

## HOUSE OF ASSEMBLY

Tuesday 30 July 2002

### ESTIMATES COMMITTEE B

**Chairperson:**

Ms M.G. Thompson

**Members:**

Ms F.E. Bedford  
 Ms V. Ciccarello  
 Mr M.L.J. Hamilton-Smith  
 The Hon. R.G. Kerin  
 Mr M.F. O'Brien  
 Mr G. Scalzi

*The Committee met at 2.15 p.m.*

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Department of Industry and Trade, \$157 525 000

**Witness:**

The Hon. J.D. Lomax-Smith, Minister for Small Business, Minister for Science and Information Economy, Minister for Employment, Training and Further Education.

**Departmental Advisers:**

Dr R. Sexton, Chief Executive Officer, Office of Economic Development.

Dr D. Swincer, Executive Director, Office of Economic Development.

Ms G. Serafin-Rai, General Manager, Small Business Services, Centre for Innovation, Business and Manufacturing, Department of Industry and Trade.

Mrs E. Bensted, Director, Corporate Services, Office of Economic Development.

Mr G. Black, Acting Chief Executive Officer, Department of Employment, Further Education, Science and Small Business.

Mr M. Krasowski, Financial Controller, Department of Industry and Trade.

**The CHAIRPERSON:** The estimates committees are a relatively informal procedure and, as such, there is no need to stand to ask or answer questions. The committee will determine an appropriate time for consideration of proposed payments to facilitate the changeover of departmental advisers. I ask the minister and the lead speaker for the opposition to indicate whether they have agreed on a timetable for today's proceedings.

**The Hon. R.G. KERIN:** Yes.

**The CHAIRPERSON:** Changes to committee membership will be notified as they occur. Members should ensure that the chair is provided with a completed request to be discharged form. If the minister undertakes to supply information at a later date, it must be submitted to the Clerk of the House of Assembly by no later than Friday 16 August. I propose to allow both the minister and the lead speaker for the opposition to make opening statements of about 10 minutes each. There will be a flexible approach to giving the call for asking questions based on about three questions

per member, alternating each side. Supplementary questions will be the exception rather than the rule.

A member who is not part of the committee may, at the discretion of the chair, ask a question. Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the assembly *Notice Paper*. There is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted on the same basis as applies in the house; that is, that it is purely statistical and limited to one page in length.

All questions are to be directed to the minister, not to the minister's advisers. The minister may refer questions to advisers for a response. I also advise that, for the purpose of the committee, there will be some freedom allowed for television coverage by allowing a short period of filming from the northern gallery. I declare the proposed payments open for examination and refer members to appendix D, page 2, in the Budget Statement; and part 3, pages 3.1-3.25, vol. 1 of the Portfolio Statements. I now invite the minister to detail any agreed program, introduce her advisers and make a brief opening statement if she wishes.

**The Hon. J.D. LOMAX-SMITH:** Small business is of critical importance to our state. There are more than 78 000 small businesses and they account for 96 per cent of South Australian businesses overall. They employ half of those employed in our state—well over 220 000. A thriving small business sector is critical to the health and well-being of the state. However, small business is largely an untapped potential in terms of the opportunities to provide satisfying, secure and well paid employment across many sectors of the economy. It is of particular significance in tourism, but it plays a part in all business sectors. It is a major source of innovation and confidence, which is needed for a growing and vibrant economy.

The value of small business to this government is reflected in the government's decision to establish a dedicated ministry for small business. We believe small business can become the engine of job creation in our state, and we need to have government policies which foster an environment that enables this to happen. To this end, it is critical that the government works with industry to inspire and maintain a vibrant business climate that encourages innovation and shows a commitment to be pro business but, above all, to listen. We know that bringing together high calibre people from government and industry to create the Economic Development Board will help revitalise the South Australian economy with strategies for both growth and jobs.

In addition, we are in the process of overhauling the Department of Industry and Trade (now called the Office of Economic Development) to improve outcomes for businesses and jobs. Currently, the Department of Employment, Further Education, Science and Small Business is working with the Office of Economic Development to determine the final arrangements for the small business portfolio. However, if I can speak mainly to that part of the overall department, it is clear that this government continues to support the infrastructure that assists the development and growth of small business, such as:

- small business services such as those provided through the Centre for Innovation, Business and Manufacturing (CIBM);

- expanded local support networks;
- the Office of the Small Business Advocate; and
- the Small Business Emergency Service.

This year the government will convene a series of small business hearings around the state where the minister and senior staff will seek the views of small business people. The hearings seek to identify regulations that require amendment, streamlining or abolition, along with any other issues of importance to small business operators within our state. I intend personally to attend and ensure that I listen to the views of small business operators. We plan hearings around both regional and rural South Australia and the urban conurbations, and we expect to operate in very close cooperation with local regional development boards, business enterprise centres and, of course, local government.

This will complement our country cabinet sessions in taking us out to the people of the state. In addition, we will establish a Small Business Development Council comprising major small business organisations, which I will chair. This council will be an activist body addressing key problems faced by the sector and helping to drive growth in small business. In addition, a matter of particular interest to me will be fostering support for women in small business. Research is currently being undertaken to identify the needs and strategies of this sector so as to maximise the contribution of women to the state's business sector. It is important to recognise that women have certain institutional barriers to their involvement in this sector, although the number of those involved in small business is growing at a faster rate than the number of men who open new businesses.

The problems facing women are: access to finance, networks and mentoring opportunities, and also opportunities for business skill development. In addition, we will work with key stakeholders to support the stability, prosperity and growth of family owned businesses. Currently, there are some 50 000 family owned businesses in our state, and that represents 83 per cent of all Australian businesses across the country. We will also work to protect the rights of small business tenants in large shopping and retail complexes, because the government recognises that changes in government policies and programs affecting small businesses have significant implications for the level of economic activity and the long-term growth of the state.

Therefore, government agencies in preparing proposals for consideration to cabinet are now required to assess the impacts of their proposals on the state's small business sector, and the views of this sector will be championed by me and cabinet. An evaluation of the positive and negative effects on small business will improve the quality and analysis of decision making and ensure that all policies passing through cabinet and becoming government policy will be consistent with the government's economic growth and development objectives but, more importantly, will comply with our strong support for small business.

These measures are being taken against a backdrop of significant support for small businesses over the past few years. During the last financial year, support for 15 061 clients seeking first-level information and business advisory services from the main provider of small business services in South Australia—which is CIBM—was accompanied by assistance for 1 462 clients through the centre's training and mentoring initiatives.

In addition, 146 clients were offered financial help with export related initiatives and other initiatives aimed at improving competitiveness and growth. Over 1 000 clients

received specialist assistance from the centre's client managers, and this year again there was a new addition to the program of services provided in that the small business enterprise development program, called Business Owners Coaching (previously known as mentoring), was developed to offer management skills and raise the confidence of business owners.

Currently, there are 145 participants in this program, whilst the centre recently established new groups in regions such as Port Pirie, Burra and Jamestown. Help for people intending to start a new business and business owners wanting to grow their businesses through a local level network of business enterprise centres (BECs) and Regional Development Boards (RDBs) continues as a key plank of offering help across the state.

There are now seven BECs, located in Elizabeth, Hindmarsh, Modbury, Morphett Vale, Port Adelaide, Dulwich and, on 27 June, I opened a new one at Morphettville, called the Inner Southern BEC. This services the three council areas of Marion, Holdfast Bay and Mitcham. In addition, at the end of the 2001 calendar year, the new Salisbury Business and Export Centre was established to provide business advice and export facilitation services. That centre has already assisted 212 clients. Overall, last year the BECs recorded a total of 5 620 service deliveries to clients.

I also commend the services of the Office of the Small Business Advocate. This office assists small business owners who may be unfairly burdened with red tape, excessive delays and other difficulties in dealing with state government agencies. Last year, it took 2 404 calls which resulted in 119 detailed investigations. A major review of the Office of the Small Business Advocate found that it is highly accessible, efficient and an important service deliverer.

Our government continues to support the office's ongoing operations, because it knows that it reduces both the emotional and financial stresses for small business owners in difficulty and the number of business failures. During the past financial year, 294 calls were handled, and there were 268 referrals to the network of accountants and lawyers on tap to offer further advice. A review of the Small Business Emergency Service found that, via its referral system, it made a positive difference through strengthening businesses, lowering debts and helping families to retain income and core assets.

The new initiatives by the government seek to build on support structures already in place and, indeed, to ensure that small business and government establish a real and lasting collaborative approach to building the state's economy through this critically important sector.

In summary, small business is not small in terms of its impact on this state. Small business people are independent operators with a passion for providing employment and wealth creation, and this government means business through small business and will support this sector in an ongoing way in the future.

**The Hon. R.G. KERIN:** I will be brief because we have only another three-quarters of an hour. The importance of small business is not lost on any of us. The biggest issue with regard to estimates and the budget is the impact on small business of the decisions made by any government. However, there are concerns at the moment as to whether or not cabinet has fully understood the implications of some decisions that have been made and the way they have impacted on businesses.

There is no doubt that the hotel sector is a big player in business in this state and, while they vary—some are corporately owned—there are many people with hard-earned investments in the hotel industry. The pokies super tax is being held up as being a tax on super profit but, in reality, we are all hearing stories of where, in some cases, people's equity has disappeared. The impact has been not only on revenue but also on capital value, and I think that was a consequence that was not well understood. The crown leases issue also shows the need for a strong consideration as to the full consequences when these proposals are put forward.

I think there has been a lack of consultation. I understand that experience comes with time, with only the Premier previously having had ministerial experience. So, there is a lack of experience which makes issues such as impact statements and consultation even more important when these proposals are made.

Many issues for small business need to be addressed over time, and the way we proceed is very important to individuals, to employment and to the overall investment environment within the state. Shopping hours will, obviously, be a big issue over the next 12 months, and the paid maternity leave issue will perhaps make small business nervous. Industrial relations issues are always present and public liability, general insurance and building indemnity are always important for small business. Whenever decisions come to cabinet, the interests of people who have invested in this state, and their employees, need to be well and truly taken into account. The small business policy of the Labor Party states:

All relevant proposals put to cabinet with legislative or regulatory implications are to contain a small business impact statement.

Can the minister advise the committee how many proposals presented to cabinet for consideration have included a small business impact statement, and provide an assurance that, with future considerations, wherever there will be an impact on small business, a statement will be done?

**The Hon. J.D. LOMAX-SMITH:** The Leader of the Opposition is quite right to allude to the small business impact statement which, like the regional impact statement, is a feature of all cabinet documentation. As I understand the administrative process, cabinet drafts, which go through the 10-day rule, are circulated to all departments but, in particular, they go through the small business area of DIT/OED, and a comment is sent back in writing which is then incorporated in the document as a small business impact statement. In addition, I look at the issues that are raised and advocate on behalf of small business, as someone who has run a business and appreciates some of the implications of the decisions we make.

**The Hon. R.G. KERIN:** Just following on from that, specifically with the pokies issue, which can be included in this question, was there a small business impact statement as such? With regard to the super tax decision, work was done by a consultant called Magee from Queensland, who put together a report for the Treasurer looking at whether or not there were super profits within the hotel industry.

When the hotel industry attacked the government over the fact that that tax was levied, the Treasurer, in defence, said that he stood by the Magee report. One of my concerns with this and a range of issues is: what information is going to cabinet? Despite the Treasurer publicly defending the Magee report, did he put to cabinet that he had some serious

misgivings as to the accuracy of that report and point out that there were areas that he did not agree with?

**The CHAIRPERSON:** Just before you answer that, minister, I remind the leader that this is relating to small business. That question did not seem to focus on small business payments. Minister, I invite you answer it or not, at your discretion.

**The Hon. J.D. LOMAX-SMITH:** Thank you, Madam Chair. I think the Leader of the Opposition fails to recognise that the discussions within cabinet are not ones which I am likely to reveal during this process. Furthermore, the tax on poker machines does not fall within my area of control, and it would be more appropriate that he address his questions to the Treasurer.

**The Hon. R.G. KERIN:** I think the Minister for Regional Affairs is in a similar position. In fact, the Minister for Small Business, Minister for Regional Affairs and Minister for Social Justice are there to advocate across a range of portfolio areas and represent those interests within cabinet. The hotel industry is a very important small business sector—one of the most important small business sectors—within South Australia. Impacts on that sector have an impact on the whole investment environment, and also on confidence within the investment community. But we will move on.

Following the completion of the independent review into the industry and trade portfolio, can the minister advise the committee which ministerial portfolio was recommended in the review as the most suitable to be allocated responsibility for the Centre for Innovation, Business and Manufacturing?

**The Hon. J.D. LOMAX-SMITH:** The review, which was carried out and which has been referred to, was performed for cabinet. Therefore, it is contained within cabinet confidentiality. The material that was produced at the end of that review was part of a cabinet decision. The outcome of that cabinet decision was that CIBM should be under the control of the Office of Economic Development.

**Ms CICCARELLO:** What is the government doing to assist small business owners who may be unfairly burdened with red tape, excessive delays and other difficulties in dealing with state government?

**The Hon. J.D. LOMAX-SMITH:** The Office of the Small Business Advocate exists to provide assistance to small business owners experiencing difficulties in their dealings with the state government. The government has committed to continuing funding of OSBA for another three years. The Office of the Small Business Advocate has three major roles including:

- Investigating complaints about government from small business and negotiating with the relevant state government agency on behalf of the complainant;
- Working with agencies to reduce the number of complaints and encouraging 'business friendly' approaches to small business policy, practices and procedures; and
- Monitoring government policies and legislation, and providing feedback on their impact on small business.

The Office of the Small Business Advocate has been subjected recently to a major review, and the review found that both the small business owner and government agency perspective suggested that the office's performance in terms of investigating small business complaints against government is highly accessible, most efficient and of important significance. That is why we support its ongoing activities.

**Ms CICCARELLO:** I refer to Budget Paper 4, page 3.5. How does the government plan to approach the important

task of understanding and responding to the concerns of the state's small business operators?

**The Hon. J.D. LOMAX-SMITH:** The government is committed to convening a series of small business hearings around the state in an effort to identify regulations that require amendment, streamlining and abolition. The hearings signify the first phase in ongoing consultation with the small business community and will provide an opportunity for the government to listen to the concerns of small business operators across the state. The hearings will be held in collaboration with other bodies, and in the next few months we expect to visit Berri, Mount Gambier, Port Pirie, Adelaide, Noarlunga, Port Lincoln, Mount Barker, Elizabeth and Murray Bridge. I will be attending these hearings and listening first-hand to what small business operators have to say. On completion of the hearings the common issues that are identified will be considered by the Small Business Advisory Council, in the first instance, which will then provide suggestions to me on how these issues might be progressed and advanced.

**Ms CICCARELLO:** I refer to Budget Paper 4, page 3.10, Output Class 3.2, which relates to enterprise development and small business support. Is it true that the number of female small business operators is growing more rapidly than for males? If so, how will the government support this growing number of women in small business?

**The Hon. J.D. LOMAX-SMITH:** As Minister for Small Business, I recognise the important contributions women make in small business, both as employees and entrepreneurs. The ABS figures show that in June 2001, of the 120 300 small business operators in South Australia, 35 per cent were female. Between November 1999 and June 2001 the number of female operators increased by 8 400. That is an average annual increase of 15 per cent, compared with an average annual increase of 13 per cent in male operators.

The previous government had no specific programs for women in small business. This government is committed to supporting women in small business and, as such, has initiated research to identify needs and develop a strategy to maximise the contribution of women to this sector. As a first step, the Centre for Innovation, Business and Manufacturing recently held its first Businesswomen Networking function, which was attended by approximately 100 women. We expect to progress this matter in the next two months.

**Mr HAMILTON-SMITH:** Vital to any successful small business is the issue of industrial regulation and legislation. Like you, I ran a small business before entering this place and employed about 120 people in six businesses in two states. I have direct experience with this, as I am sure you do. I am interested in whether the government will consider proposals to exempt small businesses from unfair dismissal laws, noting that many businesses are vitally concerned that employing people may result in a cost to them as a consequence of their not being able to move on that person if they are not performing, or becoming tangled up in some sort of industrial issue that could cost the business a lot of money. Will the government be considering proposals to provide small business with some exemption from unfair dismissal?

**The Hon. J.D. LOMAX-SMITH:** I am aware that for many small business operators there is some confusion and an inability to act within the law and to understand the regulations with which they must comply. Therefore, I am actively looking at a proposal to increase training and mentoring for small business operators so they know how best to operate within the law. In relation to the hearings that

I have so far conducted around the state, there are several issues that do affect small businesses that have been brought to my attention. People in some sectors are concerned about how maternity leave might be introduced and industrial regulations. I have listened to those questions and queries. The honourable member would appreciate that I would be best able to answer his questions if he could identify the budget line to which he refers.

**Mr HAMILTON-SMITH:** In a supplementary question, I draw the minister's attention to Budget Paper 4, volume 1, output class 1: coordination and advice, and the various objects for small business that are listed there as targets for 2002-03, which are connected with this issue.

**The Hon. J.D. LOMAX-SMITH:** I think I answered the substantive question in terms of what I intend to do. The unfair dismissal laws, of course, fall under the jurisdiction of minister Wright.

