

**HOUSE OF ASSEMBLY**

Wednesday 27 June 2001

**ESTIMATES COMMITTEE B****Acting Chairman:**

The Hon. G.M. Gunn

**Members:**

Mr P.F. Conlon  
 Mr M.L.J. Hamilton-Smith  
 Ms A.K. Hurley  
 The Hon. G.A. Ingerson  
 Mrs E.M. Penfold  
 Ms M.G. Thompson

*The committee met at 11 a.m.*


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Minister for Government Enterprises and Minister for  
 Information Economy—Other Items, \$24 953 000

**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 R. Martin, Executive Director, Information Economy  
 Policy Office.  
 Mr G. Thomas, Chief Executive, Playford Centre.  
 Mr M. Grillo, Executive Director, Information Communi-  
 cation Services.  
 Ms C. Maelzer, Senior Project Officer, Office of Govern-  
 ment Enterprises.  
 Mr K. Della-Torre, Ministerial Adviser.

**The ACTING CHAIRMAN:** Welcome to the committee.  
 Minister, would you like to make any statement to the  
 committee?

**The Hon. M.H. ARMITAGE:** Thank you, sir. I would  
 like to make a single, short opening statement to cover both  
 of my portfolios of information economy and government  
 enterprises. The theme for the state budget 2001-2002 is  
 Stronger Economy, Stronger Community. I know that some  
 people consider that my portfolios focus solely on the  
 economy and on the commercial activity side of that econ-  
 omy; in other words, a stronger economy. But to believe that  
 is to misunderstand the fundamental thrust of our Information  
 Economy 2002: Delivering the Future statement or, indeed,  
 misunderstand the context in which the government enterpris-  
 es portfolio operates, because both of those portfolios are  
 focused very much on building a stronger community as well  
 as a stronger economy.

The primary objective of IE 2002 is: 'to ensure that all  
 South Australians are encouraged and enabled to participate  
 in the information economy, locally, nationally and globally'.  
 It is our view that IE 2002 is at least as much a social  
 program as it is an economic one. Key initiatives within the

framework focus on building a stronger community, and just  
 some of those initiatives supported by the 2001-02 budget  
 include:

ServiceSA—through the innovative application of the  
 information economy's infrastructure, we are taking services  
 to communities that have never had them before. We are  
 actively seeking to work with both the commonwealth  
 government and local government to improve service  
 delivery to all South Australians.

Another initiative is Networks For You, which is a  
 program to raise the awareness of the IE—information  
 economy—in regional South Australia, which is obviously  
 a key in breaking down the digital divide. There is also  
 Talking Point, a nationally recognised online forum for our  
 community to provide direct feedback and to engage in  
 discussion about government policy.

The government enterprises are good corporate citizens  
 within the South Australian community. With the support of  
 the South Australian government they apply their expertise  
 to a range of initiatives that are not directly commercially  
 viable, and a sample of these initiatives is as follows.

In the SA Water area, we have Stage 2 of the country  
 water quality improvement program, which improves water  
 qualities for the communities of the Adelaide Hills, Yorke  
 Peninsula, Northern Adelaide Plains and the West Coast.

In the WorkCover area, there is the Grants Program  
 supporting initiatives in the aquaculture industry, the wine  
 and brandy industry and horticulture, the plastics and rubber  
 industry and building construction industry.

Forestry SA has the Farm Forestry Program and new  
 community use facilities at Mount Crawford, Caroline Forest  
 Reserve, Kuitpo, Bundaleer, Cuddlee Creek and Wirrabara.

In relation to Ports Corp, there is recreational access to  
 the waterfront at Inner Harbor and Outer Harbor of Port Adel-  
 aide, Port Lincoln and Wallaroo, and the establishment of  
 recreational access agreements.

Through the LMC, the Land Management Corporation, we  
 have the shack freeholding process, which has improved the  
 environmental outcomes along the coast and the River  
 Murray.

So all of this and the many other community-based  
 projects could not have been achieved without sound  
 financial management supporting strong performances by the  
 government's businesses enterprises and a stronger economy,  
 and my portfolios are contributing to a stronger economy  
 through: a reduction in WorkCover costs; the Industrial and  
 Commercial Premises Corporation; the development of  
 Mawson Lakes and Technology Park; support for small and  
 smart IE businesses through the SA Bits program; the IE2002  
 E-Business Campaign; and an efficient Ports Corporation—  
 just to name a few. Having established the broad context for  
 the broad portfolio, I look forward to a very productive  
 examination by the committee.

**Ms HURLEY:** I am here particularly to ask about the  
 information economy part of the minister's portfolio. In the  
 Information Economy 2002 statement, of which we are all  
 well aware, 21 initiatives are offered, which would encom-  
 pass government business and community activities that are  
 designed to facilitate and accelerate whole of state participa-  
 tion in the information economy.

Output 7.2: Information Economy Services is described  
 as: 'encouragement of development of the South Australian  
 economy through the sponsorship of the information  
 economy'. Now, what interests me—a very worthy objective,  
 of course—is that the target for the delivery of tasks in the

Information Economy Strategic Plan 2001-2002 is 100 per cent. Most of the 21 initiatives offered through Information Economy 2002 are very good statements, I believe, but some of them are quite long-term statements. So, does the government actually intend to implement 100 per cent of all IE 2002's 21 initiatives? Has the cabinet endorsed, firstly, all of the initiatives, and what is the timetable for their delivery?

**The Hon. M.H. ARMITAGE:** I thank the Deputy Leader of the Opposition for acknowledging the value of—I forget her exact words—the majority of the initiatives in the Information Economy 2002 package. That is the first time anyone from the Opposition has said that, so I am very grateful about that. There are undoubtedly some projects which are easier to deliver than others, and the Deputy Leader identified that some of them are longer term.

We are having a lot of success with many of the projects, but some of them require even a degree of acceptance from the community. We are unable, and do not intend to, to go out and bludgeon the community to have every single person internet savvy and to be alert to all of the potentials. We would like them all to be, and our goal is to make sure that everyone at least has the opportunity to choose to be information enabled. So I guess the 100 per cent relates to those that are immediately deliverable by government action. We will be attempting to do that. That is our goal. Those that require further involvement with community members on a voluntary basis, we will certainly put a 100 per cent effort into encouraging the community to be involved. But, as I said, we cannot force anyone to do so.

**Ms HURLEY:** I think that illustrates the difficulty that the opposition has with a lot of these budget papers—100 per cent delivery, in your budget paper, illustrates that you will try 100 per cent to make sure that it happens. I think that, for the public of South Australia to be given waffly targets like that, just means that it is impossible for us to compare targets with reality next year. Perhaps I will ask a specific question. Service SA, for example, is estimated to cost approximately \$11.8 million of additional funding over five years. What does that 100 per cent delivery target for 2001-02 actually mean in terms of that sort of outcome?

**The Hon. M.H. ARMITAGE:** I am very happy to talk about that because this is, we think, one of the greatest potential changes in South Australian provision, almost ever, by using the information economy productively. Service SA is based (just in case members of the committee are unaware) on a premise of literally a one-stop shop by having a technological backbone, or back office, whereby people in large and small towns will be able to go to Service SA or rural transaction centres in accommodation with the commonwealth. At the moment we believe there are 1 038 transactions with the state government. As I said in my opening statement, that will occur in places where services have never been provided before. We have a very clear view that this will strengthen rural communities and I will quote, for argument's sake, what has happened in Tasmania where an initiative very similar to this has been operating for about three years.

The two towns I will quote are Triabunna, which is a town of about 800, and Sorell, which is the nearest big town, which is about 50 minutes drive away from Triabunna. Four or five years ago, Triabunna was on the decline, particularly when a number of the banks closed and there was nowhere people could withdraw money; and, as a large percentage of people are paid electronically, for people in Triabunna to get money to spend they had to go to Sorell. What that then meant was that in Sorell they would withdraw their money from a

flexiteller or from an ATM and then when they were in Sorell they would tend to have a haircut, fill the car with petrol and so on, meaning that the businesses in Triabunna were diminishing. Since the opening of a small centre in Triabunna, all of those services for the government, particularly funding—it has a relationship with a bank, although I am not sure which bank it is—and the businesses there are at least now level or are even hoping to grow as opposed to decline.

So, from the perspective of the South Australian government, that is a very worthy aim. We have, at the moment, four major towns or cities that have been identified as Service SA centres: Port Lincoln, Whyalla, Port Augusta and Gawler. As I said before, in relation to the commonwealth, when we devised our plan, the commonwealth had a similar strategy without as much form, I believe, in relation to rural transaction centres. I made application to the commonwealth and, once it understood where we were coming from, it was more than pleased to have our services jointly badged with its services, and there are at least 20 or 30 small towns around South Australia that are already applying to be rural transaction centres jointly badged with us.

We are encouraging even more towns to apply. We would regard that as a key factor of the change in service provision. However, as I said before, we cannot guarantee that 100 per cent of the towns will have these rural transaction centres, because this plan relies on the community applying and being part of it. We would like to think that this initiative will be incredibly widely spread throughout the community, but we will not dragoon towns into doing it if they do not want to.

**Ms HURLEY:** Is that the target?

**The Hon. M.H. ARMITAGE:** It is a goal; it is a target—we would like to do it.

**Ms HURLEY:** So you are saying you have no particular target for this?

**The Hon. M.H. ARMITAGE:** I am telling you we have a target of spreading this as widely as we can, but we do not intend to compel towns to develop rural transactions centres or jointly badged Service SA centres. It is our strong view that once communities see these service centres available they will be queuing up to do it, and we hope that they do.

**Ms HURLEY:** I find it difficult to imagine that you can run a budget without specific targets, but obviously you have found some way of doing it. I will cite another example: the virtual electorate policy, presuming the government is still committed to this. What specific budget outlay has been set aside for the virtual electorate in 2001-02?

**The Hon. M.H. ARMITAGE:** The concept of the virtual electorate, which was always that of a discussion paper, has been placed on talking point for consultation and we have had a lot of input in other fashions through verbal and written responses. They fall into three categories basically: those focusing on the loss of South Australian skills and talents overseas; how the mechanics of the virtual electorate might work in terms of eligibility, voting and representation; and the issue of fair representation for both resident and expatriate electors. As we indicated, we would have that discussion paper and then formulate the input from the discussion and then prepare a further discussion paper. The only cost for the virtual electorate has been the engagement of a writer to remodel the issues paper into a discussion paper for further consultation at a total cost of \$2 640.

In our view this initiative is well worth exploring at least with the community, particularly given that despite the protestations of the opposition we are not the first to do this.

There is a lot of representation from expatriate voters in various parliaments. As short a time ago as last week there was an article in the *Age* where the new President of Italy, Mr Berlusconi, has decided to have 12 members of the parliament of Italy representing and voted upon by expatriate Italians. There is a clear reason for this (and the Italian community is a good example): people know that it is good for the economics of the home country. Similarly, we believe that South Australians who have gone interstate or overseas for whatever reason should be represented.

Andy Thomas is an example I have quoted before: you simply cannot be a NASA astronaut and still live in Adelaide. Would we not like to think that we can have Andy Thomas intimately engaged in our various policy formulations? Certainly, I would. Clearly the opposition does not think that he has a role in South Australia any more, but I disagree with that. We will have to agree to disagree, but we should be trying to accommodate really intelligent South Australians who do not live here any longer. The best way for the parliament to do that is to give them representation. I know that we will disagree about that. Governments around the world are acknowledging that this is a good way to go, and the total cost has been \$2 640.

**Ms HURLEY:** I do not think it is worth responding to a comment about expatriate South Australians contributing to South Australia and what the opposition thinks of that. What is the estimated cost of all the IE 2002 initiatives, and will the minister provide a breakdown of the estimated cost of the major components of IE 2002 such as Networks for You 2002, SA Connect and Service SA?

**The Hon. M.H. ARMITAGE:** I will provide the information I have at the moment. If it does not satisfy the opposition about particular initiatives, I am comfortable with providing it later. As the Deputy Leader of the Opposition has identified, there are 21 specific initiatives in the Information Economy 2002 delivering the future strategy which is aimed, as the Premier said on its launch, unashamedly at making us the most connected community on earth. The total funding over five years available for the IE 2002 initiatives is \$27.7 million, and funding of \$14 million was provided as part of the 2000-01 budget, which included \$3 million for the Playford Centre. A further \$6.2 million was provided for Service SA; \$1.2 million for SA Connect; \$3.2 million for the Playford Centre as part of the 2001-02 budget; \$370 000 was transferred from existing special alliance reserves held for IE industry action plans; and departmental reserves to the value of \$2.8 million are available if required to fund the balance of the program.

Implementation of the initiatives will provide a range of essential economic and social outcomes for South Australia (they will provide good guidelines for Australia also) and ensure our continued economic growth in this rapidly changing environment with all sectors targeted, particularly the business sector through initiatives such as the business incubator, IE industry action plans, the e-business campaign, the careers information exchange and a number of other initiatives which will ensure wide community participation such as IE Literacy, Networks for You, SA Connect, Smart State Volunteers and improvements to our telecommunications infrastructure initiatives. We believe all sectors of the South Australian community are targeted in a variety of ways.

**Ms HURLEY:** The budget for this output area has risen from \$1.426 million in 2000-01 to \$16.981 million.

*The Hon. M.H. Armitage interjecting:*

**Ms HURLEY:** This is for the whole output. The actual spending in 2000-01 was \$7.54 million. What is the reason for this difference in budget and expenditure in 2000-01 and where is the increase in 2001-02 being directed?

**The Hon. M.H. ARMITAGE:** The increased funding is due solely to the money that I was able to convince cabinet should be applied to the implementation of the initiatives under IE 2002 in the coming budget year. In the first instance we had some funding that was acknowledged as not quite seed funding but was there to stimulate the strategies and get the foundation. I informed cabinet colleagues that the implementation—this is 18 months ago—of some of these programs would be more expensive. That is the money which is for the implementation of those initiatives and that is why the money has increased; and I contend that, in the information economy, that is money extraordinarily well spent. It is not a lot of money. It is a lot of money to individual people but, in the context of South Australia's future, it is not a lot of money.

**Mrs PENFOLD:** I refer to Budget Paper 5, part 2, pages eight to 19. Can the minister report on the progress of the arrangements of the World Congress on Information Technology to be held in Adelaide next February?

**The Hon. M.H. ARMITAGE:** As the members of the committee will know, a really pleasing fact is that Adelaide has won the right to be a partner with the Australian Information Industry Association in hosting the 13th World Congress on Information Technology (known as WCIT2002) from 27 February to 1 March. The reason that I am so pleased is that the congress is widely recognised as the world IT industry's leading forum, and it is regarded as, in fact, the Olympics of the IT world. The 12th congress was held in Taipei.

There have been extraordinarily good speakers going back over the history of these two yearly congresses and, perhaps more importantly from South Australia's perspective, the people who attend are known as the CXO class. The people who attend—and we are planning for 1 700 delegates—are chief executive officers, chief financial officers or chief information officers of the heavy hitters in the information economy. I was very comforted that we were able to announce recently that the former President of the United States Mr Bill Clinton will be the keynote speaker at the Adelaide congress in 2002.

Other prominent speakers will include Mr Bob Bishop, Chairman and Chief Executive Officer of Silicon Graphics; Dr Yrjo Neuvo of Nokia; Al Berkeley from NASDAQ; Michael Capellas from Compaq; Ziggy Switkowski from Telstra; Don Tapscott, one of the best known IT futurists in the world; and so on. As I said, we are planning for a large number of delegates and the congress will be staged in the newly extended Convention Centre. I think that, most importantly, it will be a unique showcase for South Australia. It is extremely rare for us to have the type of delegate who will attend this congress coming to Adelaide.

About two or three months ago the WITSA (the World Information and Technology Services Alliance) executive committee visited Adelaide to check on the venues and to make sure that our progress was good. It was extremely interesting to note—after we had shown them the venues, what we intended to do, and so on—that at the end of their meeting, which they held individually (and some of the executive committee of the congress attended that meeting), one of the committee stood up and said, 'We know that this will be a good congress. Everything is fine. Adelaide is a very

impressive city. Don't forget to show us a way in which we can invest in South Australia.'

These people are coming to South Australia to make investments in companies, technology, personnel, and so on. It is an unparalleled opportunity for our community. A number of sponsorships have already been and are being taken up by South Australian national and international companies. They are doing that because there will be a number of promotional opportunities over the period of the congress. The organising committee is chaired by Mr Ross Adler and includes nine other well respected business leaders and government representatives. The World Congress Office is located at the Playford Centre in the EDS building and it has a very small executive staff.

Importantly, the theme of the congress is 'Unleashing the power'. Quite deliberately we have made a decision that we do not want this to be an IT 'how fast can your chip work; where do the ones and zeros go?' sort of congress. That is very important in technology, but we are much more interested in unleashing the power of the information economy into the community: how can we make sure that the community is best advantaged by the uptake of the information economy? To that end we have a number of fora over the three days, which will involve a chair and three or four speakers.

Those people will address really interesting issues, such as the digital divide in general and how the democratic process can be enhanced by technology, and those sorts of issues. We are very pleased that the Australian Information Industry Association agreed with our bid to host this very prestigious congress in Adelaide, and we are looking forward to an extraordinarily positive event.

**Mrs PENFOLD:** I refer to Budget Paper 7, pages six and 12. What steps is the minister taking to ensure maximum levels for internet awareness and uptake in rural South Australia?

**The Hon. M.H. ARMITAGE:** We are extraordinarily keen to ensure that technology is used as productively as possible to break down what is known as the digital divide (and, I guess, I would love to be the person who coined that phrase given the number of times that it has been used), which refers to the fact that a technologically enabled capital city of a state or a nation may have greater advantages than people who, perhaps, do not have the same connectivity in rural areas. We have been operating the Networks for You program in rural South Australia since February 2000.

It is very pleasing to report that the federal government recently awarded the project an additional \$3.8 million to extend the project given that it has been so successful. I will ask Mr Robert Martin, Executive Director of the Information Economy Policy Office, which has been intimately involved in the great success of this program, to tell us a bit more about it.

**Mr MARTIN:** As the minister said, the program became operational in February 2000. To date, over 12 600 people have been through the program individually to be educated about the internet and to be made aware of its relevance to them in their every day life no matter in which sector of the community they reside. Across the state, network centres have been and are being established to support the community on a sort of 'try it out' basis. These centres are being established using existing community facilities, which is a different model from elsewhere.

The program was established to cooperate with local government and other community sectors using existing

facilities rather than establishing new facilities, and we are building on what is already there. Libraries, schools, telecentres, community houses, health centres, regional development boards and councils are joining as network centres, as well as community facilities in churches, sporting clubs and venues for seniors. As at 18 May almost 200 network centres had been established in rural South Australia, and they are centres that are regularly populated by people in the program.

We use a further 600 presentation centres to make presentations around rural South Australia to members of the community. Local people staff the program. A key part of this program has been to employ and engage local people of all age levels as employees from the area in which they are working. There is one regional coordinator and there have been two young people working as IT trainees in each of the six regions around the state. The awareness sessions are being conducted to introduce the internet to groups, businesses and professionals—in fact, all sectors.

The project is based on community development principles. It seeks to work with communities to introduce them to the information economy, what the internet is all about, how it is relevant to them and to pick up on the opportunities of which they can avail themselves. In each of those divisions we have established community reference groups. Typically, 15 or 16 people will be part of a community reference group with people from that particular sector who meet, about quarterly, to give us feedback about the community so that we can learn from what they are saying and assess their current level of knowledge and understanding. We have an advisory board made up of people from those community reference groups, which also meets with project management, and advises us and gives us feedback about what steps we should take.

It was initially a two year program. In the first place, the state government put in about \$1.6 million to add to the federal government's funding initially from Networking the Nation, which was \$342 500. The project, based upon its success, has been extended to three years, and we are now able to add additional personnel to meet the demand. We found that demand in all these areas was really overwhelming. The number of hours that the trainees and other people are working has been quite extraordinary. The additional funding from the commonwealth will enable us to have further personnel working in these regions and to have a lot more trainees. The idea with the trainees is, having been involved in the program and working with the community, they will then stay in those communities in rural centres to avail the community of the expertise that they have developed.

**The Hon. M.H. ARMITAGE:** Having attended a number of launches of the centres, two particular examples come to mind. We set up an internet cafe in the major shopping centre in Whyalla. A Whyalla resident was walking past, saw the internet cafe and came over to see what was going on. This woman happened to have a rare skin disease and felt quite isolated in her community because of that disease. We tapped in on the search engine the various details about the disease, and it immediately came up with a support group in America, with a downloadable newsletter, and so on. So, via the internet, the woman immediately felt connected to a community of people who were suffering similarly, and she felt very positive about that. Last Monday I visited The Ranges Youth Centre at Port Augusta. There would have been, I suppose, 20 young people from Port Augusta there, and we arranged for a chat, through the use of telecameras,

with young people in Benalla and Mansfield in Victoria. It was fascinating to see the interchange.

We really are very strongly of the view that this is a way of making sure that people in rural areas are aware of the potential of the internet. And, I should add, it is free for the people who attend. People do not necessarily trust governments (collectively, one might wonder why, but that is a fact), but they tend to trust us even less when we tell them that something is free. However, this service is free and, when people have experienced what they can get out of it for nothing, they are extraordinarily auditory.

**Mrs PENFOLD:** I refer to Budget Paper 7, page 6. Can the minister advise the benefits of the Microsoft and SA government Innovation Centre?

**The Hon. M.H. ARMITAGE:** I am delighted to do so, given that the Innovation Centre will have a range of benefits from both an economic and a strategic perspective. The Innovation Centre is based on our relationship with Microsoft: we have effectively standardised on Microsoft products since 1995. A number of licensing agreements have been put into effect, and each of those has leveraged the volume within government and, therefore, has derived significant savings—it is estimated to be about \$5 million per annum compared to an agency by agency approach to licence procurement. Whilst that was a good financial outcome, it did not really build the relationship with Microsoft to ensure that we were making the best use of the investments and really testing out the Microsoft products. When we renegotiated the licensing agreement early in 2000, the idea of an innovation centre surfaced, and it was believed by both parties to the negotiations that we could, in fact, leverage quite a large bonus for both of us by exploring the nexus between the software licence asset and the business benefit that was derived.

The Innovation Centre, which resulted from those discussions, exists as both a physical and a logical centre. Physically, it is situated in Microsoft's Adelaide premises and acts as a resource centre for projects to be developed; and, logically, it exists as a process by which government agencies can apply to receive Innovation Centre funding to facilitate any innovative project. The key focus of the centre is on the development of local industry partners. In practice, each Innovation Centre project will require the engagement of a local partner to undertake the development aspect of the project and, in this way, it is expected that the total outcomes of each project exceeds the dollar value applied to the approved projects. It is anticipated that some of the successful projects may, indeed, be showcased at the World Congress on IT which, as I mentioned earlier, will take place in February and March 2002.

**Ms HURLEY:** With respect to the world information technology conference the minister said that, at the conference, people will be invited to invest in South Australia, and I think that that is a very good thing, because I think we want more benefits to the taxpayer than just holding a conference. However, I do not think that the minister has emphasised that in the media. When he compared the cost to the taxpayer of hosting the international IT conference and the cost of Mr Clinton's visit, he said that the fees were comparable to a visit by Kylie Minogue or a Formula One racer, I believe.

*The Hon. M.H. Armitage interjecting:*

**Ms HURLEY:** Avidly. Can the minister inform the committee of the total cost to the taxpayer of hosting the

international IT conference and what budget line it will come from?

