

HOUSE OF ASSEMBLY**Thursday 22 June 2000****ESTIMATES COMMITTEE B****Chairman:**

The Hon. G.M. Gunn

Members:

Mr S.G. Condous
 Mr K.O. Foley
 Ms A.K. Hurley
 The Hon. R.B. Such
 Ms M.G. Thompson
 Mr I.H. Venning

The committee met at 11 a.m.

Department of Administrative and Information Services,
 \$151 373 000
 Minister for Government Enterprises and Minister for
 Information Economy—Other Items, \$15 354 000

Witness:

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

Departmental Advisers:

Mr G. Foreman, Chief Executive Officer, Department of
 Administrative and Information Services.
 Mr B. Miller, Director, Business Services.
 Mr R. Martin, Director, IEPO
 Mr M. Grillo, Director, Government Information and
 Communication Services.
 Mr K. Della-Torre, Ministerial Adviser.
 Ms C. Maelzer, Senior Project Officer.

The CHAIRMAN: Does the minister wish to make an
 opening statement?

The Hon. M.H. Armitage: Yes, Mr Chairman. Because
 of the diversity of my portfolio, I will make a brief opening
 statement at the beginning of each session. Because of the
 significance of the change in respect of information economy,
 my opening statement will be slightly longer than the others.
 In the role of Minister for Information Economy, it has been
 my pleasure to report to the estimates committee on two
 previous occasions. Today I welcome the opportunity to do
 so again and provide some broader understanding of the
 portfolio.

To say that we live in a rapidly changing world is an
 understatement. The age of technological revolution is
 characterised by global change on an unprecedented scale.
 Modern technology has its own momentum, constantly
 building on itself, expanding and finding new territories to
 explore and develop. From the perspective of South Australia,
 technology cannot be uninvented. The familiar industrial
 economy has given way to the information economy, which
 brings with it not only new ways of doing business but new
 ways of interacting. Enabled by technology, the balance is
 moving to accommodate a new order where the information
 rich are already beginning to dominate.

All around the world governments, private enterprise,
 educators, professionals, communities and individuals are
 striving to come to terms with this new order and, it is fair to
 say, some are faring better than others. The success stories
 are provided by those who respond positively to the changing
 environment and commit themselves to active participation
 in the future. This portfolio area is concerned with ensuring
 that South Australia is one of the success stories.

The information economy, in general terms, is a global
 economy based on the ability to access and transfer informa-
 tion from anywhere to anywhere at any time. In reality, it
 goes far beyond a simple economic statement to encapsulate
 all aspects of everyday life in the year 2000. Across the
 world, 24 hours a day, intelligence and defence organisations
 are exchanging information, governments confer on political
 crises, businesses negotiate multimillion dollar deals,
 products and services are bought and sold, banks process
 millions of financial transactions, journalists report news
 stories, people book holidays, and students research assign-
 ments, etc. That is the basis of the information economy, and
 one does not need to touch a computer to be part of it.
 Governments, banks, workplaces, and so on all have a part
 to play.

The information economy is ushering in a new approach
 to communication and interaction which, ultimately, will
 impact on everyone. It is changing the old familiar order of
 things, but it is also offering new opportunities to grow and
 to prosper. For our state the main issue is how to exploit that
 opportunity to secure a very solid future. The answer is to
 ensure that all South Australians are enabled and encouraged
 to participate in the information economy.

Where to, when and how? First, South Australia needs to
 define its desired future, set directions and be prepared to act
 immediately. Secondly, there is a need to capture the
 attention of the state—the essential ingredients being
 community-wide recognition, understanding, awareness and
 confidence. Thirdly, there is the recognition that we can build
 on yesterday and today to create tomorrow and, also, that that
 change will never stop but will continue to evolve. Pleasing-
 ly, in South Australia, our established infrastructure provides
 a solid foundation to move forward. We are no different from
 any other society in aspiring to a healthy, prosperous, safe
 and secure future and, as an active participant in the world
 economy, we have the greatest opportunity to do that.

We can be a leading information-enabled community in
 a world where intellectual property is the currency of the day.
 We can be one of the most connected and creative communi-
 ties. We can be the centre of a web of communities of
 interested activity, connecting people around the world to
 South Australian-based online communities. We can be an
 internationally recognised centre for new knowledge-based
 online business development production. We can be home to
 a spirit of self-confidence and entrepreneurial drive reflected
 in the emergence of innovative business, a culture of self-
 employment, and a commitment to the community.

In answering the question ‘When does the journey
 begin?’, this is fatuous but it actually began yesterday—we
 have no time to dally. Technology is already an integral part
 of our daily lives—it is expanding and pushing forward every
 day. All South Australians need to recognise that the global
 information economy driven by the information industries has
 already changed their world. Existing industries are being
 transformed and new previously unimagined enterprises are
 emerging. Networking is breaking down centralised activities,
 and the skills, knowledge, values and attitudes of people

increasingly are becoming the core assets of any enterprise. Finally, future standards of living and the quality of life for all South Australians depend on how quickly we as a state adapt to the changing environment and grasp today's emerging opportunities.

Ms HURLEY: I do not wish to make an opening statement, but I would like to comment on the timetable that has been suggested for today's session. The suggested timetable has been divided into output classes at different times of the day. The opposition is a bit concerned that this may prevent us asking questions if we do not understand the division of the program. We would like the opportunity to ask questions all day, but we will try to stick to the timetable as we understand it.

The CHAIRMAN: The chair is not responsible for the timetable. The chair will be flexible as long as everyone agrees. I take it this is an agreed timetable?

Ms HURLEY: No, it is not, sir.

The Hon. M.H. Armitage: We have been attempting to get a response to the timetable from the opposition for more than a week. That response has not been given. For the past seven years, as a minister, in an attempt to provide information in response to all questions, I have tried to have all staff members present at the estimates committees. In every year bar one, I think, the member for Hart has criticised me for having so many staff sitting around. So, I decided this year to stick to this timetable. The staff are rostered to be here in accordance with this timetable and they are doing other work at other times. I think this is a perfectly reasonable proposition given that in six of the past seven years I have been criticised for having staff waiting around. It will not prevent questions being asked at a later stage, but the staff will be here at the times stipulated.

The CHAIRMAN: The chair will take the appropriate action to ensure that the committee functions sensibly.

Ms HURLEY: How much of the space available at the Playford Centre is currently occupied; who are the occupants; and what are the terms under which they occupy this space (including the cost per square metre)?

The Hon. M.H. Armitage: Regarding the cost per square metre, I am informed there has been no change to the rental since last year. The tenants are Software Engineering Australia and Amwin. The total space is about 550 square metres, of which Software Engineering has about 50 square metres and Amwin has about 15. The remainder is taken by the Playford Centre. As I indicated, there has been no change to rentals since last year.

Ms HURLEY: Does the minister know the figure?

The Hon. M.H. Armitage: I do not have that with me. I knew that I would be asked this question, so I asked whether the terms vary from last year, and the answer was 'No'.

Ms HURLEY: Have any government departments taken up occupancy of the centre; and how much space is occupied by EDS?

The Hon. M.H. Armitage: The EDS building is the responsibility of Minister Lawson. I do not have any details—it is not my responsibility. The Playford Centre is my responsibility, but not the EDS building.

Ms Hurley interjecting:

The Hon. M.H. Armitage: The Playford Centre has 550 square metres of the EDS building. I am responsible for the Playford Centre, but I am not responsible for the EDS building.

Ms HURLEY: Have any government departments taken up occupancy of the Playford Centre?

The Hon. M.H. Armitage: No.

Ms HURLEY: Have any concessions or incentives been offered to either of the two occupants; and, if so, what are they?

The Hon. M.H. Armitage: It is important to note in answering the question that these are subleases. So, from the perspective of the EDS building, those subleases are irrelevant. There is a degree of confidentiality commerciality between the Playford Centre and its tenants. I can say that, at the moment, Software Engineering Australia has a subsidised rental subject to SEA establishing a software development laboratory and website testing capacity by 30 June. Once that has been done, it will revert to market. Amwin is again receiving a subsidised rental, because I understand that it already had a lease in the previous building. Once that lease has expired, it will revert to market.

Ms HURLEY: What are the subsidies?

The Hon. M.H. Armitage: As I have indicated, that information is commercially sensitive, but it does not affect the amount that the Playford Centre pays EDS for its lease.

The Hon. R.B. SUCH: I refer to budget paper 2, chapter 8, output 7.2—information economy services. What are the forward plans in the minister's portfolio regarding information economy?

The Hon. M.H. Armitage: The next 12 to 18 months obviously are of key importance to this portfolio. For the past several months, the department's Information Economy Policy Office and a range of other agencies and private sector groups have met with a strategist in the convergence of technology and economics with the aim of producing a document with the working title *I.E. 2002*. That process externally has been led by Dr Terry Cuttler, who is one of the foremost consultants in this area around Australia; he is on a number of world bodies and has been working very constructively with the government bodies.

The discussions or consultation has been very extensive and wide in terms of the range of organisations and individuals who have been involved in the process, and it is my view that this will prove to be beneficial when the statement is launched, which I expect to be very soon. That statement will analyse where we are as a state and a community and will lay out strategies and actions to move the entire state forward in the context of the information economy that I detailed before.

It is important to note that we had our IT 2000 vision statement some time ago. That set out a long-term strategy with a mixture of short, medium and long-term actions and, whilst it was largely focused on the IT industry itself and the use of IT by the government, the new statement is presented over a much shorter time frame, that is, 2002, to take account of a number of initiatives already under way and also the pace of change. Particularly, it does not focus on IT itself but on the benefits that can be derived through more intelligent use of IT.

I am sure members would be aware both from the public domain and also from questions and answers in question time that a great deal of activity has been under way in the information economy arena already. In particular, the community is aware of initiatives such as Pathway SA, edu.sa, the Networks for You Program, and the creation of Talking Point (the first online discussion forum hosted by a government anywhere in the world). We have won the world congress for February-March 2002. We are funding the information industries development group. We have won \$10 million in federal funding through the BITS (Building on IT Strengths) program. We are in the final stages of a quite

revolutionary telecommunications request for proposal, and many other activities are going on as well.

I mention the changes at WorkCover with the WorkCover.com initiative that may well be queried later where WorkCover will become an e-business over the next 12 to 15 months. The release of the IT 2000 statement brings all those activities together and will introduce a number of other initiatives, some for immediate implementation and some to be further defined or to grow out of existing initiatives and programs, which will be driven by other agencies not only within this portfolio but across government and across the community. It will lead, hopefully, to a greatly improved environment for the information economy when the World Congress is held here in 2002.

The short time frame for this has been very deliberate, because we have intended to focus people on the pace of change, the speed of new developments, the timeliness of actions and so on. Anecdotally, we are told that traditional businesses are three times slower than e-businesses and that government is three times slower than ordinary business, so if you extrapolate that government is nine times slower than electronic business. Accordingly, we have to move in internet time rather than in standard time and we have to be in line with all those changes at which the community is looking.

The Hon. R.B. SUCH: My second question relates to budget paper 6, page 5. Will the minister advise what action the government is taking to raise awareness of the information economy and in particular to encourage the uptake of internet usage in rural South Australia?

The Hon. M.H. Armitage: I guess a couple of members in this committee will be quite interested in this answer: I am sure everyone will be, but some will be more interested than others. The Chairman, I know, will be very interested in this matter.

The Hon. R.B. Such interjecting:

The Hon. M.H. Armitage: The member for Fisher says that the Chairman is an evangelist and I am pleased to hear that, because we have an opportunity as members of parliament to evangelise for this incredibly important initiative or new way of dealing with things. We have established, as a government, the Networks for You program, which has been operational since 2 February 2000 and which aims to increase internet awareness and to develop an online culture in rural communities. It targets people in both their home and their business lives. Around the state we are establishing network centres to support the community in accessing the internet to try it out and, pleasingly, large numbers of bodies are joining as network centres including libraries, schools, tele-centres, community houses, health centres, regional development boards, local councils and so on.

This is very pleasing, because it enables us in every location to use existing facilities—in other words, we are not duplicating existing infrastructure—and it provides local input from the community. Already there are over 100 network centres operating in regional and rural South Australia and the whole object is to work with communities to introduce the information economy to them and to assist them to grasp the opportunities of the online world. As I have opened a number of these centres, I have been interested to see the reaction to the opportunity to get online, frequently from older people who want to use the internet as a way of interrelating with sons, daughters, grandchildren and so on who now live in other communities.

Community reference groups are ensuring that the project is appropriately implemented in each area in the best way for

each community and those reference groups provide input into the needs and priorities of their own community. We have been very keen to have local staff in each of the programs. There is a regional co-ordinator and two young people who are IT trainees in each of the six regions of the state. Throughout the state there have been more than 500 awareness raising sessions, introducing the internet to not only community groups but also businesses, professionals and others. It has been very pleasing to see the enthusiasm with which the local communities have invested their time and energies into these sessions.

Some of the activities have included 80 farmers attending a seminar entitled Getting the Crop In in Clare in February. They were one of the first groups to experience the network awareness session. The School of the Air at Port Augusta became an internet classroom when parents from 55 remote locations participated in an on-air internet awareness forum. There has been a request that the program be repeated. Victor Harbor retired residents have been able to access the Seniors on Line programs via the network staff. At Lobethal the Onkaparinga Enterprise Centre, which is a cluster site currently hosting 35 micro and small businesses, has become a network centre. Those businesses will be exposed to the internet and e-commerce awareness sessions. The Grant High School community had a presentation on 11 May, which is very positive. It is a two year program and from the approximate \$2 million cost \$1.6 million has been provided by the state government and \$342 500 from the federal government's Networking the Nation Fund. It is an interesting program in that it starts in the rural areas and is moving to the metropolitan area rather than, as is often the case, the reverse.

The Hon. R.B. SUCH: My third question relates to budget paper 2, chapter 8, page 21. Will the minister advise how the federal building on IT strategy funding will contribute to IT&T industry development?

The Hon. M.H. Armitage: Federal funding will enable the Playford Centre under the auspices of the SA Bits Consortium to continue to deliver valuable assistance to the local IT&T industry. Bits funding (Building on IT Strengths), together with returns generated from successful investments and the additional funding allocated by the state for the years 2000-01, 2001-02 and 2002-03 will enable the centre to develop a sustainable operation, thereby enabling continued investment in the local IT&T industry beyond the terms of the Bits funding. The SA Bits Consortium comprises the Playford Centre, the Business Centre and Ngapartji. Behind those organisations is a range of strategic allies, including some physical incubators—the University of Adelaide, the Adelaide City Council and a number of other industry partners and supporters including local, national and multinational companies and, importantly, the Information Industry Development Group that I mentioned before, which we are funding.

The formation of SA Bits as a consortium of established organisations with experience and successful track records in assisting and developing start-up IT&T companies was a key to the success of the state's bid. The Playford Centre, along with the other consortium members, will provide management and administration services to SA Bits and, along with other consortium members, will provide finance and business development services to South Australian IT&T companies which qualify. The SA Bits approach to commercialising IT&T ideas and the R&D and developing start-up firms within the incubation centres will be based on the combined experience and expertise of the consortium members.

Each of the three members will bring slightly different skills and expertise to SA Bits. The Playford Centre brings incubation seed capital and venture capital facilitation and specialised business skills in relation to the IT&T sector, such as project management; the Business Centre brings marketing and general business processes and services, including quality management; and Ngapartji brings multi-media development and product showcasing. All three of the consortium members will act as sponsors, identifying and assisting suitable companies to apply for assistance and directing completed applications to the SA Bits investment board. The breadth of skills and experience within the consortium, the associated physical incubators and the strategic links will enable SA Bits to access a large pool of suitable applicants and to offer assistance to a broad range of companies within the IT&T industry.

The consortium will employ and, where necessary, adapt policies and procedures developed by the Playford Centre to process assistance applications and to manage investments. The consortium will also benefit from the significant management experience of the Business Centre and Ngapartji. In addition to the federal government funding, two private sector angel funds—one of at least \$5 million and another of up to \$10 million—are currently being negotiated, making a total of up to \$25 million available for investment in the local IT&T industry, which is sorely needed. The private funds will not only bring much needed investment capital but also provide private sector investment experience and expert mentoring. Very pleasing is that, because of the way we have constructed the consortium, all the money will flow to the companies rather than into management, which is already provided for via the members of the consortium.

Ms HURLEY: I refer now to output class 3.2. In the 1999 budget statement on page 7.5, among the highlights is that temporary staff contracts were launched in February 1999; the estimated savings were \$4.6 million; and there is also a requirement for the employment of young people aged under 25. Have these targets been achieved?

The Hon. M.H. Armitage: That is Minister Lawson's area, who is on later this afternoon.

Ms HURLEY: Can you tell me which area?

The Hon. M.H. Armitage: It is under state supply.

Ms THOMPSON: I refer to budget paper 4, volume 2, page 8.14, and the item concerning the Holdfast Shores development. The details are: complete Marina East apartments and Light's Landing apartments-retail facilities; and ensure all agreements are in place to commence work on the new hotel. What is the total value of the land provided for the whole Holdfast Shores development? Who now owns the land, and who were the previous owners of the land?

The Hon. M.H. Armitage: The total developable area for the Holdfast Shores project was 17.6 hectares. It was previously owned by the local council and the government. Independent valuation advice was obtained in February 1997 prior to entering the development agreement, and the total site value of \$11.395 million was on the basis that the substantial site works, including land reclamation, construction of a marina basin and other civil works, had been completed and the site was ready for development. The substantial site works (which I mentioned) had been undertaken by the Holdfast Shores consortium for a considerably greater cost than the valuation amount.

Ms THOMPSON: The minister has not answered one part of my question, which is: who now owns the land?

The Hon. M.H. Armitage: I do, as Minister for Government Enterprises.

Ms THOMPSON: As a supplementary question: what are the conditions relating to the sale of any of the assets purchased on that land?

The Hon. M.H. Armitage: For any sale of assets on the land, the land is transferred to the Holdfast Shores consortium and it sells according to certain conditions of sale, and I presume the member is referring to things like the home units that have been sold.

Ms THOMPSON: So, you have ownership of the land, but the assets are sold almost independently of the land; or does the Holdfast Shores development have some legal lien over the land?

The Hon. M.H. Armitage: I am very happy to keep answering the questions until we get the answer. What happens is that the land has transferred to me as Minister for Government Enterprises; the development is done by the consortium; and then I transfer the land to the final owner. I have signed endless contracts for people who have bought home units in the Holdfast Shores development, for example. We sell that asset; that is partly how we get our return.

Ms THOMPSON: What is the return at the moment?

The Hon. M.H. Armitage: At the moment, the current estimate of the distribution sums to the government and the consortium obviously are revised according to what has been sold, what is sold and so on, but the current estimate of distribution to the government is \$6 million.

Ms THOMPSON: That is in total for the project thus far.

The Hon. M.H. Armitage: Correct.

Ms THOMPSON: What has been the expenditure of the government thus far?

The Hon. M.H. Armitage: I am informed that thus far the government has spent \$19.3 million. Obviously, other work would occur if other precincts were to progress, but thus far we have spent \$19.3 million. However, it is important to identify that the \$6 million, which is the current estimate of the distribution to the government, is distribution of profit. That is not what we are getting back on our \$19.3 million: that is our share of the distribution of the profit that is estimated at the moment. That does not include things such as stamp duty, all the employment benefits that have occurred and so on, but that is the financial figure that I think the member was looking at.

Ms THOMPSON: And the estimated return for 2000-01?

The Hon. M.H. Armitage: My advice is that the figures that I have quoted, as I have said, are the current estimates of what government will receive of the distribution, that is, over the time of the project. It may be that in the specific of the question 2000-01, none of that flows to the government. However, there will be considerable sums from stamp duties and so on. As I indicated, that was the current estimate of the distribution of the government for the project.

Ms THOMPSON: I turn now to the issue of the Barcoo Outlet. Given that in January the fourth amendment to the assessment report for the environmental impact statement for the Glenelg foreshore and environs, Barcoo Outlet proposal West Beach, was handed down containing some 30 detailed recommendations on how that project should be undertaken, and given that since the release of that report in January there has been the report of the senate committee of inquiry into Gulf St Vincent and that the senate committee report re-emphasises the precarious state of the waters and shores in Gulf St Vincent, in the light of all this knowledge, what

action has been taken to address each of the recommendations, particularly those detailed in the fourth amendment?

The Hon. M.H. Armitage: In relation to the specific question, we will provide an answer—I do not have 30 responses one by one. In essence, in answer to the general theme of the question, the government is completely confident that the Barcoo Outlet is a project which will be of benefit to the community and to the environment, particularly when we look at the present circumstance of what is the state of the Patawalonga. The state of the Patawalonga at the moment is terrible and this project will see it reverted to the opportunity for primary contact, recreational and leisure activities as it used to be. Obviously, there are matters in the catchment arena which the government is undertaking in addition to Barcoo.

The opposition refuses to acknowledge that, which does not surprise me one iota, just as the opposition sat around—and I particularly mention the member for Hart, given that the member for Hart is present—and did nothing about, for argument sake, the Port River. It has taken this government to fix the problem of sewage being discharged into the Port River. The opposition's environmental credentials are appalling and I reject, as does the government, any sanctimony about how the Barcoo Outlet will do anything other than be positive for the Patawalonga, and with all the other catchment initiatives will be a bonus for the environment.

In particular in doing that I would make mention of the Patawalonga Catchment Water Management Board which is overseeing the establishment of wetlands, silt traps and trash racks, restoring and revegetating waterways and coordinating and managing a number of other improved catchment management techniques. It is estimated that by 2001, 1 000 tonnes of trash and 1 200 tonnes of sediment will be captured and prevented from entering the marine environment annually and, importantly, a very significant reduction in the levels of nitrogen, phosphorous and heavy metals being discharged will occur.

Regarding the specifics of the question, the 30 responses, we will provide an answer, but I again identify that the government is not concerned about the brouhaha from the opposition and others because we acknowledge that there is a broader scenario to this whole matter than just fixing up the Patawalonga for primary contact, recreational and leisure activities, which we are doing.

Mr VENNING: My question relates to budget paper 2, chapter 8, page 21. Will the minister advise on the success of the LMC working together in partnership with the private sector for residential development projects?

The Hon. M.H. Armitage: The Land Management Corporation has a very good proven track record in working successfully with the private sector to support urban development in Adelaide through joint venture projects and through its management and disposal of land to ensure that supply of development land satisfies consumer demand. I will ask Mr Bruce Harper, the CEO of the Land Management Corporation, to provide specific details.

Additional Departmental Adviser:

Mr B. Harper, CEO, Land Management Corporation.

Mr Harper: The corporation has worked closely with the private sector in a number of joint venture projects over the years, including Mawson Lakes, Golden Grove, Regent Gardens and Seaford. The first of these, Mawson Lakes, commenced in July 1997 as a joint venture between the Land

Management Corporation and the Delphin Lend Lease Consortium. It has already achieved a number of milestones, including the sale of some 380 housing allotments; some 234 houses have been constructed or are under construction; and some 123 of these houses are now occupied. Major environmental infrastructure works have been completed, including the construction of the main lake recently named the Sir Douglas Mawson Lake. There has been diversion and upgrading of Dry Creek and other drainage systems, and residential subdivisions have occurred.

Master planning for the town centre has been completed, and construction of the first stage of the town centre is expected to commence in about six months. The establishment of community infrastructure includes schools, walking and bicycle trails, landscaped areas, reserves and other recreational land use areas. The project has transformed this dry, barren northern plain into a highly desirable new community and, in doing so, it has set new benchmarks for environmental practice, quality of design and the development of a number of new housing forms and products. So great has the transformation been that prices have exceeded the joint venture's expectations, with the first housing block sale of \$250 000 occurring last financial year.

The internationally acclaimed Golden Grove project is expected to conclude in the next few years. Golden Grove continues to provide a high quality community and allotments for residents in the north-eastern region of Adelaide. The year 1999-2000 will mark the completion of the Regent Gardens joint venture between the Land Management Corporation, the South Australian Housing Trust and AV Jennings. This nationally acclaimed infill project has produced some 1200 housing allotments that house some 3 000 South Australians. This joint venture, which was entered into some 10 years ago, has won numerous awards for its innovative stormwater management systems and its excellence in urban design. Importantly, the project has proven a commercial success in its returns for the South Australian government from its land and development profits.

In the past 12 months the Seaford joint venture has been restructured, and it has sold the remainder of its residential and industrial allotments but, importantly, development has continued through its private sector partners who are developing a 13.5 hectare parcel of residential land to ensure that there is a continued, ready supply of quality land for affordable housing and other allotments in the area.