**Mr HAMILTON-SMITH:** I take it the answer is no. My next question concerns red tape. Budget Paper 4, volume 1, output class 1: coordination and advice, refers to numerous undertakings in regard to small business. Given the government's stated commitment to cut red tape for small business by identifying unnecessary regulation or regulation requiring amendment, streamlining or abolition, will the minister advise the committee how many proposals already considered by cabinet have included a regulatory impact statement as promised?

**The Hon. J.D. LOMAX-SMITH:** I cannot give you the exact number. I am not in a position to tell you that exact figure, but we can certainly get back with the precise number. We will have to take that on notice.

**Mr HAMILTON-SMITH:** I gather that a regulatory impact statement will be prepared for all regulatory proposals?

**The Hon. J.D. LOMAX-SMITH:** Yes, they are, but your question is not whether we have one, but how many. That is why I cannot answer it. If you want to ask whether we have one, that is a different question.

**Mr HAMILTON-SMITH:** I am delighted to have that additional information; thank you, minister. My next question is in regard to the government's decision to increase the minimum crown lease payment. Will you advise the committee whether the small business impact statement was completed prior to that decision by the government to increase the minimum crown lease payment to \$300 per annum?

**The Hon. J.D. LOMAX-SMITH:** A statement was made and the matter was reviewed by the department but, clearly, as it was part of a cabinet briefing document, I am not in a position to tell you what it said.

**Ms BEDFORD:** What collaborative arrangements does the government have with local councils and communities to assist small businesses?

**The Hon. J.D. LOMAX-SMITH:** The business enterprise centres have been established as a partnership between state government, local government and local communities to support small businesses and individuals wishing to establish a business. The aim of the BECs is to promote economic growth, generate jobs by helping our dynamic small enterprises to become established, and helping them to succeed through strategies such as networking. The Centre for Innovation, Business and Manufacturing provides financial and operational support for the BECs. In addition to the seven currently existing centres which I have described, there is also one at the Inner Southern BEC at Morphettville, which I described earlier. Services to small businesses located

in regional South Australia are provided through 14 regional development boards. CIBM and local councils support these boards both financially and operationally, and each regional development board employs a business adviser.

The Department of Industry and Trade has worked with the Local Government Association to develop a resources manual for local government based on the experiences of six pilot councils. The resources manual is aimed at assisting individual councils to prepare and adopt small business charters. The LGA executive has challenged all councils to adopt a similar small business charter by the year 2004. As Minister for Small Business I will be continuing to look at ways to strengthen networks and partnerships between government and local organisations to support rigorous development of the small business sector.

**Mr O'BRIEN:** What services does the government provide to assist small business owners in financial crisis?

**The Hon. J.D. LOMAX-SMITH:** The Small Business Emergency Service was established in 1997 to reduce the emotional and financial stress of small business owners in financial crisis, in the hope that the number of small businesses that fail would be reduced. The Adelaide Central Mission manages the service on the government's behalf. It involves and has support from the Institute of Chartered Accountants, the Australian Society of Certified Practising Accountants and several lawyers.

The counsellors employed by the mission receive telephone calls from small business people on a 1300 number, which allows callers from around the state to access the service for the cost of a local call. The counsellors either answer the callers' questions themselves or refer them to another organisation, for example, CIBM, or to one of the network of accountants and lawyers on their books. The client is able to obtain up to five hours of free advice from the accountant or lawyer, all paid for by the government.

Over 3 000 calls have been handled since the service was established, and there have been 500 referrals to accountants and lawyers since the year 2000. This area is critical, because the loss of a business means not only the loss of someone's life savings and possibly their house but also major disruption and damage to a family unit and all those people employed in a business. The issue to date is how we can increase the referral and usage of the service so that the people reaching it are not in crisis but come when their situation is still remediable.

The Small Business Emergency Service has recently been the subject of another major review, which found that the service has made a positive difference through strengthening business, lowering debts and helping families to retain income core assets. The service is funded from the resources of the Department of Industry and Trade, and \$100 000—an unchanged amount from the year 2001-02—will be provided by the department in the year 2002-03.

**Mr O'BRIEN:** I refer to Output 3.2 in Budget Paper 4, page 3.10. What types of service does the government provide for existing and emerging small businesses to ensure that our small business sector is aware of and has access to appropriate skill development and enterprise improvement programs?

**The Hon. J.D. LOMAX-SMITH:** The Centre for Innovation, Business and Manufacturing is the main provider of small business services in South Australia. CIBM has a team of 14 staff dedicated to supporting and advising small businesses. The core CIBM small business program is a small business enterprise development and group mentoring

program which encourages small businesses to continuously improve their products and services. Some \$1 million of the program funding was allocated towards the program in the year 2001-02. Key elements include: enterprise improvement; special grant assistance for various initiatives, including export related activities; and assistance with business plans, training, mentoring and business coaching.

Some 1 462 clients have been assisted through CIBM training and mentoring initiatives during the 2001-02 financial year. Some 146 were offered financial assistance with export related initiatives, enterprise improvement, business planning and other initiatives aimed at improving competitiveness and encouraging growth. Some 1 030 clients received assistance from CIBM client managers. The business owners coaching program is a new addition to the enterprise development program aimed at the development of management skills and raising the confidence level of business owners. There are currently 145 partnerships in the program, divided into 15 groups. CIBM has recently established other centres of groups within the regional areas.

**Mr SCALZI:** I refer to Budget Paper 4, volume 1, Output Class 1: coordination and advice. My question is in reference to paid maternity leave, which you briefly mentioned in one of your earlier answers. Will the minister ensure that small businesses are excluded from obligations to meet paid maternity leave?

**The Hon. J.D. LOMAX-SMITH:** This matter has not reached a level where it can be discussed adequately, because it is not yet actually on an agenda. It is a matter that is clearly under debate in the public arena at the federal and state levels but, at the moment, until we have a further view of how such a process might work, we are not in a position to state a view or make commitments.

**Mr SCALZI:** My next question concerns Budget Paper 4, volume 1, with regard to small business advisers and regional boards. Will the minister assure the committee that the number of small business advisers attached to the regional development boards, which currently perform an essential role for the small business sector in regional South Australia, will not be cut?

**The Hon. J.D. LOMAX-SMITH:** The business advisers referred to are employed by each board. The funding for these positions comes from DIT and we have no plans to alter that process or stream of employment in any way.

**Mr SCALZI:** They will not be cut?

**The Hon. J.D. LOMAX-SMITH:** In plain English, no.

**Mr SCALZI:** Thank you; that is reassuring. Thirdly, will the minister advise the committee whether the Office of the Small Business Advocate will be represented on the government's newly created Small Business Development Council?

**The Hon. J.D. LOMAX-SMITH:** The Small Business Development Council is intended to have representatives from each sector of the business community, and the setting up of that was a process whereby we would involve the business advocate, but we had not considered at this stage whether it should sit on the council.

**The Hon. R.G. KERIN:** In Labor's policy document called 'Labor's plan for small business' the government recognises that access to capital from the financial sector is essential for small businesses—which is obvious. During 2001-02, the previous government established Program Nova to assist the establishment and growth of start up and existing commercialisation of business, mentoring and network of businesses and venture capital providers. There is no mention of the program in any of the policy documents, nor does it

appear in the budget. Will the minister advise the committee whether funding for this program has been cut or will it continue?

**The Hon. J.D. LOMAX-SMITH:** It is not in my area of small business but remains at the Woodville Centre, but I understand there has been no cut.

**The Hon. R.G. KERIN:** According to Labor's policy:

Economically successful regions have a high degree of cooperation between companies and communities called clusters, so that they can compete more effectively overseas.

Certainly clusters have been very successful and I pay tribute to the department on that. I know that, in my own area, the department, with the development board behind it, was behind bringing together a lot of engineering companies. That took them from being companies competing against each other to being able to work together. Suddenly they were able to get together and they have been successful with tenders for the Alice Springs to Darwin railway and a whole range of things. Clusters has been a successful initiative within the department and has benefited a lot of small businesses and allowed them not only to survive but also to grow and prosper.

Will the minister advise the committee why the number of networks and clusters targeted for establishment in 2002-03 has, in Output Class 3.3, been reduced from 21 to 10 due to what has been noted as a likely reduction in the level of activity due to resource allocation changes? Does the minister have a statement of attitude towards clusters?

**The Hon. J.D. LOMAX-SMITH:** The cluster program, as the leader would know as he was a great advocate of it, has been operating through Business Vision 2010 through Business SA. They have been great advocates for finding ways of networking and collaboration between various sectors. Currently CIBM is still involved in developing networks in collaboration, but this falls outside my portfolio area. I can ask for further advice. I can only suggest that the details of this be brought out in estimates with the Treasurer because it is not within my area of control.

**The Hon. R.G. KERIN:** I appreciate the difficulty the minister has with the structure. I questioned the Premier at some length yesterday about the mismatch. I acknowledge the Premier's right to allocate portfolios as he wishes, but, with some departments being answerable to up to five ministers, it creates some of the difficulty we are hearing about today. Things such as clusters and Operation Nova tend to impact very directly on small business. There is a challenge ahead. With the initial review, I appreciated the difficulty the minister had about what the review recommended with the office. I appreciate the difficulties she has. We anxiously await hearing how the Premier will go about restructuring to make sure that the sections which service small business are made accountable to the minister for that area.

Despite the government's claim to appreciate the difficulties small businesses face in getting access to government advice and services, the target number of small business enterprise services provided has decreased by more than 10 per cent in the current budget as outlined in Output 3.2. Does the minister have any comment on the allocation of resources within the department even though she is not directly answerable? Does the minister have any comment?

**The Hon. J.D. LOMAX-SMITH:** I will comment on the structure of the departments. It is true that ministers often have, through the realignment of portfolio responsibilities, involvement in mega-departments, where one CEO has responsibility and is answerable to several ministers. In the

case of my series of portfolios, there are particular synergies which are very important for us to leverage for the greater good of the community. It is fair to say that small business is very dependent on training, not only of staff but also of the operators and business owners. It is also true to say that small business is important in employment but so is tourism because most of it revolves around small business. The synergies that arise and are possible between education, tourism and small business are, to date, untapped.

For instance, if you consider that Education Adelaide has as its major focus promoting South Australia as a destination and bringing people to South Australia, clearly that function is within the expertise and ability of tourism—SATC—to work upon. Therefore, one of the opportunities I am particularly keen to embrace is the involvement of 'edutourism'. That is particularly significant if you look at the off seasons in tourism, the times of the year when major events are not running and when occupancy is low in both hotels and serviced apartments.

If you combine the opportunities of short courses in oenology with a wine tour, clearly you are beginning to cook with gas as you are starting to get more for your buck. Those links between education and tourism are significant. Similarly, in terms of employment, one of the main opportunities for increasing employment in regional and rural South Australia is the tourism sector. We know that some of the opportunities people seek in visiting South Australia are to engage in eco-environmental tourism and to have Aboriginal experiences with indigenous South Australians. Those opportunities in employment and training are very significant.

Similarly, the higher education sector in training is very important in terms of science. I perceive what is implied to be an odd mix, and a difficult one according to some people, to be an extraordinary opportunity to get more for our dollar, to have more impact and to leverage opportunities for the state. One of the great charms of having a shuffle and a realignment of portfolios is that the opportunities come together in a different grouping and offer a new perspective and a different way of working. To embrace those is a great privilege, so I defend the portfolio mix.

Returning to the substantive question, I am advised that the item that has been indicated as apparently falling, which is the first level services provided by the department, is an estimated result. The budget documents were put together just before the end of the financial year, so the estimated result is just that, an estimate, and it came to 2 260. I am informed that the target for 2002-03 is 2 000 and, whilst that is a drop, there appears to be a drop in first line referrals and requests. The referees are self-referred and, by the complex mix of opportunities and services provided through the department, there are different lines of referral, and it appears that people are choosing different access lines to the department. So this is not an intent to reduce but a recognition of the fact that, because of the mix of opportunities for services offered, people are going to different budget lines, if you like, of their own volition.

**The Hon. R.G. KERIN:** I was glad to hear you talk about the small business council in your opening statement and the fact that you are going to chair that yourself. Is that correct?

**The Hon. J.D. LOMAX-SMITH:** I think so.

**The Hon. R.G. KERIN:** I think that is an excellent idea. I had responsibility for small business for a while and I made sure I went to nearly all of the meetings of the small business advisory council. I think that is an excellent move and a great way to stay in touch with the issues on an ongoing basis. I

take it that the small business council will replace the advisory council that was in place until recently.

**The Hon. J.D. LOMAX-SMITH:** They speak very highly of you as a deeply committed minister. We are going to review the activities of the advisory council. I think that you compiled a stellar collection of hard-working individuals whose initiatives were quite creative and, at the moment, we are looking at how the advisory council might operate and whether it should operate parallel to corporate people from the other development council. But, as you suggest, I have been impressed by the operations of the advisory council.

**The Hon. R.G. KERIN:** I know I had input, but others had responsibilities as well. This is not so much a question but a suggestion: when you put that group of people together there will be, obviously, gender and different types of businesses to consider, but I throw in a bid for good regional representation on that body, which I think is very important.

I have questions that you will need to take on notice which I will read into *Hansard*. Will the minister advise the committee how many reviews have been undertaken or are scheduled to take place within the portfolio since the government was elected? Which matters do these reviews pertain to? Which consultant or consultancy organisation has been hired to undertake this work and what is the total cost of these contracts? In asking that, I recognise that it will be perhaps difficult to separate small business within the reviews that are done for DITS. So, basically, as long as small business is either recognised within the portfolio area or included in the reviews for DITS, we will have the big picture. I understand the difficulty.

**The Hon. J.D. LOMAX-SMITH:** I can answer that now. We have had no reviews of small business.

**The CHAIRPERSON:** I am not closing this line, and it remains open for later questioning.

#### **Additional departmental advisers:**

Mr N. Grant, Director, Office of Innovation.

Mr N. Schultz, Senior Policy Adviser.

Mr I. Proctor, Acting Deputy Chief Executive.

Ms A. Alford, Manager, Planning and Financial Services, Department of the Premier and Cabinet.

**The CHAIRPERSON:** Do you have an opening statement, minister?

**The Hon. J.D. LOMAX-SMITH:** I do. Before looking at the Office of Innovation specifically, a brief overview of the framework and context within which science and information economy operates would be worth mentioning. Of course, this is a newly created portfolio and it brings together in a coherent way important economic development functions that have been spread throughout other departments. The fact that I am attending three estimates committee sessions for the science and information economy portfolio reflects a fragmented approach by the previous government to this important area.

It is accepted that innovation, science and technology account for up to 50 per cent of economic growth in developed economies. For example, rapid advances in biotechnology and information and communications technology are having a dramatic impact on the nature of economic activity and are instrumental in creating new industries and revitalising existing industries in South Australia as much as the rest of the world.

The bioscience and information communications technology industries are two of the fastest growing sectors in the

global economy. Conservative estimates for South Australia indicate additional funds inflow of \$600 million and 2 400 new jobs over the next 10 years in bioscience alone. There is huge impact in this area on current industries such as food, medicine and health, and there are huge opportunities for new industries like bioprospecting, innovative therapies and gene products.

Specific employment and economic benefits from the development of the biotechnology sector are provided in the budget papers. In fact, this area pervades all our modern economies and, whether it is in tourism or small business, IT offers opportunities for value adding. It creates wealth through new jobs and business growth. It improves productivity through finding ways to reduce the cost of delivery of services and, in this area, it increases access to existing and new services like telemedicine, e-commerce, business and government services. Its role is critical in the new economy. The South Australian ICT sector employs approximately 9 000 South Australians in more than 550 small and large companies and, notwithstanding the global downturn in the ICT industry, growth continues to be greater than many of the other sectors in our economy.

The elements of a globally competitive knowledge based economy are well known. They include a globally competitive science and research capability with a commercially valuable pipeline of intellectual property and world class industry capability in specific technology sectors and niches such as business and financial management as a way of commercialising the intellectual property. They depend upon the availability of capital, primarily through the private sector, although government does have a role in setting the investment environment. To be expansive there is a requirement for a supportive infrastructure, including the availability of skilled people, advanced computing and telecommunications capability, and specialised capital equipment and facilities. It is important that there is a supportive policy and business environment that allows all these factors to develop and the technology or knowledge based industry sectors to flourish.

The South Australian government has a key role in creating, sustaining and providing leadership in partnership with the industry in a number of areas. Firstly, the importance of research and innovation cannot be understated. In this area we have a strong foundation. South Australia's three universities and the public research organisations such as DSTO, CSIRO and the South Australian Research and Development Institute (SARDI), as well as our major teaching and research hospitals, play a key role in generating the new ideas and knowledge which are vital for innovation.

In addition to their role in generating basic research, the state's scientific and research organisations are key to creating new jobs and investment in spin-off companies and technologies. They train the researchers, scientists and engineers for industry to ensure that new technologies and processes can be translated into revenue and jobs across the economy. They are often the nidus from which very successful private companies are formed. Companies such as Sola Optical, Tenix, SAAB Systems, Minelab, Bionomics and GroPep are examples of world leading technology based companies created or established in South Australia on the back of the state's science and research base.

To be successful in growing these companies and competing with interstate and international governments in attracting new companies to South Australia, we have to substantially upgrade our investments in the state's innova-

tion base, including research infrastructure, skilled scientists and commercialisation. The framework around which we will do this includes, of course, the Premier's new Science and Research Council, which includes Professor Tim Flannery, Director of the South Australian Museum, as co-chair. The council's terms of reference include to audit South Australia's strengths and weaknesses in science and research and to devise a plan to consolidate and expand South Australia's scientific and research efforts by establishing research and development priorities for the state.