**The Hon. M.H. ARMITAGE:** With respect to the budget line in which this sponsorship is identified, I am informed that it is an administered item in the DAIS accounts, and that \$1.3 million is the amount identified for the sponsorship. I point out that this is a congress which the World Information and Technology Services Alliance holds every two years. It decides in which area of the world the congress will be held, then it goes to its local association (in this case, the Australian Information Industries Association), which then decides where the congress will be held. We won the right with the AIIA to host the congress over Sydney, Brisbane and Melbourne and, in so doing, we identified that we would sponsor to the tune of \$1.3 million. We believe that \$10.5 million of economic benefit will flow to Adelaide, immediately identifiable from the expenditure. So, we think that it is a good multiplier effect.

More importantly, we believe that there are long-term effects of having all these really heavy hitters in the industry coming to Adelaide, meeting our businessmen and women, dealing with them and, hopefully, setting up some deals (as I have identified already, they are very keen to do that), and that the longer term benefit will still be accruing to Adelaide in 10, 20 or 30 years' time. So, we are extraordinarily comfortable that this is an excellent investment.

**Ms HURLEY:** Does the total cost include the cost to the taxpayer of Bill Clinton's appearance at the conference? Can the minister explain what will be that total cost, together with any accommodation, or whatever, and particularly any security costs—in other words, will Mr Clinton be bringing his own security staff and paying for their costs, or will that be at taxpayers' expense? What will be the total security cost as well as the cost of his appearance?

**The Hon. M.H. ARMITAGE:** I well understand why opposition members are chasing this line of questioning because they are attempting to snipe and sully the fact that we have been successful in bringing to Adelaide a person whom many people would regard as the most charismatic speaker in the world today. As we have been negotiating—

**Ms THOMPSON:** I would have thought Nelson Mandela was.

**The Hon. M.H. ARMITAGE:** Well you may say that. The World Congress executive has been negotiating with Mr Clinton for a number of months and, as one member of the World Congress Executive Committee, since we have been negotiating with Mr Clinton I have taken particular note of his appearances around the world, and he is mobbed. It is interesting to note that he is mobbed not necessarily by business men and women but by students, by the common people. He is very charismatic having been the leader of the free world for eight years at a time of significant political change and change in the information economy.

We are extraordinarily chuffed that we have been able to secure Mr Clinton as the keynote speaker and it is interesting to note for the benefit of the committee that, since Mr Clinton has been announced as the keynote speaker, there has been significant interest from a number of other sources in sponsorships and attendances, all of which is exactly why the World Congress executive made the decision to attempt to engage Mr Clinton.

As I have said before and I am still at pains to point out, but I shall do so again for the sake of the committee, the South Australian government did not make the decision to approach Bill Clinton. As I have indicated in answer to the

most recent question, we provided sponsorship of \$1.3 million which went to the World Congress. The World Congress then has an amount of money that comes from a variety of sources including sponsorship, delegate registration, and so on, and from that pool of money the World Congress executive makes a decision as to who it may approach. My understanding is that, to this stage, approximately two-thirds of the speakers' budget is being expended on Mr Clinton and, as I have said before, the World Congress executive and the state government are very much of the view that that is money particularly well spent because it will ensure that the congress is a great success and, more importantly, that the eyes of the world will literally be on Adelaide.

**Ms HURLEY:** What about security costs?

**The Hon. M.H. ARMITAGE:** There is a line item in the budget and, for sensitive reasons relating to security, I do not intend to identify what that is, but it is within the budget of the World Congress. Mr Clinton, I am informed, will be bringing some of his own security. In instances like this where world leaders travel to other countries, the host country, through state and federal police, provides some policing and security services, as one would expect and as I am sure our Prime Minister gets when he goes to other countries. Through our budget line we will employ some specific security to ensure that there is no problem.

**Ms HURLEY:** The minister seems to spend a great deal more time guessing the mind-set of the opposition than he does answering questions, and I assure him that he is nearly always wrong about the opposition's mind-set. We are worried that, if we get in government, we will find that the government has been mispending money on consultants and unnecessary costs in forward spending.

**The Hon. M.H. ARMITAGE:** What I take from that comment is that the opposition is supportive of our getting Bill Clinton here.

**Ms HURLEY:** Does the budget line for information economy services represent the full cost of running the Information Economy Policy Office, and what has been budgeted to pay for the operation of IEPO in the forward estimates for 2002-03, 2003-04 and 2004-05?

**The Hon. M.H. ARMITAGE:** The quantum of money is \$3.622 million. I am informed that is the total amount for running the Information Economy Policy Office. I will ask Robert Martin to talk about the office in just a minute but, when one looks at the amount of money that is spent and one looks at the results that have occurred in South Australia, I think that all members of parliament who understand the information economy would agree that we have had some staggeringly good outcomes, because in some recently released figures South Australia leads the rest of Australia in the rate of growth for most internet-related activities in comparable rural and outer metropolitan areas. These include having a home computer, accessing the internet and using email.

For the year from the last quarter of 1999 to the last quarter of 2000, the percentage growth of those in outer metropolitan Adelaide who accessed the internet from home was 21.3 per cent compared with a national average growth of 8.6 per cent. In other words, we are 2½ times higher than the national growth. We are ahead of every other state in that category. The growth in country South Australia for those accessing the internet at home was 16.4 per cent, once again better than every other state. A higher percentage of South Australians, that percentage being 41.5 per cent, have the

benefit of home-connected internet, and that percentage is higher than any other state's constituency.

South Australia's understanding and use of personal computers is growing at the fastest rate in Australia, and 59.3 per cent of South Australians have a home personal computer, which is a very encouraging figure. The latest available Roy Morgan statistics show that people in outer metropolitan Adelaide are connecting to and using the internet at the fastest equivalent growth rate in Australia. There was a 23 per cent increase in email usage by outer metropolitan Adelaidians between the final quarter of 1999 and final quarter of 2000. So, by any measure, the Information Economy Policy Office is providing a wonderful guide and a beachhead for South Australia's community by implementing its policies to make sure that South Australia is the most connected society on earth. I will ask Robert Martin, the Executive Director, to comment on the office itself.

**Mr MARTIN:** The office was established in late 1998, but it became operational in early 1999. The number of positions in the office total 26, although currently only 21 of those positions are filled. There are another 11 positions and 17 trainees in the Networks for You program which, as you have heard, is a commonwealth and partially state funded program. The office was set up as a policy office initially and staffed in that manner, but it has become a policy in action office in that it conducts a number of projects, runs the processes and gets them to the stage of implementation. One of the roles of the office is to advise the minister and cabinet of the actions that the government might take to cause understanding and growth in information economy areas. As I have said, the office also develops, implements and manages information economy projects and assists other government agencies in the development of information economy initiatives.

The office is concerned with the information economy, which is really the use to which IT and telecommunications can be put. The office itself is not about information technology or telecommunications; it is about people's understanding of how those things can be used in their everyday life and business to open up opportunities, enhance their operations, and provide efficiency and effectiveness.

**Ms HURLEY:** My question had nothing to do with what the Information Economy Policy Office does—I know that. I asked what the budgets were for the years 2002-03, 2003-04 and 2004-05. That was my question.

**The Hon. M.H. ARMITAGE:** I am confident that you asked whether the amount of—you did not even mention the \$3.622 million—

**Ms HURLEY:** I asked for the costs in 2001-02, which you gave me, and I also asked for the three forward years.

**The Hon. M.H. ARMITAGE:** I am informed that that amount is inflated by 2.5 per cent on an annual basis.

**Ms HURLEY:** That is all I wanted to know.

**The Hon. M.H. ARMITAGE:** I am sorry. I thought I had answered the question by saying \$3.622 million. I did not hear the rest of your question.

**Ms HURLEY:** Will the minister provide a list of the names, titles and classifications of all employees within IE posts, specifying in each individual case whether the employee is a permanent public servant or a contract employee; and, in the case of contract employees, the term of the contract and when the contract is due to expire?

**The Hon. M.H. ARMITAGE:** I do not have the exact details. I will take that question on notice and provide that information to the honourable member.

**Mr HAMILTON-SMITH:** I would like to start by genuinely commending the department for what it has done with IE 2002. I think it is a brilliant policy, and I think it builds well on IE 2000, which was an excellent foundation. My question relates to how we are creating the marriage between information economy and real returns for business out there in the street and how we are delivering action plans for industry. It seems to me that, as the minister has just pointed out in answer to an earlier question, information economy is a stepping stone towards greater productivity. I refer to Budget Paper 3, page 4.23, and I ask the minister whether he can report on the progress that is being made in developing specific industry action plans to address opportunities for South Australians in relation to the information economy.

**The Hon. M.H. ARMITAGE:** This is the whole thesis behind what the Information Economy Policy Office and the information economy strategy is all about. Whilst the ones and the zeros, the chip speed and the RAMs and so on are very important, what is much more important from the government and the community's perspective is how they are being used and what advantages we are seizing, because one of the 21 initiatives of the IE 2002: Delivering the future strategy was the formation of industry action plans.

We undertook to facilitate and encourage the leaders of our key industries to develop those plans based on their analysis of the changes, opportunities and threats of the global information economy. The Department of Administrative and Information Services has been working with the department of industry and trade to progress the development of these plans by key industries. At this stage, four industries have been engaged by DAIS, and they are at various stages of development with their plans. Those industries include: spatial, water, construction and information technology.

Spatial Cluster has already produced an industry action plan for its industry. It has been developed as a total industry plan and has focused more widely than on information economy, per se. The Water Alliance has conducted a planning workshop and is drafting a plan for consideration of the board. We anticipate that that will be finalised by the end of this month. The IT Council conducted a planning workshop in May 2001. The council's industry action plan is likely to reflect—and we hope it does—common information economy issues across the IT sector. Again, we believe and hope that that will be ready by the end of June.

Four other industries (health, automotive, tourism and defence) have been invited to attend a plan workshop to be run by the department of industry and trade and, importantly, a handbook to assist industries to prepare their industry action plans has also been produced. The idea is that that will be launched at a function where the first few industries will actually present progress reports on their plans. We hope quite deliberately to attract other industries to see the benefit of developing an industry action plan for the information economy. We will give them a road map; we hope that they will then go ahead and do it. It is our goal to have these industry action plans filtering down through all sectors and segments of the economy.

#### **Membership:**

Mr Wright substituted for Ms Hurley.

Mr Ingerson substituted for Mr McEwen.

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

Mr R. Ruse, Government Business Group.

**The Hon. M.H. ARMITAGE:** I have also been joined by a series of other advisers and chief executive officers who will come forward as necessary.

**Mr HAMILTON-SMITH:** My question is about the Ports Corporation. It relates to the issue of the affordability of exporting from the port given that there is increased activity—

**Mr CONLON:** On a point of order, Madam Acting Chair, it may not be a standing order, but it is ordinary courtesy to start the examination of a particular portfolio area with the opposition, that being the purpose of the examination of estimates. It is the most galling hypocrisy on the part of this government to release an openness and transparency statement some months ago and then to try to choke to death the examination of its own estimates with long-winded boring dorothy dixers. I have sat here quietly for an hour while time has been wasted and the minister has hidden behind a sandbag of words. I put you on notice: if you are not going to cooperate and treat us with decency, then that is the way we will deal with you.

**The ACTING CHAIRMAN (Mrs Penfold):** Member for Elder, I believe that was my error in that I was under the impression that we had had only one question on the government side and about five on the other side, and therefore I believed that it was the member for Waite's turn to have another two questions. I believe it is the understanding that, when there is a change, the opposition proceeds with questions.

**Mr CONLON:** In relation to the Ports Corporation privatisation, minister, I note with serious concern a press report of the dropping out of a bidder. I, as you would know, expressed concerns during the committee stage on the bill dealing with the Ports Corp and the answer at that time was that no contact had been made with the proponent of the third river crossing about providing rail, given the government's decision to oblige the winning bidder to build a deep sea port on the other side of the river. Plainly there is no existing infrastructure to deliver the vast amounts of grain necessary to that side of the river, and at that time there had been no contact with the proponent of a third river crossing to ensure that there would be rail transit.

It seems to be that the whole project was built on the field of dreams, reasoning that if you build a grain terminal the grain will come. We are not all that confident about that, and I will say, in asking this question, that our concern is that the process, as you have set out, has already in a quite extraordinary way committed \$100 million of the proceeds, as I understand it, to a budget line in the future for salinity, which I am sure the bidders are aware of and know that, to some extent, they have you over a barrel.

The opening question is this: are you confident that the process, having gone through thus far, will deliver a proper value price for South Australia's ports, given the absence of bidders and given the knowledge by bidders that you have already committed proceeds to a budget line?

**The Hon. M.H. ARMITAGE:** The allocation of \$100 million into paying off superannuation liability so that the money can be spent in future years to alleviate the salinity problems in the Murray River was a matter of bipartisan support in the parliament, I believed. So I do not think that issue is in question. I would be very surprised if it was, given the importance of salinity in South Australia. In essence, in

relation to the question—which I would paraphrase as: are we confident that we will get good value for the ports?

**Mr CONLON:** Will you stop if you don't?

**The Hon. M.H. ARMITAGE:** We would always in all our asset sales be of the view that the value to the taxpayer is a prime concern and if we were not going to receive the sorts of figures, in any of the asset sales that we have identified, we would not progress them.

#### Membership:

Mr Foley substituted for Ms Thompson.

**Mr CONLON:** I take the minister's assurance that if we do not reach a proper price—I of course will not ask what that is; that would not be wise of us to talk about—then they will not be sold and you will look somewhere else for your budget line on salinity. Since I last asked during the committee stage of the bill, simply what has been done to secure the transport infrastructure for huge amounts of grain to the other side of the river, given that none exist at present? I am sure the answer will greatly interest the member for Hart, who faces the prospect of that grain going through his electorate. What have you done with what I assume will be a rail crossing? What has been put in place? How will you get the grain there?

**The Hon. M.H. ARMITAGE:** As was identified, I believe, during the debate on the bills, the government has made a financial commitment to the infrastructure on the peninsula, and my understanding is that the matter of the third river crossing is in the Minister for Transport's budget as a private financing initiative in this budget.

**Mr FOLEY:** Michael, one last time: the Estimates Committee process, that is. It is good to see you have not got quite as many advisers here today. You are obviously growing in confidence after eight years. The Ports Corp sale process is degenerating into a debacle, potentially a debacle. You notice the other day that the AWB consortia have withdrawn. We are now down to two bidders and, in anyone's language, that is not sufficient competitive tension for the sale of an asset, in relation to an asset that I would have hoped the government's goal would be to achieve some form of a premium in it.

It has been advised to the opposition that the most significant reason AWB have pulled out, notwithstanding its views on the grain terminal priority being given to Ausbulk, is that your government has failed to properly deal with the third river crossing: the new bridge, the new rail infrastructure across the Port River, and the failure of your government to make that strategic asset part of the sale process.

There are two things involved; the consortia has the right to construct the rail bridge themselves, or at least whoever is constructing it is known so that they can get some understanding as to how the two will interact. That was the major reason for them pulling out of this bid.

I am advised that your consultants, the highly paid Andersons Consulting Group, have been making statements like, you know, 'B-doubles can roll through the streets of Port Adelaide and find their way down to the grain terminal.' Well, I have news for Andersons if that is the advice it is giving. Why has your government failed to properly address the issue of the third river crossing in the context of the port sale to ensure that we optimise the sale value of the Ports Corporation?

**The Hon. M.H. ARMITAGE:** We do not agree with your assessment, and whether bidders have pulled out for the

reasons you have identified, or other reasons, or indeed whether they have pulled out. I will not comment until the sale process is complete. At that stage I may say a lot of things about some of the bidders. I may not, too, but I may. But we disagree with the basic premise of the member for Hart's question, and we are confident that, through the private financing initiative, these answers will be provided.

**Mr FOLEY:** A supplementary question, if I may, Mr Acting Chair.

**Mr HAMILTON-SMITH:** A supplementary question? How many questions has the opposition had?

*Members interjecting:*

**The ACTING CHAIRMAN:** The member for Hart wants to ask a brief supplementary question. I will allow him to do that and then I understand that the member for Waite has the call.

**Mr FOLEY:** What worries me, minister, is this simple fact—putting on my hat as the local member—that you can sell the Ports Corporation. Your government—and I emphasise 'your government'—may be committed to the construction of an Outer Harbor grain terminal but, if the private financing initiative for the third river crossing, for whatever reason, does not proceed, you have committed to the construction of a major terminal facility at Outer Harbor without certainty about a third river crossing; and your consultants are running around telling people, 'Well, who cares because trucks can still rumble through the streets of Port Adelaide.'

As the local member, I find that unacceptable. You should not be proceeding with the sale of the Ports Corporation—which is not something that this opposition agrees with—or the construction of a grain terminal at Outer Harbor without certainty about the bridge. You could be locking away for many years to come an untenable situation for residents of the Le Fevre Peninsula without adequate physical infrastructure to deal with the new terminal. I just think it is a major policy failure—

**Mr CONLON:** That is a \$500 million development.

**Mr FOLEY:** Well, exactly, and as—

**The ACTING CHAIRMAN:** Order! This is not a question and answer between the member for Hart and the member for Elder.

**Mr FOLEY:** Exactly, and as my colleague quite rightly says, you are also the minister responsible for putting forward the plans, which I fully support, to redevelop inner Port Adelaide.

*Members interjecting:*

**The ACTING CHAIRMAN:** This is a brief supplementary question, I think.

**Mr FOLEY:** The point I want to know is: can you give this committee an absolute guarantee that the third river crossing will be completed and, if so, what is the time line for its completion?

**The Hon. M.H. ARMITAGE:** Well, sir, that is a matter for the Minister for Transport. My understanding is that the member for Hart has had intimate discussions with the Minister for Transport over a number of years, including the prospect of a toll for use of the—

**Mr FOLEY:** That was a year ago and I have not heard anything since.

**The Hon. M.H. ARMITAGE:** Exactly, but what I am saying is that the member for Hart was intimately engaged in those discussions—

*Mr Conlon interjecting:*



**The ACTING CHAIRMAN:** The minister does not need help from the member for Elder.

**The Hon. M.H. ARMITAGE:** —and, indeed, it is my understanding that those sorts of considerations make this an attractive option for a private financing initiative.

**Mr HAMILTON-SMITH:** My question is still on the subject of the ports. I refer to Budget Paper 3, chapter 8, page 6. Could the minister advise, or provide some comfort, in regard to the costs and charges of exporting if the ports are sold to a new owner? Can he offer some comfort to exporters that they will not be charged excessively with the change of ownership?

**The Hon. M.H. ARMITAGE:** This has been an issue which has exercised the minds of the government and, indeed, the exporters in no uncertain terms. The three Ports Corp divestment bills, as members of the committee would know, were passed by both houses of parliament in December last year. Section 6 (2) of the Maritime Services Access Act requires the first pricing determination for essential maritime services to be made by the Minister for Government Enterprises and that first pricing determination will apply for three years from the divestment of the Ports Corp. Compliance with that determination will be monitored by the South Australian independent industry regulator during that period.

Section 7.1 of the access act requires the industry regulator to conduct a review of the services subject to the pricing policy regulation prior to the end of that three-year period to determine whether essential maritime services should continue to be subject to price regulation, and all subsequent pricing determinations will then be made by the industry regulator. In relation to the initial pricing order, or IPO, for the first year the prices will generally be capped in accordance with Ports Corp's existing pricing schedule for 2000-01, and for the two subsequent years charges may be increased in line with CPI, except that grain wharfage charges will be maintained at the current level of \$1.65 per tonne. This will result in charges generally continuing to fall. Obviously, this will be beneficial for our exporters in real terms for 2001-02 and it will also result in the future owner being permitted to increase charges by CPI in the latter two years.

Depending on market pressures the purchaser could continue to reduce charges in real terms, as Ports Corporation has already done. I have spoken with the Victorian regulator about these matters and the Victorian regulator made the very cogent point that, in looking at any future pricing order, it is important to keep prices at a relevant level so exporters can continue to export or can be encouraged to do so. It is also important to make sure the port is continually upgraded, so there must be a relevant rate of return for someone who is to invest in the port. Those matters are taken into account by the regulator in Victoria and I am sure it would happen here.

It is interesting to note that the privately owned ports in Victoria have been given a clean bill of health by the regulator because their prices are below the prices the regulator believed and the port, which is still in government ownership, is looked at on a regular basis yearly by the independent regulator in Victoria.

**Mr HAMILTON-SMITH:** While on the subject I will move on to infrastructure developments to the port. In particular I refer to chapter 8, page 6, regarding the requirements government may make of a new owner in respect of deeper channels and wharf facilities to allow larger vessels to ship out the state's grain crop. It is known from the legislation that that is one of the key benefits. Will the minister advise what commitments the government plans to

seek from the new port owner in respect of those infrastructure improvements?

**The Hon. M.H. ARMITAGE:** It has been evident for some time that, like a lot of industries, where one does things in large quantities there are efficiencies of scale. In the exporting business that is no different. In the shipping business it is no different, either. The number of vessels now increasing to both Panamax and Cape Vessel size is escalating rapidly, and therefore to seize an advantage for our port we believed it was appropriate to ensure that Panamax vessels were able to use the Port of Adelaide, in particular, given that we compete mostly with the Port of Melbourne, which I am informed would be able to deepen its long channel from the heads up to the port, but only at extraordinarily large cost because of the base underneath. So we have a clear economic advantage and we will then have a functional advantage by having these larger ships coming in.

In relation to the dredging implications, we commissioned further investigations into the dredging options to the inner harbour, which indicated a cost of \$32 million, with the spoil dumped at sea within 15 kilometres of Port Adelaide (the cost could increase to \$50 million if you went further out to sea and so on). Land dumping was not considered feasible. After consultation with the Grains Council, the focus moved to Outer Harbor in conjunction with a more cost effective option where we believe about \$30 million to \$35 million will be required to dredge closer to the other deep water port facilities.

We have signed an agreement with the Grains Council setting out the basis upon which a new grain handling wharf and unloading terminal would be facilitated at Outer Harbor. The \$30 million to \$35 million commitment included approximately \$8 million on upgrading Wallaroo and Port Giles, \$20 million on channel deepening and a new grain berth at Outer Harbor and \$7 million on support infrastructure. We believe that the provision of a deeper channel will encourage the larger vessels to come to Adelaide.

**Mr HAMILTON-SMITH:** Getting away from the ports and looking to the lotteries and responsible gambling, Budget Paper 3, chapter 8, page 6 deals with the matter. Could the minister substantiate or explain to the committee his view on the claim that lotteries games are not those in which problem gamblers generally participate, and could he outline what steps SA Lotteries might take to promote responsible gambling?

**The Hon. M.H. ARMITAGE:** The Productivity Commission's report into Australia's gambling industry released in December 1999 concluded that lotteries and instant scratchies presented few direct problems for problem gamblers—for example, only 0.28 per cent of those who consider lotteries their most expensive form of gambling have any problems. The Productivity Commission's report went on to say that conventional lotteries appear to be like most other consumer goods and do not appear currently to present any significant hazard for players. The commission's estimate indicates that lotteries generate relatively low social costs and provide a clear measured net community benefit of between \$1.1 billion and \$1.5 billion.