At Mile End, Kinsmen Pty Ltd has completed development of a 3 hectare medium density residential site. This project has attracted significant interest from the building industry and purchasers who wish to live in close proximity to the city. All allotments have been sold, and the government has received a return in excess of \$1.5 million from land sales. The completion of the residential component of the Mile End project is the final stage in the transformation of this former derelict railway site into a highly acclaimed environment providing better traffic management, medium density housing and sporting facilities at the gateway to the central business district.

At Port Adelaide, land sold under development arrangements for the Lipson Wharf and Harbourside East projects has acted as a stimulus for the revitalisation of residential and commercial opportunities in that area. Similar arrangements for the East End project have transformed the former fruit market site into a prestigious and vibrant environment for inner centre living. The LMC works closely with the private sector to ensure that there is an appropriate supply of land

throughout metropolitan Adelaide and that it is available to meet the demands of the community.

Walkley Heights, which was recently opened for sale, is now well under construction, and settlement of the second parcel of land comprising some 40 hectares is expected to occur shortly. At Northgate, the sale by the LMC to AV Jennings has ensured that the inner northern market continues to be served, following the recent completion of the Regent Gardens project. The new activity for the LMC since October last year has been the corporation's responsibility for the disposal of strategic surplus government land held by other government departments and other agencies. Of note in the past eight months has been the sale of four small but strategic parcels of land for residential development which contributed revenue in excess of \$6 million to the state.

The LMC continues to work closely with the private sector to facilitate the achievement of urban regeneration and economic development outcomes for the government, and ultimately to offer the community a range of opportunities for quality and attractive living.

The Hon. M.H. Armitage: In addition, this is a real success story for South Australia and Adelaide. The way these areas are being redeveloped is a credit to everybody involved.

The CHAIRMAN: I realise that the minister's portfolio does not directly relate to building design, which is more appropriately for the Minister for Transport and Urban Planning, but I notice many of the houses these days—and I am not criticising any of these developments—lack eaves and other traditional methods of reducing energy costs and so on. In terms of land transactions, is any effort made with the developers to try to influence good design related to minimising energy usage and so on? I do not expect an instant answer, but I think it is a point worth taking up.

The Hon. M.H. Armitage: It might be, as the member for Schubert previously interjected, that there is an unsung secret or story in relation to this. In Mawson Lakes in particular there are some encumbrances which would see the requirement for energy saving methods to ensure a 40 per cent reduction on standard energy costs for a similar house elsewhere in Adelaide. Recently, this has been verified by a University of South Australia study, so that is a very positive advance. In addition, I know that Mawson Lakes is trialling dual water systems, which will see a 50 per cent reduction in water use and, again, that is a very positive outcome.

In the AV Jennings development at Northgate, which Mr Harper mentioned, AV Jennings has signed a deed which would see a requirement for similar sorts of energy savings in houses there, and thus far it has achieved a verifiable reduction of 30 per cent in energy costs. So already there are some real focuses on that. I think that you have asked an important question, Mr Chairman.

Mr VENNING: I refer to page 29 of budget paper 5. Can the minister advise on the current status of the Motorola extension at Technology Park, Mawson Lakes?

The Hon. M.H. Armitage: Motorola, as everyone would realise, is one of the world's leading manufacturers of electronic equipment, systems and components. As part of its expansion in Australia and the Asia-Pacific region, the company sought government assistance for the establishment of a software development centre through the Industrial Premises Development Scheme. The Motorola Australia software centre was established at Technology Park in 1995, and at that time the centre was one of four key software development centres for Motorola's worldwide development

interests. The Industrial and Commercial Premises Corporation, through its Industrial Premises Development Scheme, has provided the project management, construction, finance and tenure arrangements for the stage development of a software development centre for Motorola at 2 Second Avenue, Technology Park at Mawson Lakes.

Stage 1, comprising a building of 3 636 square metres, has been completed and occupied since 1 October 1995, and Stage 2 comprising a building of 615 square metres was completed in the final quarter of 1997, with the lease extension beginning on 1 October 1997. An MOU was signed between Motorola and the Premier on 14 October 1998. A proposed expansion of the existing facilities confirmed Motorola's commitment in the MOU to continue operations at the Software Centre at Technology Park for at least the next seven years, to increase employment at the centre from the current 230 employees to at least 400 within five years, and to expand the company's existing involvement with tertiary institutions in this state in areas including research, education and training, and so on, all related to information technology. Construction of the northern office building, Stage 3, commenced on-site on 9 August 1999. It was necessary to acquire a further hectare of land in addition to the existing 2.54 hectares.

The current construction of the building will add a further 3 725 square metres to the facility, which will enable staff numbers to increase to an expected 500 persons, when completed. Again, in an unsung success story, when that occurs, when the staff numbers increase to an estimated 500 persons, the Motorola Software Development Centre at Mawson Lakes will be the company's largest software centre outside the United States and second only to the company's facility in the United States.

As a result of the growth in its business activities, Motorola has recruited additional staff. Originally the Stage 3 development was planned to accommodate 200 persons and that will now accommodate 265 persons, and the building will be progressively occupied from 30 June this year. So, to have a company such as Motorola with a pre-eminent position in the electronic equipment systems and components industry expanding to that extent in South Australia is a great bonus.

Membership:

Mr Foley substituted for Mrs Geraghty.

Ms Key substituted for Ms Thompson.

Mr VENNING: I refer the minister to budget paper 4, page 8.14. What is the current status of the Virginia pipeline and why is it such an important project?

The Hon. M.H. Armitage: I thank the member for Schubert for this question because it enables us to talk about an extraordinarily important and clever development. As I think some members may know, construction of the \$23 million Virginia pipeline commenced in the first half of 1998. It was commissioned in October last year. Eurotech Limited developed the pipeline under a BOOT agreement with SA Water, and it is operated by Water Reticulations Systems Virginia Limited. It is a very significant project because of both the environmental and economic benefits which it delivers.

There has been great cooperation between all parties, including the Virginia Irrigation Association, Water Reticulation Systems Virginia, Eurotech, SA Water and United Water. The project initially arose through the MFP but was

brought to fruition through the DAIS Major Projects Group, which played a key coordinating role.

The essence of the project is that the waste water is treated by the existing Bolivar secondary treatment plant to remove most of the pollutants. The secondary treatment process removes 80 to 90 per cent of the solids, as well as other pollutants. The water goes into large holding lagoons where it is held for 16 to 30 days to improve the microbiological quality. It is then treated by SA Water's new DAFF (dissolved air flotation and filtration) plant, which produces water to very stringent standards and quality, and obviously those standards are continually monitored. It is then disinfected with chlorine before being made available for distribution to irrigators through the new pipeline. The water is rated class A, in accordance with state, national and international guidelines, and it has been approved under the Public and Environmental Health Act for unrestricted irrigation of food crops.

There are three key benefits. First, water is obviously scarce, and indeed we picked that up in the answer to a previous question, and the project obviously makes better use of our water resources because, rather than discharging water as a waste product to the marine environment, it is being used, essentially, as an input by primary producers. As a result, irrigators reduce their exploitation of the underground ground water, which at current usage rates is sustainable. Further, the recycled water contains low levels of nutrients, which obviously then have a beneficial effect on the crops.

Secondly, the project produces a huge environmental benefit through the achievement of a substantial reduction in nutrients previously discharged as waste water from Bolivar into Gulf St Vincent. These nutrients damage the seagrass and mangrove forests, which leads to a degradation of the ecosystem. So this project helps considerably in achieving SA Water's goal through an environmental improvement program.

Thirdly, the irrigation water will support and, indeed, help to foster a vibrant export oriented horticultural industry on the Northern Adelaide Plains. The potential exists to increase production volumes and to supply new export markets which, as members of the committee would realise, means more jobs for South Australians. In addition, current research into the use of aquifer storage and recharge, or ASR, has the potential to make even further gains by storing excess flows in winter for subsequent use during the summer months. The type of economic activity which this may see involves a doubling of the output from the Virginia food and horticultural areas.

Mr VENNING: I have a brief supplementary question concerning the take up of this water, because it is certainly appreciated in the Virginia region. How much of the waste water is actually utilised? Is there some spare capacity? Is it being taken up by the growers? If they are not, is there any chance of bringing more land in, or even putting it to the Barossa?

The Hon. M.H. Armitage: I am able to confirm what we all thought. The SA Water people are responsible for it, and they are here, serendipitously. Fifty per cent is used.

Mr VENNING: So we have some spare space, haven't we?

The Hon. M.H. Armitage: Your question concerned how much less waste water is discharged: we use 50 per cent of that. In response to the member's question about whether it can be used in the Barossa, it is non-economic to do that. Obviously, the end users pay for the water, and transport costs and so on would make it uneconomic.

Ms HURLEY: Before I start my questions on SA Water and the other parts of session 3, I indicate that this will be the section where we have most pressure on our time from the point of view of opposition questions, and particularly since we are starting a little late on this session I think it is likely that we will be going beyond the lunch break with our questions.

Mr Foley interjecting:

The Hon. M.H. Armitage: It finishes at 1 o'clock. I am pleased the member for Hart is here.

Ms HURLEY: Sir, I did indicate that we had a problem with this.

The CHAIRMAN: We will only waste time if we get into an argument. Let's have a question.

Ms HURLEY: Has United Water International breached any conditions of its contract with the government, either to operate or maintain Adelaide's water services, or to develop a water industry during 1999-2000? If so, were any penalties applied against the company, and will the minister release to the parliament the independent report on United Water's performance that was promised at the time of the signing of the contract with United Water?

The Hon. M.H. Armitage: The answer to the question, 'Has United Water broken any of its contract conditions?' is 'No.' I draw the attention of the committee to the fact that United Water has achieved net exports of \$202.5 million in the first four years against a contractual requirement to achieve \$110 million net exports. So, it has almost doubled its net exports.

Ms HURLEY: Will the minister release the independent reports on United Water's performance as promised?

The Hon. M.H. Armitage: The member has alleged that it was promised. When was that?

Ms HURLEY: I believe several times in parliament— independent reports on United Water's performance at the time of the contract. It was repeated afterwards. I do not have the *Hansard* with me but I think it was annually.

The Hon. M.H. Armitage: I will look into that and get back to the member.

Ms HURLEY: Regarding the level of water exports achieved, will the minister specify which South Australian enterprises were involved, the value of the assistance given (as an aggregate figure), the value of additional output (in the form of 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: The member has asked about eight questions and I will do my best to answer them. In the first four years of the contract (1996 to 1999) net exports of \$202.5 million were achieved by United Water, and the company had contracted to achieve \$110.6 million in net exports in the first four years, which is nearly double. Net exports of \$99 million were achieved in 1999, including \$84.4 million resulting from the registered water industry participants category.

There are 60 companies in the South Australian water industry which have benefited directly from the presence of international companies during 1996, 1997, 1998 and, obviously, 1999. These companies include: Prophecy International, SE Fluid Controls, Orcades Engineering, Ottoway Engineering, the Newell Group and AMEC-Mayfield, etc. A further \$14.6 million in exports relates to the categories of exports by United Water and related companies (import replacement) and exports otherwise facilitated by United Water. The United Water contractual commitment for 1999 was \$42.2 million in net exports, which have more than

doubled. From the water industry alliance, about 220 companies are benefiting, and many of their exports contribute to our water industry.

Ms HURLEY: In December last year, the minister released a green paper on the future pricing options for water. That paper is critical of the lowest level of tariff of 36¢ as not being reflective of the cost of provision. It says that the multi-tier pricing system is inefficient and that we should move towards a single flat user charge. It is critical of cross-subsidies between metropolitan and non-metropolitan areas, and it suggests that a flat rate of charges based on consumption is the most efficient pricing structure. It quotes the 1997 Pricing Review of the South Australian Competition Commissioner in which he said:

There is no economic rationale for the implementation of an inclining block tariff. Usage charges should converge towards a single usage charge.

Will the minister comment on that, in particular, the fact that the lowest tariff (36¢ a kilolitre for the first 125 kilolitres) is too low and should rise; will the minister rule out an increase in this rate; and will he comment on the move towards a single tariff and the cross-subsidies between metro and non-metro areas?

The Hon. M.H. Armitage: When the deputy leader analyses my answer, I might ask her to do so in the presence of a number of her former colleagues who have previously been ministers responsible for water resources, because this is a complex issue.

Ms HURLEY: I know that.

The Hon. M.H. Armitage: The deputy leader says that she knows that. That is excellent, because it means that she will accept the answer and not try to make political capital out of it.

Ms Hurley interjecting:

The Hon. M.H. Armitage: Precisely. The honourable member mentions past ministers who are languishing somewhere else at the moment and the difficulties that they experienced. It is well recognised in South Australia that water is a scarce resource. Whilst a single price could be seen to be economically rational, there is an inherent difficulty in some of these issues in that, if we moved to a cheap single price, that may contain some price signals which might lead to people using water unwisely. So, having a price in the 91¢ or 92¢ per kilolitre area would obviously contain some financial imperatives in the way in which people used that water.

The various cross-subsidies, which have been identified, are quite severe in some instances. It is not this government's intention to make dramatic changes to those whilst recognising that, over the course of time, some of those changes might be sustainable. Indeed, that is the whole purpose of having released a green paper on the future direction of water pricing: to bring some of these issues to the attention of South Australians and, in some ways, to educate or help them explore with us the various options which challenges would provide in a state where water is such a scarce resource.

As I indicated, a number of the cross-subsidies are quite significant. It is not the government's intention to alter those cross-subsidies overnight, because it recognises that a gradual process of change is probably exactly what governments around the world are implementing.

Mr CONDOUS: I refer to budget paper 2, page 8.19. Will the minister advise the committee of the water industry development benefits which have been achieved for the water industry in South Australia?

The Hon. M.H. Armitage: The achievements and initiatives of the government in relation to water have included major advancements in economic development for the state and the creation of opportunities for the future. For argument's sake, in respect of employment growth, the government's outsourcing of contracts and economic development initiatives has created more than 870 jobs approximately.

Mr FOLEY: Say it like you mean it.

The Hon. M.H. Armitage: The member for Hart interjects. I take some degree of pride in this. I should not personalise the member for Hart, because he is not the only culprit. The Labor Party in opposition has criticised this contract ad nauseam whilst refusing to acknowledge that more than 870 extra jobs in South Australia's water industry have been created. On occasions, I have had the opportunity to see the real pleasure of people who have received training or one of these jobs. Obviously, this is something which the opposition would deny. It would rather that those people did not have those jobs than acknowledge the success of the outsourcing contract.

The export performance of both United Water and Riverland Water for 1999 has been assessed. At the end of the fourth year, the total exports recorded by water industry participants has grown to \$223 million. More than 70 jobs have been created under other contracts such as the Schlumberger and AVK Acqua-Gas contracts. Further job growth is expected as a result of North West Water placing a three year order with Schlumberger in South Australia to supply \$15 million worth of metering products to its UK operations, and further international orders for meters are likely to follow. Regional South Australians are the immediate beneficiaries of projects such as the \$100 million Bolivar Waste Water Treatment Plant to which I have referred.

Economic benefit will be provided to the state not only through these 870 jobs but through projects such as the Virginia pipeline. There are now more than 230 contracts with growers for this reclaimed water, which will be a major bonus for the growers involved.

Looking at the other side of the suburban area, the Aldinga waste water treatment plant and reuse scheme was commissioned for SA Water by Henry Walker Environmental Pty Ltd in mid-1997. This treats waste water from the nearby Aldinga Beach and Port Willunga catchment. It is one of the first privately financed, built and operated waste water treatment plants in Australia, and there is a 25 year contract. At current capacity that plant can irrigate approximately 60 hectares of vines.

Looking to international markets, activities and achievements, an excellent example is SA Water's signing of its first systems manager agreement to provide management and technical support for the corporatisation of 30 water utilities in Indonesia. As a measure of our opportunity, the World Bank has openly supported SA Water's activities in West Java and is investigating the integration of the SA Water program and its water structural adjustment loan program for West Java. That will see us being the systems manager for water for 42 million people. There are obviously great opportunities for SA Water's exports in such a process.

Our expertise in managing and operating water and waste water systems has also been recognised in Africa. Specifically, SA Water's expertise in managing and operating water and waste water systems has been recognised through our active participation in the technical assistance program

funded by the World Bank to improve water utilities in Maputo and surrounding regional areas.

Another significant export activity is the Water Industry Alliance—an industry cluster with more than 100 members representing private and public sector organisations. That alliance works very well in supporting various members in gaining international exports. As a snapshot, there is an array of achievements in the South Australian water industry that provides environmental, social and economic benefit at home and abroad that places our water industry at the forefront internationally, which I know is something that aggravates the opposition.

Mr CONDOUS: Will the minister advise what the WorkCover Corporation has done to ensure that the 5th International Congress on Work Injuries Prevention, Rehabilitation and Compensation will be staged successfully in South Australia in March 2001 and discuss the benefits that this brings to the state of South Australia?

The Hon. M.H. Armitage: WorkCover Corporation, in association with the Adelaide Convention and Tourism Authority, was successful in rebidding for the staging of the 5th International Congress on Work Injuries Prevention, Rehabilitation and Compensation, which will be held at the Adelaide Convention Centre from 18 to 21 March next year. The international congress was initially awarded to Australia for staging in Melbourne and Adelaide, but following the March meeting of the international steering committee in Rome it was decided that Adelaide would be the sole host city for the congress, which is a great boost for Adelaide.

The Australian heads of the various workers compensation authorities have also agreed to hold the second national workers compensation symposium concurrently with the congress, which will obviously facilitate learning from and benchmarking with systems in Australia and overseas. There are a number of excellent confirmed speakers at the congress, including: Professor Peter Barth, (Head of Economics at the University of Connecticut in the USA), who led a presidential commission that enacted the US Occupational Safety and Health Act; Carin Sundstrom-Frisk, who has led research in safety behaviour and culture at work as a senior researcher in the Swedish National Institute; Dr Peter Graham from the UK, who is the Director of Strategy and Analytical Support at the Health and Safety Executive in the UK; Judge Dr Stephen Adler, President of the Israeli Labour Court; and, other speakers, including heads or senior executives of workers compensation and health and safety agencies from overseas jurisdictions such as Switzerland and Italy and the President of the European forum. It will also include an exhibition to showcase our initiatives, which we think are world-class.

The head of the German workers compensation system has indicated that they are likely to bring 100 senior managers and technical experts from Germany to the congress. When one talks about congresses one talks about benefits to the state. This presents a unique marketing opportunity to attract buyers of workplace health and safety products, services and systems to South Australia and presents us with our excellent operations in WorkCover for further opportunities. There is also the immediate economic benefit of 600-plus delegates who will generate income of \$2.5 million to South Australia during their time here.

Mr CONDOUS: I refer the minister to chapter 8, page 20. In December 1999 the government announced that up to 50 000 South Australian employers are expected to share in a \$25 million rebate on their WorkCover levy from next July.

Will the minister advise how this rebate came about, the progress of this rebate and will employers receive their rebate in July this year?

Ms Key interjecting:

The Hon. M.H. Armitage: In picking up the interjection of the member for Hanson, who said, 'Whatever their health and safety record', which is just a fatuous interjection—

Ms KEY: It's true, though.

The Hon. M.H. Armitage: The member for Hanson might choose to ask some questions about these matters, which we would be very happy to answer. Her interjection indicates that she is wrong. I will ask Mr Keith Brown, the CEO of WorkCover, to answer to the question.

Additional Departmental Adviser:

Mr K. Brown, CEO, WorkCover Corporation.

Mr Brown: The \$25 million rebate represents 50 per cent of the surplus made by the corporation, driven by high levels of investment income, better management of claims and higher levels of levy income, which represents a safe return of income to companies. It is targeted at companies in South Australia that are not self-insurers. Those companies who have a poor health and safety record, as determined by our application of section 67 of the act, do not receive the rebate. It is deferred while they are under attention. There are 117 of those companies, and their ability to access the rebate will be determined by how well they improve their health and safety performance against our criteria over the next 12 months or two years. This is in our view a sensible way to reduce levies because in doing so we can build better incentives for better health and safety performance in companies in South Australia.

Ms KEY: I open my comments on WorkCover by saying that, despite what the minister has just said about answering all of my questions, that is not the case. I understand that it is not only I who have problems with the minister answering questions on WorkCover and in respect of his previous area of responsibility of IR, because I am told that the staff of other ministers actually send him a birthday card each year to remind him that he does not answer their questions. However, I do not intend to start sending the minister birthday cards to commemorate the yearly anniversary of his non response to my questions.

I raise two matters. First, I have several unanswered questions on notice to the minister, some nearly 18 months old, and I refer in particular to question Nos 29, 30, 31, 64, 65 and 66. The member for Ross Smith (Mr Clark) has had question No. 60 on notice for quite some time. I have also written to the minister, and in most cases I have not received a response. I have received an acknowledgment of my letter but no answer to my questions.

One of the first was about the Adelaide Oval light tower collapse, when I first wrote to you on 20 May 1999. An issue has been raised with you on a number of occasions with regard to hydrocarbon refrigerants; I wrote to you on 20 October, and I have also had a question on notice for quite some time. I wrote to you on 7 September last year about Henderson Automotive, on 18 November 1999 about the Arab Steed Hotel, and on 20 October 1999 with regard to the Port Augusta power station. In many of those cases I will now have to take up those issues with minister Lawson, because you have not had the courtesy or the decency to bother to give me a response with regard to health and safety issues that are of great concern, and in a couple of instances

have involved the death of workers. I am relieved that you have had that portfolio taken away from you, because I have had absolutely no response from you.

The CHAIRMAN: If these matters are not the minister's responsibility, there is no point in raising the issue.

Ms KEY: They have been his responsibility for at least two years, and now he has now been relieved of it. Some of the departments send him birthday cards because he does not respond—and that is people from his own side. So, when the minister says he answers questions, I think he will probably get a big pimple on his tongue. With regard to WorkCover, I refer to budget paper 6, page 5; budget paper 4, pages 8.2 and 8.3; and output class 3, page 8.10. My first question relates to the WorkCover bonus and penalty scheme. It is my understanding that the bonus and penalty scheme that was introduced in July 1990 now costs WorkCover some \$9.5 million a year. Moreover, some employers have been ripping off the scheme by having claims costs for injuries to workers falsely encoded as secondary disability costs and thereby excluded from bonus and penalty calculations. This rorting has now been going on under this government for many years and has probably cost WorkCover many millions of dollars.

I understand that this abuse of the bonus and penalty scheme was first raised by the WorkCover board with the relative minister in 1996 and subsequently on numerous occasions with his successors, including the minister. Why have you as the responsible minister for the government failed to act to prevent employer rorting of the WorkCover bonus and penalty scheme; what measures will the government take to establish the full extent of money that has been rorted; and when, if ever, will this government move to prevent rorting of the bonus and penalty scheme?

The Hon. M.H. Armitage: In relation to the allegations—I think the emotive words were 'hundreds of employers ripping off the system'—I would appreciate the honourable member's providing me with some examples.

Ms KEY: You know it is a confidential scheme; surely you can provide me with some examples. It is \$9.5 million a year we are talking about; surely we have to account for it.

The Hon. M.H. Armitage: So, you are prepared to come into parliament and make allegations in an emotive tone like that, and you know I am unable to talk about the examples?

Ms KEY: The WorkCover board has raised this issue a number of times with previous ministers, including you.

The Hon. M.H. Armitage: I am just trying set the ground rules for what you are trying to do.

Ms KEY: Why don't you answer the question?

The Hon. M.H. Armitage: I am going to.

Ms KEY: Why don't you do it now?

The Hon. M.H. Armitage: That is exactly why we are making changes to the bonus and penalty scheme and safety achievements and so on.

Ms KEY: Okay; what are they?

The Hon. M.H. Armitage: I will get Mr Brown to talk about them. Before I do that, I would instance that, according to your comment, you are fully aware that this is a confidential matter which we cannot talk about. In other words, it is obviously—

Ms Key interjecting:

The CHAIRMAN: Order!

The Hon. M.H. Armitage: It is obviously an attempt to utilise the committee to set me up. I understand that; that is politics, but we all ought to take the question bearing that in mind. We are interested in doing something about this. We

have made a number of changes to those bonus penalty and safety achiever schemes. I ask Mr Brown to talk about that.

The CHAIRMAN: It is one thing to interrupt the minister but do not interrupt Mr Brown.

Mr Brown: From the perspective of the CEO of the corporation, I will give some views on that. There are two main incentive schemes: the safety achievers bonus scheme, which is for larger companies, and the bonus and penalty system, which is more broadly based. They are designed to provide levels of financial incentives for companies that perform better in terms of their workers' compensation claims. Neither of those schemes is optimal in the return provided or incentives for improved health and safety performance. It is certainly true that they have provided focus. It is not my belief that they are the best outcome, and we are therefore reviewing them at the moment.

