go ahead the non-potable declaration will be lifted, which will be an enormous bonus for the people at Hawker who receive water from the two bores, which are about four kilometres east of Hawker.

However, the salinity problem has still to be addressed. In most things it is a step-wise process, and in my previous experience as Minister for Health the area of most concern was the bacteriological safety or otherwise of the water, which has now been addressed. It is now up to the Government at some stage to look at some of the other problems, but in the first instance the non-potable limitation will be lifted in the near future because Public and Environmental Health Service guidelines will be met.

**Mr FOLEY:** I turn to the TAB and the Lotteries Commission—the jackpot portfolio on which I have some very important questions to ask. The issue of the future of the TAB, the Lotteries Commission and the Casino is very important. Before I go into specific questioning about the TAB and the Lotteries Commission, will the Minister confirm that he is considering a model whereby the TAB, the Lotteries Commission and the Adelaide Casino licence will be sold as a package?

**The Hon. M.H. Armitage:** That model has been in the public domain for 12 months or more. All those sorts of combinations and so on were addressed by consultants some time ago and, obviously, if it is a way of maximising the value of the dollar for South Australians, we would contemplate that.

**Mr FOLEY:** That was a non-answer—and I do not mean that in a rude way. What is the Minister doing? Is the Minister proceeding with that concept?

**The Hon. M.H. Armitage:** As I have indicated at other times in this Committee when the member for Hart has not been present, we have a number of scoping studies on a number of Government assets under way. When the results of those are known and when a clear decision has been made, we will identify that, as we did in the case of, for argument's sake, SAGRIC, where the decision was to sell the assets and, in the case of WorkCover, where the exact opposite decision was recommended by the consultants. When we have all the information to hand, the Government will make its decision.

**Mr FOLEY:** Let me put it this way. I think the Lotteries Commission and the TAB have been scoped to death. Obviously, the scoping studies are completed: what are the conclusions?

**The Hon. M.H. Armitage:** The contention that they are complete is incorrect. When they are complete, we will let everyone know. We have done that before.

**Mr FOLEY:** Is the Minister saying to this Committee that he has not completed a scoping study into the sale of the Lotteries Commission, the TAB or the assets combined?

**The Hon. M.H. Armitage:** As I indicated, a number of scoping studies are being done. Each of the pieces of information which come to hand, often a little bit like a jigsaw, lead to yet another question to be addressed. When all those questions have been addressed and the Government is confident that the answer is in the best interests of South Australians, we will identify that. That is to be expected: it is exactly what we have done in the case of all the other assets—no different. We have not held anything back, but equally we have not prejudiced any advantage to the people of South Australia by being precipitous. As soon as the answer is known, we will let people know.

**Mr FOLEY:** Why would you sell the Lotteries Commission?

**The Hon. M.H. Armitage:** That is exactly the issue that the scoping study is addressing.

**Mr FOLEY:** Why would you sell the Lotteries Commission? What advice would the Minister need to be keen to sell the Lotteries Commission?

**The Hon. M.H. Armitage:** As I have identified in regard to all the assets, it is a matter of addressing a number of issues, including issues as diverse as potential risk to Government and debt return. There are endless issues, and that is why consultants are involved in giving us an answer. May I add, the people of South Australia are not in the slightest bit interested in whether I would or would not sell the Lotteries Commission. It is a matter of what the Government decision is.

**Mr FOLEY:** I beg to differ: I think the people are very concerned about their Lotteries Commission.

**The Hon. M.H. Armitage:** No, that is not what I said. What I said is, 'The people of South Australia are not the slightest bit interested in what I as a single Minister think.' The only thing that matters is what the Government decision is. When the consultants have given us the answers to the many questions which issues such as this cause to come to the surface, we will identify what that answer is.

**Mr FOLEY:** Minister, do not under-sell yourself: I care about what you think about these things.

**The Hon. M.H. Armitage:** I will speak to you afterwards, then.

**Mr FOLEY:** I would be interested to know what risk profile one attaches to the Lotteries Commission. It has been an extremely well performing business in Government for many years and continues to be. It offers a very good return. As a future Treasurer, I think all of us would like to have at least one or two little funding lines coming into budget and, unless things have changed in Treasury, I suspect that is still the view. Given that the electricity sales program is designed to eliminate budget debt—and the Premier has assured us that that will occur—the Minister will not have a lot of debt left and I would have thought the risk was low. I am at a loss to understand the motivation for wanting to sell the Lotteries Commission, or considering selling the Lotteries Commission.

**The Hon. M.H. Armitage:** In relation to the member's comments about his being a future Treasurer, we all know he wants to be a future Premier, not a future Treasurer and, if we hang around for long enough, who knows what might fall. Indeed, in the member's role as shadow Treasurer, I am amazed that he would have the financial incompetence and financial stupidity to expect—

*Mr Foley interjecting:*

**The Hon. M.H. Armitage:**—of course I am—me as the owner of an asset to identify to all and sundry what we believe the risks might be. Is the member seriously contemplating that I would tell all and sundry what we think the risks are?

**Mr FOLEY:** Yes, I am actually.

**The Hon. M.H. Armitage:** Are you? Well, that is okay.

**Mr FOLEY:** If the Minister thinks that I am dumb and incompetent, he must think his Premier is, because for the past 18 months he has been telling everyone what he thought the risks were about ETSA and Optima.

**The Hon. M.H. Armitage:** Because those are obvious.

**Mr FOLEY:** Is the Minister telling me now that there are risks that the Government knows of with the operation of the Lotteries Commission that it is not prepared to make public?

**The Hon. M.H. Armitage:** Absolutely not. What I am saying is that, if there were risks there—and the scoping studies are determining what the whole focus is—it may be in the interests of the South Australian public not to identify them.