In doing so, it will enunciate a 10-year strategy for science, research and development, and training organisations to develop industry and promote a strong community. The council will provide a broad base of advice to the government and assist in developing ways that we can best support the growth of existing and emerging knowledge based industries like bioscience and ICT.

Already we have a vibrant bioinnovation sector supported by Bio Innovation SA, which was established by the previous government as a public corporation to foster growth in the bioscience sector. Bio Innovation SA provides high level business expertise and assistance in company formation and acts as a policy, commercial and financial developer of ideas for the industry and bioscience community. In addition, we have the Playford Centre, trading as Playford Capital, which supports the development of South Australia's high technology companies, particularly in the supply of much-needed seed capital investment. The centre's role and strategies for this financial year will be further elaborated in subsequent estimates hearings.

We also have the Information Economy Policy Office, which is part of DAIS, and this works with the community, industry and other local, state and federal government agencies to advise the state government on matters relating to South Australia's role within and adoption of the information economy.

Lastly, the area that we are here to discuss today is the Office of Innovation. This was established to ensure that a whole of government approach is adopted to expand the capabilities of South Australia's innovation, science and research base and provides science, research and innovation policy advice to government and the Premier's Science and Research Council. In fulfilling this role, the Office of Innovation currently coordinates a whole of government approach to science, research and innovation. Its role is changing as the department comes together, but currently it assists the Premier's Science and Research Council through the provision of policy support. It liaises with the Office of Economic Development, the Economic Development Board, the portfolio of science and information economy and the Premier's Science and Research Council.

It also provides policy advice to the state government in relation to the commonwealth's \$2.9 billion, five-year innovation initiative titled Backing Australia's Ability, and relevant commonwealth government reviews, including the current Research Priorities Framework review being undertaken by the commonwealth Department of Education, Science and Training (DEST). In addition, it liaises with other state and commonwealth government innovation and science technology policy agencies, including participation on the commonwealth, state and territory Advisory Council on Innovation.

It works with state government departments and agencies to address specific issues around science and research and is, importantly, involved in finding ways to help commerciali-

sation of intellectual property, including that embedded in the public sector. We are involved in growing venture capital opportunities in South Australia and increasing community awareness of science, technology and innovation, as well as facilitating the development of support infrastructure for science, research and innovation.

Together, Bio Innovation SA, Playford Capital, the Information Economy Policy Office, the Office of Innovation and the Premier's Science and Research Council will come together to provide a cohesive system for program delivery and strategic advice to achieve the government's objective of continued economic growth in the state through science, research and innovation.

#### Membership:

Mr Williams substituted for the Hon. R.G. Kerin.

**Mr HAMILTON-SMITH:** In the way of some opening remarks—and I thank the minister for her introductory remarks—I make a few observations on behalf of the opposition. First, we are delighted that the minister and the government have picked up our initiative of retaining the Office of Innovation, an initiative of former premier Hon. Rob Kerin. We think it was a very wise decision that it be retained and welcome the minister's staff who are here today and who, I am sure, will serve her well. We are also delighted that the opposition has retained the former government's Innovation, Science and Technology Council, because, in our view, the Premier's Science and Research Council is nothing more than a continuation of the research council we had already established. In fact, three or four of the members of the new council were on the old council. A few people have been reappointed and there has been a rebadging and a great deal of fanfare, but essentially both are the initiatives of the former government and we welcome their retention.

The minister remarked that the former government was in some sort of shambles over the way in which it had organised this portfolio. We simply comment that the fact that we are attending on three separate occasions with three separate sets of staff when we could have had one day with the same staff and with you, minister, reflects the opposition's view that it is the government that is in shambles and not the opposition, and that reorganisation should have been done. The budget papers on this portfolio are split all over the place. This portfolio gets a mention under Premier and Cabinet, but no figures in the Premier and Cabinet area apply to this portfolio: they are buried in Primary Industries, DAIS and the Department of Industry and Trade.

The opposition is certainly of the view—and would agree with the minister—that innovation is the key to the future for small business. We agree with her that a great deal of energy is required to harness the innovation from our centres of excellence, which include our universities. I was disappointed not to hear more in the minister's opening remarks about entrepreneurship and changing the culture in the state, because I feel there is a need—and the opposition is certainly of the view that there is a need—to change that culture and to get people to deliver on innovation. It is one thing to have good ideas; it is another thing to take those ideas to market. The opposition is absolutely astounded at the government's decision to move the centre for innovation and business to another portfolio, that is, to leave it with the Minister for Industry and Trade—and I have a question on that—which, according to the minister's words earlier, moves the prime agency for delivery of services to small business and

innovation to another minister, which is quite remarkable, but anyway we will get onto that in a moment.

I refer to Budget Paper 4, volumes 1 and 2, parts 1, 3, 4 and 10, the minister's departmental structure. I thank the minister for explaining that she will be forming this new department. How is the science and information economy portfolio to be restructured? From which departments will people and financial and other resources be reorganised into the new department? What will be its structure and its role; and where will it be located physically? What budget lines presently reflected in other departments will be incorporated (I assume next year) into the new department? What will the total budget comprise for the minister's portfolio? In the context of the minister's reply—and I appreciate that she may need to take questions on notice—could she explain how the Office of Innovation will fit into that broader departmental structure and what other bits or functions will also fit in there?

**The Hon. J.D. LOMAX-SMITH:** I do believe that the way in which the science and technology portfolio was set up previously had fragmented the opportunities and, if I had not made it clear, parts of my current science and information economy portfolio resided within DAIS, DIT, the Office of Premier and Cabinet and PIRSA. The part in DAIS was the Information Economy Policy Office. DIT had the residue of the Office of Innovation prior to its having moved temporarily into the Office of Premier and Cabinet; and PIRSA had BioInnovation SA. In addition, the Playford organisation was also in DAIS. So, four portfolios had a legitimate role in the management of science and information economy. It was a shambles.

It is not possible to have cohesive policy being driven through four departments, and it was absolutely time that they were pulled together to produce outcomes instead of departments just with names, which is what they were before. In relation to the funding attached to each of those segments in DAIS, DIT, the Office of Premier and Cabinet, and PIRSA, I would have to take that on notice in terms of the amount of money in each area, but the actual funding in the separation of those parts has not been determined.

**Mr HAMILTON-SMITH:** I have a supplementary question. When the minister comes back to us, will she explain what people and what structures will move from those portfolios that she mentioned into her new department and with IT funding? Will the minister be able to provide that information?

**The Hon. J.D. LOMAX-SMITH:** At the moment we are still working on that because, as the member will understand, the DIT reorganisation is not finalised. However, I have delineated the areas that fall within my portfolio, which are the support for the Premier's Council, what was the Office of Innovation, BioInnovation SA, Playford Capital and IEPO.

**Mr HAMILTON-SMITH:** My next question deals with the fact that the funding seems to be in the DAIS area. I refer to Output Class 4, page 10.28. What has become of the previous government's \$40 million innovation fund, which the minister acknowledged was funded in the forward estimates during her apology to parliament for misleading the house on that matter earlier this year. Other than the money funded and committed by the previous government for the Grain Genomic Centre of Excellence at Waite, which gracefully the minister's government was persuaded not to cut, I understand, after considerable acrimony, where has the remainder of the \$40 million gone? What provision has the minister made to fund innovation bids over the next four

years, if any? I have heard what the minister has had to say, but the money to fund bids and opportunities that may arise does not seem to be in the budget.

**The Hon. J.D. LOMAX-SMITH:** To clarify this matter, we have to understand that this is the budget estimates committee relating to the Office of Innovation, not any other part of the science and innovation portfolio. The matters raised by the member relate to a decision on 14 January by the previous government, whereby it approved an innovation funding package in the forward estimates, but innovation funding does not appear in the budget papers. This issue was addressed by me in the statement I made to parliament on 3 June this year, where I said that cabinet on 14 January had approved a sum of \$40.5 million over five years for an innovation package, which did not detail how specific funding would be allocated.

I would indicate to the committee what has been done in respect of the three initiatives that were mentioned in relation to the previous government's innovation fund. They are as follows. The ICT Centre of Excellence bid was not successful, therefore funds were not required for the project. In respect of the innovation strategy funding, as stated in the government's Budget Statement page 3.3, innovation initiatives will be considered on a case by case basis.

Through the Premier's Science and Research Council, the government will receive advice on priority research areas and innovation initiatives. It will also develop and implement a 10-year strategy for science, research and development and commercialisation of intellectual property for the state. As part of its innovation funding, the education round table initiative of the former government involved the provision of funds for Education Adelaide and the development of the education industry. The request for funds to develop the education industry further was broad and does not fall within this portfolio.

**Mr HAMILTON-SMITH:** By way of clarification, I assume from your answer that you are saying that the remainder of the \$40 million is gone from your budget but that, should an opportunity arise in the future, it will be looked at on a case-by-case basis, but there is no money there to provide for such an opportunity. That is what I am hearing.

**The Hon. J.D. LOMAX-SMITH:** I have explained that we were not successful in our bid for the ICT Centre of Excellence; that being the case, money is not required to fund it.

**Mr HAMILTON-SMITH:** But the fund was there for any opportunity that might arise. There will be other opportunities, as you have admitted.

**The Hon. J.D. LOMAX-SMITH:** There may be other opportunities.

**Mr HAMILTON-SMITH:** But the money has gone.

**The Hon. J.D. LOMAX-SMITH:** There may be other opportunities, and they will be considered on a case-by-case basis.

**Mr HAMILTON-SMITH:** So the money has gone. My third question concerns the centre for innovation, and business. I think those officers have gone but, since we are dealing with the Office of Innovation, I think this is an opportunity to address the broad issues in your portfolio. I know you are trying to contain it to the Office of Innovation, but there must be some opportunity for us to ask about your whole portfolio. Why is the centre for innovation and business, which would seem to be the main means of delivery for innovation and business projects by your government, not with you, minister? As you have explained, it is with another

minister; it somewhere else. How will you fund the centre for innovation and business management over the next three years so that innovation can blossom if you do not have control of that in your portfolio, or do you have control? I am seeking your advice.

**The Hon. J.D. LOMAX-SMITH:** I think the member for Waite is confused. We do not have a centre for innovation and business management.

**Mr HAMILTON-SMITH:** Would you like to answer the question in whatever way you see fit?

**The Hon. J.D. LOMAX-SMITH:** I am not sure what the question was. If you could just—

**Mr HAMILTON-SMITH:** What was Dr Swincer doing here?

**The Hon. J.D. LOMAX-SMITH:** We have a Centre for Innovation, Business and Manufacturing.

**Mr HAMILTON-SMITH:** I beg your pardon, minister. Thank you for being so proper and—

**The Hon. J.D. LOMAX-SMITH:** It would be appropriate if I knew what the question was.

**Mr HAMILTON-SMITH:** I think that really—

**The CHAIRPERSON:** I remind the member for Waite—

**Mr HAMILTON-SMITH:** All right, the Centre for Innovation, Business and Manufacturing—I beg your pardon, minister. Now, would you mind answering the question?

**The CHAIRPERSON:** Order!

**Mr HAMILTON-SMITH:** Very clever, minister!

**The CHAIRPERSON:** I remind the member for Waite that this questioning relates to the Minister for Science and Information Economy. Has the minister completed her answer?

**The Hon. J.D. LOMAX-SMITH:** I am unsure as to the meaning of the question. I presume the member for Waite refers to the items we discussed in the last estimates committee.

**Mr HAMILTON-SMITH:** Let me explain, with your indulgence, Madam Chair. Your government has a centre for innovation and business manufacturing. We are now dealing with the Centre for Innovation. Why is the Centre for Innovation not under your portfolio, or will it be under your portfolio to some extent? Will you have any control over it or help it to deliver your outcomes?

**The Hon. J.D. LOMAX-SMITH:** I suggest that, when the member for Waite is once again in government, he might like to avail himself of his view of how the portfolios fit together but, as he is in opposition, it is our domain and our decision.

**Ms CICCARELLO:** My question relates to Budget Paper 5, volume 1, page 1.8, Output 1.3. Can the minister provide further information on the state's research and development performance?

**The Hon. J.D. LOMAX-SMITH:** I thank the member for Norwood. Scientific advances, technological change and innovation are now seen as the driving force for economic, social and environmental change in modern societies. Governments and businesses across the globe are investing more heavily in basic and applied research and commercialisation than ever before.

In an international context, South Australia is highly competitive in terms of expenditure on R&D as a share of its gross state product. In fact, South Australia is the leading place in the world in terms of government and higher education expenditure on R&D as a proportion of gross state product. South Australia has a very strong public sector

research base led by the three universities and research organisations, such as the DSTO, the CSIRO and SARDI.

According to the latest Australian Bureau of Statistics data for research and development released in July for the 2000-01 financial year, SA's share of Australia's gross expenditure on R&D is 7.8 per cent. This figure is 20 per cent above South Australia's share of Australia's GDP, which is only 6.5 per cent. Government expenditure on R&D as a percentage of gross state product in South Australia is the highest of all the states and territories, and we outperform the USA and other countries in Europe. However, business expenditure on R&D as a percentage of GDP in South Australia is amongst the lowest of any state. Professor Dick Blandy from the University of South Australia, who is also a member of the Premier's Science and Research Council, concluded in his analysis of our state's R&D performance in the February-March issue of *In Business South Australia* magazine:

First, the public sector technological foundation for innovation in South Australia is absolutely world class.

This is a credit to all the public sector researchers who work in our state, those in the CSIRO, DSTO and the South Australian Research and Development Institute, as well as the researchers in our hospitals, all three universities and our other research centres.

Secondly, he noted that South Australian business sectors are not world class in the extent of R&D that they undertake, and the South Australian business sector appears not to be making effective use of the extraordinary R&D foundation that has been created by the government and higher education sectors in South Australia. Professor Blandy also notes that an important option for a better economic development strategy for South Australia through a faster rate of innovation is immediately apparent: to make far better business use of South Australia's world class public sector R&D foundations that are currently being under-utilised by the business sector.

The government is looking to address this issue of business sector investment in research and development in the state by implementing the following initiatives. It has formed the Premier's Science and Research Council to develop and implement a 10-year strategy, and the council, in collaboration with the Economic Development Board, will advise government on the strategies needed to improve R&D intensity in the state's business sector.

The government and the Premier's Science and Research Council will be promoting collaboration between educational research institutions and industry to capture the broader economic benefits of the state's research activities. South Australia's future success rests with its investment in research and development and its ability to capitalise on that investment within the state. The government is committed to ensuring that our successful investment in R&D continues into the future.

**Ms BEDFORD:** What are the key issues facing South Australia in science, research and innovation? What is the government doing about them?

**The Hon. J.D. LOMAX-SMITH:** Some of the key issues facing South Australia in science, research and innovation are: first, a poor level of industry investment; secondly, a low level of venture capital investment in the state; and, thirdly, a need for strategic direction in the state to utilise effectively existing R&D capacity for social and economic benefit.

The one sector where South Australia's share of Australian expenditure on R&D falls behind is in business.

Industry's share of national business expenditure on R&D is just 6.1 per cent—the second lowest in Australia. Perhaps significantly, the only state whose share of national business spending on R&D significantly exceeds its share of national GDP is Victoria. South Australia receives only 2 per cent of Australia's venture capital investment, significantly less than our share of the national population or the share of Australia's GDP.

The government recognises the need for capital investment in early stage companies and that this is vital for their growth and ability to launch new innovations onto the market. The government has implemented a number of initiatives in this area. For example, the Premier recently announced that South Australia's Technology Park will receive a \$3.2 million business hub, ensuring that it remains a world-class site for technology related business. Playford Capital also continues to provide pre-seed funds to high-growth technology companies in the state. For example, it recently announced in April a \$5 million equity injection into DSpace Pty Ltd, one of Playford Capital's funded companies.

The state needs strategic direction to effectively utilise its research and development resources. For example, a key issue for South Australia is environmental sustainability with significant environmental sustainability research capacity and extensive knowledge of land and water use. For the state to make an impact on the issues of sustainability, it will need a focused effort from our research community, working with industry and community to produce a long-term improvement in our environment. That is just one example.

The Premier's Science and Research Council is working closely with the government to develop and implement a 10-year strategy for science, R&D and commercialisation of IP. A part of this strategy is the identification of key issues that face our state and the development of appropriate responses to them. Utilising work that has been completed by other organisations, the council will also audit South Australia's strengths and weaknesses in science and research and development, and thereby identify the key issues facing the state in research, science and innovation. The council held an introductory meeting on Thursday 27 June, and its first formal meeting is scheduled for Saturday 24 August.

**Mr O'BRIEN:** Can the minister outline the South Australian government's response to the commonwealth government's national research priorities review?

**The Hon. J.D. LOMAX-SMITH:** The commonwealth government is now in the process of broadly developing a national research priority list that will guide funding decisions and allocations across a range of commonwealth funded research programs. The aim of setting these priorities is to achieve maximum value from Australia's research effort by focussing it on areas of significant need and opportunity. The commonwealth released the issues paper, 'Developing national priorities', on 22 May this year and subsequently undertook a consultation process with state and territory governments, business, universities, research organisations and the general community to seek nominations for preferred research priorities. A consultation session was held in Adelaide on 4 June at the University of Adelaide. This session was attended by all the universities, research organisations and state government agencies, including the Office of Innovation.