Spending by problem gamblers accounts for only 6 per cent of the total spend on lotteries. The vast majority is recreational gambling, which is in the Productivity Commission's inquiry report. Market research has been done and SA Lotteries games are all closely associated in the perception of the general public as a unique product category within the general gaming and gambling industries, with less than 2 per

cent of respondents claiming any risk for problem gamblers. We as a government requested the Lotteries Commission to comply with some recommendations from the Social Development Committee, namely, all gambling venues were required to display in a prominent position appropriate and relevant information on how to contact gambling, rehabilitation and counselling services. All staff were required to be informed about counselling and rehabilitation services available for people who might have a problem. A number of strategies have been implemented to ensure that SA Lotteries complies with those recommendations.

**Mr CONLON:** I have one question and will then hand over to the member for Lee to question the minister on the TAB. I am distressed at the answers given on the Ports Corp sale. Like the member for Hart, I think this is a colossal stuff up. I am distressed that we have a Minister for Transport building a bridge, a minister here trying to sell one of the biggest privatisations in the world and I assume we have someone else trying to put a \$500 million housing development together in the same area. None appear to know a great deal about what the other is doing. So far today we have had no assurance that the minister knows when a rail crossing will be completed to allow the transport of grain to the new terminal demanded of the bidders. If the minister cannot assure us when we will get a rail crossing, how can he assure us he will not have hundreds of grain trucks an hour running through the leafy suburbs of the new housing development?

**The Hon. M.H. ARMITAGE:** As I have indicated, the member for Hart is fully aware of the financial arrangements behind the third river crossing.

**Mr FOLEY:** No, I am not—you are an absolute liar.

**The Hon. M.H. ARMITAGE:** You are aware of the fact that there will be a toll.

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** Order! I want members to hear what the chair has to say.

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** Order! I will name the member if he keeps this up. The committee has operated very sensibly and rationally. I will not have people coming in here and calling people liars. The honourable member cannot say that and must withdraw. It makes no difference to the chair whether we all go home now—no difference to me whatsoever. For goodness sake, get on in a sensible way with this. The honourable member knows he cannot say those sorts of things.

**Mr FOLEY:** I withdraw.

**The ACTING CHAIRMAN:** For goodness sake, let us get on with it.

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** I was just going to be nice to you, Kevin, but I might not now.

*Mr Wright interjecting:*

**The Hon. M.H. ARMITAGE:** The member for Lee says that I can be nice to the member for Hart, so I shall. I may have been a bit exuberant in saying that the member knows all the detail. Certainly the member for Hart is aware of—

**Mr FOLEY:** I accept your apology.

**The Hon. M.H. ARMITAGE:** It is not an apology—I am just pointing out that you are fully aware—

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** Just as I accepted his apology. The member for Hart, as I understand it, is fully aware of the need for a toll and the agreement of a number of players in that sector.

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** Wait. I am also informed that that is one of the critical factors in the availability of this project for a private financing initiative—an income flow from it. I am sure that the member for Hart is aware of that.

**Mr WRIGHT:** I would like to make a brief comment about the TAB before asking my first question. The government's proposal to sell the TAB has been on its agenda for some four years now. By every measurement of government propriety this has been a disgrace, a shambles. We have gone through a series of scoping studies, reviews, consultancies, resignations of TAB board members (Phillip Pledge and Neil Sarah) and we have extended the bid process. Some bidders have fallen by the wayside—perhaps one would accept that situation in a competitive market situation. The racing industry is outraged by the delays that have been taking place, and I will return to that in a later question.

Minister, is there anything else that can go wrong with this privatisation sale, and is it correct that you are renegotiating conditions of the sale with the racing industry and, if that is the case, what are the details of those negotiations that may be taking place?

**The Hon. M.H. ARMITAGE:** The member for Lee, I believe, is aware of the processes that occurred in our reaching the decision to sell the TAB, and whilst the honourable member says that it has been on the table for four years he knows that it has not.

*Mr Wright interjecting:*

**The Hon. M.H. ARMITAGE:** It has not. A series of studies looked at a number of different aspects of the gaming industries in South Australia in general, which included the first study as to whether we ought to sell the TAB. Once that had been done we then looked at whether we combine this with the Lotteries or sell individually. We then considered whether we should look at combining the Lotteries and the TAB—if they were to be sold—together and to combine that with the Casino. Each of these matters requires for the scopers to be re-tendered for so that we can account for probity issues, and so on.

We then looked at whether we ought to have wound some poker machine licences into the total body. Some of us were very much in favour of that and others were not and, collectively, we made a decision not to do that. That would have been part of a package to cap the number of poker machines in South Australia, and so on. All of those are extraordinarily sensitive investigations and all of them required consultants, as I said, to apply through a tender process which were then, at the end of that process, complex issues. We then came to the situation where we introduced the legislation to parliament.

As the member for Lee would remember, the Independent members of the lower house decided that they did not want to debate the legislation in one session. That put the matter off for a number of months and we are now at the circumstance where we have a preferred bidder, we have a minimum sale price and we are discussing a number of matters that I intend to keep in confidence with a number of people.

**Mr WRIGHT:** As a supplementary question, the minister did not answer my question. Are renegotiations taking place with regard to the package that is being made available to the racing industry?

**The Hon. M.H. ARMITAGE:** I did, in fact, identify in the answer that we are at a stage where we have a preferred bidder. We have a minimum sale price and we are engaged in discussions—not negotiations—with a number of people

about a number of matters, and I quite specifically said that at the end of the answer. The member for Lee may not have heard but, I am sorry, I thought that I was providing that information. I also went on to say that, for obvious reasons, that information must stay in confidence.

**Mr WRIGHT:** I will take that as a yes. I put to the Estimates Committee that those negotiations specifically relate to the sum of money which was initially canvassed with and committed to the racing industry of \$41 million from zero to year 3 and which is in the process of being renegotiated downward. I would hope that would not happen, but that is certainly something that has been put to the racing industry.

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

**Mr WRIGHT:** I did not.

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

**Mr WRIGHT:** Also, minister, you have told us consistently about the negotiations that have occurred with the racing industry and, of course, those negotiations have occurred with the chairman of all three codes—all of those codes, of course, appointed by the government. Is the minister aware of a series of resolutions and documentation from the South Australian Racing Club's council—the council that represents all the country racing clubs—calling upon TRSA and the government to do certain things with respect to the negotiations, the sale of the TAB and informing this body of what deliberations are taking place? Is the minister aware of that series of resolutions and documentation that exists from the South Australian Racing Club's council?

**The Hon. M.H. ARMITAGE:** I certainly have not seen it. I do not believe that it has sent it to me, and it may not. I am not the Minister for Racing but, certainly, if it has sent it to me I have not been made aware of it. I will check that. The important matter to identify to the committee is that, over the course of the sale, anyone who was engaged with the racing industry would, unless there was an ulterior motive, agree that the opinion of the industry has altered about the sale. I would be happy to identify that at the beginning of the sale process, when I spoke to people in the racing industry, those who were not aware of the risks in having the TAB and of what the sale process would entail were, in fact, negative to the sale.

I attended a meeting, which I called, with owners and trainers, and a number of people supported the sale and a number vociferously did not, and I understand that. However, it is now quite clear to me that opinion has altered. I note that an article appeared in the *Advertiser* written by Dennis Markham, who has written up a number of negative comments about the sale. The article appeared within the last two weeks. I meant to have it with me and I forgot. The article identified that the sale of the TAB must go ahead at any price. So, the opinion of the racing industry itself has altered. In regard to the—

**Mr FOLEY:** According to you.

**The Hon. M.H. ARMITAGE:** No, not according to me.

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** No, absolutely not. The member for Hart was whispering in the shell pink ear of the member for Lee when I was saying that that is what the newspapers are saying, that is what the racing journalists are saying and that is what the racing industry is saying to me. It is not my opinion: I am just reporting what other people are saying. However, in relation to the quantum of money which the member for Lee identified, we were always up-front in identifying to the racing industry—and all of the racing industry knows (they may choose to have forgotten but they

all at least knew)—that, in identifying the racing distribution agreement, that was always premised on the basis that that would be the distribution if there was a sale.

**Mr WRIGHT:** The last piece of advice put forward by the minister about consultancies referred to the end of March and the minister mentioned a figure of \$5.08 million. What additional advice can the minister now provide the estimates committee? We are about three months further down the track. I do not know how up to date the minister's information is, but I would like an updated figure, as close to today as possible, on what we are spending on consultancies and whether or not—and I suspect not—the success fee for the sale of the TAB has been factored into that figure. Can the minister remind the estimates committee, as part of his answer, what the success fee is?

**The Hon. M.H. ARMITAGE:** I have the figures to the end of May—I have an estimated figure, which was given to me towards the end of June. For 2000-01 to the end of May (this is a definitive figure) it is \$3.395 million.

*Mr Wright interjecting:*

**The Hon. M.H. ARMITAGE:** I will come to that. The estimated figure to the end of June 2000-01 is \$3.902 million, and the total estimated to the end of June is \$6 001 000. That does not include the sale success fee of 1.25 per cent.

**Mr FOLEY:** So, \$7 million—that is 20 per cent of the sale value. You are a disgrace, Armo, fair dinkum.

**The ACTING CHAIRMAN:** Order!

**The Hon. M.H. ARMITAGE:** The member for Hart would clearly—

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** Order!

**The Hon. M.H. ARMITAGE:** The member for Hart is up to his old tricks. At the end of the day, that is the consultancies that have been expended on all the processes that I identified previously—including should we wind in the poker machines and the casino and so on; it is not just on the TAB sale. Of course, when one is selling an asset of any particular value, if the value of the asset is \$1 billion, the percentage of the consultancies will be a lot less than if the value is \$10 million. I would respond to anyone who criticises this by asking: which bit of advice would you have us not seek?

**Mr FOLEY:** A fair bit of it, I suspect.

**The Hon. M.H. ARMITAGE:** That is very interesting. The member for Hart suggests that we should not have obtained this advice. I look forward to him saying that when the Auditor-General's Report comes out, given that we have gone down the path—and the member for Hart on many occasions has questioned me, either across the chamber, or directly, or in estimates previously, or on the Auditor-General's—

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** But it is not on the asset sale: it is on all the processes, as I have said. The member for Hart has specifically questioned me on many occasions, particularly when the Supplementary Auditor-General's Report has come out, about whether we were implementing his recommendations immediately. We take a lot of note of these things and, if the member for Hart suggests that we should not obtain appropriate financial advice, I would be surprised; if he suggests that we should not obtain appropriate probity auditors' advice, I would be surprised; and if he suggests that we should not obtain appropriate sales consultants' advice, I would be surprised. The simple fact is that these are necessary costs in selling an asset to ensure that the process is carried out appropriately. Of course, if one is

selling an asset at a lower value, it will be a higher percentage: that is a simple maths equation.

**Mr WRIGHT:** The minister is trying to make the unacceptable sound acceptable—but, of course, that simply cannot be done. The minister talked about the whole process, and earlier he talked about the various consultancies, the reviews and the scoping studies that have been undertaken, but it is well known that the priority of the government was to sell the TAB. If it had its way, it would have tried to sell the lotteries and bring in some additional value to it. It may have, in fact, also added the casino. The government could not get its way with the Independents. It finally and ultimately put the TAB on the market—

**An honourable member:** Is this a question?

**Mr WRIGHT:** —yes, it is—after a four year process; a four year delay. Any value that may have been in the TAB was there if we had sold it four years ago; it may have been there at the same time that states on the eastern seaboard were selling their TABs. But, of course, this government has allowed these delays to occur, it has allowed the matter to drag on and on and we have lost value out of the TAB. Now we are told that we are paying over \$7 million in consultancies, and the minister is trying to justify it.

Can the minister rule out to the estimates committee that the government will in any way provide any guarantees or any underwriting to the racing industry if it turns out that the racing industry is part of a purchase? I know that the minister has been reluctant to talk about price, and I understand that. I know that the minister has been reluctant to talk about who the eventual buyer may be. But we do know that TABCorp has said, 'No, thank you.' It said that officially last week. We also know that New South Wales Limited has dropped out of the race. As is the case with Ports Corp, we are getting fewer and fewer realistic bidders.

I was interested to hear the minister earlier, when talking about Ports Corp, referring to fair value for taxpayers. I could not help but see the look of surprise on Mr Pitt's face at the time. Can the minister rule out that the government will provide any guarantee, any form of underwriting, to the racing industry if it happens to be part of a consortium that ultimately is the winning bidder?

*Members interjecting:*

**The ACTING CHAIRMAN:** Order!

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** The chair does not rule out taking some other action: my patience is wearing out. Let the minister answer the question.

**The Hon. M.H. ARMITAGE:** The member for Lee (and I noted it particularly) said that I had been reluctant to talk about bidders, prices and so on. That is not true: I would love to do it. I would love to tell the committee about a whole lot of facts, but I will not do that.

*Mr Wright interjecting:*

**The Hon. M.H. ARMITAGE:** No, I am being advised that it is not a good idea to do so. However, there are a number of things that I would love to tell people. As I indicated before, we are engaged in discussions with a number of parties regarding the sale, and my advice is that it would be inappropriate to comment on those matters.

**The Hon. G.A. INGERSON:** My question relates to Budget Paper 3, chapter 7, page 7. Will the minister outline the progress with respect to the establishment of recreational access agreements—

*Mr Foley interjecting:*

**The ACTING CHAIRMAN:** Order!

**The Hon. G.A. INGERSON:** Hang on, Kevin, you have had your go. Will the minister outline the progress with respect to the establishment of recreational access agreements to Ports Corp commercial wharves?

**The Hon. M.H. ARMITAGE:** I thank the member for his question, which is one of great interest to all South Australians who are keen to use our wharves to fish from. We recognise that the wharves are used by groups of people along with the commercial shipping industry, for whom, I guess, they were built. They have a longstanding and established use in the community and, indeed, they play a very important role in local economies. Ports Corp has progressively improved the management of recreational access to its facilities, all the while balancing public needs and risk management with operational requirements. There are dedicated recreational fishing access areas at the inner harbor, Port Adelaide, through refurbishment of the formerly derelict D, E and F berths at Birkenhead; there is a new fishing platform at Outer Harbor, Port Adelaide, adjacent to the signal station; Port Lincoln through Brennan's jetty; Wallaroo through pedestrian access ways to safe fishing areas; and so on.

There was clearly overwhelming community desire for continued recreational access if the sale were to go ahead, and we consulted with the community about how to provide that access, given that they are commercial port facilities, and there are a number of occupational health and safety concerns. The recommended method was for the agreed access arrangements to be reflected in recreational access agreements between the local council and Ports Corp, given that the local council is primarily the beneficiary of the immediate economic benefit to which I referred previously, which is primarily through tourism and fishing shops and so on.

Those recreational access agreements, once formed between the council and Ports Corp, would be transferred to and would be binding on the new owner. Comments were supportive of that and, indeed, that is now what has gone ahead. We have been negotiating with five local councils to achieve certainty, and agreements have been finalised with the district councils of Yorke Peninsula for Port Giles, the Copper Coast for Wallaroo, Ceduna for Thevenard, and recently with Port Pirie. We are still negotiating an agreement with the Port Lincoln council. If agreements with the councils are not finalised prior to the divestment, the council will have to negotiate future access agreements with the new owner of Ports Corp. In particular, the signed agreements generally preserve the current level of existing community access, which is subject to commercial port operations, port maintenance and associated safety requirements. It would be reasonable to expect that similar arrangements would apply to Port Lincoln when that agreement is reached.

**The Hon. G.A. INGERSON:** Can the minister advise what progress has occurred in the transfer of the ports on Kangaroo Island to Transport SA? That also picks up a mainland issue.

**The Hon. M.H. ARMITAGE:** In November 1999 we announced our decision to exclude Kingscote, Penneshaw and Cape Jervis from the divestment of Ports Corp as they were considered largely to be community ferry ports and were separate from the larger import-export ports of commercial wharves that operate elsewhere. It was taken after careful consideration of the Kangaroo Island strategy report and after discussion with stakeholders on the island. Cabinet subsequently approved the transfer of ownership to the Minister for Transport and Urban Planning and the best option was to achieve this via the transfer of the provisions in section 6 of

the South Australian Ports (Disposal of Maritime Assets) Act 2000, which passed both houses and was proclaimed on 21 January.

On 8 March, a final draft transfer order was sent to both Kangaroo Island and Yankalilla councils for comment and that transfer letter was signed on 20 April, which is the official date of transfer. There are still some inter-governmental agency financial details to be finalised but Transport SA is now responsible for all operational and future development matters in relation to those KI ports, and that includes Cape Jervis, which as the member indicated is on the mainland.

**Mr HAMILTON-SMITH:** My question relates to the Lotteries Commission and it is mentioned in Budget Paper 3, chapter 8, page 6, and it has to do with how our Lotteries Commission is performing in respect of other Australian lotteries jurisdictions. Can the minister inform us how we rate in terms of the overall productivity of the Lotteries Commission compared with the other states?

**The Hon. M.H. ARMITAGE:** SA Lotteries belongs to various Lotto blocks to conduct the games of Lotto on Saturday, Super 66, Oz Lotto, Power Ball and the Pools, and this enables South Australians to play for much bigger first division prizes due to pooling of the prize money, which is not dissimilar to another portfolio area that the member for Lee and I have discussions about regularly. With the exception of pooling of prize moneys, each block member is legally, economically and organisationally independent.

For the period 1 July 2000 to 31 March 2001, South Australian Lotteries sales increased by 6.7 per cent, more than any other Australian lotteries jurisdiction. For the block game of Power Ball, all states experienced an increase and we ranked second with a 43.1 per cent increase, mainly due to the record \$30 million jackpot in the March period. In relation to Instant Scratchies, a common game offered by each lotteries jurisdiction, we ranked first out of five with a 26.6 per cent increase. All other jurisdictions decreased, with Victoria having a 7.8 per cent decrease, so we did very well there. In the block game of lotto on Saturday night, we were the only jurisdiction to record an increase in turnover, with 1.9 per cent. Western Australia was second best but it recorded a decrease of 2 per cent. So we are doing very well and that is a great credit to SA Lotteries staff and everyone involved.

**Mr WRIGHT:** I think the minister really needs to address a question I asked earlier, so I will give him another opportunity to do so. If the racing industry is part of a consortium that may ultimately take over the ownership of the TAB, is the minister refusing to rule out that the government will not underwrite or guarantee the racing industry? If so, I would find that truly amazing. I would find it even more amazing if he told us that one of the reasons, perhaps not the only reason for his position, is risk. Why would he sell the asset and continue with the risk? I do not see any problem with—

**Mr FOLEY:** Rule it out now or it will go like a bushfire. Rule it out now, Michael.

**The Hon. M.H. ARMITAGE:** My comments in—

**Mr FOLEY:** It is in.

**The Hon. M.H. ARMITAGE:** It is neither in nor out. My comment—

**Mr FOLEY:** You are prepared to underwrite the racing industry's bid for the TAB if you don't rule it out.

**The Hon. M.H. ARMITAGE:** My comments in relation to all matters to do with the sale have been absolutely—

**Mr FOLEY:** This is a scandal.

**The Hon. M.H. ARMITAGE:** Rubbish; it is not. My comment in relation to this is completely consistent with all of my comments relating to sale matters. I am extremely comfortable in discussing all these matters once the sale process has been complete. It is inappropriate to make any comment on anything to do with the sale process before then.

**Mr FOLEY:** Nonsense.

**The Hon. M.H. ARMITAGE:** I do not agree with that and I believe that the Auditor-General does not agree with that, either.

**Mr FOLEY:** He would not agree with you underwriting the racing code.

**The Hon. M.H. ARMITAGE:** I am interested that at last the issue of risk in running the TAB seems to have lodged—

**The Hon. G.A. INGERSON:** It has finally got home.

**The Hon. M.H. ARMITAGE:** It has finally got home. We have been trying for two estimates and at last it is biting. The rubber is hitting the road.

**Mr WRIGHT:** If the government is true to its word and it is selling this because of risk, how can it not rule out what I have asked it to rule out? The minister has had two opportunities to do it today. He has refused to rule out that this government will either underwrite or guarantee the racing industry. That seems truly amazing, even by this government's standards. This is almost like a Hindmarsh Soccer Stadium fiasco in that each day there are more and more revelations about how poorly and how shabbily this government performs when it comes to asset sales, when it comes to the process of good government.

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

**Mr WRIGHT:** The member for Bragg well knows it. He knows that this government is guilty by its actions. What we have learnt today is that the ticket is still running, that for consultancies at \$7 million—

**Mr HAMILTON-SMITH:** I take a point of order.

**The ACTING CHAIRMAN (Mrs Penfold):** Order! There is a point of order.

**Mr HAMILTON-SMITH:** This is a sermon, not a question. Can we get back to the question?

**The ACTING CHAIRMAN:** It is nearly 1 o'clock, so we could stop now and reconvene at 2. I call the minister.

**Mr WRIGHT:** I have not asked my question.

**The ACTING CHAIRMAN:** Ask your question in the next few seconds.

**Mr WRIGHT:** Thank you. If I was not rudely interrupted by members opposite I would have already asked my question. What we know today through an additional revelation is that consultancies are up over \$7 million, and that is with a success fee, so can the minister guarantee us that that is the end point? Is that the end point or could it be even higher than \$7 million, with the success fee in?

**The Hon. M.H. ARMITAGE:** I have identified what is the estimate. I was quite clear in giving the figure to the end of June that it is an estimate only, and we have been—

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** No. It may well—

**Mr FOLEY:** A government to guarantee racing.

**The Hon. M.H. ARMITAGE:** Kevin, that is simply not right.

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** No. The member for Hart is suggesting that the government should be commenting on the sale process during the sale. That is absolutely economically naive. Let us get down to the nub of this: it is economically naive, because to make any comment—

*Mr Foley interjecting:*

**The Hon. M.H. ARMITAGE:** The member for Hart can try to rule it in as much as he wants to but the simple fact is that I have made no comment at any stage and I am not going to start now just because the member for Hart is getting belligerent. The simple fact is that, at the end of the sale process, I am extremely comfortable in commenting on any questions that I am asked about any part of the process. Until then, it is simply not in South Australia's interests to make a comment. Why would anyone involved in selling anything identify any of the conditions, either ruling them in or out? To do that is selling the South Australian taxpayer short. We have never done that in any asset sales process and we are not starting now.

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

**Additional Departmental Advisers:**

Mr I. Millard, Chief Executive, Forestry SA.

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

**Mr CONLON:** With respect to forestry issues—and I hope this is a matter that has been fixed up already—the minister would be aware that, with the introduction of the GST, there was a major slump in building which caused problems for many of the timber suppliers in the South-East. A major problem I was made aware of by one supplier was that, while they rely on orders from their customers, they had very little for a six month period. They were in a relationship with Forestry SA. They had a 10-year contract to take timber. There was a danger in not being able to purchase that timber and that they would lose those 10 year contracts and have to go back to renegotiate. Was that matter dealt with satisfactorily? We would not like to see any more victims of the federal government's GST.

**The Hon. M.H. ARMITAGE:** Yes, there was a very big bring-forward of building orders prior to the GST, for obvious financial reasons. It is fair to say that a number of companies were extraordinarily busy at that time. As is the wont of the private sector, not many of them were rushing to say, 'Can we share our windfall profits with you, the government?' Since the GST was implemented, and the house building boom that had been brought forward has tended to soften, a number of contractors have approached the government to alter the terms of their contract.

However, they have sought to alter their contract in some instances in the following manner, in that they have just asked the government to give them relief. We have said that we will give them relief from the contract on the basis that we would then wish to further tender out the quantum of log that they in fact had tendered for, but that is not to their liking. They want to keep their log allocation but to have relief on the financial side of things. We have at this stage indicated that we would in fact not be amenable to that, but there are a number of ways in which the products from our forests are equilibrating and taking up some slack. I will ask Mr Millard to address the issue of the general sales profile.