I believe that the new premium structure that we are currently developing will provide us with much sharper bonuses, penalties, incentives and disincentives in that regard, but at the same time it is clear that we have the attention of companies whose performance can be driven by bottom line impacts in their annual results. On the one hand, I agree that it is suboptimal, and we are trying to change that. On the other hand, we do need to have incentive schemes to focus companies on the financial impact of injuring people at work.

Ms KEY: As a supplementary question: can WorkCover or the minister confirm their calculation of the level of rorting?

The Hon. M.H. Armitage: To reject some of the bald allegations that the government and WorkCover just do not care about these matters, I would like to clarify matters in this area. We sit on various committees, and the member for Hanson knows only too well our commitment to change things for the better, such as early intervention strategies in rehabilitation to ensure that we get more people back to work and so on. She understands that we are not saying that the system is perfect and we are continually trying to change it, as Mr Brown has identified. The 1999-2000 injury year claims performance is better than that of 1998-99. Income maintenance payments for 1999-2000 injuries are 10 per cent lower than those for the same period last year. They are assisted by such things as early intervention strategies.

So, with the claims management contracts which we have written and continue to evaluate and discuss with the claims managers, we are focused on outcomes. In recognising that there are some difficulties and dilemmas, which no minister is comfortable with, neither the government nor WorkCover is satisfied that we are just sitting that: we are continually trying to improve the situation, and the claims performance indicates that we are being successful.

Ms KEY: I would like to ask my second question, Mr Chairman.

The CHAIRMAN: The honourable member has asked more than two questions.

Ms KEY: No; I have asked one question and one supplementary question.

The CHAIRMAN: No; you have asked more than two questions.

Ms KEY: Mr Chairman, with all due respect, I have asked one question with a supplementary and I am about to ask my second question.

The CHAIRMAN: That is gilding the lily. You have one more call, then I will give one to the other side.

Ms KEY: My second question relates to the WorkCover safety achiever bonus scheme, which the minister has already

mentioned. I understand that the safety achiever bonus scheme currently costs WorkCover about \$6 million a year. The objective of the safety achiever bonus scheme is to encourage a systematic approach to occupational health and safety, and participating employers who meet certain requirements receive reductions in their premiums. I also understand that the evaluation of whether firms meet these requirements is essentially a paper based exercise. To the best of my knowledge, the only independent assessment of the safety achiever bonus scheme involved David Caple and Associates in 1996, when it was found that there was no statistically significant difference in occupation health and safety performance, at least as measured by claims costs between safety achiever bonus scheme employers and a comparable group of non-safety achiever bonus scheme employers.

While I understand that a number of cosmetic changes have been made to the safety achiever bonus scheme, in light of the capital report I ask the following questions. How can the government justify the continuation of the scheme at a cost of \$6 million a year in premiums when it has failed to deliver comparable improvements in claims costs over and above those achieved by comparable non-safety achiever bonus scheme firms? What proposals does the government have in place to stop this appalling waste of money? Does the government have any proposals to redirect the money currently wasted on safety achiever bonus schemes into initiatives that would make a genuine contribution to improving occupational health and safety in the state? I think that question, Mr Chairman, goes with the other \$9.5 million that we were talking about with regard to the bonus and penalty scheme. We are not talking about chicken feed here; we are talking about a lot of money.

The Hon. M.H. Armitage: I reject the allegation that the changes are cosmetic, but no doubt the member will be pleased to know that the budget for this scheme for next year is \$4.5 million, and there is some commitment to continual change in that towards the new premium structure, which we think will have a much better outcome in ensuring better occupational health and safety.

Ms KEY: What measures are you planning?

The Hon. M.H. Armitage: As I said, we are reducing the budgetary allocation and changing the way in which the money is spent. As I have said, our goal in all of this is to continue the better claims performance which we are getting. If there were no changes, if the government did what the member for Hanson is alleging—that is, we are: first, non-caring; secondly, not continually assessing; thirdly, not making any changes; and, fourthly, satisfied—we would not have claims performances which were improving.

As I indicated, the income maintenance payments for injuries in 1999-2000 are 10 per cent lower than those for the same period last year, and the reason for that is that we are continually finessing the scheme, and this is one of those finesses.

Mr VENNING: My question relates to SA Water. I refer the minister to budget paper 2, page 8.18. Will the minister advise on SA Water's initiatives to enhance the quality of the water supply to South Australians?

The Hon. M.H. Armitage: As people who have lived in South Australia know, the quality of our drinking water may not always have been exactly what we would desire, but I think some of those perceptions have been unfair—or certainly those unfavourable perceptions have been unfair—because, in reality, the quality of drinking water which we

have and which we get as a consequence of our environment, and the fact that we are the end users of some poor quality source waters, presents South Australia with some particularly difficult technical challenges. In the main, the difficulties have been overcome so that the bulk of South Australia's population now enjoys a clean, plentiful and, importantly, potable water supply which is a terrific record given our source water.

Undoubtedly a major step in improving the quality of water for most South Australians was the metropolitan water filtration program. It was a 20 year program which brought clean filtered water to our population. We wanted to provide a commitment to improve the quality of water for a major proportion of regional South Australians as well, those who had previously missed out, and so a program to filter water for a further 150 000 people in communities supplied from the Murray River was generated. Ten water treatment plants were commissioned between December 1997 and September 1999 to serve those areas, and that has occurred largely as a result of an innovative contracting arrangement entered into with Riverland Water, which has undertaken the construction and operation of the plants under a build operate transfer contract.

Pleasingly, we have also introduced treated water to Kangaroo Island with the commissioning of two plants, one in July 1998 and the second in December 1999. Obviously, this will help with tourism, not to mention the people who live in the immediate surrounds of Penneshaw who are getting clean, desalinated water. Pleasingly, this incorporates equipment manufactured by Mineral Water Developments, which is an international company whose treatment process is unique, in that it does not require any pre treatment chemicals—and that is particularly fitting given Kangaroo Island's clean, green image. The percentage of the state's water users who received filtered water prior to the country water filtration program was 84 per cent: this has now risen to 93 per cent—and there is more to come.

Following a recent announcement by the Premier, work will start on extending the supply to additional communities. A new water treatment plant is being built at Mount Pleasant to supply Mount Pleasant, Springton and Eden Valley communities, and that plant will incorporate an innovative treatment process called MIEX (or magnetic ion exchange process), which reduces taste and odour in the water and the levels of chlorine needed to disinfect the water. That process has been developed by SA Water in conjunction with ORICA and CSIRO. As part of the program, the supply of filtered water will extend to Houghton, Paracombe, Inglewood, Birdwood, Gumeracha, Cudlee Creek and eventually Kersbrook.

In addition to the water treatment plants—that is, the 10 in the country and the two on Kangaroo Island—improved disinfection has been introduced, and the value of world standard water management and treatment expertise, frankly, is confirmed by the speed with which the outbreak of toxic blue green algae was detected and managed on Yorke Peninsula in April this year, because not only were we able to isolate the source of the problem and immediately supply alternative sourced water but SA Water successfully identified the presence of a previously undiscovered toxin and found ways to neutralise it within a few days, which underlines the status of the water quality centre.

In assessing how we are becoming focused internationally—and I previously mentioned the Schlumberger contract—many other benefits come from the strategy of having

international companies in Adelaide. In fact, today Schlumberger is announcing that it intends to invest more than \$9 million in a new state-of-the-art training centre at the University of Adelaide which will serve students at the university and clients of Schlumberger with advanced training in seismic data analysis and advanced reservoir characterisation of water and petroleum reservoirs. This sort of investment is a great boost to the state and, frankly, as I have said before, it is a tribute to the growth of Adelaide as a major water industry hub. I am very pleased that Schlumberger has made this investment, because it indicates that it is prepared to invest in smart stuff in Adelaide.

Mr FOLEY: I have some quick questions, and perhaps there can be some quick answers. Is it correct that McKinsey's have been awarded consultancies by SA Water over the past two years to the value of \$6 million; and is it correct that McKinsey's has recommended to SA Water that up to 200 to 250 jobs at SA Water in the regions be reduced—that job losses should be around 200 to 250 people?

The Hon. M.H. Armitage: McKinsey's consultancies in 1998-99 were \$980 000 and in 1999-2000 were \$3.49 million, a total of approximately \$4.5 million.

Mr Foley interjecting:

The Hon. M.H. Armitage: I know that members will be interested in this, because already the cash savings in place to date are \$7.5 million—but I apologise: I added the two figures and I should not have done that. The total for 1998-99 and 1999-2000 is \$3.49 million, and I added the two together—the \$980 000 and that, and the total is \$3.49 million. Already, the cash savings in place to date are \$7.5 million and will be in the order of up to \$10 million by the end of 1999-2000. Over a four year period it is estimated this will lead to an improvement in the value of the business of \$200 million to \$300 million, which is obviously a great bonus.

In relation to the employment question, I am informed that the average age of the SA Water employees is in the mid 40s and it is a lot higher in the rural areas. There will be people who will be taking natural attrition rates and we would be looking through SA Water to identify those people.

Members interjecting:

The CHAIRMAN: We do not want all this cross-talk. The honourable member may want to go outside and make headline seeking comments.

The Hon. M.H. Armitage: The figures are undecided but it is indisputable that some work force reductions will occur, as is appropriate in a commercial enterprise. The numbers, I am informed, are going to first start in the city, not in the country, despite what the member for Hart would say.

Mr Foley interjecting:

The Hon. M.H. Armitage: It is indeterminate, as I said, at this stage.

Mr Foley interjecting:

The Hon. M.H. Armitage: What I am saying is that there will be a reduction over a three year period. It may well be in the order of 200.

Mr FOLEY: Thank you very much.

The Hon. M.H. Armitage: It may well be. It is indeterminate at this stage. We are looking at a number of other opportunities in the country for things such as call centres in country regions. I reiterate that that is a standard practice in commercial enterprises. I have said before that all work force reductions will be voluntary, and in the country areas it is expected that many of the people who are of retiring age will accommodate the sorts of numbers that we are looking at.

So this is not, as the member for Hart would try to identify, a shock-horror scare tactic; it is nothing like that. It is a way of using a natural ageing process—which happens to everybody—to make sure that SA Water is focused as effectively as it can be. It is not focused in the rural areas. I reiterate that all work force reductions will be voluntary.

The CHAIRMAN: Minister, you earlier indicated the success of the desalination plant on Kangaroo Island. Could you indicate whether SA Water has any plans to establish in any other—

Mr FOLEY: Mr Chairman, I have not finished my line of questioning.

The CHAIRMAN: Order! The chair is entitled to ask questions. I have not asked any and I will not be interrupted. We have a minute to go.

An honourable member interjecting:

Ms HURLEY: On a point of order—

The CHAIRMAN: The chair will make—

An honourable member interjecting:

The CHAIRMAN: There is no point of order. The chair is entitled to ask any questions the chair would like. I was going to ask this question half an hour ago. I allowed you to go on and I am now going to finish it.

Ms HURLEY: On a point of order, I want a point of clarification. I indicated at the start of this session that we did start late, that we were pressed for questions, that we did not, in fact, have agreement on a timetable but that we would try to stick to it if possible. I am now seeking clarification whether the minister will allow the SA Water people to stay beyond this time, otherwise we abandon this timetable.

The CHAIRMAN: It is a matter for the minister, not the chair, to determine.

Ms HURLEY: It is not a matter of the minister—

The CHAIRMAN: Order! It is my understanding that normally there is a program put in front of the chair which, in my experience, has been agreed to.

Ms HURLEY: It is not agreed to.

The CHAIRMAN: It is a matter for the minister to determine who and when certain officers are present. It is up to the minister to determine whether he wants to extend SA Water. If SA Water is extended, obviously something else will be affected—it is as simple as that. It is entirely up to the minister. What is the minister's wish in this matter?

The Hon. M.H. Armitage: The only reason we have this program in place is that the member for Hart has delighted—and I am pleased to be able to address this issue now, because I was not before—for the past six years in accusing me of having too many officers waiting here, so I have allocated the officers specific times. I have instructed them to be here for that time and I intend to stick to that so that the member for Hart can be satisfied.

An honourable member interjecting:

The CHAIRMAN: Order!

Ms HURLEY: I move:

That the time for the ending of this session be extended beyond 1 p.m.

An honourable member: Seconded.

The CHAIRMAN: Is it seconded?

The Hon. M.H. Armitage: I am happy to have the session go for another five minutes—that is how late we were. I am completely relaxed about it. I am not in the slightest bit concerned about it.

The CHAIRMAN: The minister is happy to extend for five minutes. The chair will accommodate that, but I am not

prepared to go any further. If the honourable member wants to move, it is up to the committee.

The Hon. M.H. Armitage: I will move that the time be extended for five minutes, which is how late we were in starting this segment, so that the SA Water officers—

The CHAIRMAN: The minister cannot move anything. The Deputy Leader has moved that the sitting be extended—for how long?

Ms HURLEY: For one hour, sir.

The CHAIRMAN: The member cannot do that.

Mr FOLEY: She can do what she likes.

The CHAIRMAN: People have been sitting here for two hours.

Ms HURLEY: If the minister is being intransigent, I will move half an hour, but I want some cooperation. If not, I will move for one hour.

Motion put.

The CHAIRMAN: Is the motion seconded?

An honourable member: Yes.

The CHAIRMAN: The question before the chair is that the motion be agreed to. Those in favour say 'Aye', against 'No'. There are three Noes. I get only a casting vote, so the motion is carried. If any member of the minister's staff who has been here for two hours wishes to go—it is unfair to keep people here—they are entitled to. I will finish my question.

The minister indicated that there had been a successful operation of desalination on Kangaroo Island. My understanding is that the only way to successfully solve the water quality problem at Hawker and at Streaky Bay is by establishing a water desalination system similar to that on Kangaroo Island. The minister is aware of how successful the one at Coober Pedy has been. Could the minister comment on the likelihood of those two mentioned towns having a water desalination system in the future.

The Hon. M.H. Armitage: I will have to get back to you with the detail about Hawker. I am aware that a lot of work has gone on in relation to Streaky Bay. Indeed, the assertion that desalination is the only way of answering its water requirements is now being tested by SA Water. It may be possible for a long spur to be brought in, and that is being assessed at the moment. We understand and appreciate the urgency of the concerns, and we intend to address them as soon as we can. We recognise that the pipeline, if it were to be possible, has a low operational expenditure. So, there is an incentive, I guess, for SA Water to look at that. The answer is that we are looking at creative solutions, not necessarily along the lines of desalination.

Mr FOLEY: Further on consultancies, following the stunning revelations we have just heard and the government's attempts to run away from the questions—

The CHAIRMAN: Order! You are not reflecting on the decision of the chair are you?

Mr FOLEY: No, I am reflecting on the minister.

The CHAIRMAN: You should be very clear about that.

Mr FOLEY: I would not dare to reflect on you, sir.

The CHAIRMAN: Don't get sarcastic, either.

Mr FOLEY: You are grumpy today, Graham.

The CHAIRMAN: I thought you were the grumpy one.

Mr FOLEY: I would be grumpy, too, if I was the government and I had just lost a vote. Is it true that over \$1 million has been paid to a Mr Paul McDonald through his company McDonald and Associates?

The Hon. M.H. Armitage: Over what sort of period?

Mr FOLEY: Over the past three years.

The Hon. M.H. Armitage: I will have to check the exact figure, but I am advised that it may well be of that order, which would not be surprising for strategic advice in relation to a business the size of SA Water.

Mr FOLEY: Has the principal, Mr Paul McDonald, also received payment from SA Water through a company called Burns Rowe Worley?

The Hon. M.H. Armitage: Certainly not to my knowledge, and, I am informed, not to the knowledge of the chief executive. That is a separate entity.

Mr FOLEY: Supplementary to that, were the consultancies let to Mr Paul McDonald and Burns Rowe Worley publicly tendered through an open process?

The Hon. M.H. Armitage: My advice—and we will confirm this—is that the original consultancy was tendered. My further advice is that Burns Rowe Worley is a subcontractor to Mr Paul McDonald. It is not the other way around.

Mr FOLEY: You said that the first contract was tendered. Was the balance of those consultancies tendered?

The Hon. M.H. Armitage: What I am saying is that originally the tender was contracted; that is my advice. We will confirm that.

Mr FOLEY: Three years ago, but it has not been re-tendered?

The Hon. M.H. Armitage: It is a contract.

Mr FOLEY: For how many years? How long is the contract for?

The Hon. M.H. Armitage: As I say, we will confirm the detail.

Mr FOLEY: How much will Mr McDonald be paid through any company this forthcoming financial year?

The Hon. M.H. Armitage: As I indicated, my advice is that Burns Rowe Worley is paid by Mr McDonald, not the reverse. Burns Rowe Worley is a subcontractor for McDonald. That is what I am informed at the moment.

Mr FOLEY: You are qualifying your answers.

The Hon. M.H. Armitage: Because we do not have the information here with us. You allegedly know something about this. I will be interested to see whether your allegations are correct when we confirm it.

Mr FOLEY: I am not alleging anything, I am asking questions.

The Hon. M.H. Armitage: You have alleged a degree of inappropriateness. We look forward to getting the answers.

Mr FOLEY: I have not suggested that at all; I have just been asking some very probing questions.

Mr VENNING: It's on the record.

The Hon. M.H. Armitage: That's exactly right: it's on the record.

Mr FOLEY: As a supplementary question, what does Paul McDonald do for SA Water for which he has received in excess of \$1 million without, it would appear, a tender for the past three years?

The Hon. M.H. Armitage: That's not correct.

Mr FOLEY: Within the past three years; that's your own answer.

The Hon. M.H. Armitage: In particular, I am informed that this man, Paul McDonald, provides strategic advice to senior level staff. I am also informed that he has been involved in a consultancy dealing with a curtailment of electricity usage, which has led to a benefit of \$1 million.

Mr FOLEY: But there hasn't been a tender for three years?

The Hon. M.H. Armitage: Sometimes one does not tender every year.

Mr FOLEY: For a \$1 million consultancy?

The Hon. M.H. Armitage: One tenders for the work.

Mr FOLEY: How long does this tender go for?

The Hon. M.H. Armitage: As I said a minute ago—

Mr FOLEY: Somebody must have the answer; they've got all the other answers for you.

The Hon. M.H. Armitage: What I am saying is that we have to get the detail, but it would not be unusual for a contract to go for more than one year. A vast majority of contracts throughout government go for a longer period than 12 months, as I am sure the member for Hart would know from his time as a senior economic adviser to premiers.

Mr FOLEY: Could we come back to McKinsey again. You mentioned that \$3.4 million had been expended to date on work that it had done in recommending a reduction in the work force of 250. What is the expected expenditure, if any, on McKinsey over the next 12 months?

The Hon. M.H. Armitage: There is no planned expenditure for McKinsey in the next 12 months.

Mr FOLEY: So, is the \$3.49 million the total expended with McKinsey?

The Hon. M.H. Armitage: I cannot be clearer. I shall repeat it: there is no planned expenditure for McKinsey in the next 12 months.

Mr FOLEY: So, is \$3.49 million the total expended in previous years by SA Water with McKinsey?

The Hon. M.H. Armitage: I detailed it, and I will do it again.

Mr FOLEY: Yes for two years, but I am asking for the total.

The Hon. M.H. Armitage: That is \$3.49 million.

Mr FOLEY: Yes, but is that all that has been spent with McKinsey?

The Hon. M.H. Armitage: For the predilection of the member for Hartley, I will provide a breakdown of the details. I reiterate: the total expenditure on McKinsey for 1998-99 and 1999-2000 was \$3.49 million. I also reiterate: there is no planned expenditure for McKinsey in 2001.

Mr FOLEY: What about before the two that the minister just mentioned?

The Hon. M.H. Armitage: I have been informed that there was none in the previous year.

The CHAIRMAN: In relation to the question I previously asked about desalination—particularly in relation to the quality of water at Hawker—there are concerns about the effect of water on airconditioners, because recently there has been a lot of sand in the mains. In view of these difficulties, does SA Water have any plans to improve water quality at Hawker? Due to the fact that there has been a huge increase in the number of tourists travelling through the area, the quality of the water is an important issue.

The Hon. M.H. Armitage: Our obvious commitment is to improve things in rural areas. As I have identified in response to previous questions, we are now providing filtered water to another 100 000 to 150 000 South Australians. I am more than prepared to get back to the member with details about Hawker, but I emphasise that it would not be at all unusual for there to be some bonus for Hawker, as there is in all these other areas.

The CHAIRMAN: I point out to the committee that there are other people besides members of parliament who have to be considered. It has been accepted practice, during the time that I have been a member, not to cut into people's lunch hours. There has been an inquiry from Hansard as to how much longer its staff will have to continue. At some stage we

will have an hour for lunch, anyway. The committee would realise that Hansard has a roster for both committees—

Mr FOLEY: Perhaps 15 or 20 minutes will wrap it up.

The CHAIRMAN: The motion mentioned 1.30 p.m. I will not accept the motion. I will allow three more calls to Mr Foley, otherwise we may not have any Hansard staff this afternoon.

Mr FOLEY: Mr Sean Sullivan, CEO of the minister's department, is reported to be the highest paid public servant in South Australia. In relation to Mr Sullivan's appointment, and the announcement of his salary package, will the minister advise whether renegotiation of his salary package has occurred and whether the package has been increased? Will the minister advise the committee what is Mr Sullivan's current salary package?

The Hon. M.H. Armitage: Mr Sullivan's package, as reported on page 2 of the *Advertiser* when he arrived in South Australia, is a salary of \$295 000 with a \$30 000 performance based bonus. There have been some negotiations regarding taxation matters, but they have no financial impact.

Mr FOLEY: I am glad that the minister has raised the issue of taxation. Has Mr Sullivan's salary package been renegotiated, or in the original negotiations was it structured in such a way as to minimise his tax payments in South Australia?

The Hon. M.H. Armitage: My advice is that Mr Sullivan pays Australian tax at the Australian tax rate.

Mr FOLEY: What are the tax arrangements in Mr Sullivan's package to which the minister alluded?

The Hon. M.H. Armitage: The member for Hart has perhaps misconstrued what I said. The taxation advice to which I referred was not to alter the tax structure. As I said, Mr Sullivan pays Australian tax at the relevant rate. When Mr Sullivan arrived, having come here from overseas, we believed that it was appropriate for him to be given taxation advice, which was paid for. When he arrived that was part of the arrangement. So, I indicated that Mr Sullivan received some taxation advice from a senior consultant firm. I reiterate: Mr Sullivan pays Australian tax at the Australian tax rate.

Mr FOLEY: Does Mr Sullivan's package include return business class air fares for himself and members of his family to the UK or any other destination?

The Hon. M.H. Armitage: As an expatriate there is a commitment on an annual basis for Mr Sullivan to return to his point of origin, which is the UK. This year, that has not been exercised. It relates to Mr Sullivan's year of employment, which is from August to August.

Mr FOLEY: It is surprising what information oppositions are given. I find this information hard to believe, but I will ask the question. Has the Chief Executive Officer of SA Water ordered from overseas a lounge for his office at a cost of \$8 000?

The Hon. M.H. Armitage: I am told that a sofa and three chairs are to be installed in the CEO's office. This is appropriate given that a number of senior people visit him. My advice is that they were ordered at David Jones or Myer.

Mr FOLEY: At a cost of \$8 000?

The Hon. M.H. Armitage: I do not know the cost, but I will obtain that for the honourable member.

Mr FOLEY: You will advise the committee of the cost of the sofa and two chairs?

The Hon. M.H. Armitage: I will get the cost for you, but my advice is that they were ordered at David Jones or Myer.

Mr FOLEY: I hope it is not \$8 000. I would be stunned if it were that much. Is it true also that—

Mr VENNING: I move:

That the sitting be suspended.

Mr FOLEY: Is it true?

The CHAIRMAN: Is the motion seconded?

Mr CONDOUS: I second the motion.

Mr FOLEY: Is it true that there are plans to tile the foyer—

The CHAIRMAN: Order! It has been moved by the member for Schubert and seconded by the member for Colton that the committee adjourn.

Mr Foley interjecting:

The Hon. M.H. Armitage: There are no plans to tile the foyer or put in a fountain.

[Sitting suspended from 1.22 to 2.22 p.m.]

Additional Departmental Advisers:

Mr I. Millard, General Manager, Forestry SA.

Mr G. Nunn, Manager, Business Support.

Mr P. Edmonds, General Manager, Ports Corporation.

The CHAIRMAN: I take it that we are dealing with services to government. Are there any questions?

Mr FOLEY: I will ask the minister a dorothy dixer. He announced today some arrangements concerning the TAB. Will he enlighten the committee about the announcement today, albeit overshadowed by other events, about the TAB? What exactly did the minister announce today?