The session incorporated general discussion on the research priorities setting process and suggested priority areas. Concerns were raised by a number of attendees regarding the priority setting process and the nature of the

consultation to be undertaken. Discussions with the commonwealth Department of Education, Science and Training have indicated that a short submission from the state government would be a welcome response to the first round of consultation. On behalf of the Minister for Science and Information Economy, a submission was prepared by the Office of Innovation in conjunction with SARDI. Copies of this submission were provided for comment to the Pro Vice-Chancellors of Research of each of the universities and to the co-chair of the Premier's Science and Research Council, Professor Tim Flannery, prior to sending it to the commonwealth.

On 5 July the state government provided a submission to the commonwealth in regard to its review of national research priorities. It should be noted that each of the universities has prepared its own submission in response to this first round of consultation. The South Australian government submission provides feedback on the priority setting process, and suggests that further consideration is given to a number of issues, including the difficulties associated with aligning the research priorities of each of the states and territories with those of the commonwealth. Other issues raised include closer integration of the social sciences and humanities with the setting of priorities in the science, engineering and technology areas; and the need for early industry involvement in the priority setting process.

Some of the key points made in the submission include that the South Australian government supports the adoption of national research priorities to ensure greater alignment between national expenditure and broader national economic, social and environmental policy objectives. It also recognised that the national research priority setting process would assist in maximising the use of limited research funding by ensuring that resources were strategically focussed on those areas of key importance to Australia.

The government, in conjunction with the University of Adelaide, Flinders University and the University of South Australia identified the following areas of national research priority for our state: food and wine, education, minerals and energy, environmental sustainability, defence and space, manufacturing, and health and lifestyle. We notice that the proposed research prioritisation process is limited to the science, engineering and technology disciplines, and we suggested that for the priority setting process to be effective it would seem logical to include components of social sciences and humanities research in the priority actions of each science, engineering and technology thematic area.

Finally, it was suggested that state governments provide significant funds and resources to public sector research in Australia. It is therefore important that as a state government we are involved and consulted early in the implementation phase of the research prioritisation process. The South Australian government will be actively involved in the ongoing development and operation of the commonwealth research priority process.

**Mr SCALZI:** I do not know what responsibility the minister has, but one has to be innovative to keep up with this portfolio, let alone ask an appropriate question. I refer to Budget Paper 4, volume 1, page 1.6. Will the government continue to fund the Business Vision 2010 program; at what level over the next three years; and what are the government's anticipated outcomes from Business Vision 2010?

**The Hon. J.D. LOMAX-SMITH:** That area of funding comes out of the DIT/OED part of the portfolio. I understand some moneys are going to Business SA from other parts of

government. I believe that the Department of the Premier and Cabinet also sponsors some part of its activities. I believe that in the past PIRSA has funded some Business Vision 2010 activities in relation to the government's Leadership Foundation. I believe there is funding going to Business SA or Business Vision 2010 from at least three portfolio areas, but not mine.

**Mr WILLIAMS:** Will the government continue to fund the International Advisory Panel of eminent South Australians and other leaders from global business and communities of interest?

**The Hon. J.D. LOMAX-SMITH:** The International Advisory Panel met in Adelaide in February, at the same time as the World Congress on IT. The Treasurer and I met members of the board during their deliberations. We were impressed by their range of skills and expertise, but during the course of our development of the Science and Innovation Council we are reviewing how we might best utilise their skill sets and work with them for the good of the community. I have been in contact with members of the board since that meeting. I will be meeting with them in August at which point we will work out how we might have subcommittees and groups of that board working on our behalf.

**Mr HAMILTON-SMITH:** Will you be responsible for the Investigator Science and Technology Centre? Will that come under the science portfolio? Could the minister explain the government's future vision for the Investigator Science and Technology Centre, and what provision has been made for the facility over the coming three to four years?

**The Hon. J.D. LOMAX-SMITH:** The state government through the Department of Education, Training and Employment provides the Investigator Science and Technology Centre with an annual grant of \$560 000. The budget for the grant funding has been allocated by the Department of Education and Children's Services. In addition, a sum of less than \$100 000 is provided each year by other government agencies, including the Department of Human Services and PIRSA, to sponsor individual exhibitions.

I met with a delegation of board members in June and we have begun preliminary discussions about opportunities for their relocation. Currently, we are reviewing the various documents, review papers and research projects that have been put forward on this matter over the preceding five years. At the same time, we are doing scoping studies on one of the proposed relocation sites, that is, the Adelaide Entertainment Centre. At the moment we have not reached a conclusion about these deliberations, but we know that this is an issue which has not been resolved and which the government must address in the future.

**Mr HAMILTON-SMITH:** As a supplementary question: will that be wholly within your responsibility from now on as the minister for science, or will it stay with the education minister? Has a decision been made about that?

**The Hon. J.D. LOMAX-SMITH:** It quite properly falls within my area of responsibility, but at the moment I envisage that there will be some interest in the exhibits and their funding from other parts of the government. Clearly, the Investigator perceives its future role as being an advocate and a proponent of sustainable development, and its forward planning has always included a strong element of sustainability, water resource management and sustainable energy production. I envisage that for those reasons there will always be opportunities for other parts of government to sponsor specific projects and displays.

**Mr O'BRIEN:** Will the minister outline what the Premier's Science and Research Council will be doing and how this will help the state to achieve economic benefits from research and development undertaken in South Australia?

**The Hon. J.D. LOMAX-SMITH:** On 10 June this year the Premier announced the establishment of the Science and Research Council, the membership of which is the Hon. Mike Rann MP, Premier and Co-Chair; Professor Tim Flannery, Director, South Australian Museum, who will co-chair the council with the Premier; the Hon. Paul Holloway, the Minister for Agriculture, Food and Fisheries; the Hon. Lea Stevens MP, Minister for Health; Dr Nasir Ahmed, Senior Officer, Woodville Laboratory, CSIRO; Professor Richard Blandy, Economist, University of South Australia; Professor Edwina Cornish, Deputy Vice-Chancellor Research, University of Adelaide; Dr Patricia Crook, Director Dynek Pty Ltd; Professor Ian Davey, Professor and Pro-Vice Chancellor Research and Vice-President International, University of South Australia; Ms Sally Glover, Senior Legal Adviser to the Premier; Mr Lloyd Groves, Director, TXR Technologies; Professor Richard Head, Director, CSIRO Health Sciences and Nutrition; Professor Peter Hoj, Director of the Australian Wine Research Institute; Mr Rob Lewis, Executive Director of the South Australian Research and Development Institute; Professor Chris Marlin, Pro-Vice Chancellor Research, Flinders University of South Australia; Professor Leanna Read, Managing Director, TGR BioSciences Pty Ltd; Mr Andrew Stock, State Director of Origin Energy; Dr Ian Chessell, Chief Defence Scientist, Defence Science and Technology; and me.

The Premier's Science and Research Council advises the South Australian government on a wide range of issues surrounding science, innovation, research and development, including industry needs and partnerships, funding opportunities and priority areas for research. Specifically, as I have said before, it will audit our strengths and weaknesses, develop and consolidate a plan for the future and develop a 10 year strategy as well as promote collaboration between education research institutes and industry and find ways to leverage commonwealth funding support. It will develop benchmarks of performance indicators to measure South Australia's performance in research and development, intellectual property and commercialisation and advise the government on the priority research areas as well as promote increased availability of venture and development capital.

The council, in collaboration with the Economic Development Board, will be responsible for developing a clear strategic approach to investment in research and development in South Australia and maximising the state's leverage of commonwealth research funds. The council will be established for an initial period of two years, after which time its operation and effectiveness will be reviewed. The council held an introductory meeting on 27 June, but its first formal meeting will be on Saturday 24 August—an all day meeting.

The work of this council will significantly benefit the state by providing a strategy for the optimum development of science research and innovation to achieve economic outcomes. It will enable the government to implement programs that support collaboration between researchers and the industry. In particular, it will address the need for greater investment by the state's business sector in research and development so that they become more innovative and internationally competitive.

Administered Items for Department of Industry and Trade,  
\$1 590 000

**Membership:**

Dr McFetridge substituted for Mr Scalzi.

The Hon. I.F. Evans substituted for Mr Hamilton-Smith.

**Witness:**

The Hon. K.O. Foley, Minister for Industry, Investment and Trade, representing the Minister for Economic Development.

**Additional Departmental Advisers:**

Mr J. Frogley, Executive Director, Office of Economic Development.

Dr A. Scott, Executive Director, Office of Economic Development.

Mr D. Walford, Executive Director, Office of Economic Development.

**The CHAIRPERSON:** To clarify the program, the information I have is that from 5 p.m. until 6 p.m. it will be the Minister for Economic Development, represented by the Minister for Industry, Investment and Trade. From 7.30 p.m. until 9.30 or 10 p.m. it will be the Minister for Industry, Investment and Trade. Does the minister wish to mingle the two portfolios?

**The Hon. K.O. FOLEY:** We will do industry and trade for however long is required.

**The Hon. I.F. EVANS:** So questioning will address them together.

**The CHAIRPERSON:** I declare the proposed payments open for examination and refer members to appendix D, page 2 in the Budget Statement and part 3, volume 1 of the Portfolio Statements, in particular, pages 3.19, 3.20 and 3.24. Does the minister wish to make an opening statement?

**The Hon. K.O. FOLEY:** No, thank you, Madam Chair.

**The CHAIRPERSON:** Does the member for Davenport wish to make an opening statement?

**The Hon. I.F. EVANS:** Only to congratulate the minister on his opening statement.

**The CHAIRPERSON:** Does the member for Davenport wish to proceed with questioning?

**The Hon. I.F. EVANS:** Thank you, Madam Chair. Given the involvement of both the minister and the Premier in the operation of the Economic Development Board, can the minister outline the lines of accountability between the Economic Development Board, the Premier and the minister and the Department of Industry and Trade? In particular, do Mr Robert Champion de Crespigny and Dr Sexton report directly to the minister or to the Premier?

**The Hon. K.O. FOLEY:** As the head of the Office of Economic Development—as it will be known post restructuring—but at present as head of the Department of Industry and Trade, Dr Sexton reports to me as a departmental CEO. Robert Champion de Crespigny, as the chair of the Economic Development Board, reports to the Premier and to me also. It is an arrangement whereby for day-to-day matters he will report to me and on more significant issues requiring the involvement of the Premier he will report to the Premier. It is a very good working relationship and one that allows both the Premier and me to be closely involved with the Economic Development Board—as is the Minister for Small Business and other ministers from time to time.

Both Roger Sexton and Robert Champion de Crespigny have briefed the Economic Development Committee and cabinet, and they will be doing that on a more regular basis. The short answer is that, for the day-to-day activities of the board, Robert de Crespigny will report to me, but, ultimately, he will report to the Premier on more significant issues or issues requiring the involvement of the Premier.

**The Hon. I.F. EVANS:** As a point of clarification, I am trying to establish whether there is a monetary figure that triggers automatic reporting to the Premier—or is it simply a casual judgment made on behalf of Mr de Crespigny or Dr Sexton?

**The Hon. K.O. FOLEY:** There is nothing casual in the arrangement. Roger Sexton reports to me; he does not report to the Premier. I am talking about Robert Champion de Crespigny as chair of the Economic Development Board. They are two different things. I assume that is what the member is saying.

The Economic Development Board is preparing policy options for government—other than its own operating costs it is not expending government moneys. So that is not an issue. Dr Sexton reports directly to me, but the Economic Development Board reports to both me and the Premier.

**The Hon. I.F. EVANS:** My second question is: has the minister received a final copy of the report of the review team chaired by John Dawkins and, if so, will he provide a copy of that report to the committee? What was the fee and cost reimbursement arrangement for each member of the team, and how much was each member paid? What was the total cost of the inquiry?

**The Hon. K.O. FOLEY:** I am advised that the review team cost to government was \$69 000. The member will recall that the review team consisted of former Labor treasurer John Dawkins, former Liberal state treasurer, Stephen Baker, and the chair of the Adelaide Bank, Mr Richard McKay. I will take on notice the issue of whether or not the report will be released and consider it.

**The Hon. I.F. EVANS:** What, if any, aspects of the Dawkins report were not agreed to by the Treasurer?

**The Hon. K.O. FOLEY:** I will take that question on notice.

**Ms CICCARELLO:** How will the creation of the government's new Economic Development Board enhance future economic development prospects in South Australia?

**The Hon. K.O. FOLEY:** The board is working with the government to lay the foundations for sustained economic growth in South Australia. By the end of September, the Economic Development Board will deliver to the government a status report on issues facing the South Australian economy that will measure South Australia against national and international economies. In the longer term, based on the key issues identified, it will develop a five-year strategic plan for economic development in South Australia.

Members of the board have been actively involved in a number of key economic development projects in South Australia. The chairman (Mr Robert Champion de Crespigny) and the Chief Executive of the newly formed Office of Economic Development (Roger Sexton) have had significant involvement as have, of course, the agencies involved in Mitsubishi and the National Wine Centre.

As members would know, the board consists of a number of nationally and internationally respected business people. As well as Mr de Crespigny and Dr Sexton, we have Cheryl Bart, who is a director of several companies, including ETSA Utilities; John Bastian, the former managing director of Sola

Optical; Mr Maurice Crotti, Managing Director of San Remo Macaroni; Andrew Fletcher, Senior Vice President of Asia Pacific KBR; Caroline Hewson, former Executive Director of Schroeders Australia; Scott Hicks, a film director with the Kino Film Company; Fiona Roche, Managing Director of the Roche Group of Companies; David Simmons, Group Managing Director of Hills Industries; Peter Wylie, Managing Director of *Advertiser* Newspapers; Bob Hawke, business consultant and prime minister of Australia from 1983 to 1991; Bill Wood, a leading venture capitalist in the American technology industry, who co-founded the highly successful 'Austin Ventures'; and Mr Grant Belchamber, Senior Research Officer and advocate for the ACTU.

The whole purpose of the Economic Development Board, as I have stated publicly on many occasions, is to give the government access to a body of skills not normally available to government. The board not only has the experience and expertise but also a passionate commitment to work with government, regardless of its political nature, to give us input into developing economic policies and economic options—to take the economic hard decisions that are needed to help us.

It is not an issue that should be politicised, and I am not suggesting for one moment that the opposition is doing that at all. I think it is important that we not politicise the Economic Development Board, otherwise we put at risk the very real benefits that I think can be provided not only to this government but to future governments if we can get this model right—attract on a rolling basis high-level business people to work with governments. I think that it is a good thing, and I think it needs to be encouraged.

**Ms CICCARELLO:** My second question is related to Budget Paper 4, volume 1, page 3.9. How does the government intend to improve the efficiency and effectiveness of publicly funded economic development activities in the state?

**The Hon. K.O. FOLEY:** One of the reasons that we asked John Dawkins, Stephen Baker and Richard McKay on board was to bring some people from outside: John Dawkins has national experience; Stephen Baker is a former treasurer and, of later years, has been involved in representing Australia at the Asian Development Bank, from memory; and Richard McKay chairs at the Adelaide Bank and has been involved in advising governments on various matters for some time. Their role was to provide a fresh set of eyes and some fresh input, and to look at the restructuring of the government's economic agencies with an open mind, and that is what they have done.

We asked them to look at the effectiveness of services provided by the Department of Industry and Trade; to analyse the strengths and weaknesses of current economic development programs; to look at areas of duplication or overlap in industry services and functions through the Department of Industry and Trade and across economic development agencies; and to look at areas where efficiencies can be made without adversely affecting the state's economic welfare.

We are putting that into place and have indicated that there will be some restructuring within the new agencies that will require some adjustment to the number of people currently employed. We are handling that very carefully and very sensitively, but that will be an end result. We want the new agency to be more strategic in its approach and to be sharply focused, and that is not to be critical of the agency of the past. I accept that the former opposition—now government—was critical of the Department of Industry. It is an agency that attracts volatile reactions from many sectors—both the body politic and the business community. We are establishing the

right of any incoming government to review structures, which we have done and which we are implementing. We think it will be a good outcome.

**Ms CICCARELLO:** How will the establishment of the Office of Regional Affairs impact on the government's approach to regional development?

**The Hon. K.O. FOLEY:** We have a Minister for Regional Affairs who will not act solely in the role of minister for regional development, which has been the model of the past. We want our Minister for Regional Affairs to have a broader approach to representing regions within cabinet and within government across portfolios. But, as it relates to regional development, we will have a discrete Office of Regional Development within the new structure that will report to the Minister for Regional Affairs through Dr Roger Sexton, so it will not be reporting to me as Minister for Industry and Trade.

As I have said in a previous committee, the idea of having some bureaucratic structures within other agencies does not faze me. The Office of Government Enterprises in Treasury reports through the Under-Treasurer to Pat Conlon; the Office of Gambling reports through the Under-Treasurer to minister Hill; and, under this model, the Office of Regional Affairs would report to the Minister for Regional Affairs via the CEO of the department. This will result in providing a better vehicle to develop and promote regional development opportunities and to deliver our programs in the regional areas of the state.

