

HOUSE OF ASSEMBLY

Tuesday 17 June 2003

ESTIMATES COMMITTEE B**Chairman:**

The Hon. R.B. Such

Members:

The Hon. I.F. Evans
 Mr R.M. Goldsworthy
 Mrs J. Hall
 Mr T. Koutsantonis
 Mr M.F. O'Brien
 Mr J.R. Rau

The Committee met at 11 a.m.

Department of Treasury and Finance, \$38 639 000
 Administered Items for Department of Treasury and
 Finance, \$954 498 000.

Witness:

The Hon. K.O. Foley, Deputy Premier, Treasurer, Minister
 Assisting the Premier in Economic Development, Minister
 for Police, Minister for Federal/State Relations.

Departmental Advisers:

Mr J. Wright, Under Treasurer, Department of Treasury
 and Finance.
 Mr P. Grimes, Deputy Under Treasurer.
 Mr B. Rowse, Deputy Under Treasurer.
 Mr D. Imber, General Manager, Finance.
 Mr M. Priadico, General Manager, Government Account-
 ing and Reporting.
 Mrs K. Moore, Director, Revenue.
 Mr R. Schwarz, Assistant Under Treasurer, Economics.
 Mr R. Emery, Director, Financial Services.
 Mr C. Moore, Manager, Communication Services.

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

The Hon. K.O. FOLEY: Yes, we have. The opposition had a complaint but I think it has been resolved.

The Hon. I.F. EVANS: My understanding is that no-one from the government has spoken to the Hon. Rob Lucas. I know that no-one has spoken to me. We would prefer to sit past 6 p.m.. We may seek to ask a few questions in relation to SAICORP, Super SA, SAFA and SAAMC and have a longer time for either DTF or those groups afterwards. In other words, Funds SA, MAC and the Office for Economic Development may be brought forward because we might have a few questions in the SAICORP, Super SA, SAFA and SAAMC area. My understanding is that there has been no communication between the Treasurer's office and the Hon. Rob Lucas's office.

The Hon. K.O. FOLEY: I am disappointed that the Hon. Rob Lucas is upset because I have not spoken to him, but, if that upsets the Hon. Mr Lucas, I am deeply troubled. The opposition is free to ask whatever questions the opposition wishes to ask and I as minister will choose to answer what questions I choose to answer. We will be sticking to the timetable as agreed. The opposition liaised with the Hon. Dean Brown as the leader of opposition business, and if within the Liberal Party the dries do not talk to the wets, then that is not my problem. We have negotiated with the Hon. Dean Brown and we have agreed to a timetable. Surprise, surprise, but it is my understanding—and correct me if I am wrong—that it is what we agreed to last year and it is what you gave me in opposition.

As someone who has sat for eight years in opposition and who has been belted around the ears by every Liberal treasurer and leader for eight long solid years, I know a little about opposition estimates, and the way in which I was treated in opposition compared to the way in which we are treating the opposition is chalk and cheese. As I said, ask all the questions you wish, but I will be sticking to the timetable, as published, which is more than enough time to cover the ground that you want to cover. Unlike the Hon. Rob Lucas, who gave 20, 25 minute answers, I will keep my answers very brief. You can ask as many questions as you like because, unlike the Hon. Rob Lucas, I am not afraid to answer questions. With those few opening shots, I am happy to receive the onslaught from the opposition.

The CHAIRMAN: 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 committee secretary by no later than Friday 25 July. I propose to allow both the minister and the lead speaker to make an opening statement if they wish. There will be a flexible approach to giving the call for asking questions based on approximately 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 should be identifiable or referenced. Just on that, to save time, unless someone is asking something which is pretty obtuse, I will not ask members to specify exactly which line because it takes up a lot of time of the committee but, if it gets out of hand, we might have to revert to that approach.

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, it is purely statistical and limited to one page in length. All questions are to be directed to the minister, not the minister's advisers. The minister may refer questions to advisers for a response and, in that case, I would ask the adviser to indicate their position for the sake of *Hansard*. I declare the proposed payments open for examination and refer members to appendix D, page two in the budget statement, and part 3, Volume 1 of the Portfolio Statements. The minister can make a statement if he wishes.

The Hon. K.O. FOLEY: From memory, the Hon. Rob Lucas—and I stand to be corrected—would give a 15, 20,

25 minute opening introduction. I do not intend to make an opening statement.

The Hon. I.F. EVANS: Prior to this year's budget there were a series of pre-budget leaks claiming significant cuts in expenditure by the Premier and the Treasurer in their departments so that millions of dollars could be transferred to the hospitals. For example, an article in the *Advertiser* of 10 April this year states:

The Premier Mike Rann has ordered a cut of nearly \$4 million in his department's budget. The money will be directed to the state's hospitals. This amounts to an 11 per cent cut in the department's budget of \$34.2 million for this financial year. It comes on top of \$2.3 million cuts which were put in place also for this year by Treasurer Kevin Foley.

Senior Treasury sources at the time advised the Liberal Party that these claims by the Treasurer and the Premier were simply not true. Budget Paper 4, Volume 1 (page 316) shows the DTF budget total expenses for 2003-04 are some \$67 million, whereas the total expenses for 2002-03, estimated, were some \$64 million. In other words, there has been a \$3 million increase and not a cut, as put out to the press. Does the Treasurer now admit that there has been no reduction in spending in DTF and, therefore, no transfer of millions from DTF spending to hospital spending?

The Hon. K.O. FOLEY: The substantial savings from the Department of Treasury and Finance, and the Department of Premier and Cabinet are tabled in the budget papers as a revolution in the amount of information provided now by governments on budgets. We now detail all the cuts. They are there for everyone to see, and you can answer your own question by reading the budget papers.

The Hon. I.F. EVANS: I follow that answer with a supplementary question. Is it not true that in actual fact there has been no cut to Treasury in money transferred to hospitals? The Premier is out there saying there will be an 11 per cent cut to your agency to go to hospitals. Is it not true that that has not happened?

The Hon. K.O. FOLEY: As I said, the cuts in savings in the Department of Premier and Cabinet and the Treasury department are substantial, real and in the budget papers.

The Hon. I.F. EVANS: How does \$3 million in expenditure from last year equate to an 11 per cent cut?

The Hon. K.O. FOLEY: The cuts to the Department of Premier and Cabinet and the Department of Treasury and Finance are substantial and real, and are detailed extensively, line by-line in the budget papers.

The Hon. I.F. EVANS: I refer to Budget Paper 4 (page 3.2). During the election campaign, the Treasurer was very critical of what he called the excessive growth of the number of fat cats in total employment in DTF. In his Labor costing documents, the Treasurer attacked the fact that total employment within DTF was set to rise to some 710 full-time equivalents, and he promised to reduce the numbers. It is interesting to note that the Treasurer is now preparing to increase the total full-time equivalents from some 721 in 2001-02 to 846 next year—an increase of some 125 full-time equivalents. How does the Treasurer justify asking other ministers to reduce full-time equivalents while his department is allowing this massive growth?

The Hon. K.O. FOLEY: You will not let go of that election that you lost. I know Rob Lucas sits in his office—and he is probably doing it right now—lamenting the fact that he is no longer the treasurer of this state. That is an interesting observation. You have quoted from the budget papers. You have answered your own question.

Mr KOUTSANTONIS: Treasurer, I refer to your budget statement (pages 7.6 and 7.7). What is the current status of negotiation between the government and the US power giant NRG Energy Inc.?

The Hon. K.O. FOLEY: With regard to the opposition's question, some of the staff increases are in support services to parliamentarians. It comes under my 'administered items' line.

The Hon. I.F. EVANS: Even if we only get one extra staff member each, it is still only 69 out of 125.

The Hon. K.O. FOLEY: I am just making an observation.

The Hon. I.F. Evans interjecting:

The CHAIRMAN: Order! It is time members came to order.

The Hon. K.O. FOLEY: I am putting quite a few into parliament, actually.

Members interjecting:

The CHAIRMAN: Order! All members need to calm down and get on with the job.

The Hon. K.O. FOLEY: As members may recall from past statements of mine in parliament, at 5 p.m. on 10 December 2002 I attended a meeting at which I was informed that one of the companies involved in the Liberals' failed privatisation of South Australia's electricity assets, Flinders Osborne Trading Pty Ltd, a subsidiary of NRG Energy Inc., was on the verge of entering into voluntary administration. Such a move had the potential to trigger a liability which I was advised at the time was projected to be in the order of \$140 million in present value terms to the taxpayers of South Australia under guarantee arrangements negotiated by the former government and the former treasurer, the Hon. Rob Lucas.