**Mr MILLARD:** The demand for sawlog this year has been down at times by as much as 40 per cent, taking it back to about 60 per cent. Over the year, though, there was pretty much a downward spike. We are now running at about 85 per cent for demand. That has been difficult for us, but it has been offset by the demand for lower value products. The housing market has been down but, with the Australian dollar

and Kimberley Clarke operating out of Millicent, there have been opportunities to export more. In fact, the demand has been up by 16 per cent over the year. We have found that the panel products area, which is run by Carter Holt Harvey, which makes particle board, has also been up on demand this year. So, the demand has been good. Whilst sawlog has been down slightly, it appears to be recovering and other products have held up.

**Mr CONLON:** I want to follow up on that, because I have some concern for the position of those companies that are reliant on and produce timber products for the building industry. I am pretty confident that this is one sector of the economy that did not ask for the GST. It is plain that in that sector there was a massive shutdown of purchasers after the GST took effect. What I am looking for is an assurance. As I understand it, it became impossible for them to purchase under their contract with Forestry SA because none of their purchasers were buying. Will the minister assure me that no-one actually lost their long-term contracts with Forestry SA because of their inability to purchase timber as a result of the federal Liberal government's generous imposition of the GST? These timber people are supposed to be your mates.

**The Hon. M.H. ARMITAGE:** My understanding is that no-one has lost their long-term contract through this. It is also fair to say that factors which have come into account since the GST was applicable are both the additional grant from the federal government of \$7 000 for first home purchasers and \$14 000 for new home purchasers. Both of those have had an effect on the market.

**Mr CONLON:** The Land Management Corporation—about which, as the minister is well aware, I know a great deal—manages government land, as I understand it. I am interested in the release of land at the Port and the upper reaches of the Port River. I declare an interest; I grew up within a few hundred metres of the Port River, and I am very fond of the place—my family is still there. I welcome the proposed housing development—it is long overdue. I am concerned about the relationship between the land released for the housing development, the privatisation of the Ports Corporation and, of course, the building of a deepwater terminal on the other side.

I raised this matter with the minister earlier. I am concerned that there seems not to be sufficient coordination with the Minister for Transport, who is responsible for providing the infrastructure to get the grain there. Whilst it seems to be a good plan to release land for a housing development, can we be assured that whatever activity is undertaken by the Minister for Transport to get the grain to the terminal will not prejudice or reduce the value of this housing development or bring it to a halt, because as I mentioned earlier there is the fear of hundreds of grain trucks proceeding through the suburbs. You can see, minister, that that would make it a tad less attractive for the new home buyer.

**The Hon. M.H. ARMITAGE:** I thank the member for Elder for his complimentary words about the release of the registrations of interest which occurred a week or so ago in what will be the last port to be done up and in respect of which the government has very high ideals. We believe that the opportunities for clever, creative development in what is quite a large parcel of land (29 hectares) are quite large. The purpose of releasing this land in terms of one registration of interest is to allow for a creative approach. As the minister responsible, I am delighted with that, because I have been fending off a series of inquiries about individual blocks of

land or buildings on a regular basis always saying, 'No, we are looking for one process—a preferred joint venture.'

The matter raised by the member for Elder involves vehicular traffic through Port Adelaide. The privately financed initiative of a third river crossing is designed specifically to remove vehicles from the hub of Port Adelaide which, in essence, is the basis of the land which we are releasing. I spoke with a number of councillors from the Port Adelaide Enfield Council at the registration of interest, and they were very enthusiastic about the whole regeneration of Port Adelaide not only in terms of the council's land but also land which is held in private sector hands so that the trucks will not have to go through the Black Diamond Corner and so on—all of which a third river crossing will achieve.

**Mr CONLON:** That is exactly the issue that I raise. There are two issues: first, we have no assurance at all about the third river crossing. I think it is a failing of the government that this project is not coordinated on an overall level. I think that is a failing of management. There is no assurance about the river crossing, as yet. Certainly, I have had no real assurances about a rail component on the third river crossing. It seems to me from my limited experience, having grown up near the wharves, that if you do not have a third river crossing with a rail component you will have trucks using that bridge and every bridge that is available to move grain because it is such a bulk commodity. When will the minister give us a date for a third river crossing with a rail component?

**The Hon. M.H. ARMITAGE:** I do not believe that I said there is lack of coordination—you said that. What I said is that it is not my responsibility to deliver a third river crossing; that is the responsibility of the Minister for Transport.

**Mr CONLON:** You will have to see how it affects all of the things that you want to do down there.

**The Hon. M.H. ARMITAGE:** A number of officers have been involved, particularly on a coordination committee, to ensure that matters involving the land which the Land Management Corporation has put out for registration of interest, transport issues and so on are dealt with, and we have had general discussions in cabinet. So, I will not agree that there is a lack of coordination. As I have indicated, the process is a private sector one, and I believe that tenders will be called in August and preliminary work will begin in December. That is the sort of time frame that we are looking at, and that is well and truly within the time frame within which the registration of interest for the land will be accommodated.

**Mr CONLON:** We have a tender process to sell the Ports Corporation which is being lagged by a tender process for a river crossing. The river crossing is absolutely essential to the bidders who have to build a deep sea terminal. Have we not got this a little bit around the wrong way? Have you not done the wrong thing first? I would have thought that one of the reasons that you have not got all the bidders that you would like for the Ports Corporation is that you have created great uncertainty about how you can bring the whole project together.

**The Hon. M.H. ARMITAGE:** We do not agree with that, otherwise we would have done it in another way.

**Mrs PENFOLD:** I refer to Budget Paper 6, page 31. Can the minister outline proposed developments at Technology Park, Mawson Lakes, and the reason for the work being undertaken?

**The Hon. M.H. ARMITAGE:** Technology Park at Mawson Lakes is, I think, one of the great opportunities. It is already extraordinarily productive. It is one of the great

opportunities for South Australia, particularly when one looks at technology parks overseas, as I am sure a number of members have done, where one sees a hub of innovation, employment, and so on. We think that there are some benefits that can be captured by some developments at Technology Park at Mawson Lakes, and to fill the committee in on those I would ask Bruce Harper from the Land Management Corporation to identify them.

**Mr HARPER:** Certainly extensive work has been undertaken and will continue to be undertaken at Technology Park in conjunction with the Mawson Lakes urban and economic development project. The corporation believes that strong jobs growth will result from this. It involves revitalisation of the park and its infrastructure along with a focus on attraction activities, involving a newly completed masterplan for Technology Park, which focuses on a \$3 million extension to Innovation House, including a new entry, conference and display areas, and a business display hub, which has recently commenced construction. There are siteworks for development of the lakefront and the creation of a higher density area to provide for an environment to attract small and medium enterprises as a central focus for Technology Park.

Opening up the south-east quarter of the park to further development will provide an additional left entry road off Main North Road, facilitating SAAB Systems and its construction this year of a major 5 700 square metre building there on site and preparing additional sites for major corporations to locate within the site.

While Technology Park has been a successful South Australian business initiative, it has further potential. Without these initiatives it would have fallen behind other technology parks and economic development locations elsewhere in Australia. The initiatives that are taking place by the corporation are revitalising the park and will stimulate strong jobs growth and ensure that it capitalises on the synergies with the University of South Australia's Mawson Lakes campus and the broader Mawson Lakes development project.

More specifically, these initiatives will result in: the provision of sites for a high quality environment, to attract a variety of technology related businesses; the provision of new infrastructure and services attractive to businesses proposing to locate in South Australia; and will consolidate Technology Park's status as a leading asset in South Australia for science and technology commercialisation—positioning it to grow from accommodating some 2 000 jobs, which are currently on site, to potentially 4 000 workers in the following decade. Employee numbers increased by 770 over the three years to March 2001. As a consequence of the momentum generated by the recent rate of growth in the foregoing initiatives it is anticipated that a further thousand jobs will be attracted within the next three to five years.

**Mrs PENFOLD:** Minister, I refer to Budget Paper 3, chapter 8, page 9. Can the minister provide advice on progress on the freeholding of shacks and advise on the budget implications of this matter?

**The Hon. M.H. ARMITAGE:** I am pleased to be able to relay to the committee advice on the shack freeholding project, because it is actually a project which is having clear and demonstrable benefits for the environment and also for shackowners. What we noted previously was that where there was no security of tenure shackowners were loath to engage in any capital works to improve their shacks, with justification, but, in particular, from the environment perspective the discharge of waste and waste water was less than adequate. So, by combining those two elements we have had a very

successful project. I will ask Bruce Harper to detail the project.

**Mr HARPER:** In 1993 there was a commitment by the government to establish freehold contracts, and in 1998 the Land Management Corporation was allocated funds to set up an implementation team to put this in place. As part of the government policy commitment to expedite the freeholding of shacks in South Australia, the Land Management Corporation was given three tasks: to ensure that freehold titles and contracts were set up; to coordinate between councils and government agencies on concept plans and environmental and planning issues; and to consult with shackowners to ensure that there was an expeditious processing of their applications.

As of May this year, some 1 077 freehold contracts had been established. There are an additional 152 contracts awaiting return from shack owners, and a further 180 to 200 contracts yet to be issued. Some 1 354 shack sites have gained development approval. This represents some 82 per cent of all the shack sites whose owners were offered freehold initially.

Based on present contract numbers and sites still in process, the estimated final freeholding number is expected to be between 1 250 and 1 280. This means that at least 75 per cent of sites will be freehold, compared with the target set some years ago of 900. In June of this year the involvement of the Land Management Corporation in facilitating the freeholding project is likely to be completed, although documentation processes for the title issue will continue through the Department of Environment and Heritage.

**The ACTING CHAIRMAN:** Minister, I am most interested in what you have said and I think it has been a very good initiative. I will ask a question about this freeholding of shacks. A number of constituents have come to me who currently have shack sites at Fishermen's Bay, up from Port Broughton, and they are in a small area in relation to which there appears to be some reluctance to allow them to freehold. The ones that approached me are most concerned about this. As their families have occupied these shacks for a couple of generations and received a great deal of pleasure from them, they would like to freehold them so they can greatly improve and rebuild them. So, firstly, can you respond to that?

**The Hon. M.H. ARMITAGE:** The exact detail regarding Fishermen's Bay I will have to identify to you out of the session of the committee, because I am unaware of the exact detail. The facts, though, are that in some of the cases the owners of shacks did not meet a number of criteria so they could be originally considered in the freeholding process. That may have been the case. There is also a very strictly upheld requirement, and I am very much of the view that we ought to continue to uphold it strictly, that the freeholding process will occur only if there is the opportunity for common effluent ponds and better management of waste and waste water, and hence an environmental bonus. That does present some difficulties in some circumstances, so that may be another reason.

There is a third reason that I am aware of where people have had some difficulties, and this may not apply to Fishermen's Bay, but there are a number of instances where shacks—and I have seen photographs of them; they are very much shacks—have been erected on parts of coastal land which, to all intents and purposes, really ought to be for everybody rather than for somebody who would be able to freehold it, because of the prominence of the position. That is a very small percentage, and that may be another reason.

All I am indicating, sir, is that there are some legitimate and cogent reasons why the processing has not occurred. As I said, I will look into the Fishermen's Bay exercise in particular.

**The ACTING CHAIRMAN:** I thank the minister for his comment, because the majority of shack sites at Fishermen's Bay have been freehold. These people have occupied these particular sites with their families for a long time, and the ones who have approached me are very keen to have them freehold so they can make the necessary improvements. The only other question I have in relation to shacks, minister, is that you would be aware that there was a very successful freeholding policy carried out at Blanche Harbor, just out of Port Augusta. I have been approached and asked the question whether any more land in that vicinity is going to be made available for shack sites in the future—crown land.

**The Hon. M.H. ARMITAGE:** I do not believe so, but I have not been briefed on it—I will again inquire.

**Mr CONLON:** Will the minister tell me what is the ATLAS program and what is it intended to do? I note in the capital works statement a total cost of \$14 million by December 2004 and an allocation of \$4.165 million in the budget estimates.

**The Hon. M.H. ARMITAGE:** It is the responsibility of Minister Lawson, who will be following me immediately.

**Mr CONLON:** What does it do?

**The Hon. M.H. ARMITAGE:** It is land titles, but it is in the Land Services Group.

**Mr CONLON:** Do you know what it does?

**The Hon. M.H. ARMITAGE:** It is the electronic land services titling and so on.

**Mr CONLON:** STEDS comes under SA Water, I assume?

**The Hon. M.H. ARMITAGE:** Yes.

**Mr CONLON:** As far as Forestry SA is concerned, where are you with the water resources issue in the South-East? It does not seem as if we are anywhere; we seem to be proceeding with a great lack of speed.

**The Hon. M.H. ARMITAGE:** The matter of water and forests is a critical one, as is water in the driest state in the driest inhabited continent. It was at forestry and my urging that the \$300 000 be given to the CSIRO to do further studies into water, forests, aquifer recharge and so on in the government's position, but at my direct instigation Forestry SA has been working assiduously with the forestry industry in the preparation of a forestry strategy for the South-East, which is in the final stages of preparation. The forest is not a generic forest. There appear to be pine foresters and blue gum foresters. Pine forests clearly have a longer time to market and are not in essence tax driven investments, whereas blue gums in some instances are quite short-term—10 to 15 years—and are often tax driven.

The view in the South-East I understand was that forestry collectively was to expand into many hundreds that were either fully allocated or not allocated at the moment. With the input of Forestry SA we have been working with the forestry industry to work out exactly where it is intending to expand in future, with the aim of ending up with a signed off agreement that the following areas will or will not be available for a forestry expansion. A number of people are of the view that this may lead to the amelioration of a number of concerns down there where forestry may not necessarily be wanting to expand into areas of concern for some people.

Part of the forestry strategy about which I was keen—and why I asked Forestry SA to be intimately involved—is the



number of things to draw into the equation other than simply water. If people thought that the answer was necessarily to go to a hundred that was unallocated and if it happened to be further from the border, there would then be excess transport costs to the port for the exports and that would have to be wound in as well. We have been intimately involved in the strategy development with forestry in the private sector and I understand it is close to finalisation.

**Mr CONLON:** It is not an area I deal with. Can you say with certainty as a minister or head of a corporation how this time next year your water will be charged for? Is it so far down the track that you know into the future how you will be allocated water and how you will be charged for it?

**The Hon. M.H. ARMITAGE:** That is a matter for the Minister for Water Resources, the government and the parliament to determine. As Minister for Government Enterprises, with a keen interest in forests—which, as I have said to Mr Millard on a number of occasions, is one of South Australia's greatest unsung success stories (and I invite members of the committee to go down to Mount Gambier and look around the various forestry exercises with the nurseries, mills and so on—it really is a wonderful industry), I am intent on providing the government with the most up to date view of forestry regarding this issue, which will be one element that will be taken into consideration.

**Mr CONLON:** It puzzles me as to how properly you do plan? How do you go about planning properly for the future until you have some certainty about how water is to be allocated and paid for?

**The Hon. M.H. ARMITAGE:** That is exactly why we are looking at where the forestry believes it will want to expand. Over the last four or five years there has been a huge increase in blue gum growth, primarily tax driven and partly coming from Western Australian investment managers. Because of some manipulations and alterations of the tax law, I understand that is not necessarily the case and maybe the huge expansion that people with limited water thought would take all their water in fact may not occur. That is why we want to see where forestry is prepared to expand and where it is looking.

**Mr CONLON:** No doubt you would have had the forestry union, the CFMEU, making submissions to you as I am sure it has to the water resources minister. It seems a little less relaxed about the uncertainty as to water at present. Does it have unjustified concerns or are they justified?

**The Hon. M.H. ARMITAGE:** It has input into the committee devising the forestry strategy, so its views are taken into consideration. I have put up an optimistic view, which may lead to an easily accommodated position. If at the end of the day it is not easily accommodated, decisions have to be made but that is what government is all about. If it is such that the interests of everyone can be answered by forestry expansion in not fully allocated hundreds, a lot of the heat will go out of the issue.

**The ACTING CHAIRMAN:** The minister will be aware that a select committee has been established to look at those issues.

**The Hon. M.H. ARMITAGE:** Am I allowed to talk in this context or am I breaching some hidden standing order?

**The ACTING CHAIRMAN:** I thought that it may be helpful that a select committee has been asked to examine it. Obviously, it will come forward with a great deal of wisdom.

**Mr CONLON:** Do you have an estimate as to when there will be certainty about how water resources in the South-East will be dealt with? Do we have a target time when we will

finally know what we will be doing there? Is Dale Baker being consulted, incidentally?

**The Hon. M.H. ARMITAGE:** As I have identified, the forestry industry strategy is in the final stages of being developed, whereupon it will be fed into the processes. The select committee is still operating. I believe that it is sitting as we speak so, hopefully, we will have an answer shortly.

**Mr CONLON:** Good luck; that is my advice.

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

**Mr CONLON:** You will. I look forward to hearing Dale's submission to the select committee.

**The ACTING CHAIRMAN:** There being no further questions on forestry, the committee will proceed to major projects.

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

Mr R. Hook, Director, Major Projects.

Mr W. Steele, Director, Industrial and Commercial Premises Corporation.

**Mr HAMILTON-SMITH:** I have a question about the Northern Adelaide Plains and water reuse. I refer the minister to Budget Paper 5, volume 2, chapter 8, page 14. Could the minister comment on what is being done to promote sustainable water reuse in the Northern Adelaide Plains?

**The Hon. M.H. ARMITAGE:** This is an issue about which the government feels justifiably proud because we have a really excellent story to tell. As everyone knows, Virginia—which is in the Northern Adelaide Plains—is South Australia's most productive market garden area, producing about 30 per cent of Adelaide's vegetable needs. It also supplies other states and, indeed, some Asian markets. For the past 50 years, irrigators within Virginia have used ground water but yields of ground water have declined as the uptake has increased. Water was being pumped from increasingly deeper levels and ground water salinity was rising accordingly as a result of leakage from higher salinity aquifers.

Indeed, restrictions had been placed on the amount of ground water that could be drawn from the local aquifers. The Virginia pipeline scheme was commissioned to develop reclaimed water from the Bolivar Waste Water Treatment Plant and send it to irrigators on the Northern Adelaide Plains. It was a BOOT (build, own, operate and transfer) scheme and it is operated by a company called Water Reticulation Systems Virginia. The scheme, in particular, ensures the sustainability of Virginia's irrigated horticulture industry. It reduces effluent discharge to the sea and reduces the demand on ground water.

Since November 1999 there have been 233 connections to the pipeline, which involves 120 kilometres of pipes with a capacity of 120 megalitres per day, irrigating some 2 500 hectares of land which are now productive. There has been a lot of expansion in greenhouse cultivation within Virginia over the past two years, we think even up to 50 per cent of increased cultivation, primarily as a direct result of the water being available. It is important to note that it has dramatically reduced the amount of water and nutrients being discharged to the sea which, we believe, thereby has a major beneficial effect on St Vincent Gulf.

As I have said, the third benefit is that it reduces the draw on the ground water because irrigators have other suppliers. The overall aim of the government with respect to waste water is to have, ultimately, a situation where we have 50 per cent reuse. We are climbing towards that target on a regular

basis because of our \$200 million plus environmental improvement project.

**The Hon. G.A. INGERSON:** I was going to ask an ad-lib question but I will have to read it.

*Mr Conlon interjecting:*

**The Hon. G.A. INGERSON:** This is very important. Can the minister comment on what is happening in the Willunga area to increase opportunities for reuse of the reclaimed water from the Christies Beach Waste Water Treatment Plant? I look forward to an update having been involved in the initiation process.

**The Hon. M.H. ARMITAGE:** As the honourable member has identified, it is well documented in the catchment water allocation plans (produced by the Onkaparinga Catchment Water Management Board) that there are limited service and underwater/ground water resources in McLaren Vale and Willunga to continue what is an excellent horticulture development area. The government therefore facilitated a proposal from local growers, wine makers and investors for the reuse of reclaimed water from the Christies Beach plant. The outcome of this is that 30 per cent of the total flow from Christies Beach is reused to irrigate about 1 200 hectares of land.

The opportunity and the aim is to have 100 per cent of the waste water from Christies Beach reused for irrigation, which requires a suitable means of storing the excess water during the winter months so that it can be reused later during summer which, incidentally, is also an issue in the Northern Adelaide Plains. South Australia is leading the world in its Aquifer Storage and Recovery techniques (ASR), which stores the surplus water underground for reuse later. The Major Projects Group within DAIS has brought together expertise from the CSIRO, United Water, SA Water and the Department of Water Resources to investigate the use of ASR to store water from both Bolivar and Christies Beach. To identify those particular trials I will ask Mr Rod Hook, Director of Major Projects, to inform the committee further.

**Mr HOOK:** Trials in both those areas go through several stages. The first stage involves some laboratory investigations and testing the best means of treating the water, dealing with filters and getting the water to a suitable standard. It must then go to a pilot project stage—and that pilot project stage is well advanced at Bolivar—through to the period where, shortly, we will be pumping out some of the water that has been injected into the aquifer. In the Willunga area we will shortly be doing the first lot of injection of water into the aquifer and going through a process of again testing to see how far it moves, being able to put water in for one day, pumping out that water and then, perhaps, putting water in for two weeks and pumping it out.

It is a very managed testing process to ensure that we can determine what happens, that it will work and that what is put in the ground can be pumped out efficiently. If that is shown to be successful the project will proceed to the third stage, which is design and documentation of a fully operational scheme. In both instances, the private companies which operate in the Virginia and Willunga areas are very keen to take advantage of the ability to use additional reclaimed water and, if we can show that that is successful, to store it and pump it out.

**The Hon. G.A. INGERSON:** Probably the most successful but least talked about government scheme is the ICPC scheme. Could you advise the committee on what assistance the government is providing in this area and whether there are

sufficient funds available to enable this to continue to roll and be an important part of the future development of our state?

**The Hon. M.H. ARMITAGE:** The Industrial and Commercial Premises Corporation has been particularly successful. In particular, it has had great success in relation to supporting high tech industries in South Australia. I would like to ask Mr Wayne Steele, the Director of the ICPC, to elaborate on that exact support to the high tech South Australian businesses.

**Mr STEELE:** The Industrial and Commercial Premises Corporation is assisting several companies that would be regarded as leading edge in the high tech end of the spectrum. One of those is Bionomics Ltd. In that case we are providing a purpose-built research laboratory and office facility, and that is to be located in the bioscience precinct at Thebarton. That particular project involves the construction of a building of almost 2 500 square metres with undercover car parking. The total estimated cost of that is just under \$6.3 million.

Bionomics is a company concerned with the isolation and further study of genes involved in the onset and progression of disease. These genes and the proteins they encode are validated drug targets. Specifically, Bionomics focuses its validated drug research and development efforts in the area of epilepsy and breast cancer. If they do happen to get a breakthrough in either one of those areas, it will be fantastic news.

The total land and building package which ICPC will be providing will be delivered via what we call a deferred purchase arrangement. Under that deal, Bionomics will repay all principal and interest to the government over a 10-year period. The project commenced in May this year and is scheduled for completion in February 2002. Currently the company employs 28 people and it is envisaged that, depending upon its success and growth, that number could increase to anywhere between 42 and 186 people over the next five year period. That is how dynamic this particular industry sector is.