**Dr McFETRIDGE:** I understand it is your prerogative to change the structure of some departments. Staff of the new Department of Industry and Trade have been provided with an outline of the proposed new structure of the Office of Economic Development. There are two new positions—Strategic Investment Coordinator and Chief Operating Officer—as well as nine new executive positions at the next level, such as Executive in Charge of Business Services, Industry Assistance, and so on.

Officers within the Department of Industry and Trade have indicated they have been told by Dr Sexton that if they either do not apply for or are unsuccessful in getting one of these 11 new positions they will be able to remain where they are on their existing remuneration packages. Can the minister confirm that this is what the existing staff have been told? Can he also indicate how many positions existed in the old Department of Industry and Trade with TEC packages of more than \$100 000, and how many similar positions will exist under the proposed structure?

**The Hon. K.O. FOLEY:** I will take that part of the question on notice. Obviously, I do not have that information at hand. A number of positions will be open for competition from within the department, from within government and from the private sector. The chart that you are referring to is the functional structure not a position statement. The Strategic Investment Coordinator role will be filled by the Chief Executive Officer, Dr Roger Sexton. The position of Chief Operating Officer will be called, as will all senior executive positions. We will be testing the market, so to speak, as to the opportunities that may be presented by offering some positions.

As I said, the restructuring will result in a smaller agency. I will provide to the committee what details I can at this point but, given that we are going through a process, it may not be possible to give exact detail now, but we will once it is completed.

**Dr McFETRIDGE:** The government has announced a \$50 million assistance package to Mitsubishi. Given the minister's previous statements about the importance of clawback provisions if job growth figures are not met, can he assure the committee that, in the deal he has negotiated, all of the \$50 million will be clawed back to Treasury if the job and growth commitments are not met?

**The Hon. K.O. FOLEY:** As you are aware, the industry's development committee was briefed on the initial element of the package that was provided. Perhaps you are not aware of this, but I can tell you because I was on that committee. The former government provided the IDC with a briefing on the first package, and I will be arranging for the subsequent package to be provided in confidence to the IDC. So, the IDC will be made aware of it. I will take the balance of your question on notice and provide you with an answer in response.

*Mr Evans interjecting:*

**The Hon. K.O. FOLEY:** We do not have the full details here. I think you would appreciate that we need to be very careful about what we say with regard to some of the elements of these packages. Are you being critical of the fact that we have given Mitsubishi some money?

**Dr McFETRIDGE:** Given the business interests of the new Chairman of the Economic Development Board (Robert Champion de Crespigny), what requirements has the minister or Premier insisted on in relation to managing any actual or perceived conflict of interest? In particular, has the minister or Premier insisted on any requirements in relation to share trading?

**The Hon. K.O. FOLEY:** Again, I will take that on notice. However, I am advised that Robert Champion de Crespigny was required to go through appropriate processes as they relate to declaring his pecuniary interests. Again, I will take that on notice and come back to the committee with a considered response.

**Dr McFETRIDGE:** Given the public opposition of Mr Champion de Crespigny to SAMAG, what requirements are there in relation to this project, and has Robert Champion de Crespigny been given any understanding concerning not publicly commenting further on this project?

**The CHAIRPERSON:** That is a separate question. It does not relate to the substance of the honourable member's first question. He can ask that question next time.

**Mr O'BRIEN:** What was the government's role in securing Mitsubishi's commitment to the \$1 billion new vehicle investment project?

**The Hon. K.O. FOLEY:** I am prepared to provide details of the package and other information to the IDC to assist the committee. The state played a significant role in securing the Mitsubishi investment. Based on the strategic importance of the auto industry and Mitsubishi to the state, the project received genuine bipartisan support. The government was able to convince the commonwealth to provide support, and also convince Mitsubishi Motors Corporation to accept a lower total support package than originally requested.

It was the first big issue with which we were confronted when elected to government. We knew we had to put a lot of money into it. We did not want to put in as much as Mitsubishi was wanting. We did a number of things. Robert Champion de Crespigny, Roger Sexton and the team at the Department of Industry and Trade, including David Litchfield and the former CEO Jim Hallion, had been working through this project. Jim Hallion and I went to Canberra for the first

meeting. All those officers and others worked well together to put the government in a strong position.

We did not want to just save Mitsubishi. We indicated that, if we are putting up money, we wanted a decent return. We negotiated a commitment from Mitsubishi for not only the new model and the benefit of increased capital expenditure that was involved in that project but also an innovative approach to ensure that we got a substantial commitment from Mitsubishi for ongoing research and development. While we cannot give the specific details, we are hoping that up to 300 engineers and technicians will be employed in the new R&D centre. They will be sourced both locally and, importantly for this type of venture, globally from Mitsubishi. We are hoping that the new research and development facility will provide the opportunity for Mitsubishi to design cars for other markets for Mitsubishi worldwide. The indications are that there is a real chance that that will occur.

I also indicate that I used the services of former premier John Olsen. He did not seek remuneration for his services. I asked him to come to see me early in the piece to have a coffee with me. John talked through the issue. Without any publicity or anyone really knowing—because that is how we wanted it to work—I said to John, 'Look, can you tell me how you have handled the situation to date,'—because he had corporate history with it—'and how you would handle it now?' I asked him for advice as to how he thought I should handle it; to give me an opinion as to how far he thought we could go; and how far he thought would be too far.

Without going into specifics, it was an important discussion. As a new minister in a new government, I had only one crack at this and, if I got it wrong, the consequences would be significant. John Olsen's important contribution was that, in a way, he provided guidance to the new government and gave me some good advice. I touched base with John on a couple of occasions, as we were tracking through this process.

John also met with, on our behalf, the Prime Minister, the head of the Prime Minister's office and other government ministers interstate. He also gave advice to the Premier as to how the government should handle negotiations, and also indeed gave advice as to how to proceed with discussions with the federal government. It was good advice and, again, an illustration that Mitsubishi was above politics. It was something that needed the involvement of people from Labor, Liberal, business and the bureaucracy—and we made it happen.

I think that is a tribute to those involved. It was a very good outcome for people such as Jim Hallion and David Litchfield who carried the project for many years; John Frogley and others in the Department of Industry; Roger Sexton and Robert Champion de Crespigny; and the former government. It is one of the rare occasions where we all worked together and did not politicise it. I suppose that is the point of getting some value from the Economic Development Board. If we can have a similar approach there, I think we have a chance of putting in place some cultural change in the way in which we deal with business in this state.

**Mr O'BRIEN:** What does the announcement of a third shift at Holden's vehicle assembly plant mean for the automotive industry in South Australia?

**The Hon. K.O. FOLEY:** Clearly, it would be a significant addition to productivity and production in South Australia. We are very pleased that Holden has announced export orders for the new Monaro coupe, badged as a Pontiac GTO in the United States. That in itself is a significant

achievement. The third shift plan will also require significant expenditure over the next two years of some \$400 million to eliminate the production bottlenecks that GMH has in its press shop, body shop and paint facility. Holden has already announced its plan to recruit 450 additional workers before the end of the year, and the number could be as high as 750 when the third shift is fully operational and bottlenecks are eliminated. It is good news for the member for Napier, given that it is in his electorate.

When coupled with the recent announcement of the new model investment project by Mitsubishi, the expansion of the state's automotive sector is likely, in all probability, to lead to an additional 2 000 component, tooling and related industry jobs over the next five years. The automotive sector is already the largest export sector for the state, and exports could arguably more than double over the next five years. At the recent Holden's manufacturing capability showcase, the Asia Pacific chief for General Motors, Fritz Henderson, admitted that he believed that Holden's current export target was too conservative, with potential to achieve export figures of 70 000 vehicles per year by 2008. This would mean annual production of 200 000 vehicles at Elizabeth and even more employment creation.

The good news story out of General Motors moves on. As a result of the expansion of General Motors and Mitsubishi, and the significant impact that will have on the component industry in this state, it is consolidating the critical mass of the automotive industry in South Australia. As much as we are keen to promote the benefits of the wine industry in South Australia as the world leader, the benefits that can accrue to the automotive industry are hitting that critical mass globally; and our global critical mass will give us two very powerful industry sectors that are world leading. That augurs well for the future.

**Mr O'BRIEN:** What is the government's position on the recently released position paper by the Productivity Commission on assistance arrangements for the automotive industry?

**The Hon. K.O. FOLEY:** We have put in a submission to the Productivity Commission inquiry. I met recently with the chair of the Productivity Commission. We welcome the majority of the preliminary findings of the commission's position paper released on 27 June. The government is pleased to see that the commission has recognised the need for continuing assistance to the automotive industry in the context of the significant structural and technological change the sector is facing, both in Australia and overseas, and in recognition of the important contribution the industry makes to the local and national economy.

Two key aspects of assistance obviously include the tariff issue (currently 15 per cent but to be reduced to 10 per cent in 2005) and the automotive competitiveness and investment scheme (known as ACIS) which provides funding to automotive firms for investment, production and R&D. The government supports continuation of the tariff at 10 per cent and the maintenance of ACIS or an ACIS-like program beyond 2005. Those positions, of course, have been advocated by the commission. However, the government does not support further tariff cuts in the tariff rate in 2010, as the commission is proposing. Any further cuts should be dependent on significant market access gains being won for Australian automotive products.

The commission brings down its final report in September. The South Australian government will lobby the commonwealth to maintain current levels of assistance while it is deciding what the level and nature of future assistance to the

industry will be. That is a well thought through position. It is at slight variance to the Productivity Commission, but I understand that it is the position put forward by the automotive industry, so I think we are in a good league there.

**Mr WILLIAMS:** Given the business interests of the new CEO of the Department of Industry and Trade, Dr Sexton, what requirements has the minister insisted on in relation to managing any actual or perceived conflict of interest? In particular, has the minister insisted on any requirement in relation to share trading?

**The Hon. K.O. FOLEY:** Dr Sexton is a very experienced investment banker and businessman who has a wealth of experience in both the private and the public sectors. That is why we chose him to head up the new agency. In the initial phases of his role Dr Sexton is managing the restructuring process and working with the review team chaired by John Dawkins, with Stephen Baker and Dick McKay, to put a new organisational structure in place. This new structure has recently been announced. Dr Sexton will now be the Chief Executive Officer of the Office of Economic Development and is in the process of abolishing the old departmental structure and establishing the new Office of Economic Development. As part of this process, a new contract will be put in place for Dr Sexton, because the position of CEO of the Office of Economic Development is a new position. The terms and conditions of his new contract will be substantially the same as those of his existing contract. I understand that the shadow minister and former treasurer has viewed or is in the process of viewing Dr Sexton's contract.

We put in place transitional arrangements which were agreed with Dr Sexton and which resulted in his resigning from directorships of all his external, non-family boards in South Australia by 30 June 2002. Dr Sexton has also put in place arrangements to divest himself of shares in major South Australian companies and those companies that are most likely to seek support from the South Australian government. Other shares and share portfolios in which he has a beneficial interest have been transferred to independent fund managers, and he has no direct involvement in or knowledge of decisions regarding the ongoing management of these portfolios.

In recognition of Dr Sexton's position, coming from the private sector and the likelihood that at some point Dr Sexton may wish to return to the private sector, we have allowed Dr Sexton to retain involvement as a director of three interstate boards, but they will be subject to ongoing review by the government. None of these positions is considered to be in conflict with his role with either the Economic Development Board or the Office of Economic Development. Indeed, his ability to retain links with the eastern states business community will be of value in his role here in South Australia.

These arrangements are consistent with contractual arrangements put in place by the previous government when Dr Sexton was Executive Chairman of the Asset Management Task Force. Dr Sexton is and has been made well aware of his disclosure and reporting obligations under the Public Service Management Act, should any situation arise during the course of his work which could present a potential conflict of interest. This obligation applies to all public sector employees. I am happy to consider any other element of the question that I have not answered and provide an answer.

**Mr WILLIAMS:** Prior to the last election, the former Treasurer asked the Department of Treasury and Finance to undertake a comprehensive review of the ICPC book to

consider the long term risk exposure to the state. Has the Treasurer been briefed on the report, and has any decision been taken as to the result of the report?

**The Hon. K.O. FOLEY:** That question should have been asked of me as Treasurer, because the ICPC scheme reports to minister Conlon, not to me. But I can say that I am aware of work being undertaken with respect to that. In fact, the Under Treasurer is either about to join officially or has joined the board as the Under Treasurer. Again, I will take the question on notice and get back to you with an answer.

**Mr WILLIAMS:** Last year's Department of Industry and Trade budgeted expenditure was estimated at \$192 million whereas the estimated actual expenditure was \$147 million. What are the reasons for the \$45 million underspend in last year's Department of Industry and Trade budget?

**The Hon. K.O. FOLEY:** I am advised that the bulk of it is \$31 million of capitalised expenditure, but I will get a complete breakdown for you and provide specific details of that.

**Ms BEDFORD:** What benefit has South Australia derived to date from the construction of the Adelaide to Darwin railway? For example, how many contracts and subcontracts have South Australian companies won on the project and what is the value of that work? What opportunities for South Australian industries have been identified through the government's involvement in the project, and what progress has been achieved to date on the construction of the railway?

**The Hon. K.O. FOLEY:** To date, South Australian companies have secured over 1 000 contracts and subcontracts. I am advised that the value of contracts, subcontracts and labour won by South Australia is \$327 million. The opportunity to quote for over \$700 million worth of work has been presented to South Australian industries as a result of the involvement of South Australian government representatives. Construction is due to be completed by early 2004. However, it is currently four months ahead of schedule and could possibly be completed by 2003. The total number of South Australian companies that have secured work cannot be determined, as ADrail provides a list only of contractors who have secured work above the value of \$10 000. The local content value of \$327 million is ADrail's claim, and this is currently being validated by the SA and NT governments.

The rail consortium has an obligation through the Local Industry and Aboriginal Participation Plan to consider South Australian industry for all construction contracts. The acquisition of rolling stock falls outside the Local Industry and Aboriginal Participation Plan; however, the South Australian government's involvement with local industry has been instrumental in securing the contract to provide ballast wagons. A letter of intent has been provided to a South Australian company to bid for the provision of all the traffic wagons and locomotives, at an estimated value of \$121 million to be used during the operational phase of the railway. Construction is ahead of schedule; over 500 kilometres of earthworks have been completed, nearly one-third of bridges enacted and over 220 kilometres of track laid. Two sleeper factories in Tenant Creek and Katherine are fully operational, with over 490 000 sleepers manufactured to date. OneSteel Whyalla has delivered 55 000 tonnes of rail to the Northern Territory.

What has concerned me since coming to government—and I am pretty certain that this would have been a concern of the last government—is that we have to make sure that we are properly inserted in the process of this railway. I have had one meeting with the Chief Minister of the Northern Territory

and the head of the bureaucratic structure that is overseeing the railway, and it would be fair to say that I am somewhat concerned that South Australia's interests are properly and sufficiently dealt with in the Northern Territory. This project is headquartered a long way away from us; it is in Darwin. This is no criticism of the former government, but it is a fact that it was unsuccessful in encouraging a number of personnel to work in the Northern Territory as part of the team overseeing this, and there are some policy issues.

The point I am getting at is that, obviously, for the next 18 months to two years the key focus for the Northern Territory is getting domestic freight off the road, onto rail and servicing Darwin. Sure, they have a focus on the export potential of rail, and I dare say the consortium would want to get the project as workable and viable as possible, given the need to get freight on it. That is understandable.

From our point of view, as South Australians, we have invested a lot of money—in the order of \$175 million, I think from memory. We need to ensure that enough attention is given to marketing the railway for international export opportunities. So I am flagging to the committee that I will be putting in a bit of work over the next few months to ensure that we are properly focusing on delivering export opportunities, that is, getting the consortium, the Northern Territory government and the South Australian government together and concentrating on exploiting the export opportunities. I am a little anxious, for the quite valid reasons that I have outlined, that that is not occurring as best it should.

**Ms BEDFORD:** What are the key elements of the Winemakers Federation of Australia's plans for developing the activities of the National Wine Centre into a viable and sustainable operation?

**The Hon. K.O. FOLEY:** I thank the member for her question. Had she been in the earlier committee, she would have heard an answer to part of this. For the benefit of the member for Davenport, I promise not to go on too long: it is bad enough having to listen to me on this topic once without having to get it twice. The critical condition of leasing of the Wine Centre to the Winemakers Federation is that it continues to operate the centre so that the original objectives of the centre are achieved in accordance with the existing act.

The key requirements are: to develop and provide—for public enjoyment and education—exhibits, working models, tastings, classes and other facilities; to encourage people to visit the wine regions of Australia and to generally promote national and international tourism associated with the wine industry; to increase the national and international profile of Australia's wine industry and thereby to enhance the industry's export potential; and reinforce the industry's learning culture through research and development, environmentally sustainable practices and commitment to innovation and quality. The Winemakers Federation proposes developing the centre into a financially viable and sustainable operation over a two to three year period. To this end, it intends to reduce operating costs via efficiency gains, increased promotion and inkind assistance from the wine industry.

A more detailed list of obligations and objectives for the future operation of the centre is contained in the terms and conditions for lease agreed with the Winemakers Federation. As I have said publicly, if the Winemakers Federation does not operate the lease in accordance with those terms and conditions, the government will have the right to cancel the lease. As I have said in this chamber, once we get to the point of finalising the lease arrangements, I will be happy to brief the opposition. I gave that commitment in parliament and I

think it is only fair, given that this is an operational lease for 25 years, that the opposition is briefed on the nature and the conditions of the lease arrangement.