Following receipt of this advice, the government immediately began high level discussions with NRG Energy Inc. and its advisers, as well as the controlling banking syndicate. It has largely been as a result of these proactive efforts of this government that the temporary continuation of funding from Flinders Osborne Trading has been secured. This has delayed the immediate call on the government's guarantee thereby at this point saving the taxpayers of the state from a loss in excess of some \$140 million. The government has continued to monitor the situation throughout the initial organisational restructure of the US parent, NRG Inc. to ensure that the state is adequately represented in any proceedings commenced in the United States.

As members may be aware, on 14 May 2003 it was reported publicly that NRG Inc. had filed voluntary petitions for reorganisation under chapter 11 of the US bankruptcy code. Chapter 11 provides a process for rehabilitating a company's faltering business under the supervision of the US bankruptcy court. This process sometimes results in companies successfully working out a plan of reorganisation with the US bankruptcy court, creditors and stockholders to return to profitability. However, at other times it does lead to the company's liquidation. At this stage, the government is uncertain of the outcome. Since the events of late last year, the government has worked cooperatively with representatives of NRG, its subsidiaries and its financiers. Arrangements have been negotiated which will greatly relieve the government's exposure to the Osborne arrangements in the short to medium term.

I am able to confirm today that formal documentation implementing the advised arrangements between NRG Flinders and its financiers has recently been executed.

The government has now been advised that the voluntary petitions for reorganisation under chapter 11 of the US bankruptcy code filed by NRG will not affect the implementation of these arrangements. Furthermore, NRG has advised the government that the indemnity provided by NRG to the government in respect of the government's guarantee will be preserved and will not be directly prejudiced by the chapter 11 process, subject to final court approval.

This is a very good result for the people of this state. Based on our latest advice it would appear that this government's tough stance in the face of enormous pressure from the international power giant NRG has paid dividends and saved taxpayers a bill in the order of \$140 million. However, the government and its advisers will be closely monitoring the chapter 11 process and stand ready to take the appropriate action, which the company and its advisers are well aware of and which is within our power, to ensure that the indemnity provided by NRG and the government and the implementation of the arrangements are not directly prejudiced by the chapter 11 process.

Mr KOUTSANTONIS: In relation to Budget Paper 3, what is the method of application of the Save the Murray River levy to country SA Water customers?

The Hon. K.O. FOLEY: Mr Chairman, I seek clarification. Given that this is a bill before the house, is it appropriate for me to canvass the methods by which we will be applying that, or would you prefer me not to?

The CHAIRMAN: You should not pre-empt debate. You should be careful in what you say.

The Hon. K.O. FOLEY: As it is an important matter contained within the budget and it is subject to some discussion, the government will be announcing and clarifying the application of the levy. As we know, the levy was announced as part of the 2003-04 budget in response to increased funding pressures aimed at saving the River Murray. The financial requirements for all governments are huge, and I appreciate that the member for Davenport, as a former minister for the environment, would be more aware than most of the enormous pressures the river is under. I thank the opposition for indicating its support for the levy. The levy will be confirmed by legislation as we have indicated. The levy is expected to raise \$20 million per year and apply to approximately 500 000 SA Water customers. As we have publicly said, residential customers will be charged \$30 and non-residential customers \$135.

Country land customers with land holdings of less than 10 hectares will be assessed at the residential rate of \$30. I know that would be of interest to the member. In respect of the treatment of rural SA Water customers, there are two types of customers. There is what we call the country land customers. There are approximately 20 000 country land customers. In many cases, multiple land holdings, whether or not contiguous, are amalgamated under one assessment. This is the case within a single country lands water district where the properties are farmed as a single entity under the one ownership. Regardless of the number of meters on the property, such land ownership will incur only one levy. The amount will depend on the size of the land holding, that is, above or below the 10-hectare threshold. Where farm properties are not amalgamated, owners can explore the potential benefits of this option by contacting SA Water. We will be making sure that the country lands people are aware of how to make those arrangements with SA Water.

The other category is the supply by measure customers—and I am sure the member for Davenport will be familiar with

this customer. There are approximately 20 000 such customers, not all of which are farmers or country properties. These properties cannot be amalgamated under a single assessment. Each property served is regarded as a separate customer. For supply by measure accounts, only one meter is permitted per assessment. So, supply by measure customers will pay a rate of \$30 per meter, not \$135 per assessment. We think that is a fair and equitable way to approach the levy. I thank the opposition for its support, and the bipartisan approach it has demonstrated on the application of the Save the Murray water levy.

Mr KOUTSANTONIS: My last question is in relation to Budget Paper 3. What was the accrual budget outlook when this government came to office, and what improvements are expected over the next four years as a result of the 2003-04 budget?

The Hon. K.O. FOLEY: I will pass around a document, which shows the general government accrual net lending and cash surpluses; and the performance of the state since 1998-99 through to the expected performance in 2006-07. It is an interesting picture. I thought members might like to reflect on that document because it is a good picture. It shows that the accrual budget outlook across the forward estimates has improved significantly since this government came to office. An accrual surplus is expected in 2002-03, and in the forward years, notwithstanding a small deficit in 2003-04, we will be seeing growing accrual surpluses.

Immediately upon coming into government, I requested a full briefing on the budget position, as it was presented in 2001-02 mid-year budget review. We do not need to go over the history, but some urgent action was needed by government—and we undertook that. The accrual position presented in the government's first budget in 2002-03 reflected an improvement in the general government accrual forecast with a deficit in 2005-06 reduced to \$96 million. Estimates contained in the 2003-04 budget have improved significantly since the 2002-03 budget and further since the 2002-03 mid-year review, reflecting favourable movements in parameters underlying the budget, higher revenues and increased estimates of commonwealth grant receipts. Expenditure measures in the budget have been met largely from savings, revenue measures or provisions set aside in the 2002-03 budget.

The 2003-04 budget forecasts an accrual surplus of \$312 million in 2002-03, and an accrual surplus of \$109 million in 2005-06. This represents an improvement of some \$485 million in 2005-06 accrual forecasts since the 14 March 2002 update. In addition, the 2006-07 forecast of a \$133 million surplus is significant, as from that time the budget bottom line will no longer be supported by larger dividend distributions from the South Australian Government Finance Authority and the South Australian Asset Management Corporation. I couch all my answers to questions today: this is the advice provided to me and it is the advice I am providing to the house.

Members should look at the chart and note the history of the performance of government budget management, and bear in mind that in 1998-99, some five years since the Liberals took office, they were still running accrual deficits of some \$297 million and a cash position of some \$212 million negative. I am advised that the next year the accrual deficit had grown to some \$471 million and a cash deficit of \$239 million. In 2000-01, again there was this huge deficit in accrual terms of some \$399 million and a cash deficit of \$108 million. Clearly, the former treasurer—and I know I am

not here to criticise him, but I think it needs to be put into context—was incapable of good budget management and was not able to wrestle with this huge consistent accrual deficit. What we have seen since Labor came to office in 2002-03 is a \$312 million accrual surplus. I acknowledge that we have been the beneficiary of strong property growth—and I do not want to be unfair on the former treasurer. That is largely the result of a surge in revenue. That is why we have paid it off debt, despite the bleatings and commentaries of many—and we know how good a budget manager the deputy leader, Dean Brown, was; he is always out there telling us to spend. We have paid it off debt because we think it is the prudent thing to do, because, to a large extent, it is a one-off.

Then we see a vast structural improvement in the budget, rising at this stage to a \$133 million surplus in 2006-07. That is an extremely significant turnaround since the years under the former treasurer, the Hon. Rob Lucas. I have acknowledged that Stephen Baker, as a former treasurer of the state,

had a difficult job upon coming into office in 1993. Notwithstanding all my criticisms at the time, Stephen Baker had to deal with a very difficult situation. The brakes were let off when the former treasurer, Rob Lucas, held the chair and we have had to repair it. We think we are doing that and we think the results are good. More work needs to be done, but I think the state, from a budgetary point of view, has a structurally sound budget and it is now a case of maintaining that position.

Mr KOUTSANTONIS: I would like this document inserted into *Hansard* as a record. It is of a purely statistical nature. There is a precedent for this. Mr Gunn, when he was chairman in transport estimates in 1998-99 and 2000-01, ruled that we could insert this sort of information into *Hansard*.

The CHAIRMAN: It is purely statistical and one page, or less, so the chair will accept that.