**Mr FOLEY:** I think it is a legitimate question. The Minister is now putting on the public record the possibility, the fear, that there are risks associated with operating the Lotteries Commission under public ownership. That is a very serious question mark to put over the operation of the Lotteries Commission. The Minister needs to clarify what he means.

**The Hon. M.H. Armitage:** I am delighted to clarify what I mean, because that is not what I said. What I said was, if there were risks involved—and I am neither confirming nor denying that: that is what the scoping studies are determining—it may be not in the best interests to identify those risks to a future purchaser. It may equally be absolutely in the best interests to do so. Until the scoping studies are determined, which is exactly where I started this argument, we are unable to give those answers, and that is why we are not making any precipitous comment. Now, if the member for Hart chooses to continue this line of questioning, I am happy to keep up that answer. Until the scoping studies have determined the answers, the Government will not be making its position clear but, as soon as that is clear, we will be making the position known to everyone.

**Mr FOLEY:** I have to say again, I am stunned (which would be not an inappropriate word) about the Minister's comments concerning the Lotteries Commission. It has been a business in Government ownership for many years. It has performed extremely well and continues to perform well. Now for some reason the Minister is putting doubt about its operation into the public arena.

**The Hon. M.H. Armitage:** The member for Hart knows full well that is not what I am doing. The circumstances of business often change, much as the member for Hart and his Party often do not acknowledge that. If they change, it may well be that risks develop. I have in no way said—and I would not say because it is not true—that there are risks in the way in which the Lotteries Commission or the TAB have been run in the past.

**Mr FOLEY:** So, there are no risks.

**The Hon. M.H. Armitage:** No.

**Mr FOLEY:** Why then is the Minister wanting to sell it? The Minister said before that you were selling it because of risk. What would be one of the reasons?

**The ACTING CHAIRMAN:** Let us just take it calmly.

**Mr FOLEY:** The Opposition has maintained for some time now that it will wait to see what proposals the Government puts forward regarding the TAB, because clearly there are identifiable risks with the TAB, unlike, I would have thought, the Lotteries Commission. One thing that concerns me—and I have to be quite blunt about this—is that there are very serious competitive risks. It is not the fault of current management or the board of the TAB: it is the reality in terms of the changing nature of TABs around Australia at present. What worries me is the notion, the thought or the concept of being prepared to put the Lotteries Commission in a bundle of assets to improve the value of the sale of the TAB. So, the Government and the Minister would be prepared to consider

taking a hit on a good asset to prop up an asset that needs to be consolidated if it is to get fair value.

That worries me and I would want to look closely at any model that would be prepared to sacrifice, in a sense, the Lotteries Commission to enable the TAB to be a more lucrative business on the market. That is not reflecting on anyone, but I would have thought sound business practice would tell you that you do not sell a good business to offload a business that is causing concern.

**The Hon. M.H. Armitage:** Those are precisely the issues that the scoping studies are addressing; there is nothing new in that. I have said all along not only for the past 12 months but also today that in any asset scoping study, whether the decision is made *a la* SAGRIC to sell or *a la* WorkCover not to sell, the prime concern for the Government of South Australia is what is the best value for the people of South Australia. Those are exactly the sorts of questions that the consultants address. It may well be that the model you have put forward is exactly the one that the consultants reject. That is fine; that is what the consultants are doing.

Among the various models of privatisation and asset sales upon which the Government is seeking advice, some examples may stand out like a sore thumb as something that one should or should not do. Clearly, no Government is stupid; this one certainly is not, and it will not do things that are disadvantageous. I agree completely with the member for Hart: if the studies show that, for argument's sake as he contended earlier, to bundle up the Lotteries Commission, the TAB and the Casino is a dud deal for South Australia, we would not do it.

**Mr FOLEY:** That largely depends on the terms of reference, instructions or criteria you have given to the companies undertaking scoping studies. Is their brief to maximise value for the three collective assets or is their brief to maximise value for the TAB? We do not know what those briefs are. When will these scoping studies be concluded? I was led to believe that individual scoping studies had been completed on the TAB and particularly the Lotteries Commission some time back. Has that been started all over again? What is happening?

**The Hon. M.H. Armitage:** As I indicated, scoping assets is not necessarily as straightforward as the member for Hart might seem to believe; indeed, scoping studies often reveal factually unanswered questions. We felt that there were a number of unanswered questions and in the best interests of South Australians we made a decision to have those decisions answered. In answer to the question about when the scoping studies will be complete, we believe that it will be very soon, and by that we mean weeks to a small number of months, not a long period. In answer to the question about whether it would depend completely on what instructions or brief was given to the companies doing the scoping studies, of course that is correct but, equally, we did not tell the consultants that they were excluded from considering any of the sorts of options that the member for Hart has identified.

As I have also indicated in answer to two previous questions, it is our view that the private sector is very creative, and in one instance the consultants have presented us with an option which no-one had considered before.

**Mr Foley:** Tell us.

**The Hon. M.H. Armitage:** As soon as the final results are in, I will; I have indicated that before. If the member for Hart believes that the best value for South Australia will be gained by going to the consultants and telling them to investigate this, this and this, I disagree. I think he is wrong.

**Mr FOLEY:** I am a bit blind here; I do not know how this thing is panning out, but I am flagging a view that I would want an awful amount of convincing before I would even consider the Lotteries Commission in any disposal process. Is the Minister able to comment more specifically on the TAB? Clearly, with the decision of the Labor Government in Queensland to float the Queensland TAB with VICTAB and the New South Wales TAB I would have thought the clock was counting down for the TAB's position in the market. Will the Minister talk more specifically about the TAB?