**Ms BEDFORD:** Can you tell us anything about the terms and conditions of the 25 year lease?

**The Hon. K.O. FOLEY:** As I said, I will make available the agreed lease terms and conditions. I cannot table them but I will them make available to committee members. It is a long list and it will take quite some time to answer it. I am happy to read it out but, equally, I am happy to make it available. But the lease itself, as I said, will be made available to the opposition prior to it being agreed to.

**The Hon. I.F. EVANS:** Prior to the election the former government directed DTF, together with DIT, to undertake a comprehensive review of the Industry Incentive Attraction Funding (IIAF). Has the minister been briefed on this report and have any decisions been taken as a result of the review?

**The Hon. K.O. FOLEY:** I do not want to sound as if I am taking a lot of questions on notice, although I am. Treasury has had discussions with me about that. There are a number of things that the former treasurer put in train, most of which I think I have continued, but the exact nature of Treasury's review of that particular fund I do not have at my fingertips, and I am happy to get an answer for the member. My recollection is that work has been done. I am not certain of the nature of that work and I am happy to get an answer for the member.

**The Hon. I.F. EVANS:** Is the minister concerned about the series of strategic strikes orchestrated by the AMWU within the automotive industry, given the importance of the automotive industry to South Australia as demonstrated by his previous answers? What action has the minister taken or is the minister intending to take to prevent future strikes by the AMWU?

**The Hon. K.O. FOLEY:** Am I concerned about industrial action in our component industry? Yes. Can I do anything about it? I am the Minister for Industry and the state Treasurer. As the member knows, the issues that are being confronted relate to federal workplace relations legislation. It is federal awards, from my understanding, that are in dispute and issues relating to the federal sphere of responsibility. So, therefore, not only is the state in a limited position to intervene and to do anything, but as the minister who is not responsible for that area I am also limited. But I am quite prepared to say on the public record that I am concerned, yes.

**The Hon. I.F. EVANS:** Both Mitsubishi and Holden have indicated that they will consider buying automotive components from overseas suppliers, given the significant disruption to the Australian automotive industry. Can the minister advise what action, if any, his department has taken to develop a strategy to offset any automotive componentry being lost to the state of South Australia?

**The Hon. K.O. FOLEY:** We are working with the automotive component industry on their cluster approach and the Economic Development Board is looking at the issue of our component industry as we speak, because it is one of the real opportunities we have for expansion of our automotive manufacturing base here in South Australia. As I said in answer to an earlier question, the growth potential from the third shift at Holdens and the massive expansion plans for Mitsubishi will be a significant boost for the automotive component industry.

Suggestions that automotive companies would source their componentry from outside of Australia would, obviously, be of concern, but I think, in the context of the debate between

various participants in that area, probably the less said by me the better in terms of commenting on the industrial nature of it. But I would be confident that commonsense will prevail by all parties to ensure that the type of scenario that you have depicted does not occur.

**Ms CICCARELLO:** Some 80 000 or so small businesses will have to deal with full retail contestability in electricity supply from 1 January 2003. The unhappy experience of many medium sized business consumers in the last electricity tranche clearly demonstrated the importance of ensuring that customers are fully informed of their rights and the likely outcomes. Can the minister outline how the government plans to assist small businesses about to transfer to a fully contestable energy contract, particularly in regional areas?

**The Hon. K.O. FOLEY:** The advent of contestability for electricity has been a problem for the government. It was very poorly handled by the former government in respect of the second tranche of contestable customers coming on stream—the mid sized firms. Electricity prices increased between of 30 per cent and 90 per cent to 100 per cent in some cases. One of the great kicks in the guts for the state's competitiveness resulted from the very appalling handling of that electricity policy issue by the former government which was responsible for this massive explosion in prices.

Full retail contestability for the consumer market is coming on board on 1 January, but 80 000 or so small businesses will also have to deal with full retail contestability. We are working very hard to ensure that we do all we can and, as I said in an earlier committee, we are putting in place the Essential Services Commission, which will at least get the structure right for overseeing the regulatory role of the Independent Regulator. The Minister for Energy is planning an extensive public education campaign for full retail contestability later this year, and that will be aimed at small business and residential customers.

To ensure that we cover specific issues of small business in regional areas, I have agreed to support a proposal to trial a region-specific process, and that will be undertaken in the Riverland. That will provide very useful and important feedback for government for the broader program. An officer will be available to work with the Riverland energy committee to implement that pilot program. Clearly there needs to be a significant public education campaign. We intend to schedule that for September for business and November-December for residents. I assure the committee that we are doing all we can, bearing in mind that it is a bit like fighting with one arm tied behind your back and given the situation that we were left with by the former government.

**Ms CICCARELLO:** Can the Treasurer provide advice on the status of the various proposals to build new pipelines required to introduce new sources of gas into the state from interstate and overseas, and the government's role in these developments?

**The Hon. K.O. FOLEY:** The Seagas proposal has reached financial close. That is a gas pipeline that will be used, in large part, to fuel the National Power power station at Pelican Point, a station well known to many. It was built in the wrong location, of course, but that is history—it is a great power station but just in the wrong location. That will also help fire the Origin Energy power station on Torrens Island. It has to have an open access regime, so it will be available, arguably, for other access.

What concerned me in opposition, and those concerns remain in government, was that one of the big threats facing the competitiveness and security of our state's energy

supplies is the lack of diversity in our gas supplies. We relied totally on Moomba. We now have the Seagas proposal. It would have been better public policy if we had a more cooperative arrangement between the two proponents that were proposing a gas pipeline from Victoria. The Duke Energy Company had one proposal, and then there was the Seagas proposal, involving Origin and National Power. What I am saying was said by the former treasurer in the latter days of his government, but not enough was done in the early stages to promote it.

It would have been better if both parties had come together and we achieved a bigger pipeline that would have been open for more users. The commercial reality of the Seagas proposal is that it will not be as available to other users as a larger pipeline might have been. What I can say, and I will be very limited in my comments on this, is that Texas Utilities (TXU), which owns the Torrens Island Power Station, has expressed concern at the lack of diversity for gas in this state and is considering the possibility of working with others to develop another pipeline from Victoria. That was not its preferred option, it is not our preferred option, but it is an option that it is seriously considering.

I have had discussions with the company, I will be in the United States in the next couple of months and I intend to meet with the company. The government's position is that we will certainly be prepared to assist where we can, as the former government did and as we have done with the Seagas proposal. It would have been better to have a situation where two consortiums agreed to a larger pipeline, but, although it is not committed to it, Texas Utilities is giving very serious thought to alternative gas supplies, and I intend to offer government assistance in line with that provided to the other proponent. I will be having discussions with the company about that matter in a month or so.

**Ms CICCARELLO:** How will South Australian industry benefit from the development of wind energy as a major new source of renewable energy for the state?

**The Hon. K.O. FOLEY:** A lot of people are pretty keen on wind energy, as the member for Mackillop would know only too well from the experience in his electorate. The government is actively supporting and working with proponents of wind energy in South Australia. Dr Andrew Scott from my department is passionate about the opportunities that are available for the state, and I know that the member for Fisher accompanied Andrew Scott, company representatives and others to an international conference on wind energy in Scandinavia a few months ago, and the government is serious in providing support for such projects.

They are not without their controversy, and the member for Davenport, as a former minister for the environment, would be better aware of those issues than I. It is hard to hide a big windmill in terms of its environmental impact, and I know that is causing some issues with some projects. We think we have some unique sites in South Australia that have real potential for a strong wind farm industry in this state. Planning approval has been given for Starfish Hill and that is under construction, but as we know there are many other projects, some controversial, some not, some viable, some not, and the government is working through those.

Ultimately that industry must be sustainable. It has the benefit of green credits, but these projects cannot be reliant upon ongoing subsidies. They must be viable in their own right, taking advantage of commonwealth government incentives through credits. There are some things government can do at the margin but, if we are going to have a sustainable

industry, it must be sustainable itself and not reliant upon ongoing government subsidy.

*[Sitting suspended from 5.59 to 7.30 p.m.]*

#### **Membership:**

Mr Scalzi substituted for Mr Williams.

**The Hon. K.O. FOLEY:** I have indicated to the opposition that, having been here for a long period, I am more than happy to defer to the questioning of the opposition for a period to enable the committee to efficiently deal with the matters and the business before it. I would be happy for the opposition to ask me a series of questions at this point.

**Dr McFETRIDGE:** Given the public opposition of Mr Rob Champion de Crespigny to SAMAG, what arrangements have been required in relation to this project; and has Robert Champion De Crespigny given any understanding not to comment further publicly on this project?

**The Hon. K.O. FOLEY:** What I can say in answer to the question because I think it is identical to a question the member asked earlier, or it might be slightly different—

**The CHAIRPERSON:** The question was ruled out of order earlier.

**The Hon. K.O. FOLEY:** It is the question that was not asked before because it was out of order but is now in order. Immediately upon the appointment of Robert Champion de Crespigny—and I am not sure whether it might even have been raised prior to his appointment—the issue of SAMAG and the project with which he was previously involved, and of which I think he may have been a board member, was immediately identified as a real conflict of interest—not potential or perceived, but a real conflict of interest. Robert, quite appropriately, raised it with us and we raised it with him.

Robert provided me with an undertaking that he will not participate in any discussion with me or the Premier on matters relating to SAMAG. He will not share with me or the Premier his views on that industry. He will not participate in any meetings and he will not receive papers or other administrative issues relating to that project. I would assume that he has a similar protocol in place with the CEO of the department in terms of the issue as it relates to the Office of Economic Development. The conflict has been identified also with the chief executive officer and Robert, as you would expect from someone of high calibre and experience, understands the issues of conflicts better than most and ensures that he does not cross that line.

**Dr McFETRIDGE:** Prior to the last election, the former government was considering options of reducing accommodation costs by moving out of Terrace Towers. Will the minister indicate whether this option is still being considered, or will the existing lease be renewed?

**The Hon. K.O. FOLEY:** The option is being considered. It is expensive, and we are considering what our options may be. I really do not have much more to say at this point, but we are looking at it.

**Dr McFETRIDGE:** Is the government committed to a collocation of the Business Centre and the Centre for Manufacturing as the new Centre for Innovation, Business and Manufacturing; and has a new site for the centre been determined? If yes, has any extra budget allocation been made?

**The Hon. K.O. FOLEY:** No new site has been determined, but it sounds like a good idea to me and it is one on

which we share the former government's view, that is, it makes good sense. Finding a location for those organisations and any other apparatus of government then becomes a challenge. It is not in this year's budget; it would be in the following year's budget.

**Mr SCALZI:** What approval has the minister given to Mr Robert Champion de Crespigny and Dr Roger Sexton about the class of plane travel that can be utilised by both men?

**The Hon. K.O. FOLEY:** That is a good question. Dr Roger Sexton is aware of the requirements for chief executive officers for international travel. As for Robert Champion de Crespigny, I am not aware that he has undertaken any international travel at this stage.

**Mr SCALZI:** It is still up in the air! The government has announced it has implemented \$967 million in savings measures over four years. What is DIT's share of the savings task and what programs have been cut?

**The Hon. K.O. FOLEY:** Now we are getting to the meaty part of the night. The Department of Industry and Trade has contributed some \$6 million towards the very difficult mandate required by the Treasurer of South Australia. The savings requirement will be met through a combination of efficiency savings and some reduction in services and will be applied across all divisions within the department. Some \$2.1 million will come from efficiency savings in normal operating areas: this includes training, travel, IT expenditure and enforced efficiency savings across all areas. The asset replacement policy will also be altered to allow for some savings in the provision of replacement and upgrading of office equipment.

There will be a reduction of \$0.9 million in the projected consultancy program in the forward estimates and a reduction of \$3.4 million in funding linked to the economic development program for specific non-recurring projects that have been successfully concluded.

**Mr SCALZI:** Prior to the election, the former government was considering the option of moving the ICPC into DIT. Has the government made any decisions whether ICPC will be moving into DIT?

**The Hon. K.O. FOLEY:** We are looking at the ICPC project at present. The member for Davenport asked the question earlier. Treasury is having a look at it. There are varying views as to where it should be located—I know what Treasury would like to do with it—but I suspect DIT is quite happy with its current home, but it is something at which we are looking and it is probably not inconsistent with what the former government was looking at.

**The Hon. I.F. EVANS:** I want to ask a general question and almost engage in a discussion, to some degree, to try to work out the minister's view on the structural weaknesses that the minister might think exist in the South Australian economy and try to establish, in light of those weaknesses, what industries the government is seeking to attract to South Australia. The minister mentioned in an earlier answer South Australia's very strong reliance on the wine and automotive industries.

Some would argue that we are too reliant on manufacturing industry in South Australia and do not have a broader economic base. What does the minister see as the structural weaknesses in the South Australian economy and, as a result, what industries will be targeted for attraction to South Australia?

**The Hon. K.O. FOLEY:** I thank the member for his question, it is a good question: it is one that would have taxed

his mind as minister for industry and taxed the mind of the former government and one which taxes the mind of this government. One of the points that I made earlier in discussing the Economic Development Board is that I am ready to admit that I do not have the answers. I think I have some answers, but I think we need to be testing the minds of many to give us some serious help in identifying both the industry sectors and the types of companies we need to encourage in South Australia.

That is not passing the buck to an economic development board, because, ultimately, an economic development board will not have all the answers either. My view has been that, if we look at the history of our economy, we have been a very large industrial manufacturing economy sheltered behind very high tariff barriers. Those tariff barriers have come down, globalisation has taken hold, our industries are exposed to enormous competition. That is having a shake out effect (whether or not we like it) and exposing the weak and the strong: some of the weak will become strong, some of the weak will go.

That is a reality that none of us can avoid. What do we do as a government to try to broaden the economy to balance this shake out? The answer lies in developing and encouraging industry sectors that will naturally gravitate and be able to find competitive and comparative advantage out of our economy—you have heard all that before. I do not think the answer is all that difficult or hard to find. It will be in areas in which we have already demonstrated strength. It will be in manufacturing, but different sorts of manufacturing. It will be in automotive—that is becoming quite evident—but also it has to be in a stronger growth in service industries and in highly skilled positions. We do not have the other competitive advantages that other economies have with natural resources.

Queensland has good weather and Western Australia has a lot of mines. We have to develop our skills base and become a smarter economy. We have to target our economic development dollars better. With infrastructure, and maybe not even traditional infrastructure, government can assist the economy to take advantage of the information age in some of the non-traditional areas. We are doing a lot of work presently. The government, through the Economic Development Board, undertook early work in strategic areas such as tourism, film and the arts, automotive, defence, mining, energy, wine and food (which the former government did a lot of work to identify), infrastructure, regional development, health, biotech, transport logistics, and environmental industries.

Overall we have to increase our skill level and quality of skills and access more capital. We are an economy with very poor availability of capital—not just venture capital but capital generally—so we have to get the financiers from the eastern seaboard to look at South Australia in a way in which they are able to advance finance to our state better than they have in the past. We have to identify the projects for them to be interested in. I do not think any of that is substantially different from what your government did or what former governments wanted to do. We are simply trying to find a different way of doing it, and the Economic Development Board is one way of doing it.

**The Hon. I.F. EVANS:** As a follow up, has the minister sought or been given any advice in relation to industry sectors that should not receive government financial assistance? I will explain further what I am driving at. If we are to develop growing industries, new technologies or attract different industries to the state, one of the arguments the officers will

probably put to the minister, if they have not already, is that certain industry sectors are currently receiving government assistance and that assistance should be withdrawn and put into the new areas. Has the minister received that advice yet and, if so, what areas are you targeting to have funding or assistance withdrawn?

**The Hon. K.O. FOLEY:** You should have asked me that question earlier in regard to what Treasury's advice would be from time to time. We are trying to say that we have to be serious about not propping up companies that are not viable. Former Labor governments have done that, and your government did that.

**The Hon. I.F. EVANS:** Are there sectors that you see as not long term and therefore you are not going to support them?

**The Hon. K.O. FOLEY:** I would not identify a sector in particular. There may be types of industries or activity within sectors that one may be a little less aggressive in attracting, such as call centres—that is a long held view I have.

**The Hon. I.F. EVANS:** Given that the government is establishing an office of sustainability under the Minister for Environment, is the government considering imposing environmental conditions on government assistance to industries or companies through your agency as it does on job performance and economic growth criteria in respect of grants? In other words, you have a mechanism where, if companies do not meet certain job targets, portion of the grant can be reclaimed and those sort of provisions. Are any provisions or performance requirements placed on a company that receives government assistance in an environmental sense?

**The Hon. K.O. FOLEY:** You know me well enough, Iain—I will be careful what I say. I am not aware that we are putting conditions upon industry assistance that requires particular environmental benchmarks to be delivered on, but clearly with any assistance the company would be required to meet the existing laws, planning requirements and EPA requirements of industry. Those standards are pretty tough and well known. As to the specifics of your question, no, it does not seem to be something we would do—or not that I am aware of or can recall at this point.

**Dr McFETRIDGE:** What is the Department of Treasury and Finance estimate of the cost of the government's promises to establish an enterprise zone in the Upper Spencer Gulf? What relief will be offered to an individual business located in the zone, and are any additional zones being considered?