General government accrual net lending and cash surplus 1998-99 to 2006-07 (\$ million)

	1998-99 Actual	1999-2000 Actual	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Actual
Accrual net lending	-297	-471	-399	-124	312	-20	77	109	133
Cash surplus	-212	-239	-108	-50	509	83	133	219	224

The Hon. K.O. FOLEY: As I have said, if any of the figures we have quoted are inaccurate in terms of my contribution, we will correct the record.

The CHAIRMAN: Following the member for West Torrens, I would like to ask a question. It dovetails with his question. Often, constituents say, 'Obviously, there been increased revenue from poker machines and the property boom,' and they are a bit confused about the GST and when it flows through to the states. The question they ask is why we do not have extra money for schools, hospitals and police. I guess the bottom line is that our society, collectively, has never been wealthier yet a lot of the public services always seem strapped for cash. The question they ask is where has the money gone and where is the money going. In lay terms, they would like a simple explanation of why things are not getting better more quickly.

The Hon. K.O. FOLEY: I will answer that in general terms and try to couch the answer in what is easily understood language. This is my interpretation and others may have different views. Historically, our state has tended to trade as a government in the red. Former Labor governments, as well as conservative governments, notwithstanding the great difficulties that the former Liberal government inherited—and I would be churlish not to acknowledge that—have effectively traded in the red. That is, we have borrowed money each year to pay salaries and, when the economy gets weaker, we simply go deeper into the red.

Again I acknowledge the work of the former government—in making the decision, although unfortunately it did not do any work to actually get there—when it adopted accrual accounting. Under accrual accounting we properly account for and present the true costs of government, the true costs of running a business. The cash results had been open to manipulation—governments of all persuasions have done that—but on accrual presentation your focus is fully on your budget and you cannot shift money around, as used by some governments of the past.

We have said that we cannot continue to pay the wages of our teachers, nurses, doctors and politicians from borrowing money. You can do that in a cyclical context if you can get the structural shape of your budget right, but when the economy is strong we should be banking surpluses so that, when the economy goes through its cyclical phase and goes into a downturn, you might want to slip a little into deficit. If that is the structural shape of the budget, the budget can withstand that. Therefore, the focus, we believe, must be on simply getting the budget into a surplus position where you can pay wages from surpluses and not by borrowing money.

The money that we have had, the almost \$500 million cash result in this financial year, we have elected to pay off debt, which has freed up tens of millions of dollars of interest payments that we can then use for locking in sustainable services. If I were to spend that \$500 million by locking in, as some would want me to, more social workers and other resources, what do I do when the \$500 million runs out? You have the spending locked in, but the revenue is there for only a finite period. If you choose to spend \$500 million over three years, what do you do in years 4, 5, 6 and 7? The legacy that you leave for a government of the future is a legacy that I am not prepared to leave. So, what do you do with the money? I suppose the other option is that you can spend it on an icon project, but this government is not into that.

Mrs HALL: Except the Power bridges.

The Hon. K.O. FOLEY: I can understand the member for Morialta being interested in icon projects: she had a crack at one herself. And it was iconic, as the member for Davenport and I used to laugh at back in the mid-nineties. But of course things changed. That was a great improvement to our state's infrastructure, the soccer stadium. The bridges over the Port River were actually agreed to by the member for Morialta's government. I know that Diana Laidlaw was not one of your fans, but she was the minister who got that project under way. And we support it. She did good work and she was a good minister. So, we paid that money off debt, because that is the sensible thing to do, and that has freed up some tens of millions of dollars of interest payments.

The surpluses that we are building have to be there for unavoidable and unexpected cost pressures that may accrue over the forward estimates period. They may be there for further debt retirement. They may be there for increased spending if we think that these are sustainable and are locked in. They are all the decisions governments can make in each budget process. But essentially, under this government, the money has gone to pay off debt or provide targeted, sustainable quality improvement in services. We are spending more on human services, more on education, more on policing and more on the environment, and we are ensuring that we are carefully targeted in how we spend that money.

Mrs HALL: Looking at page 8.2 of Budget Paper 3, the figures clearly reveal that the Labor government has inherited a state economy that was performing extremely well, with a GSP growth and employment growth in 2001-02 and 2002-03 growing at about the same rate as the national economy. However, Treasury is now predicting that next year under Labor South Australia's employment growth will be just over half of the nation's employment growth, and that we are going to see South Australia with 1 per cent and Australia with 1.75; and South Australia's economic growth at 2.5 per cent, which is significantly less than Australia's growth prediction at 3.25 per cent.

Does the Treasurer accept that budget policies that increase training costs by 50 per cent for apprentices and trainees, cut employment programs and increase business costs—and we can go through them all: taxes, charges, gas prices, etc.—will not help jobs growth in South Australia and will contribute to Treasury's prediction of a decline in South Australia's economic performance?

The Hon. K.O. FOLEY: I used to ask those questions when I was in opposition, as to why Treasury forecasts on economic growth were always conservative and why they always seemed to be very measured. The answer I give would probably be pretty similar to what the former treasurer gave. That is, that Treasury should always be careful, considered and conservative in forecasting. I am sure Rob Lucas would not have wished otherwise, any more than I would. You would rather be surprised on the upside than on the downside.

I do not want Treasury giving me bullish forecasts because it makes the budget papers look better and we can lock in higher expected revenue growth and all that, so the budget numbers are inflated. I think a prudent approach is a very conservative, measured, controlled approach, and then we will see what occurs in the performance of the economy. But the economy is going through an outstanding period. I am not churlish: I actually give credit to the former government. Many of my colleagues say that I give credit too often. Many of my colleagues say that we have too many former Liberals assisting this government. I say 'nonsense' to that, with all due respect to my colleagues who say that to me.

You get talent from where you get talent and, if former Liberal politicians and conservative business people are the best at their job, you get them to help the state. A great spirit of bipartisanship has been around the state for the past 12 to 18 months, and that is a force we are harnessing. We are seeing good economic performance, but the former government also had some good economic performance in its latter years, yet it did not win the election. But you learn from your mistakes. You bounce back. We have a good economy and the forecasts are good. It was great news last night from General Motors-Holden's, the 1 000 new jobs, the third shift, and we are going to keep presiding over a strong economy.

That is why a very strong balance sheet, with the flexibility that that gives government, is the single best thing any government can do for the state's economy. Robert Champion de Crespigny, the Under Treasurer and I, along with others, recently visited Sydney and Melbourne presenting the budget and the work of the Economic Development Board to senior financiers, senior bankers, rating agencies and others, and I was very pleased with the positive response we received. South Australia is on the radar of the eastern seaboard, and I think the financial and economic performance under this government is being watched very closely and with great enthusiasm from the eastern seaboard.

Mrs HALL: Will the Treasurer confirm that in 2001-02 the Department of Treasury and Finance underspent by \$6.9 million and that the Treasurer approved the total as carryover expenditure for 2002-03? If so, why did most agencies (such as Health and Education) not get approval for all underspending to be carried over to 2002-03 when the Treasurer gave approval for his own agency to keep all of its underspend?

The Hon. K.O. FOLEY: As I said, the Hon. Rob Lucas is not the treasurer of this state any more, but he is having great difficulty understanding that. The way the former treasurer used to treat underspends I found quite extraordinary. There was no discipline in cabinet and no discipline in budget management. There was no attempt to put quality financial management into government. We are doing that, and we have done that. The carryover situation is clearly available for all to see. Read the budget papers.

Mrs HALL: Last year's budget outlined the fact that the Treasurer's contingency line included \$548 million for 2002-03; \$584 million for 2004-05; and \$563 million for 2005-06. Will the Treasurer confirm that this year's budget has reduced significantly the funds in the Treasurer's contingency lines for these three years? If so, what are the new reduced levels?

The Hon. K.O. FOLEY: I point the member to the budget papers.

Mr O'BRIEN: What are the benefits to the state of achieving a AAA credit rating?

The Hon. K.O. FOLEY: The member for Napier, as a successful businessperson, would appreciate that how your business is viewed by financiers, bankers and the markets is extremely important. In getting the structural shape of this budget correct and the state's balance sheet in the strongest possible position, in my judgment it has become clear that, in the medium term, our state should be in a position to seek a credit upgrade. We are the only mainland state that does not have a AAA credit rating. The reasons for this are pretty obvious: the collapse of the State Bank, and the early work done by Stephen Baker not, unfortunately, being formally followed up by the former treasurer Rob Lucas.