**The Hon. M.H. Armitage:** The member for Hart has identified the fact that the marketplace for TABs is altering. I do not think that is new; that has been the case for six years, since TABCorp was first floated. The issues are certainly coming to a head and, as I identified only a couple of minutes ago, the Government will be making some decisions very shortly. We believe it is in everyone's interests to do so. When the final scoping studies are in we have no desire whatsoever to extend the process, and as soon as the decisions are in we will be announcing them to the people of South Australia.

**Mr FOLEY:** It is my view that you are taking an awfully long time in respect of the TAB, given that Queensland has moved ahead of us and that New South Wales is already well ahead. I would think that the time this is taking makes it extremely difficult to arrive at any solution for the future of the TAB. What will be driving your view on the TAB? Will it be to maximise dollar return to the taxpayer or to provide a financial base for the racing industry? There are competing objectives here. I am not saying one is more important than the other, but at the end of the day if we do not provide a funding source for racing it will be coming back to Government, anyway. What is your prime objective: to underpin the racing industry or to maximise dollar return to the Government?

**The Hon. M.H. Armitage:** The Government's view can be summed up by one of the comments the member for Hart has made, indicating that one is not more important than the other: there are competing interests in all these matters. Those are the issues on which the scoping studies are providing us with the very last bit of their advice. That should not surprise the member for Hart. He has been a senior adviser to a Premier; he knows that in decisions such as this one has to weigh up a number of these inputs, and we will be doing that.

**Mr FOLEY:** On these issues of the sale of the TAB and the Lotteries Commission and whether they come together as a package, as shadow Treasurer, with whom in Government should I be talking about this? Are you the Minister in charge of this now?

**The Hon. M.H. Armitage:** With regard to?

**Mr FOLEY:** In respect of any proposal involving the sale of these assets, are you the man?

**The Hon. M.H. Armitage:** Asset sales are clearly within the portfolio of the Minister for Government Enterprises.

**Mr FOLEY:** You are the person I should listen to, not anyone who comes knocking on my door with ideas?

**The Hon. M.H. Armitage:** That has always been the case.

**Mr FOLEY:** I want to establish that; different people come to me at different times. I also take it that the Casino licence has been packaged in with the scoping studies. We have been talking about the Lotteries Commission and the TAB, but I assume that the Casino licence is part of their brief.

**The Hon. M.H. Armitage:** I believe the original question was whether that was being done as identified; all those models are being looked at.

**Mr FOLEY:** I was not sure that you specifically identified the Casino.

#### **Additional Witness:**

The Hon. R.D. Lawson, Minister for Administrative Services, Minister for Information Services.

#### **Additional Departmental Adviser:**

Mr Barry Griffin, Director, Real Estate Management, Department of Administrative and Information Services.

**The ACTING CHAIRMAN:** I invite the Minister to make a brief opening statement.

**The Hon. R.D. Lawson:** I am pleased to present those of the 1999 Estimates of the Department of Administrative and Information Services for which I have ministerial responsibility. In these brief introductory remarks, I will focus on some highlights and some challenges which we will be facing during the financial year ahead.

Forensic science is one of the aspects under consideration. The Forensic Science Centre provides forensic analysis and research services to South Australia's justice system. The recent multiple homicides, which will, quite wrongly in my view, be associated forever with the name 'Snowtown', have highlighted the significance and importance of the work of this unit. The centre operates as a fully NATA accredited laboratory with its professional accreditation being renewed in October last year. The Forensic Science function manages the morgue—you will be pleased to hear, Mr Acting Chairman—and it provides pathology services to the Coroner, as well as forensic services to the police, the Director of Public Prosecutions and defence counsel. It is an entirely independently operated function.

The budget provides a significantly increased funding allocation for the forensic science function. Increased operational expenditure of \$2.1 million is allowed for increased pathology, DNA and research resources. These are necessary to meet the increased workloads and ensure that our centre retains its position as a national leader in the application of new DNA technologies. Further, the budget allocates \$6 million to a capital refurbishment program that will see the Forensic Science Centre premises substantially upgraded and improved.

Fleet SA is the Government's fleet manager, and as such it provides fleet services to all Government organisations. This function is undertaken on behalf of the Commonwealth Bank, which owns the light motor vehicle fleet, under an arrangement entered into some years ago. Fleet SA also provides advice on fleet management issues.

Increases in motor vehicle charges to public sector agencies have occurred to increase the fact that, across the whole market in Australia, there has been a substantial reduction in the value of second-hand motor vehicles, and that value represents a significant component in the financing costs of these lease arrangements.

Riverside 2000 is a function which is responsible for the printing and publication of parliamentary material, including the *Government Gazette*, *Hansard* and legislation. The Riverside function was traditionally part of SPRINT, the current name for the former Government Printer, but Riverside now operates entirely within the Department of Administrative and Information Services. Its function is

closely related to the Government's commitment to improve utilisation of information technology opportunities, and we are presently examining the opportunities to have on-line publication of the *Government Gazette*.

SPRINT is part of the department. It provides commercial printing and document copying services to public sector agencies. A tender process for the sale of SPRINT's assets and contracting out of business services began in 1997. It originally failed to satisfy the Government's criteria and expectations, but the process has now progressed and an in-principle agreement has recently been reached with a private sector company to take over most of the activities of SPRINT; to purchase most of its equipment; to lease some of its accommodation at Netley on commercial terms; and to offer employment to almost half of SPRINT's employees. I anticipate that those sale negotiations will be finalised soon and, if satisfactorily concluded, it will result in a significant saving in print and publishing services costs for agencies.

I mention also Central Linen, which provides laundry services to hospitals under the South Australian Health Commission and also a number of other laundry services to the private sector on a commercial basis. Over the past two years the Government has been investigating the possible sale of the Central Linen facility. Sale deliberations are now well advanced with the tenderer being Spotless Services. Within the next few months, the Government will announce whether and how that sale will proceed—and I can assure the Committee that it will proceed only if to do so would be in the interests of the State as a whole.