**The Hon. K.O. FOLEY:** The government is of the view that enterprise zones are models that can work, and we have announced publicly that we are looking at options in the Spencer Gulf area, but I am not in a position at this point to give an answer to that question because the details of any potential economic development zone have not been sufficiently advanced to give an answer now. However, when we do have information we will make it available.

**Dr McFETRIDGE:** Has the small business advisory council been retained within the Department of Industry and Trade, or has it been transferred to the Minister for Small Business?

**The Hon. K.O. FOLEY:** At this stage we are finalising the arrangements for the new structure, and that matter is before government at present. From a responsibility viewpoint, it reports to the Minister for Small Business and not to me.

**Dr McFETRIDGE:** For many years the Minister for Industry and Trade has received advice from a body like the Manufacturing Industry Advisory Body. Will the minister continue with an advisory board like MIAB, and will he confirm whether he will add two or three union leaders to the board or beef up its union representation?

**The Hon. K.O. FOLEY:** I am meeting with MIAB soon and have said, 'Let us look at how it is working.' It is a good opportunity with a new government to review it in the context of it doing the review and telling me how it thinks we could work better. That is in the process of being worked through. I would not be at all surprised if it says that there is room for further union representation from the manufacturing sector. I do not know whether it will do that; I suspect that it might, and it would be favourably received from the government if it did. That is not a problem.

We are looking at how MIAB can provide value to me and to the government in terms of an advisory board. I have asked both the Engineering Employers Association and the industrial side of it to come back to me with some options. One of the things that has always struck me in this state, notwithstanding the earlier question of the member for Davenport in respect of the national industrial disputation revolving around national issues, is that the industrial movement in South Australia and the manufacturing sector have worked closely together for 50 years, if not longer.

Certainly, when we were last in government—and, I suspect, it was much the same under the former government—the working relationship, particularly between the Engineering Employers Association and some of the key industry unions, was pretty good. They managed to put the industrial issues to one side and talk policy, and that has added value to government and is something that we should enhance, if we can.

**Mr SCALZI:** I could be parochial and ask the minister about Lochiel Park, but I will ask about the Edinburgh Park automotive precinct. Have land sales in the park met budget targets, and will the minister provide for each of the forward estimate years the original estimates and the latest estimates of sales?

**The Hon. K.O. FOLEY:** I have to say that Edinburgh Park was a very good initiative of the former government. The Department of Industry and Trade, and the departmental officers, should be complimented on a very clever strategy. While, being a treasurer, the money is always a worry, the concept of clustering of components companies, enabling real value to be added to the General Motors location, adds value to General Motors and provides a competitive advantage in attracting component companies to South Australia.

The point was made by the member for Davenport earlier about companies sourcing from overseas if they cannot get what they want locally due to industrial disputation or whatever. If these companies are collocated and become almost seamless in their transactions with each other, those sorts of choices become difficult for the major companies. I believe it is a very good policy decision.

In partnership with the commonwealth, council and private investors, the department of industry is undertaking staged development of the land. This has been prompted by the fact that appropriately zoned and reasonably priced industrial land is in short supply in Adelaide. The market's failure to develop large industrial land parcels has been a problem. I am advised that, due to the lumpiness of the development and the relative lack of depth in purchases, DIT

will outlay some \$35 million, recoverable from land sales over some four years.

Stage 1 of the automotive precinct has been developed, creating 19 allotments for sale. One allotment has been sold, two are contracted, one contract is in preparation, four have been committed, seven are on hold for prospective purchasers and four are available for sale. Stage 2 contains nine allotments for sale, and firms are already expressing interest in six of these. It is proposed to bring the stage forward by one year. The first new buildings have been completed, two others are under construction, and two existing buildings have been refurbished and leased to tenants and will be sold this year.

The automotive precinct will gain significant momentum when Holden announces its sourcing program for the new VE Commodore. Stage 1 of the defence precinct has commenced to provide the site for BAE's regional headquarters. There are seven other firms on the site, and one of these—Raytheon—has announced that it will develop its regional headquarters on the land. A second company—Ball Aerospace—is also expanding into existing buildings. Other firms have expressed interest in expansion in the medium term. DIT is investigating the needs of firms associated with DSTO, the RAAF and the Australian Submarine Corporation. I think that in itself answers the earlier question by the member for Davenport about how and what sort of industry sectors we go after.

If governments can provide the infrastructure, as you did in this instance—and admittedly we will probably have to provide some assistance to the component companies—that is good use of taxpayer resources. We will hold those companies in that park a lot longer than we would have done if we were just to pay a cheque to a company to set up an operation, because the minute the money runs out they leave.

**Mr SCALZI:** It is good to hear those positive comments about the former government's initiatives.

**The Hon. K.O. FOLEY:** It was good work.

**Mr SCALZI:** Thank you, minister. Will the minister provide an update on the program by DIT in attracting automotive manufacturers to Edinburgh Park? The minister has probably partly answered my next question with regard to the type of companies. Would the minister care to expand further on this point?

**The Hon. K.O. FOLEY:** The first tenant, Air International, has already completed its development within the automotive precinct. Two further buildings are under construction by Australian Arrow and Miratoor, and they are hoping to commence operations in the park from September 2002. That is all I can say at this stage, because, as the member would appreciate, things are in the confidential stage. However, things are going well.

**Mr SCALZI:** What is the working relationship between the Minister for Small Business and the Minister for Science and Information Economy and the Department of Industry and Trade (DIT)? Do any officers of DIT report directly to the minister, in particular, those officers working in the innovation area?

**The Hon. K.O. FOLEY:** Until now, it has been an accommodation of need. The portfolio restructuring has to be completed and clear lines of reporting and communication put in place. As a new government, we have not been able to advance those as quickly as we would have liked. Once the restructuring is finalised, which will be very soon, all the communication channels will become clear and they will be made available to the public and to the opposition.

**The Hon. I.F. EVANS:** As to the question of the government's strategy in relation to the industrial relations issues affecting the automotive industry Australia wide and your answer in relation to Edinburgh Park, just bear with me, minister, while I explain where I am coming from. The automotive industry worldwide is moving to what is known as 'just in time' supply. Essentially, automotive parks are built next to manufactures, the component suppliers are established there and basically manufacture enough of the goods to meet the next day's production of Mitsubishi or Holden—in this case Holden. As the minister is aware, that is happening.

The unions now see this as an opportunity to exploit the automotive industry for either wage or industrial relations reform. They know that, if they can target the next widget manufacturer that has one day's supply only, ultimately, they can hold the automotive industry to ransom. We have seen a targeted campaign with Hendersons and others Australia wide where the South Australian automotive industry has been brought to its knees because of industrial disputes—some in South Australia and some in other states. So, clearly, the modus operandi of the industry has really invited union intervention to a higher level because of the way they operate with 'just in time' supply.

There is an opportunity for the union to step in and exploit the fact that there are low supplies. That is why I asked a question earlier about what strategies the government has in place to deal with the AMWU. The way I see it, the AMWU now has an opportunity to damage severely the South Australian automotive industry—and I say this most sincerely. I believe that they have an opportunity to do significant damage to South Australia's economy and the automotive industry if they are not handled properly. I am concerned. I have asked the Minister for Industrial Relations questions in the house and, basically, the answer is the same as the minister has given. There is a consistent government line, which is that it is a federal issue.

I put it to you, minister, that that is not a sustainable position. The industry damaged by this action will ultimately be South Australian. I wonder whether the minister will sit down with the automotive industry and the union to try to come up with an agreed strategy that protects the union's position—if that is what the ministers want—and that particularly protects the credibility of the automotive industry in South Australia.

While the minister maintains that Mitsubishi and Holden have sizeable investments in the automotive industry, the level of their investments in the worldwide company is not as large as the minister might believe. They are big in South Australian terms, but, when you are talking Mitsubishi and Holden, they have massive amounts of money available to them, and the investment here might not be as big as it could be. I am concerned for the long-term future of the industry. The 'just in time' supply combined with the union's action could do us a lot of damage long term if the government does not broker an approach—by the industry, as to how they will handle it, and by the unions, as to how they will approach the issue.

**The Hon. K.O. FOLEY:** First, 'just in time' in the automotive industry is not something that has arrived in the past two years. Your point is well made about the collocation of Edinburgh Park, and I made the point about looking towards seamless operations. I can say from the point of view of someone who worked for 13 years in the steel industry (and that was a few years ago now), 'just in time' has been

around for quite some time. I am going off at a tangent here, but you read some books about manufacturing technology, and everyone is quick to claim credit for inventing this great piece of efficiency called 'just in time'. It was clearly designed and developed by accountants. Why hold stock when somebody else can hold stock? I worked in an industry that suffered, from the suppliers' point of view, the hassles of 'just in time'. It has been around for quite some time; it is the only way business is done now, and it is a good way to do business.

Do I wish industrial disputation did not happen? Absolutely. What can I do about it? Well, I do not think your government had an answer. This is not something that has arisen just in the past couple of months; it has been around for some time. The Tristar development was when you were in government, from memory. What did your government do to intervene in that situation? It is not a simple matter between Labor and the unions, or what Labor can do and what Liberals can do. On a number of occasions, your government had real frustration with what was happening on the industrial front, whether that be the action of a union or an employer, or whether it be the actions of both. When there are issues that are clearly national industrial campaign issues, what can a state government do? What are you suggesting I do?

This matter has been raised with both General Motors and Mitsubishi. I assume the matter has been raised by both governments at different times by the respective ministers with the unions. That I, Mike Rann or Michael Wright could pick up a telephone to the Secretary of the metalworkers union and say, 'Come on, guys. Can we settle this?' is a situation that does not and cannot happen—I do not know whether you have been reading the papers lately in terms of the metalworkers and the Labor Party. It would be counter-productive and would have the opposite effect.

We are in an industrial environment created by your conservative government. It has dictated that it wants a system where bargaining occurs, and with bargaining comes disputation. Governments cannot intervene. There is a limit to what a federal government can do. That is the system that the coalition federally has wanted for Australia industrially. The Labor Party had a different system and a different approach in terms of a stronger emphasis on conciliation and arbitration, but that is not what your federal colleagues and your party want. You have every right to put in place your policies; you are in government. The effect is that disputations do occur.

I am at a loss to know what you think a state government can do. I am happy to ring the Secretary of the metalworkers union and the head of General Motors, but I know what they both will say: I do not have any powers. The only role a government might have would be to broker some discussions but, knowing how the trade union movement and the large employers in this nation work, I do not think there is any lack of ability for dialogue. I think dialogue occurs far more often than any of us care to think. It is not the role of the state government to intervene. I will throw the challenge back to you—and we do not have to have the debate tonight. If you can give me some concrete ideas about what you think we should do in this matter, I would be happy to receive those ideas and consider them.

**The Hon. I.F. EVANS:** Underpinning the automotive industry is a tooling and foundry capacity. I am aware of work undertaken in previous years in relation to continuing to develop the tooling and foundry industries. What is the future of Foundry Park? What foundries, if any, propose to

move there in the foreseeable future? Is Foundry Park still being established? Is it being sold off for non-foundry enterprises? What is the future of the foundry industry? What programs are you undertaking in relation to the tooling industry?

**The Hon. K.O. FOLEY:** I am advised we are in the process of looking at developing Stage 2 of the Cast Metals Precinct at Ottoway, and a number of companies are established there now. There is demand on the available product in terms of the land there, and I am advised that there is a need to consider the second stage of the Cast Metals Precinct to make it available for the foundry and tooling industry. The ongoing problem of foundries located in suburban Adelaide is very difficult, as it was for your government. It is a costly exercise, but I know of one foundry that we are hoping to encourage to relocate to Cast Metals Precinct, Foundry Park.

Some of these foundries have long-established businesses in residential areas, and the cost of relocation and remediation is very significant. Again, it was a good piece of public policy and a good initiative to develop the Cast Metals Precinct. It was a little slow to get off the ground, but it is now moving. It was another good, smart use of government resources to offer a distinct area for these types of activity. The hard part is getting companies who can afford to relocate there and who we can afford to help do so.

**The Hon. I.F. EVANS:** Treasurer, prior to the election you made a number of promises about promoting industry clusters and, indeed, attacked the former government for allegedly not supporting clusters. The Labor industry and trade policy stated:

We believe our plan for a Centre for Innovation and the new focus on developing clusters for industry will be the key to a more prosperous future for all South Australians.

However, Budget Paper 4, page 3.11, under Performance indicators states:

The number of network clusters established in the year 2001-02, 21; in the year 2002-03, 10—a reduction of more than 50 per cent.

The reason given is:

Likely reduction in level of activity due to resource allocation changes.

So, in other words, there will be budget cuts. How does the minister defend his 50 per cent cut in this important area of developing industry clusters?

**The Hon. K.O. FOLEY:** You have to be careful with these performance indicators; they have to be read twice. I am advised that the end of year result for 2001-02 for the 21 clusters is the end of year result over approximately five years, not just one year. Because our policy, which you have just read out, was so strong on clusters we want to do 10 in the next year.

**The Hon. I.F. EVANS:** As a supplementary question, if the budget papers say that the reason given is 'likely reduction in level of activity due to resource allocation changes,' is the minister seriously saying that, although the budget papers say that there will be a reduction in the level of activity, there is in fact an increase in the level of activity? Is that the minister's advice from his officers?

**The Hon. K.O. FOLEY:** I will ask Dr Don Swincer, who is overseeing the project, to answer that question, not because I cannot answer but I suspect that he can and will do it much better.

**Dr SWINCER:** The member would be aware that most of the clustering activities at the moment are undertaken through Business Vision 2010. That is where the funding

from the Department of Industry and Trade goes for those clusters. I sit on that cluster board and over about five years, both with Business Vision 2010 and DIT, about 21 clusters have been formed. The clustering work involves three areas including the direct establishment of clustering, networking (which is about the pre-stages of clustering) and collaboration.

The budget papers refer to a reduction in the areas of networking and collaboration, so there will be a reduction of funding in those areas. At this stage there is not planned to be a reduction in the funding for clustering, but there will be for networking and collaboration. The concentration will go into the clustering area, and it is hoped to produce another 10. I think that is highly ambitious. If we can get 10 in the next 12 months, that is a good target. If the member looks at the past four to five years, one would suspect that that target would be ambitious.

**The Hon. I.F. EVANS:** Is there an increase in funding for clustering?

**Dr SWINCER:** There is no increase in funding for clustering.

**Dr McFETRIDGE:** The Adelaide to Darwin rail link was talked about before in glowing terms—and so it should be. What work is DIT undertaking to support the establishment of a road-rail intermodal facility at Port Augusta to integrate with the Adelaide to Darwin rail link?

**The Hon. K.O. FOLEY:** That issue was raised at a recent country cabinet meeting in Port Augusta. We are giving consideration to that issue; I cannot say more than that at this stage, but it is still under review. The issue of logistics and the use of the rail line is important. Earlier I made the point to one of my colleagues from the government side that my concern is to ensure that we are doing enough work to get into a position to extract real value from the rail link for our export competitiveness. A lot of that work will revolve around our ability to get the logistics correct. We are doing a lot of other work, not just in the Port Augusta region but also at the Adelaide end. I cannot reveal anything at this stage, but some exciting logistics opportunities can come from this project in terms of South Australia and Adelaide as a transport logistical centre.

**Dr McFETRIDGE:** Is the minister intent on phasing out complete funding for the Regional Development Infrastructure Fund; and, if so, when? Was a regional impact statement conducted on this decision; and does the minister accept that regional job growth projects will be lower than in the past three years?

**The Hon. K.O. FOLEY:** We are continuing the fund for the next 12 months. We have been reviewing it. The panel that recommends on the project met today, I assume to move through some projects. The Regional Development Infrastructure Fund has been continued for a further three years, I am advised.

**Dr McFETRIDGE:** The lack of industrial land in Adelaide has been a problem for many years. Does this budget include any allocation of funding for industrial land purchase and development?

**The Hon. K.O. FOLEY:** The sum of \$13 million is allocated for Edinburgh Park in this budget. We have talked a lot about that recently. There is a bit of money for the cast metals precinct, but that has come through the environment portfolio, I am advised. The Department of Industry and Trade is working closely with Planning SA, and particularly in respect of the need for land designated for industrial use for a further 15 to 20 years.

We are analysing changes in industrial land holdings and the uses that have occurred since 1996; to ensure that plan amendments reports, that is, zoning changes, give effect to the planning strategy and avoid conflicts with adjoining land uses; to work with and assist the owners of significant holdings of industrial land to define the opportunities their land presents; and to facilitate the redevelopment of industrial sites, that is, brownfield redevelopment sites. As I said, the major budgetary contribution is for the Edinburgh Park project.

**Mr SCALZI:** The minister will be aware of my interest in this question, and indeed the member for Norwood might have some interest in this question.

**The Hon. K.O. FOLEY:** J.P. Morgan!

**Mr SCALZI:** How did you know? Will the minister provide an update on the J.P. Morgan project at the former Payneham Civic Centre site at Felixstow; in particular, is the project on target and when will the centre commence commercial operations?

**The Hon. K.O. FOLEY:** It is on target. Construction must be finalised by December 2002—we expect that to occur—to satisfy J.P. Morgan's occupation deadline within time and within budget tolerances—there will be a 'please explain' on that. It is 3 per cent—typical building industry jargon; no wonder Iain Evans knew what that meant. I assume that that is plus 3 per cent beyond budget; I suspect it is not a minus 3 per cent attached to that tolerance.