Another company that the Industrial and Commercial Premises Corporation has been involved in assisting on three separate occasions is Motorola, located at Mawson Lakes, Technology Park. That project has been delivered in three stages, beginning in October 1995, with the most recent component being stage 3, which was opened by the Premier on 11 November last year. Motorola Software Development Centre now comprises a building with a total floor area of some 8 000 square metres and employs in excess of 450 people, making it the largest software development facility Motorola has outside the US.

The total cost of the various stages to the government is approximately \$14.5 million, and Motorola occupies the property under a lease with an option to purchase at the conclusion of the term, which expires in 2006. These are just two examples of some of the high tech companies that ICPC has been involved in assisting over the last 12 months.

#### **Membership:**

Ms Thompson substituted for Mr Foley.

**Mr CONLON:** I am puzzled by this. I note in reference to major projects that you refer to a whole of government approach. We undertook and are continuing to undertake an inquiry into international offices where we found a great deal of duplication and what we believe is quite a waste of money. I am concerned about what appears to be a similar trend in major projects. We have received a document which announ-

ces the formation of a major projects division in the Department of the Premier and Cabinet, apparently employing 23 people. As I understand it, it is involved in the Patawalonga development, the Barcoo Outlet, the Pier Hotel, the wine and rose project, Holdfast Shores and the Riverbank project. I note from the budget paper that the minister's major project team is involved in this. What is it that the Department of Premier and Cabinet people do that the minister's people do not do?

**The Hon. M.H. ARMITAGE:** I think there are a number of projects that are brought to the Premier because he is the Premier. That is the way of a number of people. The Premier has to undertake, if you like, the early investigation of some of these projects before they even become projects, just to investigate their feasibility, in many instances. There is also, if you like, a policy—a whole-of-government direction—which the Premier clearly has, by dint of the fact that he is the Premier. The major projects people in the Department of Administrative and Information Services are, if you like, the deliverers of the project. If one looks at the projects for which we have immediate responsibility, we are out there, if you like, getting our hands dirty. I do not mean that in a derogatory sense, but we are delivering the project. My experience is that there is no duplication; that there is a clear function for a premier to have some people to investigate those things and for a delivery agency, such as the Department of Administrative and Information Services.

**Mr CONLON:** I will ask a question on notice. Can the minister list the names, titles and classifications of all employees for all major projects and specify whether they are a permanent public servant (I think the minister has heard the question before) or a contract employee and, if they are a contract employee, can the minister detail the terms of the contract?

**The Hon. M.H. ARMITAGE:** I would be very comfortable in bringing back that information. As the member for Elder has quite rightly observed, I do not have it to hand.

**Mr CONLON:** The reason why I ask about duplication is that, in the estimates document for the Department of Industry and Trade (and I cannot find the correct page), we see that it is also involved in a number of telecommunication and IT projects. What does it do which the minister's project team does not do and which Premier and Cabinet's project team does not do?

**The Hon. M.H. ARMITAGE:** Those are really good examples. My understanding of those projects is where, for argument's sake, a telecommunications company or an electronics focused company might choose to set up in South Australia, they might well go to the Premier or the Minister for Industry and Trade in the first instance to explore the market to determine the possibilities. If they are unable to explore the project per se before it becomes something or other that the government either backs or does not back, I think that there is potential, if they are unable to do that, for there to be a breakdown in that process. No government would want a potential investor not to be encouraged to bring these things to the government. With respect to new businesses, businesses that may be coming from overseas, it is quite a standard practice that they would open up their first avenue of investigation with the Premier or the industry and trade ministry.

**Ms THOMPSON:** My question relates to the Riverbank development (page 8.24). In the proposal that went to the Public Works Committee there was an indication that, hopefully, two cafes would be built on the Riverbank

promenade. I have not recently heard anything further about that matter. Can the minister tell me what stage that has reached? Are there any likely takers for the two cafes? Also, what has happened about the relocation of the exhaust system at the Hyatt that was causing so much noise that one would not be able to order one's food, let alone eat it, until that was relocated? Has the relocation been agreed to, and who is paying for it?

**The Hon. M.H. ARMITAGE:** I hate to disappoint the member, but the minister responsible for the Convention Centre is Minister Hall, and the minister responsible for the Riverbank project is the Minister for Industry and Trade.

**Ms THOMPSON:** What is in the minister's papers?

**The Hon. M.H. ARMITAGE:** As I indicated, projects are the responsibility of a number of ministers, depending upon who is the lead minister. It has been determined that the Minister for Industry and Trade will be the lead minister for the Riverbank project. Minister Hall is the lead minister for the Convention Centre.

**Ms THOMPSON:** Who is the lead minister for Holdfast Shores?

**The Hon. M.H. ARMITAGE:** I am.

**Ms THOMPSON:** How much has the state invested in the Holdfast Shores development, and when will we receive a dividend?

**The Hon. M.H. ARMITAGE:** Holdfast Shores stage 1 has been substantially completed. With respect to the Marina Pier precinct, all of the 80 apartments and all the 59 marina berths have been sold. At the moment, strategies are being investigated to accelerate the leasing of the remaining retail tenancies. In the Holdfast Quays precinct, which is north of the Patawalonga barrage, all 22 housing allotments were sold by ballot. With respect to the Holdfast Quays and Marina East marinas on the Patawalonga basin, all 161 marina berths have been sold. In the Marina East precinct, 81 of the 82 apartments have been sold. And in the Lights Landing precinct, all 47 apartments have been sold.

In order to facilitate the whole rejuvenation of that area, the government constructed the Adelaide Shores Boat Haven at West Beach for a total cost of \$11.6 million (including \$1 million from the recreational boating levy fund), and Glenelg harbour for a total cost of \$7.7 million. Stage 1 of the development (which I previously identified as those five named areas which, basically, have all been sold) has been the catalyst for \$130 million of private sector construction investment to date.

**Ms THOMPSON:** When will we receive some return on our investment?

**The Hon. M.H. ARMITAGE:** As I have indicated, we have had \$130 million of private sector construction to date—

**Ms THOMPSON:** The agreement indicated that there would be a share of returns on the investment to be divided between the developers and the state. You are the minister: when do we get our share, a direct return on costs?

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

**The Hon. M.H. ARMITAGE:** That is right, I did—time and again. The agreement between the private sector and the government will trigger when stage 1 has been completed. As I indicated, strategies to accelerate the leasing of the remaining retail tenancies are being undertaken as we speak. If the member is saying that about \$130 million of private sector construction investment is not a good thing for South Australia, I will go 'he' for chasey. It is clearly a real bonus. I particularly used the word 'rejuvenation' in the beginning of the answer to the question. There is absolutely no doubt

that investment in that area has rejuvenated not only Glenelg but also the whole of the foreshore.

Wherever one goes along the foreshore, all the way up and down the suburbs on either side of Holdfast Shores, one sees new development, houses being renovated, more people living in the area and greater excitement. It is just one of the success stories, and many people have attributed that to the government delivering the Holdfast Shores project as opposed to attempt after attempt in the past which failed.

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

**Mr CONLON:** I understand that the rules apply to both sides. We were cut off before at the knock of the clock.

**The ACTING CHAIRMAN:** I would not want the honourable member to raise his blood pressure or anything like that because we might not then have him for the rest of the afternoon. The chair does not wish to be here one more minute so I am not going to delay the proceedings. If there are no further questions, we will move to the next matter.

**Mr CONLON:** It is not my blood pressure; it is my staying awake if I hear another one of the dixerers from the other side.

**The ACTING CHAIRMAN:** One could apply that equally to both sides.

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

Mr K. Brown, Chief Executive, WorkCover.

Ms A. Howe, Chief Executive, SA Water.

Mr A. Atterton, Chief Ministerial Liaison Officer, SA Water.

Mr J. Ringham, Head, SA Water Services.

Mr J. Caporn, Head, SA Water International.

Mr G. Davey, General Manager, Workers Compensation Division, WorkCover.

**Mr CONLON:** It is almost hard to know where to start. West Java has been of some interest to us.

**Mr HAMILTON-SMITH:** What about South Australia?

**Mr CONLON:** We will get back to South Australia, and you will be pleased when we do. I probably do not even need to say that Indonesia is not a happy country at present and I have great sympathy for its misfortunes but it is absolutely plain that there is very serious political instability in Indonesia and, of course, many very serious economic problems. To this point I have been puzzled as to why, therefore, we are putting taxpayers' money up-front. I understand that it is not an aid project, that it is a commercial venture. I put on the record that we are still puzzled as to what on earth we are doing with taxpayers' money there. My first question might have to be taken on notice. Can the minister say how much we have spent on the West Java project to the end of this financial year and can he say what our budgets are for the next three years?

**The Hon. M.H. ARMITAGE:** I am delighted to do so because hereafter, having provided the information, I will expect the correct figures to be used in any public debate.

*Mr Conlon interjecting:*

**The Hon. M.H. ARMITAGE:** I know the member for Elder and it is the last thing I would expect of him, but there are temptations on other people on occasions to inflate by at least 100 per cent figures that have been reported before, but as I tell the figures to the committee I will look the member for Elder in the eye so that I know that he is awake and he understands those figures.

**Mr CONLON:** The first time we were given the figures they left out a whole load of salaries, so we are always just a little sceptical. It cuts both ways. You can't have a dig—

**The ACTING CHAIRMAN:** The member for Elder will contain himself.

**Mr CONLON:** I am stirred by my sense of justice.

**The ACTING CHAIRMAN:** The chair is sure that you are going to get a fair go. If you continue to interrupt the chair, no-one will be here, and that will suit the chair very well.

**Mr CONLON:** You just want to go home.

**The ACTING CHAIRMAN:** That is dead right and you are helping me.

**The Hon. M.H. ARMITAGE:** In beginning to answer the question, I was interested to read on the ABC web site on 1 June this year comments of the much-vaunted federal spokesperson on foreign affairs, Mr Laurie Brereton, who has called for a new relationship to be built between Australia and Indonesia, labelling it as critical to prosperity in the region. He said that the federal government should be providing greater support to its nearest neighbour as it grapples with a crisis in politics. He said that the relationship is crucial to Australia's security and to overall prosperity in South-East Asia. He went on to say in a speech that, more broadly, we should explore what we can do to help Indonesia deal with its humanitarian and development challenges.

**Mr CONLON:** You know it is not an aid project.

**The Hon. M.H. ARMITAGE:** No, I am talking about development challenges. Progress is being made on the introduction of SA Water industry companies to contract opportunities resulting from water and waste water reform programs in West Java. The West Java Corporation Board is responsible for the development and management of water and waste water infrastructure in West Java and, during 2001, the corporation board is scheduled to transition into two bodies: the West Java Water Board, which is the regulator, to develop policy and advise the government, regulated by government decree; and the West Java Water Company, operations and maintenance, to hold assets and manage water and waste water resources, owned by the provincial government of West Java.

SA Water may be a member of the West Java Water Board only. It will have no legal or financial involvement in the letting of the operations and maintenance contracts to the private sector and it will continue to operate at minimal cost until its long-term role in West Java is complete. The corporate structure, PT SA Water International (an SA Water subsidiary established in Indonesia), would be the vehicle for any SA Water involvement in Indonesia. Regarding economic development opportunities, if the West Java government acts in accordance with the master plan, the first major contract to be let would be the private sector contract to implement the financing and institutional changes at the PDAMS level followed by a contract for the operations and maintenance program for Bandung.

A delegation visited Adelaide from 27 May to 2 June led by the Vice-Governor for Economic Development and the Vice-Chairman of the Indonesian Parliament and supported by all the major parliamentary commissions in the parliament. There were also two mayors who attended, and a number of company meetings and presentations were held. At that time, it was quite clear that the West Javanese were particularly interested in the model and fully supportive, and I understand that, as a result of that delegation, a number of business operations are forecast.

The total expenditure on Indonesian operations in 1997-98 was \$830 000; in 1998-99, \$1.34 million; in 1999-2000, \$1.72 million; to May this year (2000-01), \$1.29 million; and the forecast to the end of the year is \$1.51 million. What is very important to point out is that nearly 60 per cent of that expenditure on Indonesian operations actually occurred in Adelaide. So, any suggestion that \$10 million has been spent or wasted in Indonesia is wrong on all counts.

**Mr CONLON:** I ask the minister to be careful to scrutinise those figures because, again, I would never believe for a moment that he might mislead me in anyway, but it is possible to be mistaken. So, forgive me if we take a look at that. I am puzzled by this whole thing. As I understand it, not all that long ago SA Water came to cabinet with a proposal after spending \$250 000 on Tanjung Pirok, and it was told that it was more appropriate for the private sector—quite rightly, given the decision that this government took some years ago about the management of water. I am puzzled as to why the same answer was not given when the West Java project was raised.

At an Economic and Finance Committee hearing, we asked the person whom your Premier and your government has considered to be its foremost adviser on international trade (the head of the Department of Industry and Trade, John Cambridge) questions about West Java. He was careful not to be critical of the government because of the position he was in. I think he may have said less than he might have, but he did say that he would prefer more progressive returns from West Java, a contract in a hard currency, and a definite plan to hand it over to the private sector, which of course was your response in terms of Tanjung Pirok. I am puzzled why in the light of those sorts of suggestions we persist in defending the program. I ask why you would do that. Is it the case that there is a draft report running around at SA Water which might recommend an exit strategy from this program?

**The Hon. M.H. ARMITAGE:** The honourable member raised about three matters. Dealing with these in sequence, in terms of the private sector involvement, the whole strategy behind dealing with international relationships is one of great sensitivity, as I am sure the member for Elder would be aware. There is obviously a need for the maximising of opportunity. There is no doubt that government-to-government relationships are viewed in Asian countries as extremely important. If the member for Elder chooses to deny that or, for political reasons, not to acknowledge it, he is flying in the face of reality, because that is the fact.

The whole purpose of having government-to-government relationships is to open up opportunities for South Australian private sector involvement in a market in which, frankly—that market, being the general export market—we are doing well, whereas previously we were not. It is the view of the government that the delegation which was here recently and which was enthusiastically greeted by the water industry alliance and others such as that will lead to opportunities for the South Australian private sector. The report to which the honourable member referred is no longer a draft report. My understanding is that it was sent to the Economic and Finance Committee some time ago, and it does not recommend an exit strategy.

**Mr CONLON:** We asked for it persistently and we were told that it was being prepared. It would have been nice to see it.

**The Hon. M.H. ARMITAGE:** It was being prepared.

**Mr CONLON:** What you are saying to me then is that you remain committed to this project. Will you forecast when we will see a return from the money invested?

**The Hon. M.H. ARMITAGE:** I am committed to anything which opens up the opportunity for the South Australian private sector to increase its exports.

**Mr CONLON:** Am I missing something?

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

**Mr CONLON:** Is that not why we got United Water? Was that not the whole program? Have you had a change of heart? I note that your federal colleagues have managed to turn around longstanding attitudes. I come back to the point. I do not know why you are standing by this. I have respect for you as a minister and I will miss you when you are gone. I do not know why you want to take ownership of this but, since you have, tell us when we will see a return for taxpayers' money invested in West Java.

**The Hon. M.H. ARMITAGE:** As I have indicated, I am always keen to see anything which can help to encourage our exports in general from South Australia because we are a small market. In answer to the comment from the member for Elder whether that was why we got United Water engaged, as I said before, the Asian market is one in which government-to-government relations are extraordinarily important. If the honourable member—

*Mr Conlon interjecting:*

**The ACTING CHAIRMAN:** The honourable member has asked more than a fair range of questions. He is now testing the good nature of the chair.

*Mr Conlon interjecting:*

**The ACTING CHAIRMAN:** The chair is in an exceptionally good mood. Do not test him. I call the member for Flinders.

**The Hon. M.H. ARMITAGE:** As I was saying, the whole object of the government to government relationship is to open up the opportunities for the South Australian private sector and, given that the member for Elder has talked about the Economic and Finance Committee, my recollection is that the Chief Executive of United Water in South Australia was asked what he thought of this, and he thought it was a good idea for government to government relationships with the opportunity for the private sector to have work flow on to it from South Australia. In regard to the time when we will see income flow, or profit I think you said, it is no secret that there is a political change in Indonesia. I, however, believe, as does in fact the conclusion of the report, which the member will see, that that means there may be some slowing of it; but it is not a reason for giving up.

**Mrs PENFOLD:** I refer to Budget Paper 3, chapter 8, page 3. Can the minister advice what action SA Water has taken to ensure that high service delivery standards are maintained?

**The Hon. M.H. ARMITAGE:** In relation to service delivery standards, I would ask Anne Howe, Chief Executive of SA Water, to provide the answer.

**Ms HOWE:** In the metropolitan area United Water is required to meet a number of stringent criteria under its contract, criteria which determine factors such as water quality and service response times. United Water has consistently met, and in many cases exceeded, its required targets. For example, prior to outsourcing, tests indicated that 90 per cent of metropolitan water was free of microbiological contamination. In 1999-2000 that figure improved to nearly 98 per cent. There has also been a marked decline in the number of sewer chokes and waste water overflows.

Recent comparative data from the Year 2000 Australian Urban Water Industry Performance Review positions SA Water in a very favourable light in most categories of comparisons, with 18 other utilities. In water quality, Adelaide supplies are now equal to the best in the country, as acknowledged by the industry comparisons. When considered in the light of source water quality this is a significant achievement.

Beyond the capital city, the government is doing much to ensure that improvements continue to be made in the quality of water that is provided to country areas of South Australia. Historically much of rural SA was served with water pumped from the River Murray with little treatment except disinfection. SA Water now operates 84 separate water supplies in country areas, serving around 320 000 people, and has achieved significant improvements in water quality for country people through a comprehensive water quality improvement program. This has involved extensive programs for improved water quality monitoring and the construction of 10 water treatment plants. These plants serve the major centres using River Murray water under the Riverland water contract. They include new plants at Middle River and Penneshaw on Kangaroo Island.

SA Water's comprehensive new web site became available on 23 March 2000 and provides customers with access to corporate information about SA Water, topical information and a key community service online bill payment and common customer inquiries. The government is responsible for the delivery and management of an essential service to all South Australians. We are acutely aware of our obligations in this regard and are constantly seeking ways to monitor and improve the quality of our product and service.

**The Hon. M.H. ARMITAGE:** It is important to identify that in the 2000-2001 financial year SA Water returned \$225 million, including dividends and tax equivalents to South Australia, which was obviously utilised to provide services to South Australians. As I have highlighted to the parliament on a number of occasions, for the immediate year prior to the Liberal government coming to office the E&WS, under the previous administration, achieved, if that is the word, a \$47 million loss. What that means is that South Australians were paying twice for their water. They were paying their water rates and then they were paying for the \$47 million loss. There has been a dramatic turnaround in the fortunes of SA Water with the \$225 million dividend in 2000-2001 and other similar dividends going to pay for a number of key services for South Australians.

**Mrs PENFOLD:** I refer to Budget Paper 8, page 12, 'Improved water supply and wastewater', and particularly to the reference to a provision in the budget of a \$4 million fund for the Septic Tank Effluent Disposal Scheme (STEDS). Could the minister provide further details in relation to this program?

**The Hon. M.H. ARMITAGE:** The Septic Tank Effluent Disposal Scheme is one very crucial for the environment, and there have been some major strategies to attempt to fast-track this, and I would ask Mr Graham Foreman, Chief Executive of DAIS, to inform the committee.

**Mr FOREMAN:** As members will know, the STEDS system collects effluent from septic tanks and takes it to a central point for treatment and disposal. The STEDS program has received government funding in one form or another for almost 30 years. The technology was developed as a cost effective response to the need for effective treatment and disposal of waste water in regional areas, where the cost of

a fully sewerred system could not be justified. Septic tanks do not function efficiently in many areas of the state because of soil types, and there are instances of overflow or seepage into the environment, often placing water supplies at some risk.

The Local Government Association manages the program under a formal agreement with the state government. The local government sector determines the priorities and distributes the funding that the state provides. The annual funding has remained at \$3.05 million since 1995. A charge by councils levied on households and businesses provides a contribution towards the total cost, and the quantum of that charge is determined by reference to the average metropolitan sewerage rates. The LGA advised the government that it has applications for projects with an estimated value of about \$135 million and that at the current level of funding the program would take an estimated 33 years to complete. This is clearly unacceptable in terms of environment management, and in terms of providing a sound basic infrastructure for the development of regional areas.

The government has agreed to an immediate increase in funding to take the annual contribution to \$4 million and to relieve some of the pressures on the program. In doing so, it was recognised that a more fundamental review of the total program was necessary if there is to be a significant breakthrough in redressing the backlog of projects and also to expand the program to include rehabilitation and upgrade of existing facilities. The LGA has agreed to work with the government in examining alternative financing and management arrangements, which could include a partnership between the two levels of government and the private sector.

Under such a scheme, the private sector would construct the STEDS with continued funding support from state and local governments. The contractor would operate and maintain the schemes for an agreed period when ownership would transfer to councils. This would be a win-win situation providing benefits for the environment, councils and their communities. It would also represent a major investment in essential infrastructure that complements the state government's commitment to provide a strong water services industry.

The total program represents a significant capital investment opportunity that would generate economic activity during the construction phase as well as providing long-term benefits for regional communities. Funding the program requires further negotiation with the LGA and its member councils but, as a principle, the state government would be seeking rate contributions from households and businesses up to a level that is aligned with metropolitan rates to ensure the long-term financial viability of the program.

The STEDS program is important in terms of managing our water resources, protecting the natural environment and providing a basic infrastructure that is necessary to support the economic development of regional South Australia. The immediate increase in funding will relieve pressures on the program, and the government looks forward to implementing arrangements that will expedite the total program of works, thereby bringing forward the benefits to regional communities.

**The ACTING CHAIRMAN:** The minister and his officers would be aware that for some time the communities at Hawker and Orroroo have expressed grave concern about the quality of water—and, in relation to Hawker, also the quantity. Can the minister give any update in respect of the progress that has been made in providing the necessary resources to improve the situation in those two areas?

**The Hon. M.H. ARMITAGE:** SA Water has undertaken a preliminary investigation of the provision of potable water to the township of Hawker. A scheme involving the installation of a desalination plant, which is one of the issues that the community was looking at, would mean a capital investment of around \$1.5 million but, with only 200 properties on the customer base, this does not meet commercial requirements. So, discussions are occurring with the local community through the Northern Regional Development Board to explore alternative funding options.

In relation to Orroroo, I spoke with members of the Orroroo council as recently as last Monday, and they were seeking in the first instance that a study be done to assess the potential for better use of the run-off. A number of people in Orroroo use rainwater tanks. The particular councillor to whom I spoke indicated that a number of those rainwater tanks are insufficient. The council may well come up with a scheme whereby it is prepared to identify a subsidy for people to obtain larger tanks. A number of other schemes are being investigated.

In all of these instances, the government certainly identifies the need for water in the communities. However, as I indicated in relation to the previous example, sometimes in the driest state in the driest continent these put really large thumbscrews on the commerciality of those ventures. There are community service obligations which can be investigated. They are obviously being done. So, we are attempting to solve what is a very difficult problem in those sorts of areas.

**Mr CONLON:** I must say that I admire the commendable equanimity in the way that you announced we are facing a further delay from any prospective return from West Java. I certainly think your equanimity is admirable. It may have something to do with the fact that it may be someone else's problem very soon, but I would not suggest that. With respect to the former CEO, I know that the minister, if I understand his position correctly, did not have much to do with employing him and he did not have anything to do with sacking him. But it does appear that he is left holding responsibility on behalf of the government for the aftermath. What has the aftermath been? Is Mr Sullivan still suing the government?