Two other entities are covered in the budget lines currently under consideration in agreement with the Opposition. The heritage unit of the department performs a significant and important function and has done so since the mid 1980s when it was recognised that it was necessary to maintain the heritage buildings in Government ownership in this State. During that period of almost 15 years the heritage unit has maintained a responsible stewardship role by providing an advisory service and a pro-active historic buildings conservation program. The unit also has an export development subunit which is leading teams from the South Australian heritage industry and consultants on a number of projects in Asia and the Western Pacific that are quite exciting.

Finally, there is real estate management. This function manages the Government's office accommodation portfolio and housing assets. It provides whole of Government office accommodation, planning and policy, and it supports the Government Office Accommodation Committee (GOAC).

**Ms HURLEY:** Could the Minister supply the number of full-time equivalents employed in SPRINT in 1996-97, 1997-98 and 1998-99?

**The Hon. R.D. Lawson:** I cannot off the top of my head provide the figures for earlier years. I will endeavour to see whether those figures are available here. At present, there are 77 employees at SPRINT. It is anticipated that jobs will be offered to 35 of those 77 employees. I can assure the Committee and the honourable member that the Government's no retrenchment policy will apply to the SPRINT employees. Redeployment will be offered to some of those who choose not to go with the new operator. A TVSP scheme will apply to other employees.

Discussions and negotiations about the sale of SPRINT have continued for a quite considerable period. Those discussions have been conducted with the knowledge of the union, and there have been extensive discussions with the

union. We have endeavoured at all times to keep both the employees and their union fully informed of developments. I believe that the change of ownership of SPRINT will provide great opportunities for a number of the employees who choose to go with the new operator.

**Ms HURLEY:** I refer to page 7.46 and to the \$8.6 million drop in operating result, attributed to the effect of cost pressures for FleetSA associated with the light motor vehicle lease agreement. There is something of an explanation on page 7.56, but will the Minister elaborate? What cost pressures have caused that \$8.6 million drop?

**The Hon. R.D. Lawson:** The honourable member has pointed to page 7.56 of the budget papers on this line, which does give some details of the light motor vehicle finance lease. The light fleet is, by far, the bulk of the fleet, and that includes all the standard motor vehicles but does not include trucks, commercial vehicles and some four-wheel drive vehicles. In addition to information provided in the budget papers—and I am just looking at it now to try to endeavour not to repeat what is there—I can say, as I said very briefly in my opening remarks, that across the car rental and motor vehicle industry generally in Australia in recent times, in consequence of the introduction of cheap Korean vehicles, the second-hand market for motor vehicles has declined very substantially. All members would have seen media reports of this phenomenon, which affects not only the public sector which operates large fleets but also the private sector.

The reduction in the demand for second-hand vehicles has meant that the price we get when we sell those vehicles is reduced. It means that the amount of money we have to make up to the Commonwealth Bank as the owner of the fleet under the financial arrangements is that much greater. The consequence is that the hiring charge which must be charged to hirers of vehicles is correspondingly increased. In the arrangement with the Commonwealth Bank there was a mechanism to manage cyclical movements in the market, but the downturn in the second-hand market has been protracted and the mechanism in the contract is really insufficient to accommodate that, the result being that there will have to be increased charges to agencies.

We in the Government and in FleetSA endeavour to ensure that our pricing is very close to the commercial market. Obviously, agencies are not prepared to pay to FleetSA a hire charge if they could get the same vehicle from Budget, from one of the other major companies or from some other fleet lessee at a lower cost. So, our charges to the Government agencies have remained in sync with that market. The number of vehicles in the State fleet has been static over the past three years. There have been changes, of course, in some agencies but, overall, the numbers have remained static, being some 25 per cent less than at the end of the financial year 1994.

**Ms HURLEY:** On page 7.46 it is stated that both forensic science and building management will be funded from other department surpluses for the 1999-2000 budget year. What does this mean, and does it have any implications for forensic science in particular, given that the budget papers cite increased costs in forensic science due to the rapid rate of technological change and escalating demand?

**The Hon. R.D. Lawson:** The position is that forensic science operations have been conducted as a central part of Government's activities and have been funded by Treasury through the line to the department. Accordingly, for example, the police, which is the largest user of forensic services, has not been, as I understand it, back charged for the services

provided. There is some charging that forensic science undertakes, for example in relation to paternity tests and the like and some other private sector operations but, in the whole scheme of things, the amount of fees charged and recovered by forensic science is not substantial. I think there is a charge for post mortems performed for the Coroner, but as I say the major function is the function for police, and that is not being charged to police.

Because of the cost of services and, I believe, the extent of services, over the years the amount to the department has been increasing but the amount of budget allocation to the department has not correspondingly increased. The department has had to fund from its own reserves the deficiency in this particular service. That is reflected in the line to which the honourable member referred in so far as it relates to forensic science. There are some operations of the department which have over the years yielded surpluses to build up reserves, and they have been wound down to meet this particular need.

Building management, likewise, has not recovered, as would appear from that note (and I believe this is the case) all in this current year that it has spent and, accordingly, has been a drain on the central resources of the department but not so as to jeopardise in any way the position of the department at the end of the year.

**Ms HURLEY:** Do I understand correctly that other budget lines, such as the police, now contain that allocation for forensic science in the current budget?

**The Hon. R.D. Lawson:** No, they do not. As I have said, the decision was taken some time ago, well before I was appointed to this position, that Government centrally (the Treasury) would provide as an essential service of Government these forensic services and the police would not be charged for them. The police are not allocated funds which would go through the round robin process, with which the honourable member is no doubt familiar.