Despite strong opposition by sections of the local community—not of course the member for Hartley who was silent throughout the parliamentary process on this—the City of Norwood, Payneham & St Peters sold the Payneham Civic Centre site at Felixstow to the Industrial and Commercial Premises Corporation for this development. The government has adhered to all legal and procedural requirements associated with the purchase of the site. What else did the honourable member ask?

**Mr SCALZI:** When will it commence commercial operations?

**The Hon. K.O. FOLEY:** Early 2003, I assume.

**Mr SCALZI:** How many people will be employed at the site in December? That is of interest to my community.

**The Hon. K.O. FOLEY:** And to me! They will relocate 200 people from Bedford Park, I am advised, and over time a further 250 people will be employed. They will be voting in the honourable member's electorate, so he will need to be nice to this development. He needs to go down and suck up to the management of J.P. Morgan and explain why he was on the steps of Parliament House—

**Mr SCALZI:** I was always honest and open about the project, as the constituents on 9 February—

**The CHAIRPERSON:** The member for Hartley should ask his second question.

**Mr SCALZI:** Thank you. My next question relates to targets for 2002-03 at energy parks. What action has been taken by DIT in relation to encouraging energy parks at Torrens Island, Port Augusta, Ladbroke Grove and Tarpeena?

**The Hon. K.O. FOLEY:** Work is being done. You mentioned Tarpeena and Kimberly-Clark and work being done there. I assume we are talking about co-generation opportunities for Kimberly-Clark and gas pipeline opportunities for exploiting a particular area. The idea of an energy park at Torrens Island is now under review, now that I have heard about it. Apparently, we are looking at opportunities for companies that might like to reside right next to a power station. I was only joking about a review.

**Mr SCALZI:** Fish markets on Sundays?

**The Hon. K.O. FOLEY:** Probably; I do not know.

**Mr SCALZI:** Will the minister provide details on the purposes for his coming overseas visit, who will be travelling with the minister, what countries and cities he will visit and the estimated total cost of the trip?

**The Hon. K.O. FOLEY:** I am happy to provide that information for you; I do not have it at my fingertips.

**The Hon. I.F. EVANS:** Treasurer, what are the 10 industry clusters targeted to be developed this year? I know the papers mentioned a naval cluster based around the submarine corporation. What are the other nine?

**The Hon. K.O. FOLEY:** We are working with Business Vision 2010. You have highlighted the naval aspect of defence. We are working with industry groups to come to us and promote the industry clusters that they think should be formed, and we are working very closely with Business Vision 2010.

**The Hon. I.F. EVANS:** I have a supplementary question. The committee has been advised that the budget is exactly the same for the clustering development, but over five years we developed 21 and on the same budget this year we will do 10, and now we are told that the government is relying on the industries that wish to be clustered approaching the government. We have drafted 10 clusters into the budget. The officers must have some idea what those 10 clusters are, otherwise they would not have recommended to Treasury and the minister to put them into the budget. They must have been approached by the 10 cluster groups. If the minister cannot provide an answer tonight I am happy for him to take the question on notice.

**The Hon. K.O. FOLEY:** We will be happy to provide it for you.

**The Hon. I.F. EVANS:** The Treasurer might find this hard to believe, but I have actually found a question on industry and trade that relates to my electorate. Will the minister provide to me the following information? I am particularly interested in the Adelaide to Darwin railway line, because the Adelaide to Melbourne railway line runs through my electorate, and one would assume that increased growth in freight is projected on the Adelaide to Melbourne line which will eventually end up on the Adelaide to Darwin line. That will raise some issues in certain electorates throughout the hills, concerning the number, length and noise of trains. Will the minister provide for me information about the annual tonnage of freight that currently goes on the Adelaide to Melbourne line, and what is the projected tonnage of freight that will go on the Adelaide to Melbourne line once the Adelaide to Darwin line is complete? I know you will not have that information before you, but if your officers could research and provide it, I would appreciate that.

**The Hon. K.O. FOLEY:** I appreciate the electoral dilemma that would be caused for the honourable member if the Adelaide to Darwin line caused excessive train movements through his electorate, but I am sure the honourable member is more than capable of explaining to his electorate why he supported the rail link. The specific details you are after are not readily available to the Department of Industry and Trade. I suggest that that would be a good question to put on notice to the Minister for Transport.

**The Hon. I.F. EVANS:** As a supplementary question, with due respect, minister, it was Jim Hallion, former head of that department, who did a huge volume of work. You yourself put on record your thanks to Mr Hallion earlier in the estimates committee. I do not believe for one minute that

within the agency of industry and trade and economic development there is not a business case that established the need for the Adelaide to Darwin railway line. In that business case will be the projections for an increase in freight. I have already written to the Minister for Transport about three months ago and have yet to receive a response.

**The Hon. K.O. FOLEY:** If we can get it and it is not commercially restricted through any arrangements with the consortium that is building the railway link, I am more than happy for my officers to have a quick look at it when they get the opportunity. If it is there you can have it, provided that it does not conflict with any commercial in confidence requirements that would have been imposed by your government. We will obviously enforce them if that is the case, but I am sure that we can at least look at that for you.

**The Hon. I.F. EVANS:** Thank you; I appreciate that. Will the minister outline what work DIT is now undertaking to support the development of a defence industry systems cluster?

**The Hon. K.O. FOLEY:** Good question. I assume we are talking about the defence precinct. This is the one I mentioned as having commenced at the BAE site at Salisbury. We have BAE's regional headquarters at the defence precinct. Seven other firms are on site and one of these, Raytheon, has announced that it will develop its regional headquarters on the land. A second company, Ball Aerospace, is also expanding into existing buildings. The other firms have expressed interest in expansion in the medium term. DIT is investigating the need of firms associated with DSTO, RAAF and the Australian Submarine Corporation. There is also the Defence Teaming Centre, which we are supporting, at this point at least, at Technology Park.

**Dr McFETRIDGE:** Just for the record, on behalf of the residents at Somerton Park, what incentives are being offered to foundries such as Castalloy at Plympton North and the Paringa foundry at Somerton Park to move from these two primarily residential areas, and have other foundries been assisted in relocating to the new northern location?

**The Hon. K.O. FOLEY:** We are working with Castalloy on the possibility of part of its operation locating to the cast metal precinct. We cannot give you any more detail than that. What was the other firm?

**Dr McFETRIDGE:** Paringa foundry at Somerton Park.

**The Hon. K.O. FOLEY:** It does not ring a bell.

**Dr McFETRIDGE:** It stinks.

**The Hon. K.O. FOLEY:** I do not think we are working with that company at present. You are at liberty to contact the department to ask advice as to what could be done for that company, but I do not want you to think that we have a body of money available to relocate these companies, because we do not. We want these companies to relocate under their own devices.

**Dr McFETRIDGE:** It is near the Paringa Park Primary School and a number of residences.

**The Hon. K.O. FOLEY:** That is too common a problem in too many suburbs, unfortunately.

**Dr McFETRIDGE:** Will the minister update the committee on the work undertaken by DIT with the m.Net project, and what are the possible economic opportunities for South Australian companies as a result of the project? Perhaps the minister could explain a bit about m.Net. According to the targets for 2002-03 at page 3.7 of Budget Paper 4 the target is to:

Continue to work with the m.Net Australia project to maximise opportunities to the state from wireless infrastructure and applications.

**The Hon. K.O. FOLEY:** Adelaide's m.Net Australia project is an advanced broadband wireless data network and associated technology applications which is being trialled in both city and regional locations. It is one of three national incentives funded by the commonwealth government under the advanced network program established to support the development, testing and demonstration of advanced telecommunication networks and test beds. DIT was instrumental in facilitating the establishment of the m.Net Australia consortium.

In 2001 m.Net won an AMP grant of \$9.23 million to be provided over three years. Also, m.Net Australia participants have agreed to provide an extra \$24 million of in-client support. DIT has committed \$1.8 million in support of the project, of which \$800 000 will be provided in cash over three years, to be used to partially fund m.Net's industry program. m.Net will deliver an advanced research environment, a sophisticated development and test bed environment, and a comprehensive support network for the creation and commercialisation of innovative mobile internet applications and technologies by South Australian and Australian companies.

**Dr McFETRIDGE:** Is DIT having any discussions with the new owners of Normandy Mining about providing financial incentives to maintain a headquarters and central office in Adelaide?

**The Hon. K.O. FOLEY:** As the member would be aware, the previous government provided support to Normandy Mining's head office in South Australia. We are having ongoing discussions with the new owners about what may occur. It will not necessarily be what was originally agreed to but we are not yet at the stage that we can say what the situation will be.

**Mr SCALZI:** Will the minister update the committee on the progress of the South Australian magnesium project, and will it be able to commence operations in South Australia?

**The Hon. K.O. FOLEY:** The SAMAG project, of course, is supported by this government, which we did in opposition and which the previous government did. We have continued to commit and support the commitment of the former government for a \$25 million assistance package. Under the previous government, it was initially based on a gas lateral which would have facilitated a power station and significant development. The company no longer requires the same size gas lateral nor a power station—it can use existing power station facilities. We have reconfirmed the offer of \$25 million of assistance which will be an infrastructure package, because there are WTO issues that one must be always mindful of. But it is serious assistance that will be put on the table.

I make the point, and it is a very important point, that it was the previous government's intention, expectation and, indeed, requirement, as it is this government's expectation and requirement, that South Australian government assistance is contingent upon a commitment from the federal government. The federal government commitment has been talked of as being sizeably in excess of the South Australian government commitment. We do not have the financial capacity to wear this project on our own, nor should we as a government be expected to meet the financial requirements of this project without a sizeable contribution from the commonwealth government. Our support, like your support—

and I am advised that this was a condition of your support, and it remains a condition of this government's support—is contingent upon federal government assistance, and sizeable assistance.

**Mr SCALZI:** Last year DIT provided 2 260 small businesses with enterprise services which this year have been reduced by over 11 per cent to 2 000. Why has the minister decided to reduce assistance to small business in his budget when small business is the backbone of the South Australian economy?

**The Hon. K.O. FOLEY:** I am not the Minister for Small Business. The advice I have is that that question, or a similar question, may have been put to the minister earlier today and an answer provided.

**Mr SCALZI:** I have not had a chance to look at *Hansard*. Last year DIT funded a successful electricity demand pilot project for businesses which was managed by Business SA. Is the minister providing any assistance this year to businesses along the lines of the successful pilot project?

**The Hon. K.O. FOLEY:** That is a bit cheeky. We would not have to do it if you had not left us with the electricity problem that we have. I am advised that we have a full-time officer in the centre for innovation and business whose role is to specifically look at these issues. Earlier, I announced to the committee details of a pilot program in the Riverland where we have an officer working from Adelaide with the Riverland community on this very issue.

**The Hon. I.F. EVANS:** Is DIT providing funding to the electronics industry association and the defence training centre? In the defence training centre you said—

*The Hon. K.O. Foley interjecting:*

**The Hon. I.F. EVANS:** I think it would be the Defence Teaming Centre, yes. In your previous answer you said 'for the time being', so I read into that that they are being reviewed.

**The Hon. K.O. FOLEY:** They were being reviewed by your government because I remember getting a delegation to the Economic and Finance Committee. I met with them because we were reviewing them because you were reviewing them, and I was not quite sure where we were. We are putting substantial money into the electronics industry, as you did, and that is an ongoing three year program. The Defence Teaming Centre is under review and I cannot give advice on the situation at this moment, but I will when I can.

**The Hon. I.F. EVANS:** The government, in this section of the budget papers at least, is predicting jobs growth of 3 000 through investment in key industries. What are the key industries in which you see the creation of 3 000 jobs? What industries are you targeting?

**The Hon. K.O. FOLEY:** It is to underpin the work of the Economic Development Board and the Office of Economic Development and it will be the strategic areas that the government is focusing on. They are: tourism, film arts, automotive, defence, mining, energy, wine and food, infrastructure, regional development, health, biotechnology, transport logistics and environmental industries, to name the majority of them. They are the sectors that we are targeting.

**The Hon. I.F. EVANS:** Which regional development boards is the government talking to in relation to facilitating investment in telecommunications infrastructure?

**The Hon. K.O. FOLEY:** That is a good question to put to the Minister for Regional Affairs.

**The Hon. I.F. EVANS:** With due respect, it is in your targets, it is in your budget line.

**The Hon. K.O. FOLEY:** They are all in there but the minister is responsible for that. We will have a look but, as I said before, while the agency may be in the structure of the Department of Industry and Trade, it is reporting to a separate minister, and that minister will be up at a later stage. Officers are working with all the boards about that but, if the member wants any more specific details, I suggest he ask the Minister for Regional Affairs.

**Dr McFETRIDGE:** Budget Paper 4, page 3.9, lists a highlight for 2001-02 as being completed profiles of electricity use in eight key sectors. Will the minister undertake to provide a copy of those eight profiles to the committee?

**The Hon. K.O. FOLEY:** That work is being undertaken by a policy group within the Department of Industry and Trade. I have no problem in making that available to the committee.

**Dr McFETRIDGE:** Although after today's great revelation by the minister that we should not hold him to account for things said in opposition, the minister was very—

**The Hon. K.O. FOLEY:** Certainly not before this committee because I am not accountable for my actions in opposition.

**Dr McFETRIDGE:** The minister was very critical of expenditure by DIT and state marketing programs such as Directions and indicated he would be making cuts to DIT's budget. Can the minister indicate what cuts he has instituted to state marketing programs such as Directions in this year's budget?

**The Hon. K.O. FOLEY:** The Directions program has been cut by this government, in-flight programming has been cut and some other internal promotional work is being reduced.

**Dr McFETRIDGE:** I refer to page 3.9 of Budget Paper 4 and industry development targets for 2002-03, which lists a program to encourage business and skilled migrants to settle in South Australia. What plans, funding and selection criteria does the government intend to put in place?

**The Hon. K.O. FOLEY:** Immigration SA is the state government's strategy to increase South Australia's share of the national intake of business and skilled independent migrants. The Immigration SA program consists of four elements: skilled on arrival services package; business establishment incentive package; marketing and promotion of South Australia as a settlement destination; and regional migration initiatives.

Approximately 2 136 families have come or are expected to come to South Australia through the Immigration SA program since July 1997. Immigration SA is an important component of the government's efforts to boost state economic development by simultaneously increasing the population and consumer base, helping to meet the needs of industry for skills that cannot be found locally, and creating employment in South Australia in newly established businesses.

The business establishment incentive package includes the following key services: exploratory visit support; relocation services; job creation incentive; and industry consultation subsidy. We provide marketing and promotional activities and we are a foundation sponsor of Asia TV. We use the state-specific migration mechanisms available, the regional sponsored migration scheme and the state/territory nominated independent scheme. Under the STNI scheme, the South Australian government can nominate for migration people

with skills that are needed in our state. A recent survey of 16 families (47 people) who arrived in South Australia under the scheme in the 12 months to August 2001 demonstrated that 100 per cent of those families are still residing in this state.

**Mr SCALZI:** The minister, when in opposition, was very critical of the amount of money being spent by DIT on investment attraction. The budget paper highlights a decrease to \$55.1 million this year. Does that figure include any of the Mitsubishi or SAMAG commitments and, if not, where are these commitments accounted for in the budget? Are the funding levels in the forward estimate years for investment attraction maintained at this level up to \$55 million or do they decline as was approved by the former government in last year's budget?

**The Hon. K.O. FOLEY:** With respect to Mitsubishi, there will be a payment this financial year with the balance being paid in 2005-06. In 2002-03, the Mitsubishi payment will be \$15 million. The SAMAG project is provisioned within the forward estimates, spread over three years, depending on when the project is approved and payments are drawn. We would expect in the best case scenario a small drawdown this financial year, with the bulk in the subsequent financial years, and I am advised there is provision for that in our forward estimates.

**Mr SCALZI:** The minister acknowledged in the highlights for 2001-02 that the former government changed the focus of strategic investment programs to key areas of ICT, food, back office, defence and opportunities in emerging industries. This changed focus highlighted the move by the former government away from call centres, and I note that the minister made some reference before to call centres. Can the minister clarify whether the new government will continue the focus of the strategic investment programs outlined above?

**The Hon. K.O. FOLEY:** That question has been asked a number of times in various ways and I have more than answered those questions previously.

**The Hon. I.F. EVANS:** The papers reveal in payments of supply and services that in 2001-02 the estimated result was \$29.7 million and in 2002-03 the budget is \$18.7 million. What is the reason for the \$11 million reduction?

**The Hon. K.O. FOLEY:** I am advised that that is a combination of the \$6 million savings initiative that I have outlined, together with a clawback of carryover by Treasury and Finance. If there is any difference I will advise the committee.

**The Hon. I.F. EVANS:** In a similar style of question, the papers reveal, in advances granted, \$31.5 million in 2001-02 as an estimated result, and \$0 million in 2001-02 as the budget. What was the reason for the difference?

**The Hon. K.O. FOLEY:** That is something that obviously happened under the member's government as well. The amount of \$31.5 million was budgeted as being grants, but was given out as loans. So it appears as a grant but is provided as a loan, and that often happens.

**The Hon. I.F. EVANS:** I recall that now; you have refreshed my memory on that.

**The CHAIRPERSON:** There being no further questions, I declare the examination of the vote completed.

#### ADJOURNMENT

At 8.52 p.m. the committee adjourned until Wednesday 31 July at 11 a.m.