With this budget, we think we are building a strong base so that, in the medium term, we should be able to look at a credit upgrade. That may take some years, but I think we should be talking about it. That is why last week I visited Moody's and Standard and Poor's and, in a few weeks time, I will go to the United States to present our case for an upgrade and then allow the credit rating agencies to judge us. If we can achieve a AAA credit rating, it will clearly signify a lower general level of state debt. Members opposite might say, 'What did we do with the sale of ETSA?' You sold ETSA, but you still did not fix the structural shape of your budget. You were still borrowing money every year to fund government services, notwithstanding the fact that you had sold ETSA. Under our figures, a billion dollars of debt may

be reduced over the course of the forward estimates—if that is the course of action that is chosen—without any asset sale.

Lower levels of debt will obviously deliver lower interest charges and, if we are able to generate surpluses, that will therefore free up more money for services or other uses for that money rather than funding the deficits that may appear. As a result of the lower level of debt in the budget, I am advised that net interest expenses have reduced by \$37 million or 25 per cent (estimated by 2006-07). South Australian debt is now comparable with that of other mainland states and, together with the structural shape of the budget, it now resembles that of other states. After the sale of ETSA the debt came down, but the structural shape of the budget was poor. This was confirmed to me by one of the rating agencies which said, 'We weren't looking favourably at you when you were still running big deficits, but now that you seem to be eliminating those we're prepared to have a bit of a look at you.'

The 2003-04 budget will bring our position closer to what we think should be the case for gaining a AAA credit rating. The most significant benefit for the South Australian economy and our state from having a AAA credit rating is the broader confidence of interstate and overseas investors. It will provide a boost for creating a stronger business investment environment in South Australia and, ultimately, it will promote stronger employment and economic growth in South Australia than otherwise may have occurred.

I think it also demonstrates that we are a government with very sound financial management expertise. When people want to invest in Australia, they will look at South Australia and say, 'This is a pretty good mob over there.' I will leave a legacy for the next government (a re-elected Labor government or a future conservative government) so that it will not have to go through the pain that this government has gone through.

Mr O'BRIEN: What levels of general government debt are forecast in this budget, and how much has the government reduced debt as a result of this budget?

The Hon. K.O. FOLEY: The actual level of general government debt is there to see. As at 30 June 2002, it was \$1.303 billion. My advice is that, under the measures in the 2003-04 budget, it is estimated that general government net debt will reduce to \$766 million this year. I am further advised that there will be a reduction of \$537 million, mainly through the application of its surpluses, if that is what future budgets choose to do with those surpluses. Net debt is forecast within the current forward estimate settings to reduce to \$232 million by 30 June 2007. The decrease in net debt results primarily from general government cash surpluses across the forward estimate period.

The former government generated gross proceeds from the asset sales under its program of \$7.621 billion from 1993-94 to 2001-02. Of this amount, \$6.916 billion was directed towards retiring debt. The remaining \$705 million is required to meet costs or liabilities associated with the asset sales. That is not a bad figure for the journos who are interested: \$7.6 billion of asset sales. However, I am advised that \$700 million of that was needed to meet the liabilities associated with the asset sales, and the budgets were still running into deficit.

My advice is that, notwithstanding those large asset sales (\$7.6 billion), \$700 million went to pay the costs and/or to meet other liabilities associated with those asset sales. I am further advised that the former government's budget policies added a further \$2 billion in state debt. So, because they were

still running these big deficits, they were having a fire sale of the assets but still having to borrow, because they did not do the hard work to get their budget structurally correct. This government has already repaid a quarter of the former government's accrued debt. As I said, we are serious about providing good fiscal restraint and good solid budget management with carefully targeted spending where we can afford it.

Mr O'BRIEN: What approach has the government taken to payroll tax in relation to water catchment management boards?

The Hon. K.O. FOLEY: This issue has interested members on both sides of the house, particularly members of the Liberal opposition. Members will recall that this issue was raised in the house earlier this year. I had this matter investigated further, and I am now able to offer the following information which has been provided to me. Revenue SA has advised that as water catchment management boards are considered to be instruments of the Crown, they fall within section 3 of the Payroll Tax Act and are liable for payroll tax. The Department of Water, Land and Biodiversity Conservation accepts Revenue SA's view that water catchment boards are liable (as per the law as I indicated) for the payment of payroll tax. Presently, none of the seven water catchment boards pays payroll tax.

The background to this situation is as follows. I am advised that Revenue SA is now seeking to bring the boards into full compliance (prospectively, not retrospectively) from 1 July 2003. Revenue SA is not seeking to apply the law retrospectively to collect previous unpaid payroll tax. A meeting has taken place between Revenue SA, the Department of Water, Land and Biodiversity Conservation and the water boards in which the boards' obligation under the act to register and pay payroll tax has been highlighted. Revenue SA has written to each of the boards to confirm this advice. What are we proposing? The government is proposing that an adjustment be made to the Department of Water, Land and Biodiversity Conservation's 2003-04 budget to assist water catchment management boards in meeting their increased obligations. This adjustment will assist water boards until the government's Natural Resources Integrated Management Bill 2003 is introduced, which is expected to occur later this year. The law is the law. It has not been applied previously; the Commissioner for Taxation is now of the view that it should be applied and should have been applied then but, as the ministers in the former government would know, when it comes to the application of taxes these anomalies come up all the time.

It is a circular argument. They will pay payroll tax, but it will be adjusted through the budget process so that it does not have any net effect on the Payroll Tax Board. So, if any of our erstwhile friends in the media gallery write that water boards will be stung to the tune of \$X because of payroll tax, it will be a circular argument. What one takes with one hand one gives with the other. It will be circular and we will sort that matter out on an ongoing basis. The member for Davenport can shake his head, but that is the law and, unless he is suggesting I should break the law, I do not see how else we can do it.

The CHAIRMAN: Before calling on the member for Kavel, and following the second question from the member for Napier, will the Treasurer indicate what is the approximate asset worth of the state government in terms of physical and non-physical assets? Has that changed in recent times?

The Hon. K.O. FOLEY: The 2002-03 total estimated assets for the state are \$25.173 billion in the budget papers. When liabilities are taken out, which are the borrowings and a whole lot of other things such as superannuation unfunded liabilities, the net worth of the state is \$14.288 billion. Let us remember that the sale of ETSA was a balance sheet transaction. I heard some members talking about the sale of ETSA; it was simply shifting the balance sheet around.

Mr GOLDSWORTHY: My question is in relation to Budget Paper 3, page 1.9 and I refer to table 1.7 in the line relating to the use of provisions set aside in the 2002-03 budget. These projections are: 2003-04, \$62 million; 2004-05, \$80 million; and 2005-06, \$246 million, making a total of \$388 million. Is this \$388 million a reduction in the head room and capital contingency lines of the 2002-03 budget outlined last year?

The Hon. K.O. FOLEY: The \$62 million and \$80 million are the head room of the mixture of capital and contingencies, and \$246 million is estimated for 2005-06. I appreciate that the member for Kavel would not be aware of this, but at least the member for Davenport would be as a former cabinet minister; it is largely unallocated capital. It is into the forward estimates and has not as yet been allocated, but it is part of what will be required to fund the ongoing capital program of government and it is allocated in each budget cycle. Because it is two or three years out, it is unallocated, as is quite normal.

Mr GOLDSWORTHY: My next question concerns Budget Paper 4, page 3.16, regarding consultancy expenses. The actual cost to the Department of Treasury and Finance budget for consultancies in 2001-02 was \$457 000 or \$.457 million. Last year, 2002-03, the estimated result for expenditure on consultants by the DTF was \$917 000, and in this year's budget \$2.930 million is to be spent by the DTF on consultants. Given the Treasurer's pre-election rhetoric on consultants, how has he allowed such a huge increase in expenditure on consultants in his own department?

The Hon. K.O. FOLEY: Catch up! Just remember, when Rob Lucas writes your questions you always have to be a little careful. We actually announced in last year's budget that we were funding a PPP unit which Rob Lucas himself set up. We need expertise to ensure that we get these PPPs right. From memory (and I stand to be corrected), I announced in the last budget that we were spending some \$2 million to \$3 million on consultancies, and I assume that is in the budget papers this time around. That is what I announced at the time and should there be any need to correct that I will, but it is an old story. We need to put money aside to make sure we have the expertise to deliver a substantial PPP program, which process was begun under Mr Lucas himself.

Mr GOLDSWORTHY: In the 2002-03 budget the government estimated that \$195 million savings would be achieved in the 2002-03 year through various means. In the house on Wednesday 2 April 2003 the Treasurer said:

... and I will be making sure that the rigour is in place to ensure, wherever possible, that government departments deliver exactly as required for reordering of priorities in savings and efficiencies, as well [in] their budget.

Will the Treasurer outline whether this savings target will be met in 2002-03, given that 2002-03 is nearly finished, based on the latest estimates? If not, which areas have not met required savings targets?