**The Hon. M.H. ARMITAGE:** I understand that legal proceedings are in train, so I am prevented from commenting.

**Mr CONLON:** With the greatest respect, I do not think you are prevented from making any comment.

**The Hon. M.H. ARMITAGE:** It is not that I do not want to comment: it is just that I am not allowed to.

**Mr CONLON:** I appreciate that. There has been a great deal of comment to me in corridors and not in the open about this matter.

*An honourable member interjecting:*

**Mr CONLON:** You have to around here: it is part of the job. I will not ask you to comment on the proceedings, but I will ask you whether you can indicate when they might be complete. Do you have a court date or something like that?

**The Hon. M.H. ARMITAGE:** I understand that a summons was served on the Crown Solicitor on 11 January 2001 and that is the only comment I intend to make.

**Mr CONLON:** That is very convenient. With the greatest possible respect, the question of a court date is not in any way a matter of sub judice and there is no way it could prejudice the substance of proceedings. Is there a prospective court date when the matter might be concluded so the taxpayers can find out whether this is another one that will cost them a big heap of dough for a former government official?

**The Hon. M.H. ARMITAGE:** I do not have the detail.

**Mr CONLON:** Perhaps you could check it out for me. It is one of those things we ask you to do in this sort of process.

**The Hon. M.H. ARMITAGE:** You are the lawyer and I am not. A defence has been lodged. What would one expect the next step to be? How can I influence the courts? How can I determine what the court date might be? I have given you all the information I can.

**Mr CONLON:** That is all I am asking: you cannot tell me what is not known to anyone. Can you tell me what is known to your department and your defence team?

**The Hon. M.H. ARMITAGE:** As everyone knows, I am honest, transparent and helpful and I will see what I can get, but I do not expect it to be very much.

**Mr CONLON:** Returning to an earlier question, I assume you will provide me with information about four forward years in terms of the costs of West Java.

**The Hon. M.H. ARMITAGE:** We can do that.

**Mr CONLON:** I turn to your earlier answer to a dorothy dixer on the STED scheme. Having seen the answer by the Minister for Local Government on the STED scheme and the concerns of local government about a 33 year waiting list to advance it, do I understand that you are proposing to bring it to a head through a public-private partnership arrangement? These things are extremely complex. Usually the private sector will not be involved unless it is a sufficient sum of money. What sort of money are we looking at?

**The Hon. M.H. ARMITAGE:** We the government have approved an increase in our annual contribution towards the capital cost of installing STED schemes—\$950 000 per annum—which takes the total from \$3.05 million to \$4 million. That will apply for two years commencing 1 July.

**Mr CONLON:** It is even less than local government asked for, is it not?

**The Hon. M.H. ARMITAGE:** You did not ask me what local government was interested in but what we are doing.

**Mr CONLON:** I asked you what the scheme would be worth.

**The Hon. M.H. ARMITAGE:** I am telling you what we are doing.

**The ACTING CHAIRMAN:** Member for Elder, this is not a chit chat. You asked your question: let the minister provide the answer.

**Mr CONLON:** I would just like the question I asked answered.

**The ACTING CHAIRMAN:** Order! The member for Elder knows full well that he asks the questions and it is up to the minister to answer how he thinks fit. It is not for the member for Elder to tell him how to do it. The committee will await with bated breath the minister's ongoing answer.

**The Hon. M.H. ARMITAGE:** As we have identified, there is a long backlog of projects, and applications for funding of new programs with an estimated value of \$130 million have been received by the LGA. That is an estimated figure but not specifically costed. It is a ball park figure. It is agreed with the LGA that alternative funding provisions exploring the public-private sector partnership model should definitely be examined as a means of significantly reducing that backlog and advancing the program.

**Mr CONLON:** Do I understand that essentially you have a stop gap measure of \$4 million?

**The Hon. M.H. ARMITAGE:** It is improving the present circumstance.

**Mr CONLON:** It will not make much difference to the 30 year waiting list.

**The Hon. M.H. ARMITAGE:** It will make a significant difference as it is 25 per cent more money, but it will not make a tremendous inroad into the backlog.

**Mr CONLON:** You were hoping to get the process accelerated through a major PPP. These things are difficult and complex in terms of setting up legal relationships and funding arrangements that go into the future. When would you consider calling for expressions of interest?

**The Hon. M.H. ARMITAGE:** We are working through those sorts of issues with local government. We believe it will take up to 12 months to achieve those types of outcomes because of the complexity, individual needs and so on, at which stage the process of formal tendering will get under way.

**Mr CONLON:** I would assume in considering this project, and without asking for any confidential information, that there have been informal expressions of interest in the private sector in such a program.

**The Hon. M.H. ARMITAGE:** I am unaware of those.

**Mr CONLON:** You would have to have some confidence that you will get an expression of interest. There are few organisations that would be in a position—

**The Hon. M.H. ARMITAGE:** I have had absolutely no preliminary discussions with anyone about the potential success or failure of such a bid. However, it is clearly the view of the government looking at the quantum of work there and at the skill sets that are available in the South Australian industries that there will be people who will bid for that amount of work.

**Mr CONLON:** And in setting up the project it will involve a higher levy in terms of rates on ratepayers in areas where the scheme will work.

**The Hon. M.H. ARMITAGE:** All of these financial details will be finalised and ironed out in the discussion process, but at the end of the day we are of the view that it is an extremely important issue to local communities. We think a number of those people are very keen to see an improved situation in relation to the STED schemes. As a principle we would be seeking some form of increase for an improved service. That is not extraordinary in government, so I guess that to ensure long-term financial viability to the scheme they are the sorts of issues we would be exploring.

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

**Mr CONLON:** Mr Acting Chairman—

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

**Mr CONLON:** Could I put one question on notice?

**The ACTING CHAIRMAN:** No, the honourable member has had a pretty good crack of the whip—he will have to be patient.

**Mr CONLON:** I can tell you this: you have a minister coming on who wants cooperation. I only want one question on notice. I can keep you here for the rest of the night—it depends on how long you want to be here—or I can cooperate with the other bloke. I only want one question on notice.

**The ACTING CHAIRMAN:** In a few seconds you can put four or five questions on notice.

*Mr Conlon interjecting:*

**The ACTING CHAIRMAN:** Order! We could have had the question answered by now. The chair has let the member for Elder go on and on. Occasionally, other members who have to be here want to ask a question. I will ask the member for Bragg to ask a question and then I will invite the member for Elder to put his question on notice.

**The Hon. G.A. INGERSON:** Thank you for the encouragement, Mr Acting Chairman. Some five or so years ago a

new fragrance came on the market called Ingo's Pong, which related to a particular problem at Bolivar. The government at the time decided to spend quite a large amount of capital works money on programs at Bolivar. Could the minister advise the committee how those programs are progressing and whether we are ever likely to have a short term repeat of the problem?

**The Hon. M.H. ARMITAGE:** The government is spending \$200 million plus on environmental improvement strategies to improve the environmental performance, obviously, of our waste water treatment plants. In fact, \$235 million is being spent on our four metropolitan treatment plants, with additional funds going into the recently announced Heathfield and Victor Harbor waste water treatment plants and those in various country centres. The first stage of the Bolivar program, which was the provision of a DAFF plant (Dissolved Air Flotation Filtration Plant), was completed in September 1999. That plant provides effluent suitable for reuse through the Virginia pipeline scheme, which is one of the largest of its type in Australia, and I have detailed that previously. The second stage is the completion in July this year of construction of the plant upgrade for odour control and nutrient reduction.

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

**The Hon. M.H. ARMITAGE:** It was completed in July this year at a cost of approximately \$62 million, and it is currently in the final stages of commissioning. I am informed that odours have been effectively eliminated beyond the plant boundaries by a combination of control in sewers, covering of key treatment processes, the collection and treatment of odours, replacement of some processes and improvement in the lagoon system and in the sludge handling arrangements. Importantly, reduction in the nutrient discharge to the gulf has also occurred. The third stage, then, is the Queensbury diversion, which is currently being constructed.

It will be completed in about January 2002 and it will divert 30 per cent of the flow from the Port Adelaide Waste Water Treatment Plant into the Bolivar plant, that is, the segment that has a low saline content, and it will be added to the effluent available for reuse. The fourth stage is a new mechanical sludge dewatering system to be completed in May 2002 at an approximate cost of \$4.6 million to augment the existing sludge lagoon system. The fifth stage is the construction of a new high salinity plant at Bolivar, together with a transfer pipeline from Port Adelaide to transfer the remaining 70 per cent, which has a higher salinity than the current Port Adelaide flow.

All in all, that is an estimated cost to the project of \$94 million. As I have identified, I am informed that the odours have been effectively eliminated beyond the plant boundaries by a number of control mechanisms, and I assure the member for Bragg that there is increased vigilance—

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

**The Hon. M.H. ARMITAGE:** It is a fact that I have asked about alarm systems and various other things such as that. It is a large quantum of money, but it is leading to terrific outcomes, particularly for people in Virginia. We believe—and I think that the overall figure is up to \$80 million—that it may add extra production in Virginia and the Northern Adelaide Plains.

**Mr CONLON:** Could the minister just satisfy a curiosity I have—

*An honourable member interjecting:*

**Mr CONLON:** It is on notice—you are not going to waste any time—and then my friend can ask about Work-



Cover. How much does it cost us to run the board of SA Water in terms of directors' fees, head chair fees, ancillary staff, and such like. The minister probably does not have that information at his fingertips but perhaps he could take the question on notice.

**The Hon. M.H. ARMITAGE:** Previously I identified a figure of \$94 million. That is the cost of the fifth stage, not a total figure. I will have to provide further detail as to the overall cost of the board. It will not be major. Board salaries, secretarial staff, and so on are all done within SA Water. It will not be much but I am happy to provide it.

*Members interjecting:*

**The Hon. G.A. INGERSON:** I am allowed to ask two questions a day.

**The ACTING CHAIRMAN:** If the member for Waite thinks that he is deprived, we must give him a question.

**Mr HAMILTON-SMITH:** Do I have three questions, sir?

*Members interjecting:*

**Mr HAMILTON-SMITH:** The member for Elder has just asked a question; it is even.

**The Hon. G.A. INGERSON:** Minister, how is the WorkCover scheme progressing? What is its current unfunded liability? What issues are on the horizon that may cause difficulties for that unfunded liability, and if it requires legislation—

*Mr Conlon interjecting:*

**The Hon. G.A. INGERSON:**—I know; it is a beauty—what action do you think might need to be taken by this or any future government?

**The Hon. M.H. ARMITAGE:** How long have I got, sir? I was not expecting an omnibus question from that side of the chamber.

**Mr CONLON:** I think he wants you to tell him what a good minister he was.

**The Hon. M.H. ARMITAGE:** Well, he was; he was fantastic, and I have acknowledged that publicly and privately. As members of the committee would know because both I on a regular basis and the Premier in the House and frequently in public forums talk about the wonderful performance of WorkCover, which is a credit to all the people at WorkCover, to the Chief Executive and to the board. To provide the detail at the sort of level about which the member for Bragg was asking, I ask Mr Keith Brown, Chief Executive of WorkCover, to give the committee an overview.

**Mr BROWN:** The last formal assessment of the position of the corporation was at the end of December 2000, and it was formal from the point of view of the mid-term actuarial assessment of our position. At that stage we determined that we had a \$22 million unfunded liability. That, of course, compares with a situation some five years ago where the number was \$276 million, so it has been a substantial turnaround. As we sit at the end of April, we are currently running with a surplus of around \$11.7 million actuarially adjusted. So, we are sitting in the 98.5 per cent funded rate.

What does 'fully funded' mean? Assets and liabilities match, surely. But in an actuarially-based business we need to allow for some fluctuations so, generally, we take the rule that between 90 per cent and 110 per cent of assets to liabilities is a comfortable funding position. The scheme is comfortably funded, it has been for some time and it is very stable. Interestingly, that is despite the fact that this year has been very difficult for us with respect to investment income, as one would expect, with the volatility in the equities markets. So, instead of our normal \$50 million or \$60 million

investment income at the end of April, we were positive but had only \$12 million.

Despite that, we are still in a surplus situation. It is very early and, of course, it is unaudited and we do not have and will not have for some time the actuary's assessment of the position of the scheme at the end of June. Even with the reduction in levy rates to a 2.46 per cent average, we are still forecasting, all other things being equal, a \$29 million surplus. So, the scheme, I think, is safe. In fact, I flew back from Sydney a little while ago and, of course, they are in a somewhat different situation, with a \$2.4 billion deficit. Interestingly, even the Victorian scheme is now about \$1.1 billion unfunded, after losing \$650 million in the last half of last year.

While it is volatile, and while it is vulnerable to fluctuations, the fact that we are at that 98.5 per cent means that we can protect the scheme. Interestingly, of course, it makes it a good value for money scheme in South Australia, because benefits for injured workers generally are higher in South Australia than in other states. So, while I would not want to say that I am comfortable (because that is the curse of death), I think that we can clearly be happy that the scheme here is under control. Therefore, I do not foresee, from my perspective, that we would want to come to this place to have any legislative amendments to in any way reduce costs or increase income on that score at all.

**The Hon. M.H. ARMITAGE:** If I can interpose and continue the answer, the effect on the South Australian community of the reduction in the average levy from 2.86 per cent to 2.46 per cent is that the exempt and non-exempt employers have had, we believe, an additional \$83 million in their hands, which they obviously spend in reinvesting in new plant and equipment, increasing employment and so on. If one takes that into account with the \$25 million from last year, it means that another \$108 million is directly invested in the South Australian economy due to the extraordinarily good performance of WorkCover. It is to the chief executive's, his staff's and the board's enormous credit that not only are they providing excellent WorkCover facilities (and they are, may I say, continually pressing the boundaries of better service to injured workers so that they provide a better service) but they are also allowing investment in the general economy.

**The Hon. G.A. INGERSON:** I have a supplementary question. Is it fair to say that the move away from the legally based system, which was instigated by the Labor government when it was last in power, to the legal entitlement system, has really been beneficial, and that any move back (as has occurred in Victoria and New South Wales) could, in fact, jeopardise the system?

**The Hon. M.H. ARMITAGE:** I do not think that there is any question that adding access to common law is likely to lead to an increased liability for the scheme. My understanding is that it has been applied recently in Victoria, or reintroduced recently in Victoria, which will see, indeed, a 17 per cent increase in average premiums in that state. That would be the sort of level—

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

**The Hon. M.H. ARMITAGE:** Indeed. And that is the sort of level that we might see in South Australia if common law were to be reintroduced, particularly when one contrasts that with a situation where, as I indicated, through the good work at WorkCover, our levy rates are decreasing: Victoria is increasing, and New South Wales looks as though it has something like a \$2 billion unfunded liability, and that has a

significant impact on the employers and also on unfunded liabilities. My advice is that, primarily as a result of the reintroduction of common law in the Victorian scheme, its funding ratio has dropped to 81 per cent, or an unfunded liability of \$1 074 million, as opposed to our circumstance, which is so rosy.

**Mr HAMILTON-SMITH:** I want to follow on with WorkCover—and I do so from the point of view of someone who was employing over 100 people when I came to the place. I commend the minister and also the previous minister on all that has been achieved. The success of the scheme is outstanding, but it is still not perfect, and I am particularly looking at it from the point of view of small business. My question is really about the impact of fraudulent activity on the scheme and what we can do to tighten fraudulent activity. Will the minister in his reply particularly address the issue of the requirement for small business to pay the first two weeks of any claim? The reason why I raise that matter is that a lot of small businesses—

*Mr Wright interjecting:*

**Mr HAMILTON-SMITH:** Are you right there?

**Mr WRIGHT:** Yes.

**Mr HAMILTON-SMITH:** I have a genuine question, and I would like an answer, if you don't mind. I am a member of parliament as well. Is that all right?

*Mr Wright interjecting:*

**Mr HAMILTON-SMITH:** Thank you. The reason why I am concerned about it is that, for small business, two weeks' wages, where they have to employ a casual to cover an absence, can make or break a business for that month, or even for a longer period, and can cause serious pain. First, I would like an answer to the question about what we are doing regarding fraudulent activity, and can the minister also advise me whether WorkCover has done any sums on what it would cost to reduce that two week impost on small business—that covering for the first two weeks—perhaps to a week, or to make it more manageable and achievable for small business. Although it may look rosy from WorkCover's point of view, it does not look too rosy from the point of view of small businesses when they suddenly get hit with that two week impost, particularly when it is linked to fraudulent activity, or suspected fraudulent activity.

**The Hon. M.H. ARMITAGE:** I will address the first question while we are considering the other one. There have been some significant advances in the last 12 months in the detection and management of fraud. This is an area which, as minister, I completely support, because fraudulent activity and fraudulent demand on the WorkCover system means that those people who really ought to be supported by the system get less. To me, that is a 'no brainer' and we ought to be—

*Mr Hamilton-Smith interjecting:*

**The Hon. M.H. ARMITAGE:** As the member for Waite says, end of story, and we ought to be prepared to come down on fraud like a ton of bricks. I make no bones about it: I am prepared, as the minister, to do so. WorkCover's newly formed investigation unit now focuses on risk and compliance using a number of new methods of intelligence analysis and project management. A dedicated intelligence analyst identifies areas of significant risk to the scheme and, after an approval process, a project plan is developed and then undertaken using appropriate resources, including internal and external information sources. The restructure has, pleasingly, enabled a substantial increase in the capacity of the unit, with average work in progress now at any one time being 150 files, compared to the previous capacity of

approximately 50. So, there are three times as many things going on.

Particularly importantly, as I mentioned previously, the effectiveness of the unit is no longer measured by the number of fraud prosecutions but across a broad range of activities, particularly including cost savings to the scheme. As I said, a cost that is fraudulently paid means that the legitimate claims receive less, so we are very interested in cost savings to the scheme.

Currently, WorkCover is undertaking some key initiatives in strategic operation and research groupings and in the strategic initiative area. These include the establishment of external databases incorporating data from such sources as the securities industry and the courts authority; the establishment of intelligence analyst network integrating skills from various sectors of the community; the development of a graded response compliance model; and data matching exercises to review the South Australian WorkCover industry classification allocation accuracy. The operational initiatives include a large-scale investigation into an organised and complex fraud network of claimants and employers; and an analysis of data which has led to an investigation into a rehabilitation provider's practices, requiring correlation with behaviours of other providers. Some of the research that has been undertaken includes data mining to target employer audits and research into employment patterns in some particular industries.

They have been aimed strategically and particularly at addressing areas of significant risk and they have assisted in cost savings for the current financial year of \$2.92 million, representing a rate of return ratio of 1:4.2 and it is anticipated that the cost saving will be \$3.5 million, representing a rate of return ratio of 1:4. In relation to the small business segment of the exercise, I am informed that WorkCover has a buy-out provision for the first two weeks for payment of an additional insurance premium and I am also informed that details can be provided quickly, so we will get them for the honourable member on notice.

**Mr WRIGHT:** Can the minister make some further comment on the average levy rate that both he and Mr Brown referred to before? I respect what was put on the table by Mr Brown earlier about the figures. Can the minister give us any information in respect of that reduction? It appears that it must have been a fairly fine line. Mr Brown acknowledged the difficult investment time, and that is no fault of WorkCover, it is obviously the economic state, but I also notice on page 56 of the annual report one of the concerns with regard to claims continuance and the deterioration over 24 months and over 36 months, which would be of some concern.

I am interested in the advice that would have been provided by the actuary in areas such as latent liabilities, which I understand is also of some general concern, claims continuance, redemptions (where the general advice that I have received is that there is little capacity to redeem), and the state of the economy and state of investment, which has already been acknowledged by Mr Brown. The minister may not wish to comment on those items individually. Those types of things must have been commented on in some way by the actuary with respect to advice given in regard to dropping the average levy rate from 2.86 to 2.46.

**The Hon. M.H. ARMITAGE:** I take the member for Lee to be suggesting that, because of the finances, the actuarial report and so on, the WorkCover board should have retained more money rather than have reinvested it in the employer community.

**Mr WRIGHT:** No, I am not saying that. What was the actuarial advice in line with some of the areas that I highlighted? Potentially I said it must have been a fine line to drop from 2.86 to 2.46.

**The Hon. M.H. ARMITAGE:** The honourable member is absolutely correct. All the decisions of the board were taken bearing in mind all the actuarial concerns, predictions for the future, financial advice, past experience and so on, and yes, it is a fine balance. There is no doubt about that. However, I support a decision that allows money to be reinvested in the community, particularly when the predictions for the future are still positive. Mr Brown identified a positive \$29 million as a prediction for the ensuing year. I might feel differently about it if we had reinvested that money in the community and there was then a negative prediction for next year. That is not the case.

I acknowledge that the member for Lee is correct in saying that it is finely balanced, but that is exactly where we should be. I do not believe that it is correct for a scheme such as WorkCover to have either huge liabilities or huge assets. The board and the Chief Executive ought to be giving the government advice which leaves it finely balanced, recognising that at any time in the future decisions can be made that can either further free up the reins or retrieve the situation with the decisions in future years. I also point out that both employer and employee stakeholders were consulted on the rate issue before the board made its final decision. The member for Lee is correct in saying that it is finely balanced, and that reflects the position of the actuary.

**Mr WRIGHT:** It would be fair to say that, being finely balanced, it may take only one of those that I mentioned or, for that matter, something I did not mention or a combination of those, to go in an opposite direction than what is currently expected. The minister said that we might be able to go further and retrieve the situation, and that is about where we are at. Did management and/or the board receive any advice that we should not go ahead with this reduction?

**The Hon. M.H. ARMITAGE:** Whilst the answer is a consoling one, given that Mr Brown was in the hot seat, I ask him to give the answer.

**Mr BROWN:** No, we consulted employer and employee stakeholders. After the event, an internal research and analysis unit study was done which used the term 'the scheme is now finely balanced' and, to me, that was a satisfactory situation from the point of view that, while the employee stakeholders clearly and obviously were concerned that this would not lead to pressure for further reductions in benefits if there was any blow-out in the scheme, the employer stakeholders nevertheless agreed with us that it was a fair trade-off to have a reduction in levy rates, given that all the projections show that is sustainable. If something comes out of the woodwork, their undertaking as they understand it is that it could lead to greater volatility in premium rates for them. That was the trade-off that they were prepared to accept for having lower levy rates while we can afford that and on the assumption that it is sustainable.

**Mr WRIGHT:** Who are the key stakeholders that the minister and Mr Brown referred to on the employee side?

**Mr BROWN:** We meet monthly with a group of people from the trade union movement, the UTLC and other unions, and on a monthly basis with employer representatives from employer organisations, and we consult with them on a wide range of issues. That is a monthly meeting that I chair.

**The Hon. M.H. ARMITAGE:** Do you want to know their names?

**Mr WRIGHT:** No. They must be telling me different from what they are telling you, but that would not be a great surprise, I suppose. Did the advice provided by this RAU unit to which you refer get to board level?

**Mr BROWN:** That was a study done after the board's decision was taken, which we always ask it to do.

**Mr WRIGHT:** Why would it provide advice before the board made its decision?

**Mr BROWN:** It provided advice on the way through but not a report on the outcome. It provided a report on the outcome.

**Mr WRIGHT:** Did it provide advice before the board made a decision on cutting the levy rate?

**Mr BROWN:** We rely mainly on the external actuary's view. The internal Research and Analysis Unit people simply provide us with another view of our outstanding liability, but the one we rely on and the one that appears in our balance sheet is the external actuary's view. It was on the basis of that forecast liability that the decision was determined to be sound.