However, I am told that the position in relation to these matters has been agreed with Treasury for the current financial year but that, in the future, it will again have to be looked at, because it is by no means clear what surpluses or reserves will be in the department at the end of the year. Those matters depend upon events that are yet to occur.

**Mr CONDOUS:** I refer to Budget Paper 4, Volume 2 (page 7.5)—the Hong Kong synagogue and activities of the DAIS Export Development Unit, its promotion and export of South Australia's specialised heritage services to Asia and the West Pacific region. Will the Minister say what benefits the State derives from this initiative?

**The Hon. R.D. Lawson:** I mentioned this briefly during my opening remarks. The department has an internationally recognised and accredited Heritage Unit. I think it is a great testament to the department that it has been able to maintain this unit. Obviously, its primary responsibility is to ensure that our own heritage stock is appropriately conserved and maintained—and it has been successful in doing that in a number of respects.

Opportunities have been identified in Asia not only for the department but also for craftsmen and tradesmen, whether they be painters, plasterers, bricklayers, sculptors, etc., who have honed and developed their skills in South Australia. One of the prestigious projects won by the department and the Heritage Unit is the Ohel Leah Synagogue in Hong Kong. A team of South Australian workmen, tradesmen and artisans went to Hong Kong to perform that restoration project, and

they did so with great success. It was a great showcase for South Australian skills, innovation and enterprise.

The restoration project, which commenced a couple of years ago, has now been completed. I am pleased to say that it was awarded a prestigious award by the Architects Institute in Hong Kong. I think that, in all, about 30 South Australian workers, mainly private sector operatives, worked on that project. It provided them with opportunities for immediate business and also further work in the region. The unit has also been successful in obtaining a project through the World Bank for the restoration of some temples of antiquity in Bali. That project, which is in its initial stages, is extremely promising.

I believe that this unit is performing admirably in providing us with an opportunity to expand export opportunities for South Australians, to showcase our own talents, to obtain business, and also to improve our tourist potential, because many people will come to see the great projects that the unit has undertaken in South Australia, whether it be Ayers House or the Glass House in the Botanic Gardens and many other projects.

A number of other Asian and Western Pacific projects are currently being investigated and analysed, and I hope that, in the fullness of time, those opportunities might recur. Clearly, the Ohel Leah Synagogue in Hong Kong will be a wonderful example which these people can use to showcase their skills. I understand that a book is about to be published about this renovation. I have seen the photographs, and I am happy to circulate them to any members of the Committee who are interested. They did a terrific job.

**Mrs MAYWALD:** I refer to Budget Paper 4, Volume 2 (page 7.12). Will the Minister say what housing incentives are being offered to employees to attract quality staff to seek appointments in country areas of South Australia?

**The Hon. R.D. Lawson:** The Real Estate Management Unit of the department is committed to providing good quality housing for Government employees who are appointed to positions in country areas. Properties are maintained, and the rental levels charged are appropriate in the circumstances. Those rental levels are based on market rates. However, in recognition of the degree of dislocation experienced by employees delivering services in the country, rental concessions are provided ranging from 5 per cent of the market rate in large centres to up to 20 per cent in remote areas.

A program of installing smoke detectors in all employee housing has recently been undertaken. In the coming year, air-conditioning and ceiling fans will be provided to an additional 600 homes to further improve living conditions for employees and their families. A program is also being implemented to ensure that houses are protected with electrical safety switches. The total cost of these improvements during the current budget year will be about \$2 million.

**Ms HURLEY:** I refer to page 7.9 where the procurement reform strategy is mentioned. Under that strategy, the Government is to make economies equal to 3 per cent in the purchase of goods and services. Is the Government on track to achieve those economies, and what savings have been made to date, given that the total savings quoted at the time of the announcement of the strategy were about \$170 million?

**The Hon. R.D. Lawson:** So far as I am advised, we are on track to achieve those savings which I think represented some 3 per cent of the total Government procurement spend. Obviously, only time will tell whether we do achieve that. We might well in fact improve our performance above the 3 per

cent. It is likely that in the earlier years it will be difficult to achieve all savings. A number of measures have been taken which I believe will assist us in this desire. First, a number of electronic commerce initiatives are being implemented. They will reduce costs, speed up transactions and improve security and controls for both Government and suppliers.

I had occasion to launch recently the 'Temporary Staff Contract', a panel contract whereby we sought from all of the market expressions of interest and ultimately appointed a panel of firms to provide our temporary staff facilities. As members would understand, we in the Government do have quite extensive use of temporary staff agencies. I believe that, as a result of that initiative, we will achieve savings of certainly over \$4 million in a full year.

I also recently signed the new travel contract with Ansett Australia. This is a whole of Government travel contract which went to market. Both Ansett and Qantas bid for that contract, and Ansett was the successful bidder. The savings offered by them off the existing contract were substantial. We were also able to extract from Ansett as part of the negotiations some economic development in the form of the agreement to move to the West Beach airport part of the servicing facilities of Kendell Airlines which had operated previously in the Eastern States, I think in Dubbo, with the likely result of an increase of up to 14 additional positions here. That is an example of a contract which not only yields by use of appropriate contracting and procurement strategies bottom line advantages but also economic advantages for the State generally.

There are also savings to be made in medical equipment and consumables where a very substantial amount is spent by the Department of Human Services annually, and there have been a number of mechanisms which are an important part of the procurement strategy to achieve that. The most important part of the strategy is the increasing professionalisation of those people within Government who are responsible for procurement. We have raised the standard of training. We have traineeships in place, and a number of university graduates have been trained. We also have a staff training exercise, and the procurement function is being devolved from central Government out into the 12 large Government agencies through the means of accredited purchasing units.