The Hon. K.O. FOLEY: From what the member said in quoting me from *Hansard* of 2 April, I think that is about the situation. We are working towards it, and I am confident we

will achieve a good outcome. Budgets are never exact pieces of work; things need to be adjusted and movements accounted for, and sometimes one is a little disappointed and sometimes one is very pleased. What I have learnt in this job is that making predictions about where you will be at the end point of a budget year is very difficult but, in general terms, I am reasonably comfortable with what I said in the house on 2 April.

Mr RAU: What is the government's commitment to accrual fiscal targets?

The Hon. K.O. FOLEY: This is a matter that the member for Enfield and I have had a number of private talks about, because—he will not mind my saying—he has some fixation with accrual fiscal targets and it is good to see that as a lawyer he has some interest in matters fiscal.

Mr RAU: Most lawyers can't add up.

The Hon. K.O. FOLEY: They can charge pretty well, but they can't add up.

Mr RAU: That's true.

The Hon. K.O. FOLEY: I am glad you have raised this in a private forum rather than our normal, private, fireside chats about this subject matter. The government's primary fiscal target is to achieve, on average, balanced budgets in the general government sector. The government is committed to meeting its fiscal targets and, indeed, on the basis of the 2003-04 budget estimates, the government has exceeded its accrual target. So, it is not just meeting but exceeding its targets.

An honourable member: You can't get better than that.

The Hon. K.O. FOLEY: No; you can't get better than that. The 2003-04 budget delivers substantial improvements in the general government net lending position; an accrual surplus is expected in 2002-03 and in the forward years a small deficit, as I have outlined for 2003-04. The challenge for the government is to ensure that accrual outcomes for these years also meet the objective. The government's commitment to achieve a zero net lending outcome for the general government sector over any four-year period will ensure that there are no additions to public sector liabilities from this source. Just to round off the answer, I point out that the government's other fiscal principles are to ensure that the state has an effective tax regime, having regard to the government's social and economic objectives and to provide value for money in respect of community services and economic infrastructure within available means.

Our other fiscal principles are: to fully fund accruing superannuation liabilities and progressively fund past service superannuation liabilities; to ensure risks to state finances are prudently managed while maintaining at least a AA+ credit rating (and as I have indicated we think now that we can be brave enough to venture further than that); and to ensure that public non-financial corporations will be able to borrow only where they can demonstrate that investment programs are consistent with commercial returns. I think that broadly answers your question, and again, I thank you for your ongoing interest.

Mr RAU: This is another matter of considerable interest to me. How much money has the government paid to the Queensland TAB so far, and how much does the government expect to pay in the future, as a result of the underwriting agreements that were a part of the former government's sale of the TAB?

The Hon. K.O. FOLEY: I have to say that in this instance I cannot blame the former treasurer because I suspect that, without wanting to do him in, he would have been as

annoyed as I was when I came into government about the appalling process of selling the state's TAB.

Mr Koutsantonis interjecting:

The Hon. K.O. FOLEY: Well, old Armo was out there when it came to competence, and I said at the time that as much as Rob Lucas and I are sparring partners I would have much preferred the treasurer and the Treasury to have handled that asset sale. I think it was done because Michael Armitage, the then member for Adelaide, got his nose out of joint because Rob Lucas was selling ETSA and he wanted his own asset sale, so they sent Armo off to sell the TAB.

Anyway, the state received \$46.8 million in proceeds from the sale of the TAB including the return of some capital, a recovery from the racing industry and some interest. Of that money, \$38.6 million was paid out for redundancies, money to the racing industry and to TABCorp for terminating an agreement and for other expenses. So out of your \$46.8 million, thanks to Armo's brilliant negotiating ability, \$38 million went straight back out the door.

An honourable member interjecting:

The Hon. K.O. FOLEY: No! There is more! In addition, the government had to meet \$9.5 million of administration costs for the sale—mainly consultants—and has ongoing interest rate subsidy cost liabilities to the racing industry. That more than took care of whatever might have been left in the kitty. I am advised that as part of the sale agreement the former government also agreed to underwrite the racing industry payment costs of the Queensland TAB in return for a higher sale price. QTAB agreed to increase its bid by \$13.5 million from the original bid of \$30 million in exchange for a maximum underwriting of \$16.8 million over three years—\$4.8 million in 2001-02, \$6 million in 2002-03, and \$6 million in 2003-04. For the financial year 2001-02 the government paid \$3.6 million to QTAB, and the estimated underwriting cost to be paid to QTAB for 2002-03 is \$4.7 million, however this will only be determined after the end of the financial year and may be up to \$6 million.

I am advised that the estimated cost of underwriting the QTAB for the 2003-04 financial year is \$4.9 million, but again this could be up to as much as \$6 million. The maximum possible exposure for the government for underwriting is \$15.6 million. All of these costs are in addition to an ongoing loss of income from the TAB of \$8 million per annum. If you follow all those figures, it is an unmitigated disaster; it was one of the dopicst, dumbest, most stupid actions of the former government. It is just beyond understanding.

An honourable member interjecting:

The Hon. K.O. FOLEY: What I have quoted is the advice provided to me, and I have provided that advice to the committee. As I say, with all my questions and answers, we will make corrections if there are any errors, but that is the advice provided to me. But I will say this (and I know members opposite have been chuckling all the way through because I am sure they were just as appalled at the time): it was just bizarre economics, bizarre logic, appalling process and fuzzy maths. I like Armo, but he should have stuck to being a doctor because selling assets was not one of his strengths.

Mr RAU: What are the cash bottom line forecasts in this budget and what are the main differences between the government's cash results and the accrual results?

The Hon. K.O. FOLEY: The accrual basis of accounting recognises financial transactions at the time they occur; cash accounting recognises transactions when the cash is actually

received or paid. That is the important difference. When the cash is exchanged at the same time as the transaction occurs there is no difference between the two systems. The difference only arises when the timing of the transactions and cash flows are not the same. We have a table, in the budget papers I understand, which gives the forward estimates for both cash and accrual results, and we do not need to put them on the table again.

The main difference between the government's cash results and the accrual results are, I am advised, treatment of unfunded superannuation. Under the accrual measure the superannuation expenses included the accruing nominal interest expense on the government's unfunded superannuation liability. In contrast, the cash measure includes cash payments, as per the schedule, required to fully fund all superannuation liabilities in 2034. The amount of cash payments is lower than the amount of the nominal superannuation expense, by the amount shown in the table in the budget papers. There are larger than expected receipts of commonwealth grants in 2002-03, which will be repaid in 2003-04, and other accrual cash differences related mainly to the timing of transactions.

The Hon. I.F. EVANS: Treasurer, the Premier said on radio: 'I mean, I have cut my own budget in my department. I cut about 11 per cent out of my own budget from the Premier's Department. I have told the Treasurer that I will put that money into hospitals.' He came out and matched it and said that he had cut his department by 11 per cent and that the money was going into hospitals and schools. It is about priorities. Your own budget paper, Budget Paper 4, Volume 1, page 3.16, shows that you are increasing your expenses from \$64 million to \$67 million—an increase of \$3 million. Was the Premier telling the truth?

The CHAIRMAN: Order! I point out that you are not allowed to reflect on a member in that way.

The Hon. I.F. EVANS: There is no reflection if he has told the truth.

The CHAIRMAN: You just have to be careful in terms of impugning—

The Hon. K.O. FOLEY: I would like the member to withdraw. I think that is an unfortunate slur on the character of the Premier of this state.

The Hon. I.F. EVANS: Well, was the minister's comment on radio correct?

The Hon. K.O. FOLEY: I would like you to apologise and withdraw on behalf of the Premier for an unfair slur.

The Hon. I.F. EVANS: If the Chairman is saying that—I forget the words; did you say 'reflected' on the honourable member?

The CHAIRMAN: That you should not impugn improper motives.

The Hon. I.F. EVANS: If the Chairman's ruling is that, by asking if someone has told the truth I have impugned, I will apologise and I will move on. Were the Premier's comments correct?

The Hon. K.O. FOLEY: Well, the Premier of this state has never needed me to defend him, but I think it is grossly unfair and extremely poor form for the member for Davenport to suggest that the Premier of this state would not be telling the truth. I stand by what is said. It is all in the budget papers. But I will just point out to the honourable member—and I appreciate that as a former minister he may not have followed budget papers too closely—that we do include targeted voluntary separation packages in the budget as an estimate. That amount is held in treasury in the first instance

and then as the payments are made it is allocated against those agencies for which the payments are then made. So we have a large lump of money in there for voluntary separation packages. I am advised that that money is then apportioned to the agency as they make the payment. That is why treasury's budget looks inflated.