The Hon. M.H. Armitage: I would be delighted. After a series of negotiations that were focused, Mr Inns, the chair of the Greyhound Racing Authority, identified the interests of the three stakeholders, that is, the racing industry, the government and the potential purchaser. Those negotiations have come to a very fruitful discussion where at lunch time the racing codes chairmen's group at the advice of their negotiators signed a heads of agreement. This will lead to a very positive future for the racing industry and Minister Evans would be delighted at some stage to talk to the honourable member about that. The racing industry will receive an up front capital payment of \$18.25 million and a 22 per cent increase in its per annum income. If that deal was not satisfactory to the racing industry, the racing codes chairmen's group would not have signed that agreement. This is a positive way forward for the racing industry and we are pleased with the outcome that has been reached.

Mr FOLEY: I will let my colleague ask some follow up questions in a moment and no doubt he will also make the point that the chairmen of the racing codes whom you have talked about are all government appointments and not necessarily reflective of the racing industry in general. The minister is saying that \$18.25 million is a one-off payment. What are the conditions for or the expectations regarding those funds in terms of how they are spent? Secondly, he talks about a 22 per cent increase in income to the racing industry. The minister needs to elaborate: what does that mean?

The Hon. M.H. Armitage: The money goes to the racing industries. As the member for Hart may or may not be aware, it is the government's view that the racing industry is best at managing its own future, so there is no tie on that money. However, the chair was asked whether that money might be spent on an upgrade of Morphetville racecourse. His

response to that question at lunch time—given that the money will be paid to him you had perhaps better ask him rather than me—was that from the thoroughbreds perspective an upgrade of Morphetville was of the highest priority. With regard to the 22 per cent increase, with effect from 1 July 2000 and subject to the sale, SAARI will receive \$41 million compared with \$33.5 million in the current financial year, which is the 22 per cent increase.

Mr FOLEY: By way of supplementary question—although it is not my portfolio area, I cannot resist the opportunity—giving \$18.25 million in large part to the thoroughbred racing industry without any government conditions in terms of what the money is spent on is a terribly risky policy decision to take, given the track record of the SAJC in terms of managing racing in this state. The notion of giving \$18.25 million in one hit to racing without any conditions or agreements as to how the money should be spent is a risk of high order.

The Hon. M.H. Armitage: We have a great deal more faith in the racing industry's capacity to manage its own future than do you, obviously. We think it is a very legitimate way forward and we are confident that it will be used wisely.

Mr FOLEY: That was not my question—it was just a statement.

The Hon. M.H. Armitage: I am just having a discussion.

Mr FOLEY: Sure. I take it that the \$18.25 million will come from the proceeds of the sale.

The Hon. M.H. Armitage: Correct.

Mr FOLEY: The \$41 million, which I assume is the dividend from the TAB for this financial year—the 22 per cent increase from the \$33.5 million—is something on which you need to give more details about how it will be structured in terms of ongoing payments. What model will be put in place to deliver?

The Hon. M.H. Armitage: I am happy to take the time of the committee. There will be a one off \$18.25 million payment to SAARI when the SATAB sale is completed. There will be a guaranteed annual income to SAARI of \$41 million per annum for the first three years, indexed to CPI and it commences on 1 July 2000, subject to the sale. With effect from 1 July and subject to that sale, it will receive \$41 million this year compared with \$33.5 million—a 22 per cent increase. Beyond that time and out to 10 years, SAARI will receive a combination of a fixed payment, which will be adjusted to CPI, and a variable payment based on net wagering revenue. It is very much the position of the negotiators and the racing industry that they will be able to grow the net wagering revenue and, accordingly, they believe it is a secure income. They believe it is so secure that they have negotiated a position such that after 10 years SAARI will receive a fixed percentage of net wagering revenue as its source of income.

Mr FOLEY: By way of supplementary—

The Hon. M.H. Armitage: Your fourth supplementary.

Mr FOLEY: You are talking of guarantees. I do not know how and why the government should be guaranteeing revenue to the racing industry over and above the \$18.25 million. You are selling the TAB, parliament willing, of course, and that organisation is then transferred to the private sector. You are selling that business with the condition that it must pay \$41 million to the racing industry guaranteed, plus CPI.

The Hon. M.H. Armitage: That is right. It is not unusual to put conditions on something one sells—people do that all day, every day.

Mr FOLEY: Why have you increased the payment to the racing industry? You are giving the racing industry a \$8 million per annum increase at the expense of the taxpayer, because the price of the sale of the TAB will be accordingly discounted. Why are we giving the racing industry, first, \$18.25 million of taxpayers' money up front and, secondly, we are putting in place a guaranteed deal that provides them with \$8 million extra per annum at a cost to the taxpayer. It is a very generous deal.

The Hon. M.H. Armitage: It is best summated by the response Mr Graham Inns gave at the media conference, namely, that in this instance there are the interests of three stakeholders to be considered, one being the racing industry. If it does not supply its product, whether the TAB is owned by the government or a new owner, has nothing on which to bet, so there is no TAB. There is also the interests of the government, that is, the taxpayer, in that if 'the deal' was too generous to the racing industry there would be an inability for a sale to occur. The third interest is in the new owner. If we had done a deal that was too generous and there was nothing in it for the new owner, there would be no sale. The negotiators for SAARI are well aware that this is a terrific deal for them because it actually provides the sort of financial resources it has been looking for—

Mr FOLEY: You are trying to buy off the racing industry at the expense of taxpayers. You cannot balance your budget, yet you are prepared to put \$8 million into racing that you are not prepared to put into your budget bottom line.

The Hon. M.H. Armitage: Absolute rot!

Mr FOLEY: I will have much pleasure explaining that one to the electorate, I can tell you.

The Hon. M.H. Armitage: Rot and rubbish.

Mr FOLEY: It is—you are giving them \$8 million more.

The Hon. M.H. Armitage: What I find fascinating in this is that you ask why we should in essence do the deal for the racing industry, yet your colleague, the member for Lee, has asked endless questions as to how we will support the racing industry.

Mr Wright interjecting:

The Hon. M.H. Armitage: They have not been to me—they have been to the Minister for Racing.

Mr Wright interjecting:

The Hon. M.H. Armitage: No, that's not true.

The Hon. R.B. SUCH: My question relates to Forestry SA, and I refer the minister to page 5 of Appendix A to budget paper 4. I know that Forestry SA provides forest recreation camping sites and other recreation facilities. Will the minister provide some information regarding the level of community use in state forest reserves; and what programs are in place to enhance the recreational opportunities and conserve the biodiversity of the native forest reserves?

The Hon. M.H. Armitage: I thank the honourable member for this important question. Forestry SA and its various facilities are a real bonus for the South Australian public—a real asset. There is a lot of community use, and indeed we are looking to expand that. To give some detail on that I ask Mr Graham Foreman, who is the Chair of the Forestry Board, to elaborate further.

Mr Foreman: The state's forestry reserves, especially those close to Adelaide, are used for a wide range of recreational purposes, including walking, picnicking, nature appreciation, etc. Other uses include horse riding, mountain bike riding and some motor sports. In 1999 the survey data on recreational use indicated that the number of visitors to the Mount Lofty Ranges and northern reserves exceeded

200 000. This figure includes over 13 000 permits used for activities such as camping, horse riding and so on.

Over 11 000 inquiries were made to the forests information centre, and some 50 000 visitors participated in organised events. While limited facilities are provided by Forestry SA, during the past year a new camping area known as the Cromer shed was established at the Mount Crawford forest, and a forest information stop was established on the Riddoch highway in the South-East near Nangwarry. This latter facility includes information on the history, extent and importance of the forestry industry to South Australia.

The forest reserves managed by Forestry SA include a range of plantations and native forest reserves with some open areas. These provide some unique opportunities for recreational users through the differing vegetation types. Significant work is being undertaken to enhance the biodiversity within native forest reserves, with programs in place to remove pest plants, wild pine regeneration and feral animals. In particular, a long-term reforestation project is under way at Cudlee Creek forest, following the 1983 Ash Wednesday wildfire. Planned expenditure for the next financial year for these activities across the state is \$367 000.

A volunteer program has been established by Forestry SA particularly to assist in conserving the biodiversity of native forest reserves and also to conserve forest heritage. In recognising the value of our forest reserves for community use and conservation as well as their wood production values, the reserves in the Mid North are managed as community forests. Advice is provided via a community reference group as to how the social values of the reserves may be enhanced. The reserves in the Mount Lofty Ranges are managed as multifunction forests, and this recognises the value of these reserves for wood production, recreation and conservation and for environmental and aesthetic properties.

The Hon. M.H. Armitage: All members who are driving in the Mount Gambier or Nangwarry area should stop at the forest information site and go for a little walk, not only for safety but also because it is a very interesting facility.

The Hon. R.B. SUCH: I would imagine that under your aegis you have, through SA Water and Forestry SA, some of the best conservation areas in the state—probably some of the most pristine—so I am pleased to know they are being safeguarded. My next question refers to Appendix A of the budget paper. Will the minister advise on the capital projects that are proposed during the forthcoming year for improving community use of the state's forest reserves?

The Hon. M.H. Armitage: Again, I will ask the chair of the Forestry Board to provide the answer on the capital projects.

Mr Foreman: Our state's forest reserves are highly valued by those in the community who use them for a wide range of recreational activities. Due to the range of native and plantation forests and open areas, a wide variety of opportunities are available. The main capital works in those areas that are related to this function are the forest information stop that was mentioned, and the construction of a viewing platform which is proposed for Hell's Hole in the Caroline forest. Hell's Hole is probably one of the most spectacular sink holes in the South-East region, and it is important that the community, including visitors to the South-East, are able to visit that natural feature and view it safely.

Improvements are also planned in the Kuitpo area in terms of a forest information centre which, as I mentioned previously, will help cater for the 200 000 people who visit that area. Another walking trail is planned in the South-East, again in

the Caroline Forest, and that will link with the Dry Creek native forest reserve, which includes a range of forest types and other natural features that link with the Glenelg River. A replacement shelter shed is also planned for the picnic grounds in the Bundaleer Forest in the Mid North. That picnic ground is well used and valued by the local community, and it is the site of the Bundaleer Forest concert weekend, which was attended by some 6 000 people.

The minister and I recently had the pleasure of meeting the reference group for the Bundaleer Forest and spent some time walking some of the trails there with them. A trail known as the Maple Walk includes many different types of vegetation in that area. The contribution made by that reference group in the planning of facilities in that area is something that we very much appreciate and has contributed to their ability to make use of that valuable asset in the Mid North.

The Hon. R.B. SUCH: My third question relates to the Port River. What can Ports Corp do and what will it be doing to manage the Port River in respect of the environment? That dovetails into earlier announcements about improvements to the Port River.

Mr FOLEY: Will you rule on a point of order, sir? Legislation is currently before the parliament on the sale of Ports Corp and the management of the navigation channel and one other bill. I am happy for the minister to answer questions, but that will mean the opposition is free to ask questions about Ports Corp, and that may impact on questions about the sale. Will you rule, Sir, on whether this matter is before the parliament?

The CHAIRMAN: If money has been appropriated for Ports Corp, it is legitimate to ask questions about it.

The Hon. M.H. Armitage: To clarify for the member for Hart, this question is about environmental management: it has nothing to do with the sale of PortsCorp.

Mr FOLEY: There is a bill before the parliament about the navigation channel and the policing—

The Hon. M.H. Armitage: This is the environmental management of it, not the navigational—

The CHAIRMAN: The chair will accept any answer the minister may give.

Mr FOLEY: I will help you, sir.

The Hon. M.H. Armitage: As everyone would realise, the Port River has an unfortunate legacy of pollution going back 150 or more years and a number of initiatives are addressing and hoping to remediate the legacy. Key amongst these are the recent announcements in relation to diversion of the outfall from the West Lakes sewage treatment works to the Bolivar works. It is factual, though, that PortsCorp, whilst it owns land on either side, does not own the water, and so it has no direct control over the majority of pollutants which might enter the river. However, it has taken all practical steps to minimise the pollution caused by its own activities and the activities of tenants, contractors and the stevedores.

To this end, the corporation has undertaken a comprehensive review of its environmental management practices and introduced a formal environmental management system linked to its existing quality management system, which has recently been audited in accordance with requirements of international standard organisation, environmental standard ISO 14001, and it is pleasing that the corporation has been recommended for the awarding of this certification. I congratulate the board and everyone involved in PortsCorp on that matter. The establishment of those environmental management practices is seen as a fundamental step to ensure

its environmental management responsibilities are being appropriately addressed. To gain that ISO qualification, procedures which have been implemented include such areas as stormwater management, land contamination management, ballast water, quarantine, waste handling, barge work, oil spill capabilities and so on.

A number of specific works being undertaken are aimed at minimising the risk of pollutants entering at Port Adelaide and other port systems, such as a new container wash down and refuelling slab, together with associated waste water treatment facilities at the Outer Harbor container terminal; redevelopment of the drainage systems associated with inner harbor berths so as to redirect run-off waters away from the Port River; construction of new hard stand areas at Port Pirie to enable effective management of quarantinable waste; the diversion of effluent from amenities building; and identification of stormwater entry points and associated training to ensure that contaminants are not poured into the river. An MOU is being developed in conjunction with stevedoring companies to ensure that cargo handling practices are optimal, and all PortsCorp tenants have been requested to indicate whether their activities have the potential to cause environmental damage and, where relevant, what steps have been taken to overcome or minimise that damage.

It may well be that some of these actions may be seen by some people as being over and above the brief of a ports corporation, but it is considered important to ensure that the entire ports community behaves in an environmentally responsible way, and so PortsCorp will not move away from those practices.

Mr FOLEY: My colleague the member for Lee will be back shortly to ask some more questions about the TAB—he was called away to a pressing engagement. I would like to turn to the Lotteries Commission. I refer to your government's decision to tell sell the Lotteries Commission, which we have already flagged. We are dealing with lotteries, I take it?

The Hon. M.H. Armitage: Lotteries is next session.

Mr FOLEY: Is it next session?

The Hon. M.H. Armitage: Yes.

Mr FOLEY: Starting at 4?

The Hon. M.H. Armitage: Yes.

Mr FOLEY: I will come back to that: I was not sure where we were with all of that. Maybe I will go onto racing issues and the TAB. Will the minister enlighten the committee as to the value of the consultancies paid for in the last financial year for the sale of the TAB (or since the process began) and any expected expenditure over the course of the next 12 months? Is that not part of the session either?

The Hon. M.H. Armitage: It is forestry. I answered the question because I thought you were waiting for Michael to arrive. This session deals with forestry and PortsCorp.

Mr FOLEY: You should have pulled me up at the beginning: I would not have gone off on a tirade against you—it was premature and I apologise. Let us talk about PortsCorp.

The Hon. M.H. Armitage: Absolutely.

Mr FOLEY: Is it correct that at present the government is allowing negotiations to be undertaken and to conclude before 30 June for the Royal South Australian Yacht Squadron to purchase the basin at Outer Harbor over which it has a long-term lease? Is the value that is being discussed a figure of \$850 00?

The Hon. M.H. Armitage: The answer to both those questions is 'Yes.'

Mr FOLEY: Supplementary to that, is \$850 000 considered fair value for that location? How did you arrive at the figure of \$850 000?

The Hon. M.H. Armitage: Of course it is or we would not be asking for it.

Mr FOLEY: What you are suggesting is that I should take on trust that you have your commercial facts right. How is \$850 000—

The Hon. M.H. Armitage: Sir, with respect, is that imputing improper motives to me that I would be offering for sale a state asset at a price that was not appropriate?

Mr FOLEY: Yes, that is what I am trying to work through.

The CHAIRMAN: I suggest that the member does not do himself or the institution any good by making unnecessary derogatory comments towards the minister or others. He can be critical if he so desires, but there are ways and means of doing so.

Mr FOLEY: Mr Chairman, if you did not overreact to that, I was suggesting that the government does not always get it right when it comes to commercial transactions from our point of view.

The Hon. M.H. Armitage: Big call, coming from the former adviser to Premier Lynn Arnold and Bannon.

Mr FOLEY: Lynn Arnold: never Bannon. My question is: how did the minister strike a figure of \$850 000? I am not saying that that is a wrong figure: I would like to know how that figure was struck.

The Hon. M.H. Armitage: Given that the allegation was quite clearly, at least in the interjection, that we have no commercial experience and hence we were in fact—

Mr FOLEY: That is not what I said.

The Hon. M.H. Armitage: It is exactly what you interjected—

Mr Foley interjecting:

The Hon. M.H. Armitage: It is 100 per cent what you interjected and I heard it—

The CHAIRMAN: The member for Hart has had his say. Let the minister answer.

The Hon. M.H. Armitage: And I reject the allegation totally. What the facts are, despite what the member for Hart may choose to scurrilously allege, is that agreed independent valuers were engaged. A range of values were identified, there was a negotiation within that range and the \$850 000 is a position that is within that range.

Mr VENNING: Is that not your electorate?

Mr FOLEY: It is.

Mr VENNING: Aren't you pleased?

Mr FOLEY: I am pleased it is there: the Royal South Australian Yacht Squadron is a very important part of my electorate. I suspect not too many live in my electorate.

Mr Venning interjecting:

Mr FOLEY: No, I thought it just seemed a low number for that site. Now, I accept that, if that is what the valuation—

The Hon. M.H. Armitage: Commercial inexperience—
An honourable member interjecting:

Mr FOLEY: And it may well do so. It is prime water front land. That is fine. The reason for my question in particular is that there are also two other tenants of that particular facility: one is the small boat trailer club and the sea scouts who have leases at present. Will the minister assure the committee that they will be given the ability to either buy their portion of the land or, in any sale to the Royal Yacht Squadron, that it be a condition that the Royal Yacht Squadron be made to give them a long-term lease on those

two sites. I am fearful that the Royal Yacht Squadron might decide that it wants that room and move them on?

The Hon. M.H. Armitage: My understanding is that the sea scouts want to lease and not buy and they are comfortable with arrangements that they have made with the yacht squadron—and I would accept nothing less, given that I was a sea scout thousands of years ago and in fact spent one weekend at that little shack. In relation to the trailer boat owners, that is still a matter for negotiation, and we have directed that further work be done so that we have an outcome that suits everyone.

Mr FOLEY: That is good. I was just sticking up for the small players in all this. I did not want them to be put at a disadvantage.

The Hon. M.H. Armitage: There is no way that this government would contemplate that, sir.

Mr FOLEY: Okay; I will keep a straight face on that one.

Mr Venning interjecting:

Mr FOLEY: No, that was a local issue I wanted resolved; I am happy now.

Mr VENNING: I am pleased that we are on to the subject of Ports Corp. I refer to budget paper 2, chapter 7, page 5. This is a broad subject, and I think I have to declare my interest here as I do everywhere else in relation to the bulk handling of grain and so on. Of course, that is all vitally involved with the sale of Ports Corp. Would the minister advise on the progress of the Ports Corp lease/sale?

The Hon. M.H. Armitage: As the committee is aware, we had a number of objects in our principal decision to sell SA Ports Corp, which included encouraging economic development with expanded freight services and investment opportunities; improved services for importers and exporters through reduced fragmentation of the supply chain towards the well-known concept of total supply chain management; to enable resources tied up in Ports Corp to be put to other government uses; and to remove risks to government from competition in port businesses and for a potential for significant lost business opportunities that would in any case be inappropriate for the government to pursue. There has been a round of post-announcement consultation which involves local community leaders and peak bodies. That occurred late last year. There was another round of consultation on the specific issue of recreational fishing access to commercial wharves. A number of public meetings have been held, and consultation on a one-on-one basis has been held with large numbers of key stakeholders.

Further, we have established a web site that contains all the publicly available information—press releases, reports, answers to questions and so on. As a result of this, a number of things have happened: the government recognised the non export nature of Kangaroo Island ports and withdrew them from the sale process; we have announced, subject to safety and protection of port facilities, public access to commercial wharves will continue following the proposed sale, along with commercial fishing vehicle access, based on agreements which will be incorporated as a condition of the sale—we are negotiating that at the moment with local councils and peak fishing bodies and so on; negotiations between the government and the unions to establish human resource management principles for the transition from public to private ownership have been signed off; and we have now progressed to the stage where it is anticipated that a sale/lease will be achieved approximately six months after the legislation is in place.

That legislation, which has been introduced to parliament, is three-fold: the South Australian Ports (Disposal of Assets)

Bill, the Maritime Services (Access) Bill and the Harbors and Navigation (Control of Harbors) Amendment Bill. The member for Hart would be aware that we are engaged in discussions with the Port Adelaide Enfield council in relation to a number of zoning matters, and we are confident that those things can be worked through.

Mr VENNING: I refer to budget paper 2, page 8.18. I note that Mr Edmonds, whom I have known for a long time, is present. Given the ongoing Ports Corp sale process, what has the corporation done to ensure that the business of the corporation and its facilities are effectively maintained?

The Hon. M.H. Armitage: This has been of particular interest to the government, and it has been a real concern for the board and the management of Ports Corp as well. It has coped with the challenge magnificently, and that is readily evident through a range of initiatives of the corporation. In relation to trade development, the corporation has secured additional container shipping services to Europe. It has continued to support services to South-East Asia and New Zealand and to seek additional direct container services to North Asia and North America. Container trade through Port Adelaide continues to grow, with the highlight over the past year being a quite phenomenal growth of export trade to Europe where it has increased by approximately 67 per cent.

The corporation has worked hard with the motor vehicle industry to ensure the motor vehicle export trade of General Motors and Mitsubishi continues to be directed through Port Adelaide. Last year there was a record volume of 47 400 motor vehicles through the port, and exports exceeded imports for the first time. My advice is that to date this year that number has already been exceeded. The corporation has had to invest in excess of \$1.25 million in new hard stand areas at Outer Harbor and has undertaken substantial redevelopment of the old Outer Harbor wharf 1 to 5 areas.

A new Southcorp warehouse facility for wine exports will be developed at Outer Harbor. That is a major initiative in securing long-term wine export trade through the port of Adelaide, and I believe that that will be facilitated by the Port Adelaide Enfield council in the very near future. Ports Corp has an ongoing schedule of works aimed at ensuring that its facilities are maintained in good working order. In recent times works have been commissioned, including major corrosion prevention and protection works, at jetties and wharf structures in Port Adelaide, Port Giles and Port Pirie; and major new fendering structures have been installed at Port Adelaide, Port Giles and Thevenard. Substantial new decking has been installed on the jetty at Wallaroo in addition to the small area which had to be replaced due to the recent shipping accident at the port.

A number of internal operating efficiency measures have been initiated, including improved administrative procedures. As I indicated, international environmental management standards are being met, which is terrific. The answer to the member's question is that the board, the management and the staff are committed to the maintenance and development of the business and facilities of the corporation. Their commitment is exemplary and it is thriving.

Membership:

Ms Thompson substituted for Ms Key.

Mr VENNING: I note the minister's comment about the Wallaroo wharf that was damaged. I again refer to budget paper 2, page 8.18. I looked at the wharf, and I am very concerned about it. Can the minister advise whether the

damage to Wallaroo jetty will impact on Ports Corp trade, what is the final estimate of the cost of the damage and will it be repaired by 1 November for harvest?

The Hon. M.H. Armitage: It is an important issue, and in providing an answer I ask Mr Peter Edmonds, CEO of Ports Corp, to enlighten the committee.

Mr Edmonds: The damage was in two parts. There was damage to the jetty, which amounted to about \$200 000, involving four piles and some decking. The major damage was to the SACBH overhead grain handling gallery, which was hit by the bow of the ship. The replacement of that is of the order of \$2 million to \$2.5 million. The decking was repaired before the end of May. The damaged gallery was taken down and the new gallery has been placed in situ, and they are now in the process of connecting it.

The impact on trade through Wallaroo obviously was a disruption to grain exports, because it cannot occur until the gallery has been reinstated. Fertiliser trade has continued through the port, except for minor disruptions when we had heavy equipment on the jetty. We expect the whole plant to be operational again in August, and the residual grain in Wallaroo will then be shipped out. So, in terms of the overall impact on Ports Corp, there are some delays in revenue coming in through Wallaroo, but it is really only a delay rather than loss of revenue. Grain ships are being diverted to other ports to pick up grain in the interim.

The CHAIRMAN: I understand it is the second time that there has been a problem at Wallaroo. Is Ports Corp taking any steps to ensure that there is not a repetition of this unfortunate course of action to ensure that there are not disruptions in the future?

The Hon. M.H. Armitage: Certainly there are a number of potential financial strictures and penalties which are put on vessels which have this occur, which means that they would not be keen to do it. Recognising, as I have said, that the vessels are required to pay for the cost of repairs and that they are not released until securities are available to ensure that that will occur, it is a financial disincentive to have this occur. I will ask Peter Edmonds to address the practicalities of the matter.

Mr VENNING: Also, does that include compensation for losses?