**The Hon. M.H. ARMITAGE:** These sorts of decisions are taken with scrupulous attention to detail going back over trends, monthly figures and so on. I reassure the member for Lee that it is not just a matter of the board's turning up and casting around and saying, 'Let's go for 2.46 per cent this year.' It carefully analyses all the trends, investment income, claims experience and so on. It does not surprise me that the external actuary's advice and all of the figures that were available to the board through the chief executive officer and the staff—who said, 'This will be finely balanced between having too much and not having enough and that is just about right'—have been confirmed by the internal research.

**Mr WRIGHT:** If advice came from the Research and Analysis Unit prior to the board's decision—and I would expect it to do so, and I hear what you are saying that your main source of advice is the external actuary, and that is okay—you would balance up the advice, I would imagine. All I want clarified is whether the advice that was provided by the Research and Analysis Unit—because I understand that it did provide advice—was supplied to the board before the decision on the reduction of the average levy rate was made. If not, why not?

**Mr BROWN:** We used the internal Research and Analysis Unit to shadow the external actuary's assessment of our outstanding liability. Each time the external actuary does his assessment, which is twice a year (end of December and end of June), it makes its own assessment. At the end of December, the external actuary made his assessment of the outstanding liability and so did the Research and Analysis Unit, and both reports went to the board prior to its decision to reduce the rate.

A further assessment was made by the unit after the board's decision was taken, which was for management and it was also circulated to me. Its conclusions as I recall the words were, 'The scheme is now finely balanced', indicating, as it said and as we expected, that there could be some issues that might make us more vulnerable, but then we had the trade-off with employers. It is also important to remember that, even at 2.46 per cent, there is still some cushion within that rate. In fact, there are two cushions within the rate, and one is that we would determine in the pooled fund we need each year to recover a third of the outstanding unfunded liability.

So, in this instance, with the unfunded liability in December of \$22 million, a figure of about \$7 million was added to

what the actuaries estimated would be the next year's costs. To take account of our investment strategy which anticipates that we might have a negative return in one in every five or six years—so it is about 81 per cent accuracy—a further amount of money is set aside to cope with that fluctuation. That is actually built into the 2.46 per cent.

**Mr WRIGHT:** I turn now to business transformation. I am conscious of the time, and I know that I will not get to ask all my questions. Could you give an overview of what the initial budget was for business transformation? I think this is a positive way to go, but I would like to be provided with a little detail. What was the initial budget; what is the time frame; how are we going with the progress; and what is the current budget for business transformation?

**The Hon. M.H. ARMITAGE:** I need to make sure that the member for Lee understands that the original workcover.com and the Business Transformation Project are two different things. They have evolved, but they are different projects. The allocation for the Business Transformation Project, which takes into account a large number of the workcover.com themes and theses but which involves a whole lot of other elements such as customer relationship development programs, systems and staff training, web sites, equipment, and so on, is \$34 million, and the expected time for return on that is three years.

The value that I perceive (wearing both information economy and government enterprises hats) is that not only will it make WorkCover a more customer-centric organisation—and not only will it use the benefits of the information economy to do that—it will be really good for the workers. One of the dilemmas that I have been told about in the past is that there can be a delay—merely because of the present systems that are in place—in workers being identified as having been injured and then getting onto the appropriate rehab programs. As I am sure the member for Lee knows, every delay in those early phases of an injury can balloon out significantly in later stages.

By using connectivity and instantaneous notification and so on, we are very optimistic that the effect on workers who are unfortunate enough to be subject to an injury will be positive. We predict that they will get on to their rehab programs much more quickly than by relying on more traditional methods. All those things lead to an amortised turnaround of three years for the investment.

**Mr WRIGHT:** Will the minister provide some information about when WorkCover first became aware that march First was having problems, and how much is the total cost of the failure of march First to WorkCover?

**The Hon. M.H. ARMITAGE:** Obviously, matters involving business failures are delicate. I am advised that WorkCover began to have concerns about march First in the latter stages of last year. Indeed, possible strategies to engage other potential suppliers were put in place at that stage. I am informed that, earlier this year, march First told WorkCover that it was financially secure. WorkCover was not confident about that, and indeed march First went into voluntary administration in March 2001.

In relation to the costings, march First's contract with WorkCover was that WorkCover would pay for work done. Accordingly, as much of the work that has been done by march First was necessary and can now be utilised by Compaq, that money is not lost money. It is believed that there will be transition costs of approximately \$500 000 but, through the use of more updated technology, whilst they are

interim transition costs, they will not flow onto the total cost at the end of the project.

**Mr WRIGHT:** I would like to ask more questions about business transformation, but I will have to leave it there. Will the minister give us some information about the situation with HIH: is there any expected cost to WorkCover; for what period was the HIH agent contract renewed last year; why was it renewed given that there was wide knowledge of its financial position and the slump in the share market; and how was the NRMA appointed in its place—for example, was there any tender process?

**The Hon. M.H. ARMITAGE:** I am advised that HIH Insurance and its financial troubles will cause very limited impact on the workers' compensation scheme in South Australia. Employers' public liability may be affected, as will some exempt employers' catastrophe insurance, but again we are informed that that is minimal. I will ask Mr Brown to comment on the detail of the question regarding exposure and the NRMA.

**Mr BROWN:** This is an interesting question, one which was discussed in Sydney this morning—it is very topical. There is a big difference between the schemes in Australia. There are those which are privately underwritten and those in South Australia, Victoria, New South Wales and Queensland which are publicly funded—therefore there is no financial impact on the current scheme. Some of the long-term claims from before WorkCover came into being in 1987 are estimated to be worth about \$300 000, but there are provisions for that in the old scheme funding.

By way of interest, I calculated that, if the South Australian scheme was privately underwritten and HIH had a share of underwriting equal to its share of claims management, we would currently be looking at a deficit of \$110 million. So, we are very well off because of the structure of the fund here. That is different from the experience in Western Australia, Tasmania, the Northern Territory and the ACT where they are privately underwritten and suffering proportionately significant losses.

Because this is a claims management agreement, the question was why did we renew the contract. Fundamentally, the reason was the Business Transformation Project itself. We are transforming the business and, because there is a lot of exploration involved in that, we ourselves are not sure of what that will mean in the long term in terms of the provisions of claims management services.

It is important, therefore, to have stability during that process, and we negotiated differential terms with the current five agents to continue to tide us over that particular time. While we were aware of HIH's deteriorating situation we made the judgment that, because this is not a privately underwritten scheme, the risk was minimal, and in fact that is what turned out to be the case. NRMA acquired HIH's workers compensation portfolio in total, and, as I did in Sydney this morning, I pay them the great regard in the fact that they moved in and took over the whole business which meant that there was almost no disruption or disconnection for injured workers in the service they got for their claims, nor for employers. So we were very pleased with the way in which they took over that whole portfolio. It is important to have that continuity for that sector of the market, rather than disturbing it, given that it is a shorter time frame for the contract to continue and to allow us to understand in the longer term what our needs will be in that transformed business.

**Mr WRIGHT:** Minister, government exempts is obviously an important area. Could you provide the Estimates Committee with some information about the current government liability for workers compensation claims?

**The Hon. M.H. ARMITAGE:** The answer is that that is the responsibility of the Department of Premier and Cabinet.

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Department of Administrative and Information Services,  
\$153 856 000  
Minister for Workplace Relations, \$493 000

**Witness:**

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

**Additional Departmental Advisers:**

Ms J. Ferguson, Director, Policy Development, Department of Administrative and Information Services.

Ms M. Marsland, Director, Building Management.

Mr J. McGuire, Director, Contract Services.

Mr P. Fowler, Executive Director, Government Radio Network Project.

Mr N. Wilson, Director, Workplace Services.

Mr T. McRostie, Director, Workplace Relations Policy.

Mr B. Griffin, Director, Real Estate Management.

**The CHAIRMAN (Hon. G.A. Ingerson):** Does the minister have an opening statement?

**The Hon. R.D. LAWSON:** Thank you, Mr Chairman. Those parts of the Department of Administrative and Information Services for which I have portfolio responsibility provide a very diverse range of advice to the state government and services to the government and the community. They cover: procurement of goods, services and works; building asset management and project risk management for building works; workplace relations and occupational health and safety; government office accommodation and real estate property management; information technology and communications systems; land titling and valuation; records management; fleet management; and forensic services.

Through these activities DAIS makes a significant contribution to the state's economic and industry potential in a number of significant areas. I would like to take this opportunity to make a brief comment on a number of initiatives from this year.

In November 2000 the department and EDS finalised a market price review process in respect of EDS's unit prices in the mainframe and wide areas networks segments of the EDS contract for years 4 and 5 of the contract. This resulted in a reduction in the contract of \$16 million to 30 June 2001 and \$7 million to \$8 million over the next four years.

The South Australian Government Messaging System, known as SAGEMS, currently provides messaging capability to 24 000 people within government. This service provides the foundation for improved administrative processes in the public sector, including the reduction of time for responding to both internal government processes and responses to the general public.

Community and volunteer groups are not overlooked in this department as we embrace the Information Economy. Significantly during the International Year of the Volunteer, the government, and this department in particular, has

undertaken a scheme whereby computer equipment deemed surplus to government agency needs is available at no cost to bona fide community organisations.

I mention the contract with Cable Wireless and Optus for the provision of mobile telephone services within government. It has achieved cost savings in the vicinity of \$1.5 million per annum and, in addition, this state has benefited in the form of economic development from Cable Wireless and Optus's commitment to an accelerated rollout of their mobile telephone base station infrastructure.

The Strategic Asset Management Information System, known as SAMIS, is a specially oriented, whole-of-government strategic asset management information system designed to improve management of our building infrastructure, and benefits from a system of this type have been identified to be in the vicinity of \$189 million over its 25 year planning period, and in respect of a \$7 billion asset portfolio.

The real estate management unit of DAIS has been successful in negotiating a 99 year lease that will see the old Treasury building refurbished and transformed into a five star apartment hotel, a project that is dear to your heart, Mr Acting Chairman. Priority has been given to ensuring that the building's rich history is protected, and the historic cabinet room used continuously from 1876 to 1968 will be preserved and accessible. Workplace Services continues to oversee the enforcement of the South Australian Occupational Health, Safety and Welfare Act and this will continue as a priority for the government, indicated by the additional \$1 million allocated in this year's budget. The additional funding will be put towards improving health and safety for all South Australians by employing additional specialists who will spend time responding not only to complaints, incidents and injuries but working on preventative projects and activities.

The Forensic Science Centre is within the portfolio and provides scientific and pathology services primarily to the Police Department and the Coroner—an essential component of the justice system and typical of the services to government provided by DAIS. State Records has been provided with additional funding to undertake further work in the area of government records relating to Aboriginal people and their cultural heritage. As part of its response to the 'Bringing them Home Safely' inquiry State Records has been provided with project funding which will allow, amongst other things, the publication of a substantial guide that identifies records in the collection of State Records relevant to Aboriginal people and will provide an administrative history of aboriginal affairs in South Australia since colonisation and an expansion of the Aboriginal name index by approximately 100 000 entries. The department has participated widely in the area of Aboriginal reconciliation, offering a range of cultural awareness training opportunities for staff. In summary, I commend the executive and staff of the department for what it has done and undertaken this year—one of considerable effort and accomplishment.

**Mr WRIGHT:** The minister made reference to the Occupational Health, Safety and Welfare Act and said that it was one of your government's priorities, that of enforcement. How many prosecutions have there been in the past 12 months?

**The Hon. R.D. LAWSON:** I have that information available. Before giving the honourable member the figures, I could say that a measure of the efficiency of such a department is not necessarily the number of prosecutions. We have focused largely in recent years on education and encouragement. The figures are very good. There have been

a large number of improvement notices as well as prohibition notices, for example, 474 improvement notices and 122 prohibition notices arising out of some 4 278 inspections and 808 investigations.

The prosecution activities between 1 July 2000 and 30 April 2001 resulted in 19 cases currently pending with the Crown Solicitor's Office. We have found that a number of the briefs delivered have been held up in the legal process. Three cases are currently before the court and one conviction was recorded during the year.

**Mr WRIGHT:** One conviction in the past 12 months?

**The Hon. R.D. LAWSON:** That is correct. There has been a high degree of compliance in South Australia, I am delighted to say.

**Mr WRIGHT:** I must express my surprise. Enforcement is only one arm of the role of government and the role of inspectors. I would be delighted if our employers were that good. From anecdotal evidence, that would seem not to be the case. How does that compare with the past two or three years?

**The Hon. R.D. LAWSON:** I do not have the comparative figures, although I remember that the honourable member asked me a similar question on the last occasion. It is certainly down on previous years. The fact that it is down does not mean that there has been a reduction in activity. There have been a number of incidents this year that have resulted in the extensive effort; for example, the collapse of the Spin Dragon at the Royal Adelaide Show last year required an extensive investigation, the taking of over 100 witness statements, the interviewing of witness here and in other jurisdictions and the preparation of expert evidence. Again that material is still in the hands of the Crown Law Department pending advice on whether a prosecution will be launched. I have been endeavouring to press the lawyers to make decisions quickly in relation to those issues so that if prosecution is to commence we can get it under way. There are some activities of that kind that have taken up a good deal of the time of the inspectors.

**Mr WRIGHT:** I am somewhat astounded that there has been only one successful prosecution in the past 12 months. It does not seem to be a priority as was highlighted during the speech. You have taken us to the amusement ride situation and I am pleased to hear that you are pressing the lawyers, and so you should, because it seems that as we are inevitably getting closer to the next royal show it could be that we still do not have a decision about that before the next royal show is held—is that a possibility?

**The Hon. R.D. LAWSON:** I am alive to the point that the honourable member is making. As I say, I have been pressing for a decision, one way or the other, in relation to that matter. Of course, the honourable member would appreciate that it is not for ministers and members of parliaments to seek to interfere in the prosecutorial process: judgments are to be made. One of the elements, for example, was that the instructions for this particular device, or some of them, were printed in the Italian language, which does present complications for investigators. I do have the figures on entities and individuals convicted over the last few years.

The number is one this year up to the date mentioned, 30 April. There were five the previous year and 10 the year before that. Going back to 1993-94, the figures are eight, 15, seven, eight and nine. So, it is certainly true that this year we are down on the number of convictions, but we are substantially up on the number of prohibition and improvement notices—significantly up. For example, I mentioned 441

improvement notices this year, 229 the previous year and, before that, 152. The figures for prohibition notices are 105 this year and 77 last year. Also, the number of workplace inspections and visits has varied significantly.

**Mr WRIGHT:** Were there any prosecutions in respect of payment of wages in the past 12 months?

**The Hon. R.D. LAWSON:** No; I am advised that there have been no prosecutions. That is not to say that there is not extensive activity in that area. Inspectors do work closely with workers who claim to have been underpaid. The honourable member would know that it is often rather difficult in those investigations to determine precisely the extent of the underpayment. Our primary focus there is to obtain payment for the worker and, although I do not have the figures on wages actually recovered as a result of the activities of the inspectorate, it is a significant amount.

**Mr WRIGHT:** I am surprised to read in one edition of a document issued by Workplace Services that a trial either is about to commence or it may have commenced in respect of 'do-it-yourself' handling of wage complaints. I think that a six month trial period is involved whereby the onus is being put back on the employee to go through the process of resolving a dispute that may exist with respect to an underpayment of wages situation. Have I got that right? That seems a bit strange.

**The Hon. R.D. LAWSON:** I do not think that the honourable member has put the emphasis correctly. Before I come to that, can I simply say that, in relation to the number of disputes resolved in relation to underpayment of wages, there were 1 124 disputes and clients assisted to recover \$806 908 in the 11 months up to May 2001. Last year there was recovery of \$1.1 million and some 1 200 claims. Although they are slightly lower than last year they are comparable. I do not think that it is correct to describe what we term the voluntary resolution process trial as a do-it-yourself system, which throws back the responsibility on workers to pursue these claims.

We have devised a system whereby with assistance and guidance, the parties can, in a significant number of cases, resolve matters without direct intervention. There are a number of reasons why that is advantageous: it fosters more productive workplace relations between employers and employees; and, also, it does reduce the demand for Workplace Services intervention, which is very intensive in these claims of underpayment. Mr Wilson might care to add to any comment I have made on that.

**Mr WILSON:** The voluntary resolution process was effectively taken from a system that has been operating in New South Wales for some time. We saw it operating quite successfully in that state to reduce the number of claims going over an extended period. It made sure that the underpayment of wages claims was dealt with expeditiously. Western Australia adopted a similar process last year, and after much consideration we decided to trial a six month process in South Australia.

At the time we adopted it, we ensured that advice was given to unions and employers that we were conducting the voluntary trial and would be going through a six month evaluation phase. We have almost completed that phase and now need to turn to evaluation. It is probably a little premature to indicate what the outcome of that would be, but we have been able to demonstrate so far that there has been about a 35 per cent success rate; that is, the claims reach some sort of finality without the involvement of an inspector, as would

normally be the case, and in fact are dealt with more quickly than would otherwise be the case.

**Mr WRIGHT:** Can you give a comparison of disputes that were in the system for underpayment of wages pre this trial as compared to the trial period? Is there any notable uplifting or drop in the number of resolutions for solving an underpayment of wages claim?

**Mr WILSON:** I do not believe that there is. However, that would be something we would have to take on notice to obtain the exact statistics. The anecdotal information seems to be that a consistent number of claims are coming through this year, and a consistent complexity or quality from previous years, but we could try to obtain some data on that.

**Mr WRIGHT:** I would appreciate evidence on that. I would be very concerned—I am not saying that this is the case—if a pattern was developing as a result of this trial program which may in fact become embedded in the system which resulted in a drop-off of claims, which could be for a number of reasons admittedly, but it could also be because the employee feels frustrated, further marginalised, or not prepared to work through this particular process. I am sure that the department would not want that to occur either.

**Mr WILSON:** That is precisely the case.

**The Hon. R.D. LAWSON:** I will undertake to provide the honourable member with a copy of the evaluation when it is completed. I have not seen that, and the trial program has not been completed, but we are alive to the very issues you are raising. If there are detriments in this system, either we will refine those or we will not go on with the system.

**Mr WRIGHT:** Going back to one of the topics we were talking about earlier with regard to amusement rides, can the minister provide some additional information beyond the information he has previously provided to me, that is, the regulations for the changes post the unfortunate accidents that occurred? Part of my reason for asking this question is that business people have come to me concerned about the process they have to go through. As I understand it, the main concern is finding a risk assessor.

A number of people have said to me—and I do not know whether it is right or wrong, but it seems too consistent for it not to have some validity—that, as part of the requirements with the new regulations, in going through the steps they need to take they need to have a risk assessor provide detailed information; that insurance companies do not have that service available to them; that the insurance council has also provided advice that it does not have this type of person or service that it can recommend; and apparently that business people should go ahead and fill out the forms and it will be okay anyway. Are you aware of some of those details? If some of the information that has been provided to me is correct, what can be done to resolve that?

**The Hon. R.D. LAWSON:** The new regulations will impose more stringent standards than currently exist for the inspection and certification of amusement devices. We are insisting that they be certified safe by a chartered engineer. It is fair to say that in the past the certification system has not been sufficiently stringent. There have been people who, whilst they might have quite extensive experience, do not have significant qualifications and who have been certifying amusement devices.

The system is complicated, because many of the amusement devices that come into South Australia are based elsewhere and are certified by engineers practising in other states. A couple of highly specialised engineers in Australia work quite exclusively in this field. They have come to South

Australia in the past, and they have come quite recently as well, for the purpose of undertaking a trip and doing a number of inspections, and members of the Showmen's Guild all arrange for their devices to be inspected and certified during this process. When you are seeking to raise the standards by imposing a requirement that there be only people with particular qualifications, there will always be a teething problem, because in South Australia we probably do not have a sufficient number of people who can profess this expertise immediately.

Being alive to that, we are putting in place transitional arrangements that will enable the director to take account of other experience in providing the certification process; in other words, the person must have qualifications and experience that satisfies the director. If it turns out that there is insufficient time or, because of the unavailability of engineers, for people to meet the standards, during the transitional period we will certainly be reasonable and allow additional time. The insurance companies of many of the good operators in South Australia who already have insurance have always insisted that they undertake a risk assessment and that they provide certification.

I am certainly alive to the claims of small business. We are not a government which seeks unnecessarily to impose these requirements on business or industry. However, where public safety is concerned, the primary responsibility of government is to ensure that the safety of the public is preserved.

**Mr WRIGHT:** I could not agree more strongly with that. The minister and I have had discussions about this matter, and we both feel strongly about it, as I am sure all members of both houses do. When making my earlier points, I should have highlighted that I, too, want the bar to be as high as possible. In fairness to these business people who have raised this matter with me, they do, too. Apparently, some advice was given (and I think it might have come from Workplace Services; I am not sure of that, so I will not be definitive about it), and I am relying on information that has been provided to me that the advice went along the lines of, 'Fill out the form anyway, even if you do not have the information from the risk assessor, and it will be okay.' The business person was worried about that and said that they would not do so and did not think it was the right way to go. It sounds as though the minister is aware of the general problem I am talking about, and clearly it will need to be worked through.

**The Hon. R.D. LAWSON:** I am sorry that I did not answer specifically that issue about what would appear on the face of it to be a rather slack process. If that process was being followed by an inspector, it would not be with my approval, nor would it be consistent with the objective of these new regulations.

**Mr WRIGHT:** I am seeking some general information. It is my understanding that a review has been going on in Workplace Services as part of a possible restructure that may have started. Will the minister provide the estimates of where we are at with that?

**The Hon. R.D. LAWSON:** Yes. When the government decided to allocate an additional \$1 million to Workplace Services for the purpose of hiring additional staff and providing additional services, I was anxious to make sure that it was not a case of simply appointing another 10 inspectors the same as we already have, but that there be a strategic look at the whole of Workplace Services to ensure that the mix of talents and skills appropriately meets the demands. I think it came home to me, certainly in relation to the Spin Dragon investigation, that there are specialist talents and that we need

to have an appropriate range of those skills. I will ask Mr Foreman, as chief executive of the department, to comment on that matter.

**Mr FOREMAN:** The review process is under way at the moment. A steering committee has been formed, which includes management and staff representatives. The review has been discussed with the PSA, which had raised some concerns with me about the process. A key part of the review will be carried out by a consultant, who will be selected by the steering committee. An invitation has been sent to 11 consultants for proposals to conduct this review, and it is anticipated that the review will be well and truly under way by the middle of the next month. It is hoped that the review will be conducted expeditiously over the next month or two.

**Mr WRIGHT:** Is all the \$1 million going to inspectors?

**The Hon. R.D. LAWSON:** It is going to the inspectorate—whether it is additional inspectors who perform a traditional function or whether it goes to the employment of an engineer, a lawyer or any other person who might have relevant skills to bring to the task of the inspectorate is a matter that will be determined.

**Mr WRIGHT:** I suppose that, certainly, some of those would be inspectors.

**The Hon. R.D. LAWSON:** I certainly envisage so, yes.

**Mr WRIGHT:** With respect to the selection process, what is taken into account with regard to areas such as skills, experience, knowledge of the act, gender balance and those types of things? There are obviously other factors as well, but in the selection of inspectors, which is obviously a critical and essential area, an area fundamental to the act and an area basic to some of my earlier questions about prosecutions, and so forth (and it is only one arm, but it is an important arm if we are to be serious about this), what is taken into account in regard to some of those areas?

**The Hon. R.D. LAWSON:** That is a matter for Mr Foreman and the department. Ministers have some say over policy, but recruitment is something that we leave to the department, as is required by the act.