But I stand by the savings initiatives in treasury. Just in case anyone in the media might for a moment think that there is anything in this, I will refer them to Budget Paper 3, page 2.13. The savings initiatives are there for all to see. The savings initiatives are some many millions of dollars, together with some revenue initiatives, because we are increasing effort and compliance in Revenue SA. We are seeing substantial revenue improvements by putting new offices into place to collect more taxation.

Actually that is something on which I should give some detail. The additional staff we are taking on in Revenue SA and the increased revenue that is expected to be received is a good story, which, as yet, has not been picked up by many. All the savings and all the spending are itemised in the budget papers as never before. What I can say is that additional revenue in this budget has been generated from additional compliance work funded from the 2003-04 budget, including areas targeted for increased compliance effort.

This is a good story. The return from increased compliance efforts by Revenue SA is estimated to be some \$10.5 million in 2003-04. The honourable member wanted to know about increased spending in Treasury. Additional resources of \$1.1 million have been provided to Revenue SA, a division of Treasury, to support a higher level of tax compliance across a range of taxes in 2003-04. Areas targeted for increased resources include: debt recovery action to better protect the revenue and provide equity to compliant taxpayers by addressing outstanding debts as promptly as possible and reducing the overall level of outstanding taxation debt; payroll tax, by using the new payroll tax information management system to refine risk management of this tax base to identify and deal with errant taxpayers in a more strategic fashion; continue the previous successful data match between WorkCover and payroll tax information to identify employers who have failed to register to pay payroll tax and to implement targeted compliance activities where a risk of non-compliance has been identified; and stamp duty, to undertake audits and investigations in higher revenue risk areas where complex transactions have occurred to convey property or where compliance levels had been found to be inadequate. Those measures are expected to receive an increase of some \$10.5 million in revenue this year. I thought that that was a good illustration of the complex nature of the budget of the Department of Treasury and Finance.

The Hon. I.F. EVANS: As a supplementary question, can the Treasurer guarantee to the committee that he has cut his department by 11 per cent and that money will go to hospitals and schools as promised by the Premier? Yes or no.

The Hon. K.O. FOLEY: I have released a budget paper that details the many millions of dollars of savings initiatives that have been implemented in the Department of Treasury and Finance. I have delivered a budget, which, line by line, highlights what those savings initiatives are for the first time ever. It was never done by your lot, who just kept everything hidden—

Members interjecting:

The CHAIRMAN: Order! We are possibly here until late tonight, so members need to cool it a little.

The Hon. K.O. FOLEY: But, look, there are millions of savings. They are identified. They are in the budget papers.

The Hon. I.F. Evans interjecting:

The Hon. K.O. FOLEY: Read the budget papers. I am not here to do your work for you. I am being as obliging as I can, but give me a break. I spent eight long terrible years in opposition. If the honourable member thinks that now I am in government I will do his work for him, then he is sadly mistaken. He has to do the work himself.

The Hon. I.F. EVANS: I will take that as a no. My question relates to Budget Paper 3, page 1.9, table 1.7 Operating expenditure is some \$120 million, capital investment expenditure is around \$97 million, making a total of some \$217 million. Is this figure of \$217 million an estimate of the under expenditure by ministers in 2002-03? If not, then what is the estimate? Can the Treasurer confirm that Treasury has advised that the actual under expenditure for 2002-03—

The Hon. K.O. FOLEY: Sorry, the honourable member needs to go back because I am having trouble finding to what he is referring. Is he referring to page 1.9 of Budget Paper 3?

The Hon. I.F. EVANS: Budget Paper 3.

The Hon. K.O. FOLEY: What figure did you use?

The Hon. I.F. EVANS: I said \$217 million.

The Hon. K.O. FOLEY: Where do I find that? Could the honourable member show me on the table? I think Rob has given the honourable member a bum steer.

The Hon. I.F. EVANS: While we look that up, I will ask—

The Hon. K.O. FOLEY: No, hang on, the honourable member has asked me a question. Can he show me to what he is referring? He was quoting figures from a table. Where on the table are they? Does the honourable member want to rework it and come back to me?

The Hon. I.F. EVANS: That is what I offered—it saves the committee time—but the Treasurer did not want to do that. I offered to rework the question and come back to him.

The Hon. K.O. FOLEY: I used to get embarrassed, too, when I used to make a blue. When Rob writes the questions for you, it is handy if Rob gives you the right table. That used to really annoy me when the staff would occasionally do that to me. The honourable member should rework that one and, when he has done that, come back to us.

Mr Koutsantonis interjecting:

The Hon. K.O. FOLEY: Maybe Rob is trying to embarrass him.

Mr Koutsantonis interjecting:

The Hon. K.O. FOLEY: No, I do not think so.

The CHAIRMAN: Order! The member for West Torrens will come to order.

The Hon. I.F. EVANS: In relation to the banning of smoking in gaming rooms, the budget papers say that the experience in Victoria following a ban on smoking in gaming rooms has seen an initial decline in gaming activity of between 10 and 15 per cent. The adverse impact and similar decline in South Australia would see an additional reduction in gaming tax and in general purpose grant revenue of between \$45 million and \$70 million. The government is yet to make a decision on the issue. When will the government make a decision on the issue? If the government does support such a change in policy, will this lead to an automatic deterioration in the accrual budget position of \$45 million to \$70 million, or has the government some contingency planning incorporated in the budget?

The Hon. K.O. FOLEY: Again this has been an open and accountable government. We have put detailed risk factors

into the budget papers. I could have adopted a practice of being less than up-front about that, but, no, I am an open, honest and accountable treasurer and I want to ensure that we put as much information as we deem appropriate into the public domain. The undeniable and indisputable fact is that the smoking ban in Victoria has seen a substantial decrease in patronage to pokies venues, a subsequent reduction in the revenue to the venue and a subsequent reduction in taxation receipts to government. That is a known fact. I would have thought that, knowing the honourable member's views and particularly the views of the member for Morialta on this subject matter, we are all coming at it from a similar position. Ultimately this is not a government decision: it will be a decision of the parliament.

The Hon. I.F. EVANS: Why do the budget papers say that the government is yet to decide a position?

The Hon. K.O. FOLEY: Because the government is yet to decide a position. We will have a position—

The Hon. I.F. EVANS: The government will have a position.

The Hon. K.O. FOLEY: Yes, that is what normally happens when a government comes into parliament. I reckon that you as an opposition will have a position, although I might be wrong—maybe the opposition will not have a position. Normally when we debate legislation, we form a view as to what we should do with that—

The Hon. I.F. EVANS: A few seconds ago the Treasurer was saying that it was to be a conscience vote, but now he is saying that there will be a government position.

The Hon. K.O. FOLEY: I stand to be corrected but did I use the term 'conscience vote'? I never said 'conscience vote'.

The Hon. I.F. EVANS: Yes, the Treasurer talked about the parliament's making a decision not the government—it would be a matter for the parliament.

The Hon. K.O. FOLEY: I did not say that it would be a conscience vote. I do not know how your party operates, and I am not sure how the Premier of this state will deem it a matter for the Labor Party—

Mrs HALL: I thought it was the president who did that, not the Premier.

The Hon. K.O. FOLEY: It is for the internal workings of the Labor Party to decide how it deems whether something is a conscience vote, and we will sort that one out. I think this is a good debating point—

The Hon. I.F. EVANS: The question was: will your accrual position be deteriorated?

The Hon. K.O. FOLEY: The AHA has put its response to the smoking task force. There are many views in Labor, as I am sure there are many views in the Liberal Party, and there are many views in Independent camps as to how one should handle the issue of smoking bans. Once we make a decision, we will then be in a position to know what, if any, financial impact it may or may not have on the forward estimates, depending on what the parliament adopts as policy. All we have done is flag the obvious—that this is what has happened in Victoria—and we think it is a fact you should be aware of. That is a good early warning, and it is a sensible and prudent approach to take.

The Hon. I.F. EVANS: As a supplementary question, there is no contingency in the budget. The question was: will there be a deterioration in the accrual budget position, or has the government some contingency plan incorporated in the budget? Are you saying to us that there are no contingencies—no amount, nothing?

The Hon. K.O. FOLEY: My advice is that there is no contingency in the budget for the smoking plan. We have, obviously, a general contingency, as we always do. However, we do not have a provision for a decrease in revenue for smoking, for the obvious reason that no decision has been taken, and no decision has been taken on timing. The AHA has a view that smoking should not be complete in venues until 2010. That is well outside the forward estimates period, as they presently sit. Until we make those decisions, we are not hiding anything. It is quite the opposite. We are upfront about it. So, the parliament, when it makes its decision, can have all the facts in front of it.