Mr Edmonds: Basically, there is full cover by the ship's owner or the ship's insurer for all damages incurred to Ports Corp property and to SACBH property, and the ship is not released out of the port until appropriate bonds are put in place. In terms of the damage to Wallaroo, I think the last incident was in 1978 when a Chinese ship went through it. Since then about 900 grain vessels have been through that port. So one incident in 900 is a fairly low percentage. There always are hits between a ship and a wharf. You have to park a 30 000 tonne or 40 000 tonne, or sometimes larger, ship against a static structure and you have to park it at zero velocity. You cannot afford to bounce off a curb as you might do with a car. So there are incidents; sometimes they are more dramatic than others.

We have increased fendering at Wallaroo. We replaced that some two or three years ago, and we have plans for further fendering increases, if we are going to handle the Panamax vessels more frequently in the future. It is a risk in any business to have an impact. This particular vessel would have been travelling at very minute speed. If it was going any faster it would have gone straight through the whole lot, because of the momentum behind it. In fact, I am told that the

vessel was actually starting to reverse when it touched, and only just did touch.

Ms HURLEY: In relation to the Ports Corp sale, the minister outlined the fact that some consultation was being undertaken with the Port Adelaide Enfield council. What consultation has been undertaken with the grain industry, in particular, about the deep sea port infrastructure?

The Hon. M.H. Armitage: There have been ongoing discussions for a long period of time in relation to that. I have had a number of meetings with representatives of the grain industry and it is a broad church, it is fair to say, when one negotiates with the grain industry as such. But there are a number of agencies within government which are negotiating, and I mention particularly the Deputy Premier as Minister for Regional Development and myself. There have been a number of discussions and there was a roadshow that went around, and we are involved in ongoing discussions.

Ms HURLEY: Is this likely to lead to an agreement to deepen Port Adelaide to allow Panamax vessels in for grain export? Will the financing for that be finalised before the sale of Ports Corp goes through?

The Hon. M.H. Armitage: The government has made a commitment to provide a deep sea port option, in consultation with the grain industry. The difficulty and dilemma around that concerns what option is picked, given that the Deep Sea Port Investigation Committee (DSPIC) report a year or so ago provided a number of options, one of which, if you look at the Port Adelaide option, included the deepening of Outer Harbor and a turning circle, so that the Panamax vessels could come in, turn around, load, and then go. Another option included the dredging of the whole of the Port River into the inner Port Adelaide area. The grain industry has a view, which it has put, that the government ought to be able to dredge the Port River and use the sludge, or the overburden, or whatever one wants to call it, productively.

Mr Foley interjecting:

The Hon. M.H. Armitage: Well, that is the question. The dilemma is that no-one is actually sure what that sludge is.

Mr FOLEY: It is pretty toxic.

The Hon. M.H. Armitage: The suggestion from the member for Hart is that it is toxic. We are not sure about that. To that end, the government is performing a study to identify what is in the bottom of the river and whether indeed it is possible to dredge it. There are a number of suggestions, including whether we could disperse it at sea or whether we could use it for industrial fill—or whatever we could do. At this stage the easy grab is, yes, you can just use it as industrial fill, and the suggestion has been put that we might use it at Gillman and create industrial land there for the future. If it is environmentally impossible to do that, there is no point in our continuing those negotiations.

So we have committed to a deep sea port option, but if, for argument's sake, the results of the survey came back that this was environmentally unsound, or that to do so would cost \$100 million, clearly we would not be able to undertake that option. I think the grain industry would understand that, anyway. But we are committed to the investigation and a deep sea port option at some stage.

Mr FOLEY: Consultation with the Port Adelaide council is an issue that you and I have discussed, and in my last discussion with the council I was told that, whilst some talks are now occurring, it is still not satisfied with what has been proposed. Where are we at with those discussions, and can I get an assurance, minister, that you would take very

seriously the need to get agreement with the council on this particular issue of zoning?

The Hon. M.H. Armitage: My understanding is that the member for Hart has had a briefing from our consultant. He understands the position of the Port Adelaide Enfield council and its reading of the position that we are putting. We would hope that the legitimacy of the case, which we think in fact answers the legitimate calls for a port, but not particularly heavy industry, will be seen in the light that we have put it. We would hope that the council will look at the matters that we have put and that it would see the legitimacy of those claims. My understanding is that that point has been made, with diagrams and so on, to the member for Hart. Is that right?

Mr FOLEY: No.

Membership:

Mr Wright substituted for Ms Hurley.

Additional Departmental Advisers:

Mr G. Pit, Chief Executive, SA TAB.

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

Mr G. Button, Manager, Finance, SA Lotteries Commission.

Mr R. Rose, Director, Government Business Group, Department of Administrative and Information Services.

Mr WRIGHT: Minister, obviously it is very early in the piece, from the announcement that you made this afternoon. My colleague the member for Hart has raised a couple of questions, and these figures will need to be examined closely, not only for what it does to the racing industry over the medium to long term but also, of course, in terms of what it may do to future budgets. But in the preliminary reading of it I would like to make a couple of comments and ask a couple of questions. Minister, I heard you say earlier that there is a one-off payment of \$18.25 million to SARI (South Australian racing industry), that there is a 22 per cent increase for three years, and that that is indexed. That is guaranteed annual income to SARI of \$41 million. So, that is the position for the first three years. What happens with respect to any guarantees that may or may not be there for the racing industry beyond three years?

The Hon. M.H. Armitage: I have identified that in previous answers but, for the member's benefit, I will revisit it. Beyond that time and out to 10 years, SARI will receive a combination of a fixed payment, which is adjusted to CPI, and a variable payment based on net wagering revenue. After 10 years, SARI will move to a fixed percentage of net wagering revenue. SARI is firmly of the view, as is the government, that the opportunities with a private owner, and a newly focused racing industry, together with an injection of capital, to grow net wagering revenue and, hence, the percentage is significant. If they did not believe that, they would not have signed off on the deal.

Mr WRIGHT: Supplementary to that, is there any additional information with respect to any figures, or the projection, for the period from three to 10 years beyond the release which says that, beyond that time and out to 10 years, SARI will receive a combination of a fixed payment adjusted to CPI? I know what a fixed payment is, but what sort of figure are we looking at? The other component, of course, is the variable payment based on net wagering revenue, taking into account figures, as they currently are, to make some sort of prediction as to the potential that exists for increasing the

product. We know the figures that are guaranteed for the racing industry for the first three years, and we have a general comment about a fixed payment from three years to 10 years, and a variable payment, based on the net wagering revenue, from three years to 10 years. The minister has given us figures up to three years, but what can the racing industry expect from three to 10 years if it agreed to a proposal of this nature?

The Hon. M.H. Armitage: As I have indicated before—and it is a very important clarification—as the racing industry indicated at the media conference today, together with the government, it firmly believes that net wagering revenue is the way to go. The process involved \$41 million guaranteed for three years. I am informed that there is a \$20 million fixed payment and 19 per cent of net wagering revenue between three and 10 years, and, after that, 39 per cent of net wagering revenue. The negotiating teams believe that is roughly—and we cannot be and they would not want to be held to a definitive amount—the equivalent of \$41 million in today's terms, but it is moving towards a percentage of net wagering revenue.

Therefore, if the racing industry has a better product, and so on, they will be able to increase their take. There is no suggestion that by moving from day zero to day 10 there will be a huge decrease or, indeed, an increase unless the net wagering revenue, and the racing industry itself, grows.

Mr WRIGHT: So, beyond three years there is no guarantee?

The Hon. M.H. Armitage: No, there is a guarantee of \$20 million which is indexed to the CPI and 19 per cent of net wagering revenue. I reiterate: the racing industry negotiators were happy to sign off on this package.

Mr WRIGHT: I want to comment on that before the member for Hart jumps in, because he, too, is excited about the Racing Codes Chairmen's Group, which is made up of Michael Birchall, the Chairman of SATRA—of course, SATRA is a statutory authority which takes its marching orders from the government; the chairman of Victorian harness racing—

Mr FOLEY: He's a Victorian, isn't he?

Mr WRIGHT: Yes, he is a Victorian—Mr McEwen, a government appointment; and Mr Inns, the Chairman of SAGRA, another government appointment. So, it is no great surprise that these three government people agree to the proposal put forward by the government. My question is: what consultation has the Racing Codes Chairmen's Group had with the grass roots industry people about signing a heads of agreement with the state government? What consultation have they had with owners, trainers, breeders, jockeys, punters, Magic Millions and race clubs, and what right do they have to sign a heads of agreement of a magnitude of this nature with the state government?

The Hon. M.H. Armitage: When Minister Evans and I discussed this with the chairmen some time ago, they indicated that they did have the relevant authorities of the various clubs.

Mr WRIGHT: Well, they haven't.

The Hon. M.H. Armitage: I reiterate: that is what we were informed. I am happy to answer all questions about the TAB, but the racing industry is not my responsibility, as the honourable member knows. Regarding the allegation that the Racing Codes Chairmen's Group rolled over and had their tummy tickled because they were government appointees—

Mr WRIGHT: They're your words, not mine.

The Hon. M.H. Armitage: They're my words, but it's your implication or inference.

Mr WRIGHT: I didn't say that.

The Hon. M.H. Armitage: But you certainly implied it. The fact is that they were the final straw in the agreement, in that they were represented in the negotiations by financial advisers and senior lawyers from around Australia. So, the package that was signed off was agreed to by highly skilled professional negotiators.

Mr WRIGHT: It may well be that these figures are good for the racing industry—as I said at the outset, we want to examine that—but let me assure the minister, because he is not the racing minister and he may not be aware, that these gentlemen do not have that right or power, and they do not speak on behalf of the racing industry. That point should be made strongly. I will investigate beyond this committee, with those three gentlemen and others, what consultations, discussions and negotiations they have had with the broad cross-section of the racing industry. That will be an interesting answer to bring back to the House at another stage.

Today, we also learnt something about Football Park when the Premier made an announcement about the \$7.6 million that the government has made available to the South Australian National Football League for additional seating in the northern stand. This matter has had bipartisan support: it has been largely driven by the opposition, which took this matter to the last election and beyond and welcomed the announcement that the Premier made in November last year.

However, never before has there been any mention of a loan. Today, we learnt for the first time—this is not in the budget papers—that this amount is being described as a loan, but it is not really a loan because it will never be paid back. It would be interesting to ask the Australian Football League for its interpretation of this \$7.6 million. With reference to this money which has been committed today, is there any funny business regarding loans or non-loans, or around the corner, or whatever?

The CHAIRMAN: It is the view of the chair that questions relating to Football Park—

Mr WRIGHT: The question is about this money, sir.

The CHAIRMAN: Let the chair finish. Football Park has nothing to do with this minister. I make that point to the honourable member. The minister can answer whatever questions he likes, but I suggest that questions about Football Park are not of concern to this committee.

The Hon. M.H. Armitage: I will not answer any questions about Football Park, because I know absolutely nothing about it and it is not my responsibility. However, we have identified that there is an upfront payment. I have already been quizzed about that by the member for Hart. There is an \$18.25 million payment to SARI when the SA TAB sale is completed. We have been absolutely up front about it. There is no expectation that it will be repaid; it is part of this process.

The Hon. R.B. SUCH: I declare at the outset that occasionally I buy a X-Lotto ticket, but as members are aware I have not had any great success because I am still here. I will not ask the CEO of the Lotteries Commission to detail the numbers that come up more frequently than others—that would be unfair—but will the minister provide some details relating to the hosting of the World Lottery Association Congress in Adelaide in November 2002?

The Hon. M.H. Armitage: In June 1999, the South Australian Lotteries Commission made a presentation to a joint meeting of Intertoto and AILE boards in Helsinki and

won the right to host the 2002 congress. At that stage, Intertoto existed as a loose confederation of about 100 lotto, lotteries and pools organisations from 59 nations and was a good body for the exchange of ideas and technical developments within the lotteries industry, and the International Association of State Lotteries was an organisation comprised of 195 state lotteries and supplier organisations which promoted the exchange of ideas and so on in the field of lotteries in order to maintain regular contact and relations.

During the international conference held in Oslo, the two international bodies formed the World Lottery Association. This is a powerful and prestigious body. We won the right to hold the World Lottery Association Congress. This is only the third time that such a congress will be held world-wide as a result of the joining together of those two associations.

Significant progress has been made since that occurred to ensure that the Adelaide congress is a wonderful business forum and a showcase for our great facilities and convention expertise as well as what is obviously an enviable lifestyle which convention attendees will enjoy. The framework is to attract delegates and to deliver an event of international standard to heighten awareness of SA Lotteries, and indeed all Australasian lottery operators, and it will also provide a significant boost for the South Australian economy which will exceed \$4 million.

The congress will be held at the Adelaide Convention Centre from 17 to 22 November. It is likely to attract about 1 500 lottery industry delegates and accompanying people from more than 100 nations. The official theme of the Adelaide congress is: 'The knowledge to lead and the vision to prosper'. Support is strong, which is pleasing. The first World Lottery Association Congress was held this year in Glasgow.

The Adelaide congress was well promoted, not only by having representatives attend but by the making of a presentation, at which time the 2002 congress theme, the congress logo and the theme song, which is about motivational imagery of Adelaide in Australia, was launched, and there was also a purpose built display stand at the exhibition which had the look and feel of an Australian outback verandah and was very popular. Indeed, it was named the winner of 'the most innovative stand' competition at the congress, which does not surprise me one iota. There was a lot of goodwill towards Adelaide, and I am confident that the delegates will have an excellent congress, which is their main reason for coming. In addition, as a result of the congress, there will be a flow on to the economy of more than \$4 million. It will be a great boost to South Australia.

The Hon. R.B. SUCH: My second question relates to SATAB and SA Lotteries. Will the minister give an update on where we are at in terms of the possible sale/lease of the two bodies?

The Hon. M.H. Armitage: As has been identified in material presented to the committee already, the racing codes chairman group (SAARI) at lunchtime today signed heads of agreement, which guarantees a 22 per cent increase to the racing industry, and I am sure that that will be used to greatly advantage the industry, which is a major employer in South Australia. The decisions were obviously made because the government believed that it was neither prudent nor sensible to operate businesses in the increasingly competitive gambling sector which exposes the taxpayer to commercial and financial risks.

We are now at the stage where we have the agreement of the racing industry and we will be introducing legislation into

the parliament. We hope that the parliament agrees that this is a risky business and that the pressure from the racing industry to have a 22 per cent increase in funding as soon as possible will be understood. We hope that parliament will not deny the industry this opportunity.

The Hon. R.B. SUCH: By way of supplementary, my question in respect of the TAB has been largely answered but, with respect to the Lotteries Commission, what consultation has been undertaken in respect of its possible sale or lease?

The Hon. M.H. Armitage: There has been a long process of consultation, particularly with the agencies, because they are one of the major purveyors of lottery tickets. As short a time ago as yesterday a particularly positive consultation process was completed. Earlier today I sighted a draft letter to the agents' representative group which indicates that the transition arrangements the group wanted are acceptable to us. We think they will be pleased with that, and so are we.

The Hon. R.B. SUCH: My third question relates to the Oakbank racing carnival. Will the minister provide details about the success or otherwise of the TAB's involvement in the provision of oncourse totalizator betting this year?

The Hon. M.H. Armitage: I will ask the CEO of SATAB, Mr Geoffrey Pit, to answer that question.

Mr Pit: Most members would be aware that there was a request for tenders for the provision of oncourse totalizator management services for the Oakbank Racing Club. We were appointed in February to manage and operate that for a period of five years. This meant that, for the first time, all punters were able to place bets at the Oakbank track and collect their dividends at any offcourse TAB outlet if they desired. This has been an issue in the past. It is current for the thoroughbred racing industry at the moment.

We provided 125 staff for the two days of the carnival—110 of those people were sellers and operators. We provided 110 staff for each day of the carnival, and that meant that we employed an additional 65 casual operators or sellers for the two meetings. Some of those people are current AWA employees and the remainder were new staff. Some members would be aware that AWA currently operates the oncourse thoroughbred tote facilities.

We required a great deal of training on the new terminals used by the TAB, which was a logistical exercise, and it was done without incident within a fairly short time frame. We upgraded many of the facilities at Oakbank, and that was undertaken over two weeks and completed on 12 April. It required technical alterations to change the tote. We reinstated and installed 120 betting terminals, replaced the benchtops and upgraded many facilities the staff worked in to provide better customer services. We were actively involved in the selling of the Oakbank Racing Club's punter's club by selling tickets in 12 of our more prominent sales outlets in the week preceding Oakbank. The results were quite outstanding. The pools for Saturday in the punter's club were \$48 000, which led to investments of \$98 000, and \$63 000 on the Monday, which led to investments of \$112 000. That Monday pool we believe was a record for any Australian race meeting.

We provided our caravan for the duration of the carnival in addition to the permanent facilities there. The two days of the carnival went very well. Many members were there. We had a record oncourse turnover on both days. The Saturday turnover was up \$52 000, and Monday was up \$160 000 on the previous year. We believe the TAB made a significant contribution to what was obviously an outstanding event for Oakbank, and it provides great growth for the future.

Mr FOLEY: Michael, as one of your few supporters in this place, you are making it awfully hard for me. I have a soft spot for Michael and I will miss him after the next election.

The Hon. M.H. Armitage: Where are you going?

Mr FOLEY: I am not going anywhere.

Members interjecting:

The Hon. M.H. Armitage: I keep giving you more, too.

Mr FOLEY: You should read my latest newsletter. The privatisation of the TAB-Lotteries is like a saga out of Blue Hills. It has been around for as long as you have been the Minister for Government Enterprises. You are making it hard, but I am still sticking up for you—don't worry about that. Can you walk me through the sale process? I am having difficulty understanding the process. I can understand why Michael Birchall and others would have been tripping over themselves to sign that deal—it is a pretty good deal.

The Hon. M.H. Armitage: It is interesting that the member for Hart is saying that it is a pretty good deal for the racing industry. I hope the member for Lee is listening.

Mr Wright interjecting:

The Hon. M.H. Armitage: No. It is important to note that the member for Hart said that it is a good deal.

Mr FOLEY: I could not think of another group I would be more nervous about giving a no strings attached \$18.25 million, spend as you will—

The Hon. M.H. Armitage interjecting:

Mr FOLEY: Sorry, Michael—what was that?

The Hon. M.H. Armitage: It does not matter.

Mr FOLEY: It was a bit under the—

The Hon. M.H. Armitage: Well—

Mr FOLEY: Put on the record what you just said.

The Hon. M.H. Armitage: No, I do not need to.

Mr FOLEY: 'Le Fevre hospital board'—what did you mean by that?

The Hon. M.H. Armitage: I meant that a lot of other people had difficulty managing finances.

Mr FOLEY: What are you alleging, Michael?

The Hon. M.H. Armitage: I am not alleging anything.

Mr FOLEY: Be very careful. We can go from friendly to nasty at the flick of a switch.

The Hon. M.H. Armitage: No, Kevin, that is the last thing I would like to do.

The CHAIRMAN: The committee will return to the matter before it.

Mr FOLEY: He is referring to the closure of Le Fevre hospital and, given our discussions about that matter, I would have thought that he would not be trying to make political capital out of that very unfortunate incident.

The CHAIRMAN: The chair is not interested.

Mr FOLEY: As I said, we can go from friendly to nasty at the flick of a switch. I refer to giving \$18.25 million to the racing industry with no strings attached. Clearly you want to sign this deal ahead of the corporatisation legislation, and you will give this corporatised entity for the racing industry—and we do not know about its membership, nor who will be involved—\$18.25 million with no strings attached and no Government input into how the money should be allocated between suburban, country and regional tracks. It is unprecedented to be giving an industry body such a large sum of money without any government input. It is dangerous policy making.

Let us look at the arrangements to be guaranteeing \$41 million. I am interested to know the Lotteries Commission's estimated results for this year, but you are putting a

very high benchmark on what a new owner of the TAB will have to return to the industry. How did you arrive at that model; what was your methodology for getting to that figure?

The Hon. M.H. Armitage: We had a series of consultancies which we have discussed even in this committee and which came up with a model. As I indicated, there were senior negotiators on behalf of the racing industry and there were parameters within which the government was negotiating. The most important premise which the member for Hart may not be taking into account in all this is that the government has done this on the basis that, in an increasingly internationally competitive gambling world, it is inappropriate for governments to be running and exposing the taxpayers to the risks of gambling bodies which are small fish in a large gambling pond. It was a matter of reducing risk. I have indicated this on two occasions, and I will continue to do so. As Graham Inns, the Chairman of the Greyhound Racing Association said, the negotiations always took into account the three stakeholders in this, which are the racing industry and the government—they would be obvious—and (given the import of the question) the new owner of the TAB. If we had gone too far in giving too generous a package, clearly there would have been constraints on new ownership. We did not do that.

Mr FOLEY: As a supplementary question: you talk about the racing industry being comfortable with the numbers. Large amounts of money and significant increases are involved. I do not know where or how the expertise of the racing industry would dictate what would be the likely profitability of the future owner of the TAB. I would not have thought the likes of Messrs Birchall, McEwen and Graham Inns would be expert in trying to work out a likely future TAB profitability. So, in that sense, their input into this I find bizarre.

In the sale process would it not have been better to allow bidders for the TAB to put forward various proposals? How does this line up with Victorian TABCorp or New South Wales?

The Hon. M.H. Armitage: We have never interested ourselves in how it lines up with those, because they were selling different entities. Our concern was always to maximise the value to the South Australian taxpayer. One value to the South Australian taxpayer is to have a racing industry that is doing well. It is good for the South Australian taxpayer, as I am sure the member for Lee would agree (and he nods his head), to have a racing industry that is thriving. That is good; it employs many people. One of the criteria in our negotiations was to ensure that that point of the triangle of the three stakeholders was comfortable when they did that.

I reject the allegation that the racing codes chairmen would not know what they doing commercially, but I reiterate that they were aided in their negotiations by hard-nosed professional negotiators. You would have to ask them, not me, but from their perspective I guess it was a matter of their assessing whether the deal that we were offering was appropriate for them. From our perspective, it was a good deal for the taxpayer and for the racing industry and, as Mr Inns said, it leaves something for a purchaser. We think it is a good deal for everybody.

Mr FOLEY: I wish to ask a supplementary question in relation to the profitability of the TAB. I note that the budget papers forecast a significant downturn in profitability for 2000-01, and obviously part of that would be related to the GST. We know it is a difficult environment at present. From the sort of numbers you are talking about today it would seem

to me that you would be pointing toward only one category of obvious buyer for the TAB. That would be TABCorp or TAB New South Wales, because I would have thought that, as it is currently structured, the overhead costs in South Australia would make it very difficult to them to meet the numbers you are talking about. So, in my view, you are skewing it towards only one obvious category of buyer which, to get the sorts of returns that are necessary, can only mean the winding down of the operation here in South Australia substantially, if not completely, and obviously major changes to the branch networks and, more importantly, to the head office and the overheads that are associated with that. Surely this deal you are putting in place can only favour the likes of the big gambling corporations such as TABCorp that can get the obvious scale of efficiencies.

The Hon. M.H. Armitage: The government rejects that argument, and commercial reality says it is wrong. If one looks at international gambling or in Australia even now, one sees casino operators buying a variety of different gambling opportunities. As we have said in relation to PortsCorp, there is a vertically integrated supply chain management; that is the way the gambling industry is going. People are building up a portfolio of gambling or gaming interests. They are no longer focusing on just one side of the industry. To make the point, I point out that TABCorp has a 50 per cent interest in the poker machines in Victoria. It is involved not only in the racing industry. So, people are looking to spread their portfolios in gaming.

Given that, and given the internationalisation of gaming, I give the example that the lottery licence in Britain is at present, I think, being tendered; and a consortium of Richard Branson and Bill Gates has indicated that it is interested in purchasing that licence. If those people are interested in that, there is no way that one can protect the boundaries of South Australia from that sort of interest. So, we think it is not an appropriate risk for the taxpayer to be holding.

Mr FOLEY: I will move onto my third question on lotteries, because I want to come to this point. I think this is an absolutely fundamental issue that you are missing. I know it is not an easy issue to deal with. The Labor Party has already made clear that we are opposed to the sale of the Lotteries Commission and, from what I am hearing, so are a couple of government members, not to mention the Independents. I think you are potentially losing many millions for the taxpayer. A fundamental issue must be addressed first, even if you wanted to sell the Lotteries Commission as a government, and that is putting in place a regulatory framework for interactive gambling. You are putting the Lotteries Commission on the market without putting into place a framework in South Australia for interactive gambling, which must and will come. I acknowledge now that, particularly with all the various views among our colleagues as a conscience issue, it will not be a hurdle that you can necessarily jump today, but as a parliament we will have to be brave enough to confront it pretty soon.