I believe that that increasing professionalism training will necessarily lead to smarter purchasing and better results. Obviously, when you are introducing any new scheme there will be start-up training times, and there will be expenses incurred in that initial phase, but when we do have the strategy fully implemented the benefits to the South Australian community will be considerable.

**Ms HURLEY:** Can you provide a breakdown of the actual annual savings made during 1998-99, together with the forecast savings for 1999-2000 and 2000-2001?

**The Hon. R.D. Lawson:** I will have to take that on notice. I do not have that material here. I am not entirely sure that it has been calculated or computed in that form, but I will certainly take the question on notice and provide the honourable member and the Committee with additional information to answer those questions if possible.

**Ms HURLEY:** What is the value of Government contracts awarded to South Australian firms during 1998-99 compared with 1997-98, which was before the procurement strategy was commenced?

**The Hon. R.D. Lawson:** I am advised that the State Supply Board does collect that information. It will be

available and is published in the annual report, but certainly we will ensure that the Committee has that information.

**Mr FOLEY:** At the outset, can I say that you have not escaped further questioning over the GRNC. There is much more to come, but you may find that coming in a different forum. The first issue I want to raise is the awarding of an Internet contract to Telstra. I understand that this is called 'sa.com'. Can you confirm that Telstra is now the provider of Internet services to Government?

**The Hon. R.D. Lawson:** I cannot confirm that. Certainly the sa.com proposal of Telstra has been announced, but it is really part of the Government radio network initiative, because at the time the Government radio network contract was let through a competitive process the bidders were required to put forward industry development initiatives, and one of the initiatives advanced by Telstra was the sa.com proposal. Of course, sa.com does not make Telstra the supplier of Internet services to Government, and it certainly does not make Telstra the exclusive Internet service provider to Government.

**Mr FOLEY:** By way of clarification, what will the value be of Telstra's contract, and how much of Government Internet business will Telstra be providing?

**The Hon. R.D. Lawson:** You can ask. I do not believe that the sa.com initiative actually is one that involves Government in expenditure. It is a service that Telstra seeks to offer to the South Australian business communities. It is a commercial Internet service provider arrangement. If you are suggesting there is some underhand deal whereby Telstra will in exchange for the Government radio network contract be given preferential treatment as an Internet service provider, as far as I am aware you are entirely wrong.

**Mr FOLEY:** That is certainly where I am leading. I take your answer. Has Telstra a contract to provide Internet services to the Department of Education?

**The Hon. R.D. Lawson:** You should have asked the Minister of Education that question.

**Mr FOLEY:** I am asking you as the Minister to answer that question.

**The Hon. R.D. Lawson:** It is up to agencies to enter into arrangements, and a number of agencies have entered into arrangements with particular Internet service providers. At the moment we do not have a whole of government Internet service provider.

**Mr FOLEY:** Will we ever have a whole of government Internet service provider?

**The Hon. R.D. Lawson:** It has certainly not come to my attention that that is such a proposal, although it is quite possible that if upon analysis it was seen that there could be advantages in having a whole of government Internet service provider I am sure we would closely examine it.

**Mr FOLEY:** I am advised that as part of the GRNC contract that Telstra was awarded—and if you are telling me it has not happened, that is fine—the Government has made a decision to hand over to Telstra without any competitive tendering a significant amount of Internet work, and one element of that was the Department of Education which I am told over the years ahead will grow to many millions of dollars. Can you categorically rule that out? That has not occurred?

**The Hon. R.D. Lawson:** Certainly not in the way in which you are suggesting, and certainly not to my knowledge. If any of the remarks I have made are inconsistent with the facts, I will certainly get back to the Committee to clarify the point. I am certainly not aware of any process of that kind. I



can assure the honourable member that, before a whole of government contract of that kind were awarded, there would be due process. The Supply Board would be involved, because we have extended the Supply Board's responsibility to services as well as goods. There would need to be prudential management sign off, and it would certainly be inconsistent with the philosophy of this Government to grant an arrangement of that kind unless there were significant benefits to the whole State.

**Mr FOLEY:** I find that amusing. For the Minister to suggest that that is the working of his Government, with no disrespect to the State Supply Board, that does not fill me with a lot of confidence, given the Government's decision to all but instruct the State Supply Board to accept an earlier decision in respect of the GRNC. There was no competitive tendering process and no fair process in terms of determining a competitive framework for bids for the Government radio network contract. The State Supply Board unfortunately was given no choice but to adopt a decision of Government.

**The Hon. R.D. Lawson:** That is an absolute misconstruction of the facts.

**Mr FOLEY:** It is not.

**The Hon. R.D. Lawson:** It is.

**Mr FOLEY:** You tell me the facts then.

**The Hon. R.D. Lawson:** The facts ultimately with the GRNC contract are that it went to tender; there were two tenderers—Telstra and AAPT; the tenders were assessed appropriately; and the process was fully accountable and met all prudential requirements.

**Mr FOLEY:** What about Motorola's awarding of its portion of the contract?

**The Hon. R.D. Lawson:** That is a different issue altogether. That is not the GRNC contract. The GRNC contract was awarded to Telstra, and there were only two bidders ultimately, although there have been a number of requests for proposals in other companies in the past.

**Mr FOLEY:** Is the Minister telling the Committee that there was an open competitive tendering arrangement for the provision of equipment and that Motorola was awarded that portion of the contract?

**The Hon. R.D. Lawson:** Is the honourable member talking about that portion of the contract—the designated supply agreement with Motorola—or, as he purports, the Government radio network contract? The Government radio network contract was let by public tender and open process.

**Mr FOLEY:** Motorola was awarded equipment supplier status without an open competitive tendering process. If the Minister wants to talk about the practice of his Government when it comes to tendering, I would probably flip to the next page as it is not a pretty picture.