The Hon. I.F. EVANS: I will go back to my previous question, which was correct. I will reread it. The Hon. Rob Lucas has given me the accurate information in relation to the previous question. It is a great disappointment to the Treasurer. I refer to Budget Paper 3 (page 1.9). In table 1.7, the operating expenditure is \$120 million; the capital investment expenditure is \$97 million; a total of \$217 million.

The Hon. K.O. FOLEY: Which figures are you talking about?

The Hon. I.F. EVANS: I am talking about the operating expenditure and the capital investment expenditure. They are reflected in table 1.7 on page 1.9 of Budget Paper 3, two-thirds of the way down the left-hand column. If you add 120 together with 97, you get 217.

The Hon. K.O. FOLEY: Yes.

The Hon. I.F. EVANS: Right! We are at the same spot.

The Hon. K.O. FOLEY: I am glad you could get it. You are the one asking the question and you could not explain it, and you are having a go at me as the guy receiving the question, and I could not understand it.

The Hon. I.F. EVANS: Is this figure of \$217 million an estimate of the estimated underexpenditure by ministers in 2002-03; if not, what is the estimate? Can the Treasurer confirm that Treasury has advised that the actual underexpenditure for 2002-03 is likely to become higher again than the estimate included in the budget papers, that is, the \$217 million or some different figure?

The Hon. K.O. FOLEY: I am advised that it is mainly underexpenditure. We have just done a quick calculation on the savings for the 2003-04 year for Treasury, and it is 10.4 per cent. I think you said a figure of 11; it is 10.4. That attack has crashed and burnt.

Mr KOUTSANTONIS: I refer to Budget Paper 3 (page 314). What is assumed in this budget for distributions from the South Australian Financing Authority and the South Australian Asset Management Corporation? Do these distributions differ from those expected in previous budgets?

The Hon. K.O. FOLEY: In the 2003-04 budget, the estimated distribution for 2002-03 from SAFA and SAAMC (commonly referred to as the bad bank) totalled some \$324.3 million. This amount declines over the forward estimates to a level of some \$15.1 million in 2006-07. Compared to the 2002-03 budget, the 2003-04 budget includes additional SAAMC distributions of some \$24.9 million in 2003-04 due to greater than expected earnings. The retained earnings of SAAMC are expected to be reduced to zero by 30 June 2005. I am further advised that SAAMC distributions are estimated to increase by \$16.4 million in 2003-04 and by \$4 million in 2005-06. SAFA distributions remain largely unchanged compared to the 2002-03 budget figures. That is the advice I am provided. I am just advised that the additional SAAMC distributions of \$24.9 million are across the three years.

The CHAIRMAN: Order! A question is often asked in relation to GST flows to the state. There is an assumption that that money is flowing thick and fast. Can the Treasurer just put that in some overall context and some time frame?

The Hon. K.O. FOLEY: There is a story here to tell. We were initially expecting—and it has jumped around a bit—to be cash flow positive from the GST in 2007-08. That is when we are looking at going into surplus. So, the budget balancing assistance provided by the commonwealth would go into surplus. On federal budget night I was chuffed to see that it has come earlier than expected. In 2006-07 we are positive that the net impact of the GST will provide a further \$35.5 million of unbudgeted for, unexpected revenue. That is a year earlier. At this point I think I am correct in saying that that money is untied money, in that we can apply that expenditure as we wish. I am on the record saying this, I have consistently said this and I will repeat it: I still remain highly sceptical, as do my colleagues in all states—although some of them may differ—regarding this matter.

We are still not certain what the federal government—be it a Labor federal treasurer or a conservative federal treasurer, whoever we may have over the next couple of years—will do with this money. What the feds do with this money could be highly problematic. I do not think they will allow the states to receive a windfall, untied lump of money. They will do a number of things. They will either reduce specific purpose payments—the tied money—they will tell us how to spend it, so target the spending of it towards their policy requirements, lock us into matching funds or, indeed, they may play some games with us and perform some tricks over what are called the competition payments which are dear to the heart of the member for Davenport. Competition payments are worth about \$57 million a year to us.

An honourable member interjecting:

The Hon. K.O. FOLEY: Yes. Now that we have shopping hours done, we might get a little bit of improvement on the upside there. The numbers are awfully much like the sorts of numbers we expect to get from the GST, although it probably would be more. We just need to see what the commonwealth will do. I think the commonwealth will look at putting some disciplines on that money. If I am wrong, it will assist the budget, yes.

Mr KOUTSANTONIS: I refer to Budget Paper 3. In past years, when the budget has benefited from revenue windfalls, they have been spent. What is the approach from the government in this budget?

The Hon. K.O. FOLEY: This is a very fundamental question. This is the stark difference between the quality of budget management of the fiscally loose former treasurer and government and the disciplined approach of this government. A key feature of the 2003-04 budget is that the government's budget measures have been largely financed from savings enabling services to be maintained in the forward years. Revenue growth has been used to structurally improve the budget. New spending in the budget of \$860 million over four years has been funded largely from savings measures, revenue measures and better use of contingencies set aside in the 2002-03 budget. The budget surpluses arising from stronger revenue and high employment will be used at this point to reduce the state's liabilities by reducing debt.

Lower debt means that the government has greater capacity for funding services, rather than paying interest. With the South Australian economy forecast to slow during the next financial year, it is important that a disciplined approach to spending is maintained. The 2003-04 budget is

an important building block in putting the state's balance sheet on a stronger basis and achieving a fiscal position comparable with other mainland states.

Mr KOUTSANTONIS: In relation to Budget Paper 3, how has the government honoured its commitment to innovation, science and technology in the 2003-04 budget?

The Hon. K.O. FOLEY: The budget is not just about discipline and fiscal restraint: it is about using the scarce and precious resources of the state taxpayer in the best way possible. We think modest and targeted spending in science and technology is very important. I can say that, effective from July 2002, the Office of Innovation, formerly within the Department of the Premier and Cabinet, and the Information Economy Policy Office, formerly part of DAIS, were transferred to the Department of Further Education, Employment, Science and Technology (DFEEST) to form the science and technology component of that portfolio. Funding was transferred from these agencies into DFEEST.

However, a number of new initiatives—namely, support for the Premier's science and research council, innovation awareness program and support for the ICT research and innovation cluster—were announced by the government over the past year, requiring additional base funding. As part of the 2003-04 budget, \$6 million over four years has been provided to DFEEST for ongoing operational support funding to support science and technology initiatives. As part of the government's desire to support science and innovation in the state and to leverage new commonwealth and industry funding, a Premier's research and innovation fund will be established.

Funding of \$4 million over four years has been provided to this fund. I should acknowledge the wild and enthusiastic support from the Department of Treasury and Finance for this measure. An additional \$1 million has been provided to Bioinnovation SA in 2003-04 to allow the continuation of its successful pre-seed funding initiative that assists start-up companies in the bioscience sector. There is provision of some \$3.135 million in funding for high performance computing. This funding will enable South Australian industry and research educational institutions to access a national high performance computing network. This will help place the state in a position to undertake a variety of complex, advanced research and analysis and keep up with the rest of the country.

Mrs HALL: I wonder whether I may have a little latitude. My last question was in relation to the Treasurer's contingency line. He told me that it was in the budget papers. I wonder whether he could assist me by indicating which budget lines contain the Treasurer's contingency lines.

The Hon. K.O. FOLEY: Which contingency fund is the honourable member talking about? Would the honourable member refresh my memory?

Mrs HALL: The Treasurer's.

The Hon. K.O. FOLEY: Which amount of money was that? Would the honourable member read the figure to me?

Mrs HALL: There is no figure: I want to know what it is.

The Hon. K.O. FOLEY: Can you repeat the question?

Mrs HALL: It was \$548 million in 2003-04; \$548 million in 2004-05; and \$563 million in 2005-06. Will the Treasurer confirm that this year's budget has reduced significantly the funds in the Treasurer's contingency lines for these three years; if so, what are the new reduced levels?

The Hon. K.O. FOLEY: I do not know how well the questions have been written for the honourable member. Is

the honourable member talking about the Treasurer's contingency or another contingency?

Mrs HALL: The Treasurer's.

The Hon. K.O. FOLEY: My own portfolio contingency?

Mrs HALL: Some are referred to on pages 3.23, 3.24 and 3.25, but I want the Treasurer's. You did tell me that it was there for me to see, but I wonder whether you could give me a page number or an amount.