Surely, if you are to sell the Lotteries Commission, you should put into place the regulatory framework for interactive gambling to allow the Lotteries Commission under public ownership to be in that market and getting value from it or, if the policy decision of the parliament of the day was to sell it, that you sell it with that framework in place so you could extract value from it. You would be giving the owner of the Lotteries Commission a big free kick if in three years we give interactive gambling the go-ahead and they are able to access it. I have had some interesting meetings with some Lotteries

Commission people of late that have shown me the sort of developments that are occurring with interactive gaming, particularly with lotteries. From where I sit I am quite comfortable with them; I think they are an exciting option. I acknowledge that many of our colleagues would not have that same view. Surely you should address that regulatory framework before you move on the sale. I would be interested to hear your views.

The Hon. M.H. Armitage: I have totally the same view as the member for Hart and I reiterate what he said: interactive gambling will and must come. The logical extension of that is, as I said, even if it will not be run by them, the people wishing to have a major stake in interactive gaming and gambling are Richard Branson and Bill Gates.

At this moment, as we sit here in parliament house, my understanding is that they are attempting to get the licence in London. If, with all the restrictions on it, the member for Hart thinks that a government owned Lotteries Commission in South Australia can compete, having said 'interactive gambling will come and must come', he is whistling Dixie, given the money, the advertising and the huge opportunities for promotion which a Richard Branson and a Bill Gates led consortium will have. What that means—

Mr Foley interjecting:

The Hon. M.H. Armitage: That is why we intend to sell the Lotteries Commission: because we will be unable to compete against that sort of scenario, recognising—and I quote again—'interactive gambling will come and must come'. Therefore, by denying—

Members interjecting:

The Hon. M.H. Armitage: The member for Hart and the member for Lee say, 'It is already here'. So what they are saying is that they are prepared to put the South Australian Lotteries Commission (with all of its restrictions under government control) up against the marketing might, purchasing power and marketing expertise of people such as Bill Gates and Richard Branson. I think that is—

Mr FOLEY: They are not here.

The Hon. M.H. Armitage: Of course they are not here, but that is what interactive gambling is all about. As we speak, a lotto product in Victoria is available on the internet. It is senseless to say, 'They are not here': they are at the other end of an 'enter' button. The member for Hart is saying that he is happy to put at risk a small fish in an extraordinarily large pond. That is the essence of the argument. We understand that the Lotteries Commission is a good business. There is no question about that—it has done well, and we have identified that publicly. The board, the management and the staff have been good—we understand that. Having taken all the advice, we think that this is not a risk that the South Australian taxpayer ought to run because, having said before 'interactive gambling will come and must come'—and the member for Hart actually refined it by saying, 'It is already here'—

Mr Foley interjecting:

The Hon. M.H. Armitage: No. We do not think that this is a risk, in a hugely competitive international global online gambling world, to which the taxpayer of South Australia ought to be exposed.

Mr Foley interjecting:

The Hon. M.H. Armitage: That is an interesting concept. The member for Hart says, 'Put the regulatory framework in place and let us get full value for it.' I thought he was saying that the ALP was opposed to selling it.

Mr FOLEY: We are opposed to it but, if you are selling it, why would you not want to get full value for it?

Mr CONDOUS: I refer the minister to budget paper 2, chapter 7. When the South Australian TAB and the South Australian Lotteries Commission are sold, how will the government regulate the wagering and lotteries market in the future?

The Hon. M.H. Armitage: I thank the member for his question, as it is very important. We have concluded that, following the sale of SATAB and SA Lotteries, we will regulate the gambling industry in South Australia and collect betting and lottery taxes to provide an ongoing revenue source to the state. We are establishing a regulatory and probity framework which is appropriate to the operations and is consistent with the government's broader gambling industry regulatory requirements. The key principles and the framework of the regulatory environment in the future will be outlined in the legislation, which, as I have identified, will be tabled shortly.

The government does not intend to relax any regulatory requirements which would materially damage the framework for business integrity, probity or fairness to customers. Indeed, we propose to use the asset sale process as an opportunity to strengthen various aspects of the regulatory framework for both businesses, including the introduction of new licensing regimes and supervisory frameworks via the Gaming Supervisory Authority and the Liquor and Licensing Commission; the requirement for businesses to display signs and provide information regarding problem gambling; the requirement to train staff regarding gambling and the services available to address those problems; the introduction of barring requirements for problem gamblers; the display at point of sale of player return/business commission rates for wagering and lotteries products; and a consolidation of the regulation of on-course totalisator bookmakers and small lotteries licences within that legislation.

Broadly, the regulatory environment for betting and lotteries activities will include, amongst other things, ensuring that the businesses comply with the legislative requirements and that they meet the terms and conditions of the licences and the licensing agreement. There will be monitoring of betting and lottery systems and business practices to ensure transactions are undertaken accurately and fairly; and then monitoring the businesses, including the owners and the management, to ensure that the business operations meet the regulator's ongoing probity requirements. It is proposed that the wagering and gaming duties on major licensees will be payable to the government in place of the dividend streams distributed under government ownership. Overall, the regulatory framework will be structured to balance the government's and the new owners' commercial considerations with our broader social responsibility.

Mr CONDOUS: I understand that GTECH, the supplier of the South Australian Lotteries Commission new online system, is contracted to provide a grant of \$60 000 per annum over five years for research related to activities conducted through one or more South Australian universities. Will the Minister advise on the progress to date?

The Hon. M.H. Armitage: I will ask June Roache, the CEO of SA Lotteries, to respond in respect of research related activities.

Ms Roache: The state development component of the contract between SA Lotteries and GTECH Corporation for the supply of our online lottery system specifies that university research grants totalling \$60 000 per annum for five

years be awarded for research related activities conducted through one or more South Australian universities. The total grants from GTECH Corporation over the five years amount to \$300 000. Following an evaluation process involving 11 submissions, the grant was awarded to two University of Adelaide projects. These were New Development in Game Theory and Modelling Internet Gambling Bandwidth and Network Infrastructure Requirements.

New Development in Game Theory relates to an examination of the interactive effects of games such that two games, which over time produce statistically a losing result when played in various sequences, can result in a long-term winning result. The associated mathematical theory and models to be developed are also expected to have application in the biomedical area for the purpose of signal processing or cleaning up biomedical images, as well as a number of other areas such as population genetics. Modelling Internet Gambling Bandwidth and Network Infrastructure Requirements involves the development of models that will have application in maximising the efficiency of transmission of information over communication mediums such as the internet. This has relevance to gaming, as future games are likely to make heavy demands on communication bandwidth.

Possible applications for the models are to assess the playability of games that use relatively large bandwidth and to tailor games to maximise playability while minimising bandwidth requirements. The New Development in Game Theory project was completely funded using this grant money. The total grant is \$105 000 for the five years (or \$21 000 per annum). The Modelling Internet Gambling Bandwidth and Network Infrastructure Requirements project is partially funded by this grant. The total grant is \$195 000, or \$39 000 per annum. This is a substantial proportion of the proposed budget of \$300 000 for this project. The first cheque of \$60 000 for the GTECH grant was received by the University of Adelaide in December 1999.

Mr CONDOUS: How does SA Lotteries view the online lotteries system (which has been operating since 27 June 1999) benefiting players, retailers and the South Australian community in general?

The Hon. M.H. Armitage: Players have benefited from a number of features such as top-up facilities, which is a combination of Easi-Pick and numbers chosen by players; expanded Easi-Pick options, such as 25-game entries; three-in-one Lotto coupons; Super 66, which is a separate game where players can choose their own numbers; immediate membership of the Easy Play Club; and, very importantly, more flexible prize payouts from retailers.

Other enhancements are planned from mid to late 2000 and include automated player promotions, separate syndicate shares for players and enhanced Keno graphics. Barcoding of all tickets has benefited players and retailers through faster and more accurate processing of customers' tickets when they are being cashed or checked to see whether they have won a prize. Better print quality on tickets has also made them easier to read.

Retailers have benefited through the new point-of-sale terminals which are quicker, more easily repaired and, very importantly, are about five times more reliable than the old terminals. This translates to shorter queues at busy times—and I am sure that every constituent of mine and those of other members would like shorter queues—and significantly fewer occasions when customers and retailers are inconvenienced by terminal failures. Retailers have benefited from the new lotteries system through improved online messaging

facilities and online inventory ordering of all lottery supplies. These features have also allowed SA Lotteries to be more responsive to agents and have provided improved efficiency. A number of future enhancements include agent specific promotions.

The new system has allowed the introduction of extended operating hours to meet the business hours of retailers, which averages another 3½ hours per day (1½ hours in the morning and two hours at night). Draw break times for block games—specifically Saturday Lotto, Super 66, Powerball and Tuesday Oz Lotto—have enabled each draw to be made 30 minutes later. This provides greater flexibility for customers.

The GTECH process software system, which is part of the new lotteries system, is more flexible and responsive and will allow SA Lotteries to respond quickly and effectively to market opportunities and hence improve its level of service to retailers and customers. It will offer long-term benefits by allowing changes to be introduced more quickly and ensuring that business opportunities are not impeded. The financial benefit of the new lotteries system and other SA Lotteries sales initiatives is reflected in the gross turnover budget of \$300 million for 1999-2000, which is an increase of 4.3 per cent on the 1998-99 outcome.

Mr WRIGHT: I think that the scoping study took two to three years. However, I am not exactly sure; you would be able to tell us about that. As I recall, four months ago you announced that there would be a trade sale. I know that there was strong opposition to that concept. Despite what you said previously to the member for Hart, I concur with what he said. My understanding of a trade sale is that there is a high probability that a like organisation, because of a variety of factors, would be the overwhelming favourite to purchase the South Australian TAB.

Such an organisation would do so to improve its bottom line and because it already has the infrastructure and assets in place. That is the economic aspect of a trade sale. What view does the racing codes chairmen's group take of the potential for that occurring? What is its view with regard to the loss of employment, the loss of the call centre, the closure of outlets and the stripping of assets? In your press release you state:

In short, it provides positive future opportunities for the South Australian racing industry. Funding itself through commercial arrangements with the SA TAB—

and that may be right, but we will work out the numbers; the critical part is what follows—

that cannot be altered by a new owner of the TAB without the racing industry's agreement.

In a practical sense, how will the industry be able to negotiate and stop the new owner of a TAB, particularly if it is a TABCorp, New South Wales TAB Limited or Queensland TAB, given their market share and power (and it is the same principle as that which applies to Bill Gates and Richard Branson), be able to stop the new owner of the TAB changing that? Finally—and this is critical given the lack of time—what has been the cost of the consultancies through the TAB and the lotteries privatisation process?

The Hon. M.H. Armitage: It is important that the government does not deny that there may be interest from bodies such as those the member for Lee identified. That may be the case.

Mr Wright interjecting:

The Hon. M.H. Armitage: Maybe. Frankly, may I say I would hope there is. The more interest we can get the better.

However, we are not in any way assuming that that will be the case or that that will be the necessary outcome, particularly where we have identified throughout this process that we would not necessarily be accepting the highest price. I will explain the rationale behind that. For example, let us take the Branson-Gates case. In making a bid, they may say, 'We are interested in using the Motorola software development suite'—which I talked about before—'at Mawson Lakes to identify clever ways of running interactive applications and our various software which is behind these machines. We would like to use you as an international hub to be the centre of excellence for our international gaming industry, and that means we will employ a whole lot of people in that area.' That would obviously be an attraction to us. Its bid may not be the highest, but a whole lot of other factors might mean that we would take that bid. We are in no way suggesting that we will be pushed in any one direction. The member for Lee has identified people who may be bidders, and then he said that they have to be. I do not think they have to be but they may be, and as I have indicated—

Mr Wright interjecting:

The Hon. M.H. Armitage: They certainly would be interested and I hope they are. I hope they are all interested. I hope Branson and Gates, a number of casinos and lottery people, as well as people from the World Lottery Congress are interested. I hope lots of people are interested, because the more people who are interested, the more competitive stress and tension there is.

Mr Wright interjecting:

The Hon. M.H. Armitage: Not so.

Mr WRIGHT: Yes so.

The Hon. M.H. Armitage: Referring to the grand total to the end of May of expenditure of consultants' fees for SATAB and lotteries, I will work out the percentage of roughly where we are in the price that we would expect, and my understanding is that it is in the same vicinity as these major assets are around the world—\$3 279 000.

Mr FOLEY: Another \$3.2 million. No wonder we have no money for schools, hospitals and police.

The Hon. M.H. Armitage: I thank all my staff, who have spent a lot of time, both in my office and in the public service, particularly Kim Della-Torre and Carol Maelzer, for all the work they have done in preparation.

Minister for Workplace Relations, \$484 000

Witness:

The Hon. R.D. Lawson, Minister for Workplace Relations.

Additional Departmental Advisers:

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

Mr M. O'Callaghan, Executive Director, Workplace Services, Department of Administrative and Information Services.

The CHAIRMAN: Minister, are there any comments that you would like to make prior to opening the line for questions?

The Hon. R.D. Lawson: Yes. I have just a few brief observations as I present these estimates. In my introductory remarks I will focus on some of the highlights and challenges that we face in the year ahead. Information technology has enabled business services to be delivered by government in a more efficient fashion. For example, in this current year the Government Electronic Messaging Service has passed 20 000 users. I recently launched the SA Central Mk II website, which is a major upgrade to the government's flagship website, and the parliamentary website and the IT network, with connection of electorate offices, is progressing.

The government will continue to pursue ongoing reform of procurement in order to deliver savings in purchasing and to build efficient supply relationships. Stage 1 of E-Purchase, as it is called, an electronic commerce project, has been implemented in four business units within the department and in a small hospital, and the future deployment of E-Purchase SA will be in a staged and progressive manner across agencies and it will deliver substantial benefits.

A major success in electronic procurement is the secure electronic lodgement service for the SA Tenders and Contracts website. This service delivers considerable benefits to government and ensures equity in access by assisting suppliers in their competition for government contracts, regardless of their location. This service is the first secure lodgement service developed by government in Australia, and it received a technology productivity award as appropriate recognition.

The Building Management Unit provides whole-of-government building asset advisory services to agencies. It assists agencies in the planning and management of building assets through maintenance, replacement, refurbishment or disposal, and the performance of this function will be considerably enhanced by further development of the strategic asset management information system, known as SAMIS. During the coming year, \$4.4 million will be spent on that project. Another key aspect of Building Management's operation is Project Services. This group manages overall government building projects over \$150 000 in value, and on an annual basis involves managing aspects of building projects with a total value of \$900 million. Some of the significant projects currently being overseen by Project Services are the Adelaide Convention Centre, the Botanic Wine and Rose Garden and the redevelopment of the Royal Adelaide Hospital.

In the area of forensic science (not a big part of the department but a significant one), DNA technology has been the most significant development since the introduction of fingerprinting and our forensic science services have been at the forefront nationally in developing facilities in this regard. These developments will be enhanced by the redevelopment and fit-out of the forensic science building.

Land Services group is continuing to develop the ATLAS system (the Automated Torrens Land Administration System), designed to deliver a world-class system for South Australia so that we keep our position as the originator of the Torrens system and also leading exponents of its development over the years.

State Records continues to provide a valuable service in the storage of documents and cataloguing, etc., and the accessibility to interested persons of historic documents. I think one project of note currently being undertaken there is the development of more accessible records relating to Aboriginal people, and there is a special project preparing an administrative history relating to the government's adminis-

tration of Aboriginal affairs, the completion of the indexing of Aboriginal correspondence files and a database of names of Aboriginal people listed in State Records, which will be of significance to the Aboriginal community.

Workplace Services continues to make significant progress towards the goal of safe, fair productive workplaces and high standards of public safety. Six of the most significant areas in occupational health and safety, namely, wineries, the meat industry, the opal industry, aquaculture, grape picking and farming, have been identified as requiring particular attention over the next couple of years.

A number of innovative projects, both educational and instructive, are being developed to improve our performance in those important areas. Workplace Services will continue its involvement in key health and safety projects, in conjunction with the private sector. Many of them require interface and cooperation with the WorkCover Corporation.

I believe it is worth reporting to the committee that Workplace Services undertook its first customer survey during the past year. The results of that survey were positive and demonstrated that this service to the community, not only to employers but also to workers, is being well received. We retain our commitment to improve the occupational health, safety and welfare and workplace relations systems through legislative amendments. In conclusion, I commend the executive and all officers in the department for what has been a year of considerable effort and achievement.

Membership:

Ms Key substituted for Mr Foley.

Ms Hurley substituted for Mr Wright.

Ms HURLEY: Output 3, 'coordination and advice', refers to the failed CKS building maintenance contract for the North Terrace precinct. By way of introduction, I made a freedom of information application on 15 December last year. The response the minister faxed to me on 10 March (more than 40 days after the expiry of the statutory 45 day limit for the response, as stated in the FOI act) failed to provide any of the information requested. In replying to that letter, I accepted the minister's offer of a briefing but have heard nothing since.

Today, I suppose, is my opportunity to try to get some answers on this very strange situation. The company name, CKS, stands for a joint venture between three of the largest companies in the state: Colliers, Kinhill and Skilled Engineering. A great fan of privatisation, the government awarded the contract to CKS over an internal bid by the existing state government workers. However, 18 months into its three year contract, CKS was \$1 million in debt and described by the receiver as insolvent. One wonders what sort of contract CKS had with the government which allowed CKS to go under while being owned by some of the largest companies in South Australia. What assessment was made by the government of the financial bona fides and asset backing of CKS prior to the signing of the contract so as to ensure continuity of an appropriate quality of service?

The Hon. R.D. Lawson: Can I begin my answer by saying that it was a disappointment that the company, CKS, which was formed especially for the purpose of bidding for part of the facilities management work failed. The honourable member refers to assessments of the financial bona fides of the promoters of CKS. I do not think there has ever been any doubt about the financial bona fides of the organisation or of the people who went into the venture.

It was a tough contract. Frequently government is criticised for handing windfall profits to private sector companies. The CKS example is a good example of a case where the government drove a hard bargain to ensure that, in a competitive field, it was getting the best price. CKS was not the only company to win part of the facilities management business. Two other companies, both of which are national companies (Transfield and P&O), also successfully tendered for part of the business. I am advised that those companies have been satisfactorily delivering the services for which they contracted.

The honourable member asked what sort of contract this was. This contract was forged through a negotiation and tender process. It required the delivery of services and it contained an appropriate mechanism for payment. I do not believe the fact that, as I am advised through mismanagement, CKS was unable effectively to operate the contract and make a profit was the result of any neglect on the part of government officers; rather, it was the result of inexperience as well as mismanagement in the operation of this type of business. When the contract was let, although I was not the minister at that time, I am informed that it was believed that CKS had the management capability and skills and was prepared to put in place the systems necessary to effectively run a contract of this kind. Facilities management contracts have resulted in benefits and savings to government. I am informed that the honourable member is not correct in her assertion that CKS was preferred over an in-house bid. There was no in-house bid, so it was not a case of CKS succeeding against an in-house bid. Certain parts of the work were kept within government and those services are still performed by a wholly owned government enterprise.

I am reminded that CKS did provide parent company guarantees to the government totalling \$1.9 million and a further \$100 000 by way of a bank guarantee was also provided. It is disappointing that the company was unable to make a go of it. The work has been largely transferred to another of the companies performing the facilities management, and I believe that company is progressing satisfactorily.

The honourable member said that she was offered a briefing. I recall making that offer. It was a bona fide offer, and I must admit that I assumed that the briefing had been provided. Once again, I make the offer. The honourable member is perfectly entitled to have a briefing, and I am happy if she contacts my office to facilitate that.

Ms HURLEY: I already have. It didn't get me anywhere.

The Hon. R.D. Lawson: We offered it to you in writing.

Ms HURLEY: And we responded and have not heard back.

The Hon. R.D. Lawson: Well, you should have rung again. I haven't heard anything about it for months.

Ms HURLEY: Neither have we. The minister mentioned a \$1.9 million guarantee by the parent companies. Was this taken up then?

The Hon. R.D. Lawson: No. When the administrator was appointed, there were extensive negotiations to minimise the impact of the company's administration on employees and contractors and to ensure that the work for which CKS was contracted could effectively be taken over and continued. As a result of those negotiations, which I think were quite protracted and which involved Crown Law as well as private legal advisers, the administrators, the company itself, its shareholders and the bank, a deed of settlement was reached under which the government agreed to pay the company the

moneys which it—the government—accepted were outstanding to the company.

That payment enabled many of the subcontractors and employees to be appropriately paid. The deed of company arrangement that was entered into is a fairly complex arrangement, and CKS contributed \$1 million to the fund to enable that company arrangement to proceed. I will provide further information in writing to the honourable member but, as I understand it, they contributed a further \$1 million. They forwent \$450 000 that was owed to the parent companies, provided that we contributed of the order of \$1.3 million and the bank forfeited its claim over the remaining debt. When I say that the government contributed \$1.3 million, it was that the government pay for services already rendered an amount of \$1.3 million.

Ms HURLEY: So, CKS in effect contributed \$1.45 million with the \$1 million they contributed and \$0.45 million forgone, and the government contributed \$1.3 million towards the payment of many of the people who were owed money by CKS. The Minister said that the government owed \$1.3 million for services that had already been provided. On what basis did the government pay CKS for the contract? Was it monthly, for example, or quarterly?

The Hon. R.D. Lawson: In general terms, the contract required CKS to submit bills for every service provided, and those bills would be assessed and paid. It is a contract that involves a very large number of small services, and one of the difficulties that CKS ran into is that its billing system was nowhere near as good as it thought it would be, and there was constant discussion, I understand, between the government and CKS about bills, whether they were payable, whether the work had been performed, etc.

On the appointment of the administrator, CKS claimed that the government owed it an amount substantially more than \$1.3 million, so there was discussion and negotiation about that. In the end, the government agreed that we would pay \$1.3 million in order to settle the claims, provided that we could be assured that the \$1.3 million we were paying into the fund would be used to pay creditors and not, for example, to pay off the banks. It was because of our interest in ensuring that creditors, including workers and subcontractors, were paid, that we entered into that arrangement. We had already received from CKS services at least to the value of \$1.3 million.

Ms HURLEY: CKS contributed \$1.45 million, so \$0.45 million of the guarantee was not taken up under that agreement?

The Hon. R.D. Lawson: It is not quite right to say that the guarantee was taken up under the agreement. The \$1.45 million that was effectively contributed by the three shareholders of CKS was contributed to them as part of this negotiated settlement. It has been pointed out to me that the guarantee we held was a guarantee in relation to losses sustained by reason of their performance of the contract. So, if damage had been done, buildings had fallen over and the like, we would have had a guarantee for that type of work. It was not a financial guarantee against losses, for example, that subcontractors might suffer.

Ms HURLEY: I understand that workers were transferred from government employment over to CKS under the normal conditions of transfer of that work according to the normal outsourcing arrangements. When CKS went broke some of those employees were not given the guaranteed two years employment with CKS that they understood was the case when they transferred from government employment to CKS.

The Hon. R.D. Lawson: I have received correspondence from former government employees who have made that claim and I have investigated those claims. I have been shown documentary evidence to establish that the government employees who transferred to CKS were informed of the proposal that they be guaranteed by CKS employment for at least two years. It was made clear to them as I understand it—and I will correct my answer if I am wrong—that they were to have a contract with CKS which provided for two years employment. Some obtained such a contract. Those who corresponded with me did not obtain that provision in their contract. It was not as was being suggested by those persons and their supporters that they were being guaranteed by government two years employment. The arrangement was that CKS would provide that employment for them and, unfortunately, there was no guarantee from the CKS parent company that it would meet that. It was made clear that the obligation to provide the employment was the obligation of CKS.

Ms HURLEY: The minister mentioned that other companies are doing the work that had been performed by CKS. Will the minister tell me whether the price at which that work has been done is the same as that tendered by CKS; and, if not, is it more or less?

The Hon. R.D. Lawson: I do not have that detail precisely in front of me. I understand that it was negotiated and I will provide further details for the honourable member.

The Hon. R.B. SUCH: I refer to Fleet SA. Through the parliament I had use of one of the vehicles some time ago and I was very impressed with the friendly and efficient service. I was surprised that not many of the sedans within Fleet SA had air bag provision either for passengers in the front seat or for the driver. Is there a policy that in future leasing or purchasing consideration will be given to stipulating that the suppliers provide air bags in sedans to protect public servants and the occasional MP in the event of an accident?

The Hon. R.D. Lawson: I am not aware of our policy in relation to air bags. Obviously the fleet buys standard vehicles across the whole range. If vehicles are fitted with dual air bags, as most models are, we get the benefit of that. I am certainly prepared to take up the honourable member's suggestion as it is a good one. Our major concern is to ensure that we get Australian made vehicles into the fleet and we try to maximise our purchase of locally manufactured vehicles. I will ask for further details on whether or not it is practicable to insist upon dual airbags for all vehicles in the fleet.

The Hon. R.B. SUCH: The most important aspect is the wellbeing of the public servants using the cars but, in the event of injury, the saving to the government would be enormous. A constituent of mine who is in his eighties was recently in a car that was written off and he survived without anything other than a bruising. My second question relates to greenhouse emissions and Fleet SA. What example is the government setting in seeking to reduce those emissions through its own practices?