**Mr FOREMAN:** As a result of the review, or perhaps beforehand, where there are clear and urgent needs, once the functional requirement is determined—what type of people to do what sort of job—job and person specifications would be prepared that clearly outline what is required in each case. I would expect all of the types of considerations that the member has mentioned to be taken into account, but quite specific requirements elaborated. The jobs would then be advertised, and we will need to consider in each case whether we need to advertise more broadly than the public sector, and the normal selection processes would be undertaken.

**Mr WRIGHT:** I refer to the inspectors, perhaps independent from the new \$1 million, although that will become part of my question as well, but I am happy to confine my question to the existing inspectors. I know that numbers have been quoted. It has been put to me consistently and strongly that some of those people are not actually doing inspectorate work and do not have the resources they need; that is, they do not have a motor car when they need or want one. What resources do inspectors have? Do they all have a motor car that they can use when, where and how they want to, or do they have to go through some sort of pooling system?

**The Hon. R.D. LAWSON:** They do not each have a vehicle, although there is a very high ratio of vehicles to inspectors. I know that in the past there might have been a higher ratio, but in South Australia we still have a higher ratio of vehicles to inspectors than many other states. For example,

according to the table I am looking at we have 75 inspectors and 64 vehicles, which is a ratio of 1.15 to 1, versus Tasmania with 50 inspectors and 34 vehicles. It is true that some other jurisdictions—New South Wales, Victoria and Western Australia—do retain one for one. They do have one for one, but ours is 1.1 to 1.

This decision was not taken lightly. There is a substantial pool of vehicles. If you visit workplace services at Keswick at any one time you will see dozens of cars in the car park available for people to go out. A great deal of the work is conducted inside; it is office work, completing reports. The department has a substantial use of IT, which means that people can access information. As far as I am aware, there has never been a case where someone has not had transport to go out. In the very unlikely event that a vehicle was not available in the pool there would be no problem about hiring a vehicle from a short term hire fleet, taking a taxi or bus or anything else. Transport is not an issue. I know the inspectors would like a dedicated car, as anybody would, but it simply was not an efficient use of resources to hire vehicles that were not being significantly used. As far as I am advised, there has been no reduction in the efficiency of the inspectorate in consequence of that.

**Mr WRIGHT:** As a matter of course in regular business tomorrow morning, how many inspectors could and would be available to go out to the coal face?

**The Hon. R.D. LAWSON:** Subject to all the usual exigencies, there are 46 or 47 inspectors. Obviously some will be on leave or sick, but as I understand it most of those are available to go out on duty. In the inspectorate there are other technical officers and administrative officers and the like.

**Mr WRIGHT:** Those 46 are all traditional inspectors as we understand the term? They are dedicated to inspectorate work and are trained and available to go out to workplaces with the dedicated skills to be able to operate as we have expected a traditional inspector to be able to operate?

**The Hon. R.D. LAWSON:** They are divided into 36 traditional inspectors and 10 who hold the title 'senior consultants,' most of whom have formerly been inspectors. They provide supervision and advice over the telephone or in relation to general matters. They are certainly an important supervisory part of the inspectorate.

**Mr WRIGHT:** I would like to ask a range of questions, but I will make this my last one or two. Obviously, to a degree, there is some crossover between workplace services and WorkCover in regard to occupational health, safety and welfare. I will not go into a lot of detail, because I think I need to finish on this one. This concerns me, and I hope it concerns you as well, because I know you also feel very strongly about occupational health, safety and welfare. Prevention needs to be a priority. The minister may decide not to comment on this because technically it is not in his area, but there is a crossover as he well knows.

I am concerned that the corporation now refers to that concept as 'safe work'. Occupational health, safety and welfare are the objectives of the legislation but these words no longer appear in the WorkCover language. In fact, the word 'welfare' is never used, although it is a critical word for this essential area which, traditionally, has been taken seriously in South Australia. Safe work is now seen as a product for sale, something that is commercialised, rather than a social objective. Does the minister have any fears about that?



**The Hon. R.D. LAWSON:** I do not want to cross over into the area of WorkCover other than to say that, in some jurisdictions, WorkCover undertakes the statutory inspectorial function. We have looked at it here and the government has decided to maintain the differentiation between the inspectorate, which has a responsibility not only to workers but also for public safety and also an important statutory function, and I am anxious to ensure that it does not duplicate, for example, publicity campaigns encouraging workplace safety.

We have a number of campaigns that are targeted, for example, to farming and other areas, but WorkCover's primary responsibility is the provision of a compensation scheme for injured workers and in that it has a very important role in maintaining public awareness and education. I do not agree that the language that it is using and the omission of the word 'welfare' indicate any underlying change of philosophy. It does have a primary focus, which is the compensation scheme, and our primary focus is compliance with and enforcement of statutory obligations.

**Mr CONLON:** I have been told a few things about the history of the payroll system services for the state government which have puzzled and concerned me a little. As I understand the history, in the early 1990s the government purchased a licence for 50 000 employees on the Concept scheme. I want to come back to that point because I have a concern about that but it is not my first concern. I understand that one of the major agencies that was exempt from the Concept scheme was the Department of Human Services. Is that right?

**The Hon. R.D. LAWSON:** It is certainly true that the Department of Human Services has always been outside the Concept HRMS system, although the head office of the Health Commission, as it was, was in the Concept system but the hospitals and the rest of the Human Services empire were not.

**Mr CONLON:** That is not unreasonable because I do not think that one system would necessarily suit all types of agencies, but I will come back to that point. I am told of some recent developments that concern me and I simply hope that they are not true. I understand that two things have happened. One is that Human Services tendered for a service and, after a proper tender process, a product called Frontier CHRIS was the winning bid and was chosen by the Department of Human Services.

In the meantime, as I understand it, a review was carried out of existing payroll services—and, as I say, I want to come back to a lot of these points—but the outcome of that review was that there should be a new process—I assume it would be a tender process—to examine what best payroll services should be purchased for government. I have some problems with what went wrong with Concept or what did not go wrong with Concept—and I will come back to that. I am advised that the cost of undertaking the exercise to determine what would be a proper service was estimated at \$960 000. This recommendation came around the same time that Human Services let its contract after calling a proper tender.

I am advised that in March or April this year someone in cabinet came up with a bright idea that they could save the \$960 000 and simply allow other government agencies to move onto the Frontier CHRIS system. I would have serious concerns if that were the case. The reason for a tender process in Human Services is so that people may bid for a service. Can you assure me that we have not done that; that we have not sidestepped proper process and allowed Frontier CHRIS,

after winning one tender, to go without any proper process into other agencies?

**The Hon. R.D. LAWSON:** I assure the honourable member that due process was followed and whatever steps were taken—and I will ask Mr Foreman to confirm this in a moment—went through the usual prudential management systems, so far as I am aware. I am glad to know the honourable member agrees that one HRMS system probably would not fit the whole of government. In the early days there was an expectation it would be possible to impose Concept across whole of government, but that did not come to fruition.

**Mr CONLON:** I will come back to that.

**The Hon. R.D. LAWSON:** While the cost of changing the systems might look significant, these payroll systems deal with the total payroll of the South Australian Public Service which runs to hundreds of billions of dollars. Over the years, the Concept system, I think, has been patched very extensively. It had to be patched during the Y2K issue, and my advice is that it was simply reaching the stage where the developers of Concept would not support the particular version that we had and were urging the government to move to its new product.

The Department of Education, Children's Services and Training, because it had been working with the Concept people, were anxious to adopt its particular program, which suits not only its payroll system but also its leave, rostering and other systems in the Education Department, including the number of teachers and postings, which is highly complex. Cabinet approved Education remaining with Concept. Human Services has gone in another direction as a result of going to tender.

**Mr CONLON:** That is Frontier.

**The Hon. R.D. LAWSON:** Yes, I think it is the Frontier system although that has not been done through DAIS. DAIS was a significant user of Concept, as were a number of other agencies in government. We describe them as the Concept sector. I think I am right in saying—and I will ask Mr Foreman to confirm—that we found the version of Concept we were using was simply not satisfactory and a decision had to be made to go in a particular direction. That decision has been made.

**MR FOREMAN:** The state's employees, in terms of how they are paid, are in three separate groups, that is, the bulk of the health sector, all the education sector and the rest of the Public Service which has been on the Concept system for quite a number of years. There has been a need to review how the Concept sector is paid in the future due to the Concept system's software becoming insupportable or unsupported in the future. So, something needed to be done in that sector.

A significant examination was conducted of all the options. The specification for the Public Service sector overlapped significantly with the specification for the health sector. As the member indicated, the health sector had been to the market. The Crown Solicitor's advice to the government was that, if it was the best way to go, it was possible to dovetail on that process that had been undertaken.

**Mr CONLON:** Not dovetailing again. That takes me back three years to Motorola and the radio network. I do not want to hear about dovetailing.

**The Hon. R.D. LAWSON:** It was not dovetailing; it was something like that.

**Mr FOREMAN:** We are in the process of negotiating with that supplier at the moment to provide the service for the broader public sector. The Prudential Management Group of

government was consulted about that process, and that is the course that is being taken.

**Mr CONLON:** Then it is correct that the people who make the Frontier CHRIS tendered for the human services sector and you will migrate them to other government agencies without a tender being called. The minister and I have just agreed that one service does not fit all. I am concerned. I would have thought that one consideration was that, if people knew that the tender was for more than the human services sector, there might have been different tenderers or a different outcome. I just do not think we can keep on doing this. We must learn from what has happened in the last few years. You cannot dovetail on a tender that was for a specific purpose.

**The Hon. R.D. LAWSON:** In the tender process, which involved the evaluation of a number of systems, Human Services identified its requirements and the tenderers demonstrated their capacity. The capacity for the service selected by Human Services was such that it could readily be adapted to the rest of the Concept sector in the Public Service, as I understand it. It was simply a process of avoiding undertaking once again another evaluation. I will ask Mr Grillo, who was involved—

**Mr CONLON:** That is how these mistakes have been made in the past. The fact is that they would have tendered for a service to Human Services, which was for what—20 000 or 30 000 people; now, potentially, they will go to an additional tender for the Concept sector of what—20 000 people? You have a tender process for a service for 30 000 people, not for 50 000. When the private sector is bidding for something with the government, it wants to know what it is bidding for. We again have an assurance that the process is the right one and that it will give the best outcome.

We heard that before with the Motorola equipment and the Motorola contract. Because we had a little side deal locked in we could not go to tender. So, we dovetailed onto the New South Wales process for buying one. That is not the proper process. That process was strongly criticised in a number of reports. Now we have again another government contract without any tender process and being dovetailed onto a process that no-one knew was included.

**The Hon. R.D. LAWSON:** We have not yet entered into a contract, but we are undergoing an evaluation. I will ask Mr Grillo to comment briefly.

**Mr GRILLO:** In terms of further explanation, in the preparation of the specification for tender for Human Services, there was a sharing of knowledge between the human services sector and the Concept sector agencies. There was a 95 per cent functionality fit of the specifications between human services and the Concept sector, which gave us a high degree of confidence that the respondent could actually run the systems.

In terms of the tender that went out for Human Services, the response was for volume. We received responses that gave us an idea of the number of payrolls out to beyond \$30 000. So, while the initial number for the new system in Human Services was about \$17 000, tenderers were required to respond to numbers out to beyond \$30 000. From the point of view of value for money and responding to a larger system, that was done. Regarding the checking of the process that the minister has mentioned, we went through a prudential management group process. Upon that advice, we are seeking a price offer from the successful tenderer to supply services to the Concept sector agencies. That number is around \$30 000, once the Concept sector agencies are added.

**Mr CONLON:** I will probably come back to this issue in parliament at some time in the future. I stress that, unless there is something that I cannot see here, I do not see how you can call a tender for Human Services and get a different outcome for services to Human Services than for existing government agencies. If that was the intention, you should have tendered for that. The simple truth is that whether or not it is the right product and the best outcome, it is now likely to go to 20 000 users that have never been through a tender process. We simply cannot do that because I am sure there are guidelines. I remember reading something about tendering for services. As I have said, I will come back to that at some point in the future because I would like to check it out. I am certainly not happy with what I am hearing. I do not hold any brief for anyone in this because I do not know enough about software. I am a little puzzled as to how we could have purchased a licence for 50 000 employees but have taken up only 20 000. On the face of it, it appears to have been a mistake.

**The Hon. R.D. LAWSON:** It might have been optimistic, but I do not accept that it was a mistake, even though I had no part in it.

**Mr CONLON:** You paid 50 000 and you only took 20 000. You could have had another 30 000 in the system at the same price.

**The Hon. R.D. LAWSON:** We could have but we did not. We have not entered into a contract yet; we are asking for a price at the moment. I am happy to provide the honourable member with additional information about the processes. I think you are misstating the position when you say that we went to tender solely for Human Services. As Mr Grillo said, the number of users actually identified in the process has been beyond that which Human Services would have required.

**Mr CONLON:** It was explained that when you went out to that process, Human Services was not part of the Concept system and was seeking its own system, and that is what I would have thought all the parties understood. I will leave it there but I am puzzled about the whole process. We bought 50 000 and only ever took up 20 000. The roll-out probably only happened two or three years ago and we are getting out of that system. You have to admit that it does not look impressive on the face of it, nor does it look like an impressive piece of contracting on the part of the government.

In relation to Fleet SA, I refer to the statement of the Premier on 15 May regarding government accountability in contracts. On that day, he made it plain that all government contracts would be available unless there were clearly stated exceptions to the disclosure policy. On that basis, will you release a copy of the contract between the Commonwealth Bank and the government in relation to the government's vehicle fleet?

**The Hon. R.D. LAWSON:** That is actually a contract between the Treasurer and the Commonwealth Bank; I am not aware of the Treasurer's intentions. As with a lot of other contracts, it certainly is one that will be examined with a view to its publication.

*Mr Conlon interjecting:*

**The Hon. R.D. LAWSON:** If you have any serious concerns, I suggest that you put a question on notice to the Treasurer about that issue.

**Mr CONLON:** You do sit quite close to him, so you could ask him for me.

**The Hon. R.D. LAWSON:** Certainly, I will. We do intend to post publicly all construction bids and that is something that has not previously been open to the public.

I think that will reinforce our commitment to accountability.

**Mr CONLON:** As I understand it, Oxley Corporate Finance was engaged to do a consultancy after the change in tax arrangements on the fleet.

**The Hon. R.D. LAWSON:** I should have mentioned in that previous response that that was a contract which was in existence at the time the new policy was announced, and I think we do require the consent of the other party before that is actually released.

**Mr CONLON:** But do make sure you ask them, though.

**The Hon. R.D. LAWSON:** I will ask them, and there may well be elements in the—

*An honourable member interjecting:*

**Mr CONLON:** I am sure, having discovered this principle, he is a great believer in it now, though, so I am sure that the government will be making every effort to have the other parties release their contracts.

**The Hon. R.D. LAWSON:** And the firm you mention as having been engaged, that was engaged by Treasury to undertake that examination.

**Mr CONLON:** Have you had anything to do with this fleet or—

**The Hon. R.D. LAWSON:** Well, we manage the fleet; 7 000 vehicles are managed through DAIS, but the financial arrangements, as a result of the Commonwealth Bank deal, are handled centrally by Treasury.

**Mr CONLON:** Do you know whether Oxley Finance has completed a report?

**The Hon. R.D. LAWSON:** I know they have undertaken it for Treasury. I will seek advice from the Treasurer exactly on whether that report, or reports, have been finalised. I have just been advised that they are finalising it now.

**Mr CONLON:** Have any decisions been made?

**The Hon. R.D. LAWSON:** Not that I am aware of, and I would not expect there would have been, bearing in mind that the report is just now being completed.

**Mr CONLON:** Given the nature of your answers as relating to the Treasurer, I will save some of those. We might have to actually go to the Treasurer somewhere else and ask them. I do not seem to be getting anywhere with that. I do note that you have some interest in the Government Radio Network, and I am not going to put you out a lot on that. I have found it very hard in the budget to follow the expenditure on the GRN. It seems to be reported a different way and it seems that some payments are brought forward and brought back in each budget paper, over the last few years. What are our outstanding obligations in terms of expenditure for the term of the contract, which I assume runs for another five years? You will probably have to bring that back, if it is broken down over the five year period. Are these payments fully covered in the budget estimates?

**The Hon. R.D. LAWSON:** The payments are fully in all of the budget estimates and in the out years of the budget. The \$247.7 million allocated for this for the design construct and operation for the seven years of the contract is still the figure that we are working to. I am advised that we are still on budget and on time for the delivery of this service.

There has been a little delay as a consequence of some native title issues about the erection of one transmission tower in a particularly vital area—one of the outer country areas rather than the inner metropolitan area—but I am advised that those title issues are being worked through. We are confident that we will be able to build the particular tower on the site that is chosen. If that does not prove possible with the native title parties, we will have to 'work around it' as

they say. That might lead to a short delay, but only a matter of weeks, in the delivery of that particular segment. Apart from that matter which you would expect to arise in a project of this kind, the project is otherwise on time.

I think also in some of your questions or maybe media statements there is perhaps a misunderstanding about exactly what is included in the network. It is a trunk network which will establish towers and a trunk system across the state, but it is not a system that was ever going to replace entirely every item of communication equipment in every government agency. There is a limit to the network—and it is at the network—and agencies had to make individual bids for equipment hanging off the end of a network. What the network provided was equipment on a like for like basis and like for like funding but, if agencies wanted to invest in new or additional technology, they had to make a bid for that.

**Mr CONLON:** With the greatest respect, considering the money we paid for it, it should be able to drive you home from the pub at night—\$247 million! The minister says that there is no blow-out, but I am a bit puzzled. One thing we do know—and we do not get to know a great deal—is that 12 500 pagers in the CFS either had to be replaced or changed to a model that was more expensive than the old one—I am told something between \$22 and \$26 a unit. How does that not blow-out the minister's budget? The minister must be paying more for them.

**The Hon. R.D. LAWSON:** That is certainly not in the GRN budget. The member has already asked the Minister for Emergency Services questions about—

**Mr CONLON:** What budget is it in?

**The Hon. R.D. LAWSON:** The like for like replacement of pagers was included within the GRN. GRN pagers were issued. Some of them had some manufacturing defect and were replaced by the manufacturer under warranty at no cost—

**Mr CONLON:** They were replaced by a different model. I am told that 6 000 were replaced by a different model at no additional cost, even though they were more expensive. It seems an act of kindness on behalf of the manufacturer. I think 6 000 were replaced and 6 500 of the new model were purchased, and I am told the purchase price was some \$22 higher than the ones that were to be purchased in the roll-out under the GRN. How can the minister buy more expensive equipment and it not affect the overall budget? For 6 500 units, the cost would be \$130 000.

**The Hon. R.D. LAWSON:** If it were \$130 000, obviously there is capacity within a \$247 million budget to make savings somewhere else to ensure that the total budget is not affected.

**Mr CONLON:** This is the CFS budget. I assume other people will get pagers. I will leave it there, but I find it hard to accept that we have it locked in at \$247 million. I really hope the minister is right, because, if things go the way the polls suggest, we will be paying this bloody expensive thing off over the next few years. I hope it does not cost us any more than the minister has said already.

**The Hon. R.D. LAWSON:** If the polls go the way the member suggests, in five years when his party comes into government this contract will be coming to an end.

**Mr CONLON:** The minister can read, I assume. For my information, I am told that the ATLAS system is something to do with Torrens title.

**The Hon. R.D. LAWSON:** Yes, it is an automated titling system which is bringing our system (which, as the member would know, was the first in the world) back to leading edge.

It will allow faster transmission, online access to the register, online lodgement of documents, and it will provide savings. The ATLAS project will take a number of years to complete. I think we are still in stage 1 of the program. I think \$4 million has been allocated in this year's budget for the continuation of what is a \$14 million program. Although the notes I have indicate \$3.3 million, in the capital statement in the budget \$4.165 million is proposed to be expended this year.

**Mr CONLON:** I assume from what the minister described the service would be a considerable saving for lawyers, land agents—or whatever their proper term is. I mean, is there a way that we are going to be able to recover the cost of the scheme in some way from these people who are gaining the benefit?

**The Hon. R.D. LAWSON:** Ultimately, we think there will be a significant return on this investment for the community. It is not really only lawyers, conveyancers and surveyors but their customers who will benefit by faster electronic lodgement, which will mean their not having to go into the city and pay a parking fine—

**Mr CONLON:** No-one can hack in and steal your house via the computer can they?

**The Hon. R.D. LAWSON:** It is obviously an expensive system and presumably the security and integrity of the register is of paramount importance.

**Mr CONLON:** It would be a shame to come home and find out that you did not live there any more.

**The Hon. R.D. LAWSON:** Well, you would still live there but the title might be somewhere else. The Land Services Group and the Registrar-General are particularly conscious of the need for the integrity of the register and all the appropriate backup and security systems to make sure that you do not have system failure which could be catastrophic, especially as we claim to be the world leaders in the provision of land systems. For example, it is intended to provide on-line access seven days a week, 24 hours a day, so that title searches and the like can be made at any time.

**Mr CONLON:** I am not being critical. It sounds like a good idea. I have been through the agony of going to the Land Titles Office from time to time in the past. Anything that makes it faster would be good.

**The Hon. R.D. LAWSON:** There is an occupational health and safety risk for you.

**Mr CONLON:** Very briefly, in the last three minutes, I refer to expenses for whole of government contract management, which are estimated to rise by \$7.618 million, roughly from \$1.27 million to \$1.34 million between 2000-01 and 2001-02 while revenue from agencies is estimated to fall by \$15 million. My first question is: why is there a different trend; why are expenses rising?

**The Hon. R.D. LAWSON:** There are a number of whole-of-government contracts which we are undertaking now and which we previously were not: for example, whole-of-government temporary staff contracts are now managed by DAIS; there is a whole-of-government travel contract; we have just entered into a whole-of-government electricity contract; and there is a new whole-of-government fuel contract that is managed centrally. There are expenses. The amounts that you mentioned, while they might be significant in millions, are really an insignificant proportion of the total government expenditure now with whole-of-government contracts.

**Mr CONLON:** On notice, could we have a breakdown of the estimated expenditure and revenue for each of the 35 whole-of-government contracts?

**The Hon. R.D. LAWSON:** I did not say that but there might be that number. EDS, for example, is another whole-of-government contract which does require significant amounts.

**Mr CONLON:** You can take your time but could you bring back a breakdown.

**The Hon. R.D. LAWSON:** Certainly, I will take that on notice and provide that information.

**Mr CONLON:** To continue, the 2001 budget value of contracts managed was estimated to be \$307.5 million and the target for 2000-01 was \$371 million. The actual result for value of contracts managed for 2000-01 was \$312.5 million. There is a significant discrepancy between what you thought would happen and what actually happened.

**The Hon. R.D. LAWSON:** I am happy to bring back additional information. However, Mr Miller might have some understanding of the figures and provide you with an immediate response.

**Mr MILLER:** The first budget increase would have included, I think, the energy contract—

**Mr CONLON:** It is actually the overvalued contracts. Your target was \$371 million and you came in at \$312.5 million. It does not matter, you can bring the information back.

**Mr MILLER:** I can bring it back to you and you will have a full explanation.

**The CHAIRMAN:** There being no further questions, I declare the examination of the votes completed. I lay on the table a draft report of Estimates Committee B.

**The Hon. G.A. INGERSON:** I move:

That the draft report be the report of the committee.

Motion carried.

At 6 p.m. the committee concluded.