**The Hon. R.D. Lawson:** I refer the Committee and the honourable member to the Crammond Report, which duly analysed the arrangements and gave a clean bill of health to those arrangements.

**Mr FOLEY:** Let us talk about the EDS building—another example of sloppy Government contracting and decision making. How much of the 20 000 square metres of the EDS building is vacant at this stage?

**The Hon. R.D. Lawson:** I do not have those figures to hand, but I can tell the honourable member that there have been a number of successful negotiations and a number are continuing. The position is that the 10 floors plus the ground floor comprise about 20 195 square metres. I do not have the precise figure on the amount let to date as the position is changing quite rapidly because a number of private tenants

have signed up. EDS occupies 4½ floors of the building. It occupies floors seven, eight, nine and 10 and occupies about half of floor six, and negotiations are continuing for the letting of the balance of that floor.

A total of 1 200 square metres out of the 1 900 square metres of the fifth floor is occupied by William Mercer, which has taken a right of first refusal over the balance. The fourth floor is currently vacant, and negotiations are continuing in relation to the third floor. I am instructed that they are very promising. Negotiations are currently underway for about half of the second floor, and again those negotiations are promising. Stellar Call Centre has signed a lease to occupy the whole of the first floor—a most exciting development.

On the ground floor there are 1 500 square metres, two tenancies and the foyer of only 21 square metres, but the Playford Centre will occupy 748 square metres of the ground floor, and negotiations are continuing for the balance with another tenant. Again I am told that those negotiations are proceeding satisfactorily. We are pleased with the way in which the negotiations for the letting of the EDS Centre are continuing. It was completed in December last year. I think the honourable member was at the official opening earlier this year, as was I and many other people. He will have recognised the quality of the building. The Government took the initiative to establish that building. It is a great building project which has enhanced a precinct of this city that was a bomb site for a large number of years. Anybody will recognise that in filling that bomb site we have enhanced the principal boulevard of this city and it is a great addition to the city.

**Mr FOLEY:** Frankly, that is an amazing contribution. We could fill every bomb site in the city if the taxpayer was going to pay for it. I am glad the Minister has mentioned a few companies. EDS would appear to be the only company that is paying top dollar in terms of the lease arrangements. As the Minister would be aware, the Government has let 11 floors at a head lease of \$324 per square metre. EDS I understand is paying that in a back to back leasing arrangement. We heard earlier today that the Playford Centre is paying \$220 per square metre, so we are losing over \$100 per square metre on the Playford Centre's allocation.

**The Hon. R.D. Lawson:** It is a 15 year contract, you must remember, and what it might be let for now does not reflect ultimately the financial position of the lease.

**Mr FOLEY:** The Minister should do his homework. This is the most appalling deal that I have ever witnessed in this place, and I would have thought that somebody who sat through the State Bank Royal Commission as a key player would have thought a bit longer and harder before saying that. There is a 4 per cent cost escalator in there for rentals, but the Government has to pay. I hope we are at least achieving a 4 per cent increase in rates with the leasing of these buildings. If it is more than 4 per cent I would be surprised. What is the price per square metre at which we have let the building to William Mercer and to Stellar?

**The Hon. R.D. Lawson:** I do not have those figures with me. I believe they would be commercially in confidence. We are presently negotiating with other people, and obviously we want to maximise the rent we obtain for the other floors. If we were to go out and signal to the market our leasing arrangements to various people we would be at a disadvantage. Surely the honourable member would understand that.

**Mr FOLEY:** I cannot believe I am hearing this from a person who represented the Liberal Party during the State Bank Royal Commission.

**The ACTING CHAIRMAN:** I suggest that the honourable member ask his question and not reflect.

**Mr FOLEY:** I am not reflecting but stating a fact. It is simply unacceptable because the taxpayer has leased the whole building. We are talking about a recurrent loss to the State taxpayer—an exposure on the figures the Minister has given today—of many millions of dollars per year and Treasury, as we know from leaked documents, has indicated that the likely case scenario could be as high as a \$30 million cost to the taxpayer over the life of the contract.

**The Hon. R.D. Lawson:** I have not given any figures today.

**Mr FOLEY:** I have been given those figures previously and I had best not speak too much about them. Although they are on the public record, they are the subject of court action. The Economic and Finance Committee, as the Chairman of this Committee would recall, was advised by witnesses from the Minister's departments that it was expected that the building would be leased at about \$270 to \$280 a square metre. So the Minister's officers are already on the record advising what they think they will achieve for this. Today we find that Playford Centre is paying only \$220. So the Economic and Finance Committee has either been misled or something has deteriorated significantly since the Economic and Finance Committee met.

This Parliament deserves to be told the full loss that we will incur each and every year on this EDS building. These questions will come back every Estimates Committee. The Minister cannot hide behind the blanket of commercial in confidence when we are talking about the loss of millions of dollars of taxpayers' money. I would have thought the Minister most of all would understand that.

**The Hon. R.D. Lawson:** The member will know that the Premier made a ministerial statement on this very issue on 5 March 1997. He then said that, based upon the estimates that had been made and using the Treasury recommended discount of 8 per cent, the range of cost to the taxpayer over the life of this contract, based upon the estimates made at that stage, was between \$5 million and \$14 million. This is no new news about which the member is talking today. This is a long-term contract—15 years. We have confidence in the future of this State. We believe that the rental market will pick up. We believe that this building is positioned to take advantage of the pick up in the real estate market, and we believe that the estimates given by the Premier to the Parliament in March 1997 still stand.

The honourable member talks about the Playford Centre lease. What he ought to be aware of is that there was no fit out incentive for the Playford Centre and EDS is generously contributing, as is the Playford Centre itself, to that fit out. The rent that has been obtained is in line with current market rentals for space of this kind. The member will be well aware that we are talking about not prime office space but the ground floor space in an area which, obviously, is not a retail centre of the city.