The Hon. R.D. Lawson: I have a note on our compliance with the Kyoto resolutions. We have introduced LPG-fuelled vehicles into the fleet, and to date there are 157 LPG-fuelled vehicles, with a further 110 on order. There is a target of 10 per cent of the total fleet being alternative fuel vehicles by December 2001. That is a fairly modest beginning because the light motor vehicle fleet comprises over 7 000 vehicles, but we believe that we will achieve that target of 10 per cent—over 700 vehicles—by the end of next year.

A number of other initiatives have been designed to reduce the impact of emissions. First, there has been a movement to a dry lease, ensuring that agencies become directly accountable for unscheduled maintenance and fuel based on actual costs incurred. That provides an incentive to meet vehicle maintenance standards and promote fuel efficiency. Fleet SA also charges agencies that lease vehicles for excessive wear and tear, and that provides an incentive to meet those vehicle maintenance standards and, once again, promote fuel efficiency.

We have introduced a differential insurance scheme, which is called performance based insurance, and the premium paid under that scheme is designed to differentiate between good performers and those that are not so good and to encourage continuous improvement in reducing accidents and accidental damage. It promotes safety but it also has an environmental impact on reducing vehicle usage. A representative from Fleet SA is a member of the South Australian government's national greenhouse strategy group, which is run by the Office of Energy Policy, to keep abreast of latest developments in transport initiatives. In addition, in fleet management across the Australian states and commonwealth, Fleet SA has membership of the Australian Fleet Managers Association which promotes emission reduction nationally.

The Hon. R.B. SUCH: I have raised this issue before with previous ministers, obviously without success, and that is the use of Fleet SA vehicles to promote various aspects of South Australia or to convey messages. I do not suggest that we should cover the vehicles with slogans, but we miss the opportunity to use the vehicles that are out and about. There would be some vehicles on which it would not be appropriate to promote a quit smoking campaign or tourism. However, an enormous number of government vehicles travel on the road every day, and we miss the opportunity to use modern technology to convey appropriate messages to the community. I wonder whether, as an enlightened man, the minister will consider that suggestion?

The Hon. R.D. Lawson: Certainly, I am prepared to consider that; in fact, it has already been looked into. One initiative suggested by the Minister for Tourism, for example, was that more government vehicles should carry the promotional state plates which promote South Australia as the wine state or the gateway to the outback, etc. We have been holding discussions with motor registration to determine whether we can cooperatively use those plates as a promotional tool. It is a valuable promotional tool, which I do not think the community has sufficiently taken up.

There is a difficulty about putting too much signage on government vehicles. One is that we seek to maximise the return on resale of our vehicles, and signage can often detract from that, especially if it leaves some mark on the vehicle. I know that some of the modern signs do not do that. I must say that from time to time people within various government agencies have taken the member's view that sides of government vehicles should be used to promote anti-smoking programs or the like.

However, there is a countervailing view which is largely based upon community attitudes, which apparently do not encourage the use of signage on vehicles. I know from my own experience that we get a number of complaints from members of the public about messages on government cars, whether they be 'Save the whale' or 'Save the Murray River' signs—which I think is a good message that could appear on the bumper bar of every vehicle. I will certainly take up that

issue again and let the honourable member have a more detailed response.

Ms THOMPSON: I refer to volume 2, page 8.5, 'services to government'. The first service indicated in the targets for 2000-01 is to refine risk management frameworks through the development of the DAIS role, practice and processes in design, contract, construction and cost audit. My question relates to the processes for reviewing the performance of particular contractors, and in this respect I refer to Stevens Constructions and its poor performance on the Christies Beach High School redevelopment contract and also in the Riverland—I am not sure whether it was Loxton or Glossop.

The press has carried stories about how unsatisfactory its performance has been, and DEET has certainly indicated that to the Public Works Committee. I am concerned that Stevens Constructions is still an approved contractor for small works—up to level 2, I believe. It is of considerable concern to me that public projects could possibly be put at risk, given the extremely poor performance on the Christies Beach High School.

There is another side to this, in that Christies Beach High School is aware that Stevens Constructions has been asked to tender for the southern vocational college, which is about to be constructed on the site of Christies Beach High School. This is causing them great concern, given the difficulties that they have experienced. Indeed, there is some informal but quite serious discussion at the school council level that they would take out an injunction if Stevens Constructions were to be awarded that contract, such is the trauma they experienced through the poor performance of Stevens Constructions on the Christies Beach High School contract. If necessary I can go into detail, but I think your officers are well aware (as certainly are the DEET officers) of the inadequacies on that project. I think the defaults list was some 400 items, to start with. My question is: what processes allow that firm to continue to get government contracts?

The Hon. R.D. Lawson: I will begin by saying that the government has, by introducing a system of pre-qualification, provided a mechanism whereby the unsatisfactory performance of construction contractors can be monitored and whereby an appropriate and robust mechanism exists in the selection of tenderers for government construction projects. My department actually administers many millions of dollars worth of contracts for the Department of Education and Training. School projects such as Christies Beach and Glossop (which were mentioned by the honourable member) were performed on behalf of that department.

The honourable member has singled out a particular construction company, and I acknowledge that difficulties were experienced on those two projects. Of course, that is not unique: there are very many building projects over the years on which difficulties have been experienced. Stevens Constructions was qualified to perform work to a certain level, and the company was pre-qualified in the field of jobs between \$2 million and \$4 million. As a result of a process (and I do not think it is appropriate in committee to go into the process of precisely what occurred, because there was some challenge by the company and legal representatives were brought in), the company was reduced in its pre-qualification to jobs under \$2 million. That, I believe, is where the company presently stands. It will have to demonstrate that it is able to satisfactorily perform work at a higher level if it is to receive government jobs at that higher level.

The honourable member says that the Southern Vocational College has some trepidation that this particular company

might win the tender for that job. I am unaware of the particular circumstances, the value of that contract or its status at the moment. If the council of the institution wishes to make its views known, it seems to me that the appropriate way would be to do that through the Department of Education, which is entitled, as principal and funding agency for any project, to say that it does not wish a particular company to gain the tender.

I do not know anything about the particular issue. I suggest they take that up in the contractual processes. I do not believe it is appropriate for ministers to be involved in contracts, certainly at the tender letting stage. There are experienced officers who can make the necessary assessments, but if the honourable member has further details of that complaint from Southern Vocational College I would be pleased if she would put them in writing and I will have the concerns addressed.

Ms THOMPSON: I understand the issues about the individual contract. My question is about the processes that allow a company with such a bad record to still be around. You mentioned that there was a legal challenge to a decision to restrict the company to jobs under \$2 million. Why is DAIS obliged to retain them on its pre-qualified contractors list?

The Hon. R.D. Lawson: The response that DAIS took in relation to this particular contract was actually to downgrade the work in which the company could participate. It still participates; it still bids; and we want a competitive building industry. The company still tenders. It has performed work in the under \$2 million category. I am advised that it has had good performance reports on current projects under \$2 million.

It may well be that this is a company that does not have the management expertise and the resources—physical, financial or whatever—to do work of a higher level but is perfectly capable of performing work satisfactorily for government under the \$2 million level. If that is the case, it would seem to me to be in the public interest to enable it to participate and bid competitively for work in that field. Ordinarily, we would not disqualify a company entirely or put it out of business entirely because, on some jobs, it had gone beyond its capacity to successfully manage projects.

Ms THOMPSON: My next question also relates to contract processes, but it is more in the estimates side of a project. Again I will use the Christies Beach High School experience but simply to illustrate the point rather than asking a question relating to it. The redevelopment project of Christies Beach High School was substantially cut back when the tenders came in, as I understand, significantly more than the budget estimates. As a result of that, a number of aspects of the project were not proceeded with. A couple of weeks ago Christies Beach High experienced quite a traumatic event when there was a heavy downpour on a Friday afternoon. Not only was the water absolutely running down the walls but through the ceiling such that in one area, the tech. studies area, they removed a ceiling tile about a third of the way across the room so that they could direct the water away from the machines.

When I inspected the area on the following Monday, the machines in the tech. studies area were covered in rust and each single piece of the stored supplies of the metal was covered in rust because of the amount of water that had been flowing there. The floor was warped to a degree that was really quite indescribable. Certainly when contacted by the school council by phone I could not appreciate the description

of just what I was to see. DEET has been fixing up that, but it seems that the cause of this deluge or infestation of water was, in some cases, that the work may not have been done or that the work may not have been specified—and ‘the work’ refers to such things as sealing of the windows. This is in the area that was redeveloped as opposed to newly built in Christies Beach High. Windows and airconditioners were left unsealed and there were problems with guttering and some of the drains that were involved in the project.

As I said, what we do not know is whether this was poor work or whether this was work that was not included in the design and, from the experience that they have had since, should have been included in the design. When projects come in over budget, how does DAIS go about advising on what should be cut back so that we do not have short-term savings for long-term costs?

The Hon. R.D. Lawson: The process of varying the scope of works would be a negotiated process, whereby the experts within DAIS would ascertain from the client, in this particular case education, what its needs and priorities are. It is quite a common occurrence for projects to have to be modified to meet particular budget constraints. It is a consultative process. I am gratified to learn that the example the honourable member has just given about the flooding did not occur in the newly built part of the school. However, I do not have any information at all and I have not yet received any report about this incident. Once again, I am certainly very happy to look into it and let the honourable member have a written response.

I assure the committee that DAIS operates as a project manager: it can advise and assist agencies but, ultimately, it is for the client agency and the funding agency to make its selection from the options available. I could not confirm or even begin to know the answer to the particular problem to which the honourable member refers because, if this is work that was not rebuilt but simply part of the old school, it is simply not possible to say whether it is the result of any neglect on the part of DAIS or anyone else. It may simply be that the existing facilities had worn out.

Ms THOMPSON: The school council believes that it had an undertaking that the refurbished facilities would be as new and they have been far from that. I would appreciate the redevelopment of the Christies Beach High School being used as some sort of case study to see how these sorts of situations can be handled better because that project certainly had very adverse consequences.

Ms KEY: I congratulate the minister on his appointment in this area. I hope that I can work with him on some of the industrial relations issues. Since the last estimates questioning, I have had the benefit of visiting Workplace Services with Mr O’Callaghan and Mr Wilson. I now have first-hand experience of some of the operations that fall within the minister’s portfolio. I refer to budget paper 4, volume 2 (pages 8.2 and 8.17). On 25 March 1999, the minister’s predecessor gave an undertaking to the House that Workplace Services would initiate a minimum of 20 prosecutions a year for serious breaches of the state’s occupational health and safety legislation. I am concerned that this exceedingly modest target, as I see it, has not been met, especially in view of the many thousands of workers who have been injured through their work as a result of poor occupational health and safety management practices.

Bearing in mind that the minister has only recently taken over this portfolio, can he explain the failure of Workplace Services to meet what I would call a very modest minimum

target? What action does the minister intend to take to remedy this appalling situation, assuming he agrees that it is an appalling situation? Could he outline how much money has been budgeted by Workplace Services for prosecution of breaches for each of the acts for which Workplace Services is responsible in 2000-01?

Does the minister have a target with regard to prosecutions and will he indicate whether he will take any steps to redress the lamentable lack of enforcement that is a defining feature of Workplace Services’s approach in the administration of South Australia’s health and safety laws?

I want to ask a couple of supplementary questions with regard to Workplace Services. I point out to the minister that the August 1999 ABS labour force figures indicate that South Australia has a very low rate of occupational health and safety inspectors per thousand of work force. Our percentage is a low 7.1 per cent. It seems to me that the figures indicate that we need at least an additional 22 inspectors to fall within the national average.

During the last estimates hearing I did raise with Minister Armitage not only the number of inspectors but how they were to travel to carry out follow-up inspections. I was concerned because I had heard that the number of cars to which the inspectors had access had been cut. I suggested to the minister that, in many cases, inspectors had to use multitravel tickets on the public transport system—or what was the public transport system—to carry out their inspections. This is a serious issue. The record on prosecutions in this state is poor and, as I said, that may be due to the lack of available resources. I know that I cannot foist upon the minister some of the sins from the past but, as the new minister, I am interested to know what his vision is for this area.

The Hon. R.D. Lawson: I do not accept that the situation is, as the honourable member says, appalling, nor do I propose to set down any target for the number of prosecutions for the inspectorate. In a sense, if the reason for a falling number of prosecutions is the fact that there was greater compliance with the legislation—and I am not saying it was the reason—that would be good. Our objective is not to maximise the number of prosecutions but to improve occupational health, safety and welfare across the board. I quite accept that prosecuting offenders is one means by which we can secure greater enforcement. However, prosecution is a very blunt instrument, and there are many better instruments to obtain compliance. One of them is education, and a good deal of the resources of the inspectorate is put into education of employers and also education that is targeted to particular groups. For example, we have a record number of accidents on farms that is lamentable—

Ms HURLEY: And deaths.

The Hon. R.D. Lawson: Yes, especially deaths of children—although when I look at figures from other jurisdictions, I see that perhaps we are not so different from those. Also, when you look at figures for those states that have higher rates of prosecution than that of South Australia, you do not necessarily find better outcomes. It is important to keep prosecutions as part of the armoury, and we have. We have recently established a committee to oversight prosecutions, called the Prosecution Standing Committee, which is examining cases in conjunction with the Crown Solicitor’s Office to make sure that those instances where we have a good case for a successful prosecution will be diligently prosecuted. We also have placed greater emphasis in recent

times upon publicising when we have a successful prosecution.

There is little point in a prosecution that simply is not more widely publicised or known in the community. The deterrent effect of one widely publicised prosecution—and some of our prosecutions have been widely publicised—would be far greater than the prosecution of 30 people with modest fines and no publicity. I do not propose setting targets. I have certainly made it clear to the inspectorate that I expect them to be diligent and enthusiastic in the exercise of their duties.

Ms KEY: Will they have resources to follow that request?

The Hon. R.D. Lawson: I am coming to the honourable member's question about resources. She will be delighted to know that since last year we have substantially increased the number of inspectors. In 1999 there was an increase of 24 per cent to 46 inspectors. That is a considerable number and percentage of additional inspectors. I have mentioned prosecutions and targeted education. Also inspectors have an important role in issuing compliance notices and attending workplaces, especially in response to complaints, and pointing out to employers areas where workplace safety and measures can be improved, and notices are issued to that effect. So, that is yet another important function of the inspectorate.

It is sometimes said that the number of cars is insufficient. However, there are 47 occupational health and safety inspectors and 21 industrial relations inspectors, and 67 government-plated motor vehicles are issued to the inspectorate. I am told that there has been no instance of a case where an inspector wanting to go out to a particular workplace has been unable to do so because there did not happen to be a vehicle in the yard at the time.

It is expensive to run vehicles. The kilometres per annum of the inspectorate's vehicles is fairly low by government standards (more than half of them travel less than 15 000 kilometres), and it is very expensive for the government to maintain vehicles which are used as little as that. So, if there are other means of having people go to workplaces, whether it be by taxi, by short-term hire vehicle, by aeroplane to Coober Pedy, or whatever, we will certainly use those less expensive means. I am advised (and I have no reason to doubt this) that there has been no reduction in service levels, notwithstanding the fact that the number of vehicles in the fleet is reduced—and it is reduced by only 11. I think that, if we can be more efficient by using the money we would otherwise use on those 11 vehicles in training programs and the like, we will be better targeting our resources to achieve better results.

Ms KEY: I note that, despite what the minister has said, in the latest *Occupational Health News* (No. 468), it states:

SA Department of Workplace Services occupational health and safety inspectors have uncovered a 'disturbing level of non-compliance with basic safety measures' in a construction industry safety blitz of Adelaide city building sites. South Australian Administration Services Minister Robert Lawson says inspectors identified numerous 'dangerous work practices', including working at heights without a safety harness, scaffolding, crane and elevated platform defects and unsafe electrical equipment. Lawson says the blitz result shows there is 'still an air of complacency' on city work sites.

So, I was interested to hear the minister's answer to my first question. Also, I am of the opinion that recently some concern has been raised with regard to the status of the DAIS inspectors—both the workplace inspectors and the occupational health and safety inspectors—about whether there are,

in fact, employees who can be directed or subject to administrative directions or whether they are, in fact, able to carry out their work without obstruction from management. I wonder whether the minister would like to comment on that matter (in light of the fact that I think a protocol was issued about this issue in 1994 and again in 1997) in terms of whether there has been any progress in this area. I agree with the minister's comments about the need to educate as well as carry out inspections and prosecutions. If the inspectors have some query about what their powers are, I suggest that this would cause considerable problems.

The Hon. R.D. Lawson: I am glad that the honourable member has seen my statement, which I think accompanied an announcement of the successful prosecution of a scaffolding company. It is my view—but, more importantly, I think it is the view of the inspectorate—that the most efficient way in which to obtain compliance from, for example, scaffolding and construction companies, is to have an active inspectorate that is visiting work sites and building sites and pointing out areas where there is room for improvement, rather than simply going around and slapping summonses on people, which does not result in immediately obtaining greater compliance. I think that this has to be sensitively handled.

I, too, have been to Workplace Services and had discussions with a large number of the inspectors. I realise how professional, dedicated and committed they are to better outcomes. I am gratified that the inspectorate does not have a lot of what might be termed the old-style officious inspectors who are inclined to go around and tick people off and issue summonses, and the like, and book people rather than seeking to secure their cooperation and compliance.

I am not aware of the issue of the power of inspectors to which the member has referred to—whether they are officers with some statutory appointment and not employees. This is a very longstanding argument in constitutional law about statutory office holders: the powers of constables, and the like. There is a good deal of case law on this subject. As I said, I am not familiar with any issue that has arisen in relation to our inspectorate, but I will certainly look into that and provide the member with a response.

Ms KEY: I was very pleased to receive a letter from Workplace Services with regard to the Occupational Health, Safety and Welfare Act invitation to comment on the national competition policy review. However, unlike WorkCover, which did not seem to want to know what my views were on this issue, I was very pleased to receive this correspondence. I am concerned because it seemed to me that Workplace Services would be reviewing themselves. I hope I am on the wrong track here. Because the response certainly requested of me would go to the Workplace Services' Policy Division, I am wondering whether there is a conflict of interest. My understanding of what happened with the WorkCover review for the national competition policy was that a separate review was done. Will the minister comment on that?

The Hon. R.D. Lawson: Within government, it is common in relation to competition reviews for those reviews to be conducted by an arm of government. In this case, the section of Workplace Services undertaking the review is the Policy Division, which has separate personnel from the inspectorate. I believe it is appropriate that competition reviews be conducted, certainly, in the first instance, in-house; first, it saves money and, secondly, in-house it is possible to have a thorough-going review of systems. In-house investigators, provided they are acting reasonably independently—and I have no reason to doubt that the policy

division of Workplace Services would not act independently in this particular regard—I believe have a better capacity to get to the bottom of things and to know precisely what is going on within a department than some outside consultant from whom it is a lot easier to hide certain of the activities.

The competition review process, though, is one that, at the end of the day, is exposed to a review from outside. A section in the Department of the Premier and Cabinet is specifically devoted to examining the reviews that are undertaken by the departments. There is a capacity, even after a review by the Department of the Premier and Cabinet, for an independently appointed competition commissioner to examine the review. So, I have no reason to doubt that we will not have an effective competition review of our Occupational Health, Safety and Welfare Act. There was some recent discussion about a review relating to first aid training that had, until recently, been the exclusive preserve of a couple of South Australian organisations.

There is quite a deal of pressure from other training suppliers and agencies to get into that field. They felt they were being excluded. However, I believe that the competition review process in relation to that matter has progressed to the satisfaction of not only the existing providers but also those who wish to become accredited providers. If after looking at this answer I find there is any other aspect of the honourable member's question which I have not addressed, I will provide further information.

Ms KEY: I refer to budget paper 4, volume 2, page 8.1 and page 52 of the Employee Ombudsman's Annual Report 1998-99. I say at the beginning that I think this is a good annual report, but I was concerned to read what the Ombudsman says on page 52, as follows:

At the time of the strategic planning exercise, there was no clear-cut understanding of how much the office cost to run which made the calculation of the cost of various projects, and budgeting generally, extremely difficult. Consequently the office has been unable to either develop a proper submission to Treasury setting out exactly what will be required for the effective performance of our statutory functions for the next financial year or to make proper provision for future contingencies.

One of the reasons for this state of affairs is that the Department for Administrative and Information Services has been responsible for administering our budget and in the past has shown little consistency in the way in which it categorises our various items of expenditure. This is made worse by recent changes in government accounting policy that resulted in services that were once provided free now being charged for.

The minister may not have had the opportunity to get on top of the various recommendations in the Employee Ombudsman's report, but I ask whether he is prepared to respond, as I understand the Employee Ombudsman is now under his area of responsibility.

The Hon. R.D. Lawson: As I understand it, the Employee Ombudsman, like the Ombudsman and the Auditor-General, is an officer of the parliament and reports to the parliament. However, he is supported by the Department for Administrative and Information Services, and the act under which he is appointed is committed to me.

I say, first, that I have read the Employee Ombudsman Report for 1998-99. It is a commendable document, very thorough in its examination of all the issues arising in his office and disarmingly frank—perhaps too frank, but refreshingly so. Since his appointment, I think the Employee Ombudsman has discharged his functions with considerable vigour and distinction. I am delighted that the Governor in Executive Council this morning reappointed Mr Collis to that position for a further six year term. So, everyone can be

assured that any comments that he made in his annual report were not held against him by the government, notwithstanding the fact that some of them were not necessarily complimentary. We do not expect office holders of that kind to write reports which simply compliment the government. As I say, he has given a frank and full report.

The issue about setting up the office is, I think, reasonable. I accept that, when someone such as the Employee Ombudsman is appointed, a new statutory office is created and a new agency comes into existence, there might well be difficulties in putting together the office and appropriately budgeting for it.

I am told that the budget of the Employee Ombudsman has been reviewed since his report and, although I personally have not examined this, the department believes that the Employee Ombudsman's office does have adequate resources. Certainly, I am open to suggestions from him or anybody on his behalf. If he says that he is unable to meet his statutory functions within the budget allocated to him, I will certainly look at any specific request.

Ms KEY: I would ask the Minister whether he would be prepared to get back to me on this matter, because I know that time is running short for this session. The question relates to asbestos. I believe that the minister is responsible for the Asbestos Liaison Committee, under the umbrella of the different areas for which he is responsible. I would be interested for the minister to respond, although perhaps not today, as to how South Australia might respond more quickly to different people who have the misfortune of having asbestos-related diseases.

In New South Wales, the Dust Diseases Tribunal has been set up specifically to hear asbestos-related matters. The tribunal has been set up to allow workers to claim their rights without the necessity of proving the matters under dispute and of insurance companies being able to delay matters. It also allows the estate of deceased workers to claim for pain and suffering.

This may not be the model that the minister would support, but I would ask whether at a later stage he would be prepared to make clear to the opposition the government's position with regard to asbestos-related diseases, and compensation and support for not only the victim but also the deceased victim's family.

The Hon. R.D. Lawson: As the honourable member would know, in South Australia we do not have a tribunal such as the Dust Diseases Tribunal that exists in New South Wales. I would like to think that the problem of dust disease, which is a serious occupational health and safety problem, in this State is nowhere near as great as it is in New South Wales, with its extensive industry, mining and the like, where there is greater exposure of the workforce to some of these hazards.

This is an area that is shared between me and Minister Armitage, who has ministerial responsibility for the WorkCover Corporation and for WorkCover. In those circumstances, it would be appropriate if I provided the honourable member with a written response after consulting with him. I have had recent discussions and have recently communicated with the advisory council on future directions in relation to this issue.

Ms HURLEY: I refer to output class 1. I am advised that the government-owned Fire Equipment Services, which is an offshoot of the Metropolitan Fire Service and which has since 1910 provided a reliable and high standard service to the South Australian community, is on the verge of being closed

down. FES has provided a service to the government, the private and public sectors by maintaining and servicing fire extinguishers, fire sprinkler and fire alarm systems.

While private companies also compete in this field, it is clear that FES provides the benchmark for high-quality service. Fire safety is an area in which there should be no compromise of public safety due to cost-cutting. The opposition has been advised that interstate the ACCC has found that private operators in this area have failed to perform proper inspections, tests and maintenance of fire equipment.

The ACCC Chairman, Professor Allan Fels, said that this extremely reprehensible conduct could have endangered lives and the property of its customers. The customers affected include hospitals, schools, retirement villages and theatres. Companies interstate have also been found guilty of price fixing and been ordered to pay penalties of over \$5 million.

The opposition has also received instances of allegedly poor inspection, testing and maintenance work carried out by private operators, which has been uncovered only by subsequent inspections by FES staff. If FES is shut down or sold off, what guarantee can the minister give that government buildings will receive the level of inspection, testing and maintenance of fire equipment which the South Australian public expect and deserve and which are set down in Australian standards?