**Mr FOLEY:** But that is my point.

**The Hon. R.D. Lawson:** The impact of this deal, that is the deal with the Playford Centre, I am advised is a cost to Government of about \$58 800 per annum and a saving of about \$336 000, which can be applied towards the incentive for another tenant.

**Mr FOLEY:** What a load of absolute nonsense!

**The Hon. R.D. Lawson:** I would be pleased to enter into any discussion with the member on this point.

**Mr FOLEY:** To suggest that a \$330 000 odd figure is a saving is nonsense. The reality is this. The Minister is now saying that \$220 million is what the market will bear for the Playford Centre on the ground floor. That is a \$104 loss per square metre. If we extrapolate that over the other 10 000 square metres, that figure alone represents a \$1 million per year loss over 15 years, which means—if that is a correct figure that we will see across the floors—we are already talking about \$15 million. That is not factoring into account unused office space, vacant space that will remain in that building. If we have 10 000 square metres vacant at present, we are paying \$324 per square metre times 10 000. The loss is staggering. I want to know—and have brought to account—the exact full financial loss of the EDS building for the financial year in which we are currently.

**The Hon. R.D. Lawson:** Of course, it is a nonsense to extrapolate the rental to be obtained from the ground floor in a lease, I might say, the term of which is but three years with a three year right of renewal over the life of this 15 year contract.

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** Order! The member has had his go.

**The Hon. R.D. Lawson:** The honourable member is talking nonsense when he wants to apply those figures over the whole of the building and over the whole of the life of the contract. I would have thought that the member would understand the point. The Premier has said—and I stand by the proposition—that the ultimate loss on the best information we had at the time this contract was entered into was \$5 million to \$14 million over the life of the contract.

**Mr LEWIS:** In Budget Paper 4, Volume 2, at page 7.4, there is some discussion about procurement reform within the public sector. Is there indeed some change being made in procurement and, if so, are there any instances in which there have been improvements in the procurement process that the Minister can cite to the Committee?

**The Hon. R.D. Lawson:** I believe that there have been. The page to which the member refers speaks in general terms of the procurement reform. I mentioned earlier the staff contract and I also mentioned the whole of Government transport contract. The Chair of the State Supply Board, Anne Howe, is with me and I might ask her to inform the Committee further on that point.

#### **Additional Departmental Adviser:**

Ms A. Howe, Deputy CEO, Department of Administrative and Information Services.

**Ms Howe:** The Minister has spoken about some of the initiatives that have been introduced. To take us back to the assumptions that were made when we reviewed procurement practices and expenditure in Government, it was calculated to be spending about \$2.3 billion annually in goods and services and 3 per cent of that as an improvement is \$72 million. The Government agreed to invest in setting up the underpinning to get that improvement, such as the training and graduate recruitment programs, and changes to our policies and practices. The expectation was that after the full introduction, after the first year, there would be another two years before we would see that kind of improvement.

The anecdotal information coming from the people who are attending the training courses—and hundreds of people

are now going through the accredited modules—is that they are going back and using the new techniques, finding that they are able to gain improvements. The State Supply Board is tracking the contracts that supply us. It is also dealing with contracts that were assisting the accredited purchasing units in the individual departments and we are collecting, as best we can, the kinds of dollar improvements that one can measure either from the price that we previously paid or the tender price and the post tender negotiation price. For this year, for the contracts that we know about, we are tracking about \$9 million improvement, and the State Supply Board annual report will detail that.

Part of the reform has been asking the accredited purchasing units to collect a range of information for the board, including more qualitative information as well as quantitative. In the first year we expect that they might find it a bit difficult because one of the problems has been the lack of systems to collect information in a way by which, first, you can measure improvement and, secondly, you can actually know what is going on. However, this year they will be attempting to report on those improvements. In the next two years they will be expected to have the systems in place to document and report more fully on those.

**The ACTING CHAIRMAN:** Is it the wish of the Committee to now conclude deliberations?

**Mr FOLEY:** If I can put something on notice, I can conclude.

**The ACTING CHAIRMAN:** It is up to the Committee.

**The Hon. R.D. Lawson:** Is this a forum where things are put on the record? If the member wants to ask a question—

**Mr FOLEY:** No, I want to put a question on notice. Will the Minister provide me with a full reconciliation of the loss to the taxpayer for the EDS building for the last financial year

and for the 1998-99 financial year? Will the Minister also provide me with list of all consultancies awarded by the State Supply Board over the past 12 months in excess of \$50 000? Will the Minister provide me with a list of all contracts awarded by the State Supply Board over the past 12 months for a figure in excess of \$1 million?

**The Hon. R.D. Lawson:** Part of that question I thought was already asked in the omnibus questions and certainly we will endeavour to get the information for the honourable member and the Committee.

I would remind the Committee that the figure for the year to 30 June 1999 for the EDS building will not reflect the position overall. Obviously, letting up expenses have been incurred in the initial period of the building's life. As I mentioned before, we are in a very volatile property market; as anybody wishing to buy a house at the moment would realise, prices can change rapidly. We are in the position where the current rental market is not as strong as we would want, but we have every expectation that it will improve because of the economic policies of this Government.

**The ACTING CHAIRMAN:** There being no further questions I declare the examination of the votes completed.

**Mr CONDOUS:** I move:

That the draft report be the report of the Committee.

Motion carried.

**THE ACTING CHAIRMAN:** I thank members of the Committee, the Minister and his officers for their attendance.

At 6.2 p.m. the Committee concluded.

#### Corrigendum

Page 109—Column 2, line 38—For '740' read '\$740 000'.

Page 117—Column 1, line 54—For '5' read '3'.

Page 133—Column 1, line 36—Delete 'to be'.