Membership:

Mr Foley substituted for Ms Key.

Mr Conlon substituted for Ms Thompson.

The Hon. R.D. Lawson: The last part of the honourable member's question is whether or not government buildings will be adequately provided for in relation to fire equipment matters if Fire Equipment Services were not to continue to perform those services. I assure the honourable member and the public that whatever the fate of Fire Equipment Services, appropriate measures will be put in place to ensure that government buildings are adequately protected. This is an area in which there are a number of private sector companies that have been operating for many years along with Fire Equipment Services. The service itself is the ministerial responsibility of the Minister for Emergency Services, the Hon. Robert Brokenshire.

An announcement was made earlier this week about the future of Fire Equipment Services. Mr Barry Miller, who is with me, is chair of a committee that has been examining the issue and he might be able to provide certain additional information if appropriate.

Mr Miller: I chair the Fire Equipment Services Board and it has had financial difficulties for some time. It is a public corporation and probably has been technically insolvent for several months. Under pressure from the Auditor-General about where it is going, a feasibility and scoping view was undertaken about whether it could be made profitable, sold or closed. I believe that not last Monday but the Monday before cabinet took a decision to close it and that decision has been announced to the staff down here. We met with all the staff this morning to explain the process by which it will be closed and the appropriate redundancies or terminations undertaken. That is the current situation.

Mr CONLON: You say that it is technically insolvent, but has it been the case that Fire Equipment Services has been prevented from competing in some commercial areas in which it might have competed, particularly the supply of equipment? I understand that it had proposals there some

years ago and was of the view that it could compete more than competitively in commercial areas where the government would not allow it. Is that not the case?

The Hon. R.D. Lawson: It is the ministerial responsibility of Minister Brokenshire.

Mr Miller: Fire Equipment Services, as with all public corporations, operates within a charter and that charter is approved by both the Treasurer and the Minister for Emergency Services. That charter clearly defines the scope of its activities and at all times we endeavour to keep it within that scope. Some people would describe that as a limited scope, but it was about fire prevention equipment and did not allow for it to enter into the installation of fire sprinklers and so on, which is another domain of industrial activity. At all times it operated within that scope.

Mr CONLON: It is limited to that scope because the government and the minister responsible choose to limit it to that scope? The argument was that they were operating with an arm tied behind their back. If you supply the equipment you also get the contracts to service it. They have said over and over that they were never allowed to compete at a fair level.

Mr Miller: That is probably an issue to raise with the minister, who sets the scope.

Ms HURLEY: I move:

That the sitting of the committee be extended beyond 6 p.m.

Motion carried.

Ms HURLEY: I refer to output 4, procurement and contract services, and the state fleet. New lease rates for Fleet SA have been released, and they show an average increase of \$110 per month per vehicle over last year. The increase between 1998 and 1999 was \$104 per month, so the total increase between 1998 and next year is \$214. Will the minister comment on what seems to be a very steep increase? Is it related to the outsourcing deal with the Commonwealth Bank? What effect will the GST have on those already high rates?

The Hon. R.D. Lawson: The increasing rates that the honourable member notes are not unique to the state fleet. Indeed, the rates for leasing motor vehicles across the board have risen substantially in recent years. One reason has been declining second-hand values for motor vehicles, which has led to lower residual values being set by the Commonwealth Bank as financier of this program. Our fleet's rates are lower than private sector rates. They have increased, but in such a way that it is comparable to what has happened across the whole leasing market.

The honourable member asked about what will happen in consequence of the GST. It is true, according to some market analysts, that uncertainty about the GST has led to declining second-hand vehicle prices and thereby lower realisation rates. Whether or not that continues after the introduction of the GST remains to be seen. We have factored into the rates the current market conditions.

Ms HURLEY: Has the cost to the state of its motor vehicle fleet been affected by the fact that ETSA and other utilities have now been privatised? Is it the case that there are now vehicles excess to requirements as a result of the decision to privatise ETSA and other GBEs?

The Hon. R.D. Lawson: I do not believe that those decisions have altered the rates that are being charged. Government business enterprises are still leasing through Fleet SA because they choose to do so and because it is less expensive than if they went to some other provider. There are

about 7 700 vehicles in the light motor vehicle fleet, and ETSA has a large number of trucks and other specialist vehicles. Some of those vehicles might no longer be leased through Fleet SA but, if ETSA or the companies taking over ETSA and the various electricity businesses acquire their vehicles from other sources, that will not reduce the number of vehicles in the fleet by such an amount that we would not be able to maintain our buying power in the market, as I am advised.

Ms HURLEY: The minister said that people choose to lease vehicles through Fleet SA. I have received criticism from employees of government organisations in the country that they are required to purchase their vehicles through Fleet SA, and that means that they are not able to purchase from the local motor vehicle dealer, which carries with it advantages for the economy of the country town and the convenience of having the motor dealer nearby.

The Hon. R.D. Lawson: As I understand the arrangements, it is possible to source vehicles from the panel of vehicles purchased from local suppliers. Our contracts are between the government and the vehicle manufacturers, and the arrangements are such that delivery can be taken through the delivery network, with the dealer providing the pre-delivery and after-sales service, and the like. If the honourable member has any specific cases where that has occurred and someone was not able to source a vehicle locally, I would be pleased to hear from her.

Ms HURLEY: In respect of land valuation, there has been a problem with urban encroachment into agricultural areas, and there are proposals to change the Valuation of Land Act. One option suggested after an independent review is that all land used for primary production be valued using site value as opposed to the current mix of site and capital value. This would obviously be of great benefit to farmers but a great expense to state revenue. Will the minister comment on whether he believes that this is an equitable proposal and whether steps are being taken to implement it?

The Hon. R.D. Lawson: A review of the Valuation Act was recently undertaken by a committee chaired by a retired Supreme Court judge, Justice Rod Matheson. The review handed an extensive report to the Deputy Premier, who is the minister responsible for the review. That report was released for public consultation last week—or certainly within the past couple of weeks. The committee's terms of reference required it to ensure that the implementation of its recommendations would be revenue neutral so that, for example, if a council were to adopt in a particular locality a new method of valuation for the purpose of rating, it would have demonstrate that it could achieve that in a way that was revenue neutral to the council.

If the honourable member looks at the very extensive modelling undertaken and attached to the back of the report, she would see that, in the four councils selected, the adoption or implementation of some of its recommendations and particularly the site value recommendation did not mean that there would be substantial differences between the proportion paid by residential ratepayers as opposed to farming ratepayers.

The author of the modelling study indicates that there might be a change of burden from intensive users of land, such as vinticulturists (and the honourable member will be pleased to hear this) on to dry land farmers. So, one of the possible consequences of the implementation of the review—if indeed it is implemented—will be to change the burden amongst some rural producers.

However, I want to make clear that the government has not made any decision on the recommendations of the Matheson review. The extensive report has been released for discussion purposes and the government, especially the Deputy Premier, will be looking to the result of that consultation process. I suggest that the honourable member direct any questions about the matter to him in due course.

Mr FOLEY: I would like to direct a question to the minister about the car fleet. What is the current intention of government in terms of renewing the fleet? What is the likely spread of manufacturers from which you will be sourcing cars? Will it be only from Mitsubishi and Holden?

The Hon. R.D. Lawson: We currently source all our six cylinder vehicles from Australian manufacturers. The vast bulk of our vehicles are manufactured by either Mitsubishi or Holden. Australian competition policy does not allow us to discriminate amongst Australian manufacturers. We are assiduous to ensure that we comply with Australian competition policy.

Mr FOLEY: I have a supplementary question. You say that competition policy precludes you from sourcing only from Mitsubishi and General Motors. Is it that tightly defined? I would not have thought so.

The Hon. R.D. Lawson: My understanding of the agreement between all Australian states is that in procurement of manufactured goods we cannot overtly prefer goods from one state over those of another.

Mr FOLEY: You are talking about the national preference agreement. It is obvious that we cannot exclude suppliers from another state at all. I would have thought that with vehicle manufacture, particularly given that Holden still has a manufacturing operation in Victoria, I assume, purchase of vehicles from General Motors Holden does not automatically mean they will come from Elizabeth. I am interested to know, in terms of Mitsubishi, with its critical position, when the next placement of orders may be with Mitsubishi. Are we ensuring we give Mitsubishi a reasonable amount of business?

The Hon. R.D. Lawson: We have given them a reasonable amount of business. Our fleet contains, by far, as I understand it, the greatest proportion of Mitsubishi vehicles of any Australian fleet. It is a quality product and we will continue to buy quality and we will continue to buy Mitsubishi vehicles. There will be a balance. There are four Australian manufacturers. One of the difficulties, as I understand it, is that there are no longer all Australian made four cylinder vehicles, and we do have a substantial need in the fleet for four cylinder vehicles. We do not buy these vehicles by batch. We have standing orders and agencies, as needed, place additional orders. It is not that we buy 300 cars at a time: we simply place orders on a continuing basis.

Mr FOLEY: I have another supplementary question. What proportion of the fleet is Mitsubishi and is it expected to be maintained at that ratio?

The Hon. R.D. Lawson: I have no reason to doubt it. It is something just under 30 per cent.

Mr FOLEY: I have a further supplementary question. If Mitsubishi is 30 per cent, what is the Toyota and the Ford percentage of our fleet?

The Hon. R.D. Lawson: I will have to get back to you with the precise details of that. Holden has the largest proportion of our fleet.

Mr CONLON: I want to ask a question about the government radio network—there's a surprise, there's a turn up. I refer to Portfolio Statements, budget paper 4, volume 1,

page 5.75. To preface the question, the history of this is that, on the best possible complexion of it, the Premier wandered into a side deal on the establishment of a software centre sometime ago with a company, Motorola, and whether or not it was a good idea we found ourselves tied into a whole of government radio network. I point out that that is something that has not been very successful in New South Wales—it is something they have not followed through with. Be that as it may, we found ourselves tied up in it through, at best, some incompetent dealing on the establishment of a software centre.

Originally it was going to cost us some \$100 million for a contract, as I understand it, with Telstra administering it and Motorola supplying the parts. It blew out in stages to somewhere like \$150 to \$200 million, and at the latest estimate \$247 million. I do not for a moment suggest that that is an acceptable amount of money to be paying for a radio network, but given that we appear to be locked into it or tied up hand and foot, can we have a guarantee that there will be no further cost blow-outs than the already outrageous \$247 million?

The Hon. R.D. Lawson: The project is on time and on budget and I have no reason to believe that there will be any increase on the estimated cost of building, owning and operating it for seven years at \$247.7 million. Built into the contract are appropriate allowances for foreign exchange variations because some of the equipment has to be sourced from overseas, as well as allowance for contingencies. This is a major engineering contract and a major project. I think it replaces 17 networks previously provided by government.

Mr CONLON: It is not really a guarantee. What I understand the minister to say is that he understands it will not go beyond \$247 million. We believe—and we have said it before—that \$247 million is an extraordinary amount of money for a radio network. We want some assurance that we will not be paying more than that over the seven years. We hope very soon to have the government benches and we will be responsible for paying off the last part of this, so we would like to ensure that we are not paying off any more than \$247 million. I assume the minister will not give me that assurance, so I will move on to the next question.

The Hon. R.D. Lawson: I can confirm that it is a fixed price contract with Telstra and I should also correct a couple of errors made in the honourable member's introduction. The government radio network was—

Mr Foley interjecting:

The Hon. R.D. Lawson: When you are sitting on the red, Kevin, suddenly you become honourable. There was no cost blow-out from \$160 million to \$247.7 million. When the figures were calculated for the total cost of ownership, build, own, design, operate for seven years, the first figure that ever came up, including all allowances, was \$247.7 million. We did not fall into this deal as a result of some alleged side deal with Motorola. That has already been thoroughly dealt with in an investigation and a report and it is not true to say, as the honourable member does, that the use of Motorola equipment in New South Wales was not successful.

Mr CONLON: The police will not go into the whole of government radio network.

The Hon. R.D. Lawson: The whole of government radio network in New South Wales is not a government radio network like ours, which is a comprehensive network designed to cover the whole state. New South Wales went down a path of not fully implementing an appropriate strategy. There is nothing wrong with the Motorola equip-

ment, which is the only equipment that has been proven to operate in all the circumstances in which we need it to operate.

Mr CONLON: It is interesting that the minister concludes by saying that, because I have sat on the Economic and Finance Committee and heard a lot of evidence on this and I have seen the material from the Public Works Committee. Not only have no end of people raised concerns about the suitability of the equipment that is being supplied but very serious questions have been raised about whether we are buying the most up to date technology, given that we were locked into this arrangement way back in 1994.

Evidence suggests that, for example, the technology is not suited to fire grounds, which makes it a bit of a problem. As I understand it, the Country Fire Service has sought assurance that when it is fighting fires that it remain on a Simplex system, which rather undermines the notion that there is something good about a whole-of-government radio network. But, be that as it may, if by some unforeseen circumstance the equipment does not fit our needs and must be replaced, will Telstra bear the cost?

The Hon. R.D. Lawson: If Telstra does not meet the design requirements and contractual obligations, obviously it will be required to replace the system. The equipment we are using has been tried and tested and is used elsewhere. When the honourable member starts talking about a Simplex system, he is talking about the local system that is used from, for example, a fire vehicle to people fighting a fire within close proximity of the vehicle itself. Those Simplex systems will continue to operate, notwithstanding the introduction of the whole-of-state government radio network.

The truck will be in communication with the radio base and the person operating the truck may be using both the Simplex system as well as the government radio network. The Simplex system, as I understand it, uses the very high frequency (VHF) and our network uses a UHF frequency. We are moving out of the VHF network because emergency services has become a secondary user of that spectrum as allocated by the Australian communications authority, whatever it is called, that allocates the spectrum. If our emergency services were to remain in the VHF spectrum, they would be competing with taxi companies, radio stations and a vast array of other users. They would not be a primary user: they would merely be a secondary user with all the interference that comes from being a secondary user. That is one of the prime reasons why we moved to the VHF spectrum.

Mr CONLON: I have heard all of the arguments before, but what we do know is that the CFS, particularly in the South-East, will be keeping their old radios because the new network would not enable them to speak to people from the Victorian country fire service fighting fires on the border of Victoria and South Australia as they have done in recent years. However, I leave that aside because we have been over that argument many times. If it becomes necessary to replace the Motorola equipment during the seven-year term of this service contract, can we be assured that it will not be the South Australian taxpayer who picks up the TAB: it will be Telstra? Do not tell me that it will not be replaced; I just want to know what will happen if it has to be replaced.

The Hon. R.D. Lawson: The honourable member is dealing with two different issues. Our contract requires Telstra to deliver to us a system that will meet certain performance requirements. If it does not, Telstra will not be paid—it will have to install more transmitters. Telstra knows

the sort of equipment we have specified in the contract. It must match its system to meet the requirements of the equipment.

Mr CONLON: I am not sure that I am content but I am sure that a lot of people are keen on wrapping this up. At page 5.75 some money has been set aside in the Emergency Services Fund until contracts and costings associated with the government radio network and computer-aided dispatch are finalised. If I understand it correctly, the costings that need to be finalised involve the division of costs among agencies that will be using the GRN. What contracts need to be finalised?

The Hon. R.D. Lawson: If the honourable member is talking about the computer-aided dispatch—

Mr CONLON: I read the following for the benefit of the minister:

This is mainly due to funds for the government radio network and computer-aided dispatch being transferred to other expenses and projects until contracts and costings are finalised.

The Hon. R.D. Lawson: You are referring to the Minister for Emergency Services' budget line.

Mr CONLON: I may be a simple man, but some money was collected under the emergency services levy to pay for a contribution to the government radio network from emergency services agencies. We now find that some \$10 million in the Emergency Services Fund appears as a cut in the budget, but it is not; it is being set aside, as I understand it, so that the contribution will not be made for the government radio network until contracts and costings are finalised. The minister should be able to understand that we are concerned about what he says is not a blow-out but what we say is a massive blow-out in the past. We are concerned about a line that indicates that contracts are not finalised. What contracts and costings are not finalised?

The Hon. R.D. Lawson: This is not within my portfolio responsibilities, because it relates to the application of the Emergency Services Fund, which is a fund over which I have no control.

Mr Conlon interjecting:

The Hon. R.D. Lawson: The mechanism by which the government radio network project is paid is not something over which I have ministerial control or responsibility. My responsibility is limited to overseeing the construction and implementation of the project.

Mr Condous: Who should we have asked about this?

The Hon. R.D. Lawson: You should have asked the Minister for Emergency Services.

Mr FOLEY: He told me to ask you. I came back especially that night from a meeting in Port Adelaide and he told me to ask you.

The Hon. R.D. Lawson: And you let him off the hook. Bad luck!

Mr CONLON: So, minister, you cannot tell me what contracts are not finalised for the government radio network. Are you saying that no contracts are not finalised?

The Hon. R.D. Lawson: All contracts have been finalised for the letting of the government radio network contract project.

Mr CONLON: So somebody has made a mistake in the budget document.

The Hon. R.D. Lawson: I do not think there is a mistake in the budget document. As the honourable member would acknowledge, he is looking at the line from the Justice Department for emergency services.

Mr CONLON: I am looking at a line that says that \$10 million in the Emergency Services Fund that was going to be spent on the government radio network and computer-aided dispatch—I assume we were not spending \$10 million on that—is not being spent; it has been set aside in the fund until contracts are finalised. You must forgive me for wanting to know what contracts have not been finalised.

The Hon. R.D. Lawson: It is only surmise on my part—and perhaps I should not surmise—but the computer-aided dispatch system, as referred to in the line to which honourable member is referring—

Mr CONLON: You are the people who stuck it in the budget papers. It does not say 'computer-aided dispatch': it says 'government radio network and computer-aided dispatch'. We have an entitlement to know what you are talking about.

The Hon. R.D. Lawson: We will make sure that you get an answer in due course.

Mr FOLEY: I put that question to Brokenshire and Brokenshire said it was not his responsibility: it was yours. Ultimately, somebody within government has to have a bit of accountability.

The Hon. R.D. Lawson: You must have phrased the question inappropriately.

Mr FOLEY: I would be dancing around this issue, too, if I had been dopey enough as a government to enter into an arrangement where \$247 million of taxpayers' money is being spent on a system that has limited value and, indeed, limited life.

The Hon. R.D. Lawson: You were dopey enough to be part of a government that waited 13 years and did absolutely nothing about it.

Mr FOLEY: That is fine. You can throw it at us, but I can assure you that the punter who is out there paying the emergency services levy right now will be reminded repeatedly by this opposition exactly why that levy is like it is—and it is to pay for this radio contract.

The CHAIRMAN: I point out that the committee should not be talking about any levy. That is not the matter before the chair. We have already dealt with that.

Mr FOLEY: The radio contract is for seven years. When is it expected that replacement of the handsets will be required under this contract? What is the lifetime of the handsets that are being put in place for this system?

The Hon. R.D. Lawson: It is obvious, I would have thought, that various items of equipment being used on a project will have varying life expectancies.

Mr FOLEY: I ask the minister to answer the question, please.

The Hon. R.D. Lawson: It is not possible. There are thousands of items—

Mr FOLEY: When will the hand-held Motorola equipment need to be replaced to fully digital?

The Hon. R.D. Lawson: That will be an agency—

Members interjecting:

Mr FOLEY: Our evidence on the select committee on this matter and in the Economic and Finance Committee was that we are buying a product that is nearing the end of its life expectancy and that new technology will have to be adopted very soon. I would like to know what that is.

The Hon. R.D. Lawson: You heard a lot of evidence from competitors, especially those who wanted to sell their untried product—

Members interjecting:

The CHAIRMAN: The chair wants to hear the answer, if no-one else does.

The Hon. R.D. Lawson: The handsets will be progressively introduced into the system. They have, as I am advised, a life of seven to 10 years.

Mr FOLEY: So, in seven years a replacement program will have to commence for a large proportion of the expenditure—

The Hon. R.D. Lawson: No, it will not be a large proportion at all. They will be progressively introduced.

Mr FOLEY: Let us work through these numbers. What sort of value will be expended as they are progressively introduced—how much in the first year, how much in the second year and how much in the third year?

The Hon. R.D. Lawson: I am not able to give the member that information: I do not have it here with me.

Mr FOLEY: So, the minister is saying that within seven years we will already be replacing a large proportion of our handsets.

The Hon. R.D. Lawson: I did not say a large proportion at all. I said that they will be progressively introduced into the system over the next few years. Each item will have a life, as I am advised, of seven to 10 years. Some of them may be replaced; many of them will still be in use when the contract with Telstra comes up for renewal.

Mr FOLEY: And it can be replaced only by Motorola mandated equipment?

The Hon. R.D. Lawson: That depends upon the equipment that is available at the time.

Mr FOLEY: You tell me the answer, please, minister. Can they be replaced only with Motorola mandated equipment?

The Hon. R.D. Lawson: That depends upon whether open protocol equipment is available at the time. Technology does change.

Mr FOLEY: So, within seven years we will be paying for it again, essentially?

The Hon. R.D. Lawson: No, that aside is nonsense. Within seven years you will not be paying for the government radio network again.

Mr CONLON: We will be renewing our contract with Telstra, I assume—we may find ourselves tied into a position where we have to renew our contract with Telstra.

The Hon. R.D. Lawson: In any event, the replacement of equipment, whether it be a police or an ambulance network, or whatever, is an ongoing function of owning any equipment—whether or not we continued without a government radio network, whether we went to a government radio network, whether we continued with 17 networks or whether we had five networks.

Mr FOLEY: What is the value of the handset component of the contract?

The Hon. R.D. Lawson: Particulars of that have been provided to the committee of which the member for Elder was a member.

Mr FOLEY: It would be useful to see whether the minister has the numbers and figures.

Mr CONLON: It was about \$65 million the last time we had a look.

The Hon. R.D. Lawson: I thought it was \$70 million. The total estimate for voice terminal equipment was \$33.7 million, pagers \$1.6 million and mobile data \$2.9 million, giving a total for terminal equipment of

\$38.45 million.

Mr CONLON: There is other Motorola equipment, is there not?

The Hon. R.D. Lawson: There is some Motorola, some Nokia and some Glenair. Various types of equipment are used in this network. It is not wholly a Motorola mandated system.

The Hon. R.B. SUCH: As a bonus, will the roll-out of this contract mean that general mobile phone capability will improve throughout the state? In other words, Telstra, in fulfilling this contract, will also benefit the state as a result of increasing and improving the mobile phone network. Is that a fair assumption?

The Hon. R.D. Lawson: It is a fair assumption to say that there will be improvements and benefits to the state as a result of the roll-out of the government radio network.

The Hon. R.B. SUCH: In terms of using the same—

The Hon. R.D. Lawson: It is not specifically in terms of using the same infrastructure for mobile phones. For example, as a consequence of the contract, and as part of its economic development requirements, Telstra is required to assist in the provision of the networking of South Australia and the linking up of schools' libraries to high speed lines to facilitate internet access, and other measures of that kind.

However, the government radio network is a discrete network. It is not one that facilitates Telstra's position as a provider of mobile phone services. If, at the end of the term of the contract, the government wants to appoint another operator of the government radio network or wants to operate it itself, it will be free to do so. The aerials and the like are government radio network, not Telstra, aerials.

Mr CONLON: Telstra has taken over the running of the government radio network and now we have seen the closure of FES. Can we have an assurance that existing personnel will operate communications in the fire service and the police service and will not be replaced with Telstra employees?

The Hon. R.D. Lawson: I might ask Mr Peter Fowler, Executive Director of the SA Government Radio Network, who has detailed knowledge of those employment issues, to provide the answer to the committee.

Mr CONLON: Existing people will be replaced by Telstra employees. I think that is pretty straight forward.

Mr Fowler: There are two groups of people, though. There are the people who work in the communications centres doing despatching of calls and so forth who are not part of the Government radio network: they are the operators of the equipment—the speakers, if you like. There are technical people—

The Hon. R.D. Lawson: Is it that first category you are dealing with?

Mr Fowler: The first category are not affected.

Mr CONLON: People in the com centre at the MFS, the CFS and the police: they will all be the people who continue to operate the radios? Mr Fowler: That is right: they are not affected by the GRN. They are not in scope at all. There were some 19 people who were involved in the maintenance of networks for the government. Some nine of those have currently transferred over to Telstra and the remainder continue to work for the state. There is no reason to believe

that the employment of those people would be affected.

The CHAIRMAN: I declare the examination of the votes completed. I lay before the committee a draft report.

The Hon. R.B. SUCH: I move:

That the draft report be the report of the Committee.

Motion carried.

The CHAIRMAN: That completes the business of Estimates Committee B.

At 6.33 p.m. the committee concluded.