The Hon. K.O. FOLEY: I do not have a contingency of \$500 million, if that is what the honourable member is suggesting.

Mrs HALL: I want a page number or an amount.

The Hon. K.O. FOLEY: Are you talking about the Treasurer having a \$448 million contingency?

Mrs HALL: I found some of the figures.

The Hon. K.O. FOLEY: But I do not have a contingency of \$448 million—I wish I did. Are you talking thousands of dollars or millions of dollars?

Mrs HALL: What about a government contingency in your portfolio?

The Hon. K.O. FOLEY: I asked the honourable member whether she was talking about the Treasurer's contingency, and she said yes.

Mrs HALL: I would assume the government's contingency would be in the Treasurer's line.

The Hon. K.O. FOLEY: You are talking about a contingency for all of government. The Treasurer has a contingency.

Mrs HALL: Yes, and I have found a couple of those.

The Hon. K.O. FOLEY: Which are you asking for?

Mrs HALL: Whole of government contained in your portfolio. I will have both. You told me that it was there for me to see.

The Hon. K.O. FOLEY: Contingencies are not public information and I do not see a need to make them public, for obvious budget management reasons. If the honourable member is talking about figures on page 3.23, would she point them out to me, because I am having trouble understanding her question. I am not trying to be difficult; I might be a bit thick. What is your question?

Mrs HALL: I want this year's figure.

The Hon. K.O. FOLEY: You have the 2003-04 figures. What do you mean 'this year's figures'? It is there on the table: contingency provisions under employee entitlements, \$53.16 million; contingency provisions, supplies and services, \$57.736 million. What more does the honourable member want?

Mrs HALL: I will write it out for you.

The Hon. K.O. FOLEY: What more do you want? What am I missing?

Mrs HALL: You are missing a total line, but I will come back to it.

The CHAIRMAN: The member for Mordialta should ask her next question.

Mrs HALL: What is the number of positions within the Department of Treasury and Finance with a TC package of greater than \$100 000 estimated for 30 June 2003 and 30 June 2004?

The Hon. K.O. FOLEY: We will get that figure.

Mrs HALL: For each department or agency reporting to the minister, how many surplus employees are there? For each surplus employee, what is the title and classification of the employee and the TC of the employee?

The Hon. K.O. FOLEY: We will have a look at that. I am not giving any commitment to answer, other than as

generally as we can. In relation to what is deemed surplus and what is not, I will take advice.

Mrs HALL: What is the total estimated expenditure by government on consultants in 2002-03 and the estimated expenditure for 2003-04? I want a detailed breakdown of expenditure on consultants in 2002-03 for all departments and agencies reporting to the minister, listing the name of the consultant, cost and work undertaken?

The Hon. K.O. FOLEY: We will take the second part of the question on notice. In relation to spending on consultants, savings of \$10.6 million were factored into the 2002-03 budget. Savings targets were not applied to the Office of the Commissioner for Public Employment or to the South Australian Independent Industry Regulator. This saving was based on a calculation of 50 per cent of the 2001-02 projected expenditure base at \$22.3 million advised by general government agencies during the 2002-03 budget process.

Actual expenditure on consultants in 2001-02 for the general government sector was \$18.9 million. As advised by agencies, expenditure to the end of December 2002 for the general government sector was \$5.3 million. Projected forward on this basis, significant savings in consultancy expenditures are in prospect for the full 2002-03 year, broadly in line with the projections contained in the 2002-03 budget. I will take the second part of the question on notice and obtain an answer.

The CHAIRMAN: What process exists for what I would call efficiency audits—and this is no reflection on the Auditor-General, for whom I have great respect. He carries out his own auditing and undertakes post-mortems on particular events, and so on. But who actually looks to see whether there is value for the taxpayer's dollar in the various agencies, given that you often have an across the board cut, which is a very crude device? Who is actually monitoring Education, Health or anywhere else to see that efficiencies are occurring as a result of modern technologies, and so on?

The Hon. K.O. FOLEY: That is a very good question. I share your respect for the Auditor-General as, I know, the member for Davenport and the member for Mordialta hold the Auditor-General in very high regard and think highly of his skills, notwithstanding the fact that they have been subjected to some adverse findings from him.

The Hon. I.F. Evans interjecting:

The Hon. K.O. FOLEY: If you haven't been, I apologise and withdraw humbly. But I know you hold him in high regard and speak fondly of him. I note the member for Mordialta did not object to those comments. Instead of putting a sort of blunt instrument across government in terms of looking for savings, the Expenditure Review Committee of cabinet, which I chair and of which a number of my colleagues, including the Premier, are members, in two budgets has gone through each agency looking for efficiencies and for reprioritisation. It has been a very difficult process but a good process. Instead of saying, 'You will cut 2 or 3 per cent,' it looks at your capacity.

The truth is that with a business the size of a state, with an \$8 billion-plus budget, you have to have constant ongoing pressure to ensure that wasteful or poorly targeted spending is eliminated where possible. That is sensible management. Those resources then apply to more priority areas. The way we are doing it at present is through the Expenditure Review Committee of cabinet. We have some specific expenditure review teams in agencies as distinct from the work our committee does. We actually have a team of people in a

number of government agencies, and we are significantly improving the quality of administration.

One of the great qualities lacking in government has been financial management across government, and the Under Treasurer and his officers have often pointed out the fact that sometimes the quality of your budget management is largely affected by the quality of your own management tools, your own information management and your own financial management, and we need to continually look at improving that to ensure that we have best practice financial management across government. That is another way of doing it. Of course, at all times the expenditure of government departments is backed up by the work of the Auditor-General and his officers to ensure that spending is applied as has been appropriated and as is appropriate.

But governments must always be vigilant in ensuring that we look carefully line by line where we can at how money is being spent. This was a habit of former Labor governments as much as Liberal governments. Just because a project has been funded for five or 10 years does not mean that it should be funded every year. You should have a process by which you go back and examine that. We are starting to do that, and that is good budget management.

The CHAIRMAN: There tends to be a focus on the negative: don't waste money. I am also thinking about someone energising agencies to bring about positive change, and assisting agencies to look at things that they have been doing for a long time. In my experience, in a lot of departments you have people who have been there a long time who protect what exists and who are very reluctant to look at basic operating practices because they have been done since the year dot. One example is in schools, and that is the time frame of the school day. That has been basically in existence for 100 years.

It may be the correct time, but if you seek to have that reviewed as to whether it is most efficient in terms of learning or of costs, you will get the answer, 'We've been doing it since 1876 (or something) and it works.' I just use that as an illustration, but I think it applies in other departments as well. Someone needs to get in there and actually energise them into looking at some of their basic practices, to see whether they deliver not only cost-effective services but services relevant to a modern community such as ours. I hear what you say about the Premier's budget committee, but I think it is far more fundamental than that in terms of the way in which they operate and should operate in this day and age.

The Hon. K.O. FOLEY: I can answer that in part by referring to the Generational Health Review, which we are hoping will receive bipartisan support, because it is the type of work that really needs a constructive opposition. It is looking at that very point of how we can do things better, how we can spend the money better. Let us inject some energy and vitality into a multibillion dollar sector of government. That is what the Generational Health Review does and, when the government is in a position to release it publicly, that will be there for all to see. The Budget Review Committee of cabinet is also looking at the proactive way in which we can enthuse departments to spend money better. Some ideas and concepts have been put forward about the very point you make. That is the challenge for government, and I think the chairman's point is well made.

Mr O'BRIEN: What is the government's commitment to eliminating superannuation liabilities? What has been the impact of the downturn on world equity markets on eliminating liabilities?

The Hon. K.O. FOLEY: I think that there would not be a government superannuation scheme in the past year or so that has not suffered great difficulty. The very poor shape of world equity markets has troubled all of us. World equity markets are in serious downturn and we are hoping to see some positive return, but the government remains committed to ensuring that all superannuation liabilities are funded by 2034, the target set down by former treasurer Stephen Baker—a brave and correct decision by the former Liberal government, and we are sticking to that.

The government also requires agencies to fully fund new accruing superannuation liabilities within budget allocations as those liabilities accrue. The unfunded superannuation liability is estimated to have grown by about \$500 million in 2002-03. The increase is mainly the result of a negative earnings rate by Funds SA in 2002-03 as a result of the downturn in world equity markets and the incorporation of current membership data into accrual actuarial modelling, which shows higher liabilities to employees than previously estimated. Increases in superannuation liabilities result in increased nominal superannuation interest expenses and increased cash payments.

An increase in nominal superannuation interest expense affects the government's accrual budget balance. The nominal superannuation interest expense is forecast to increase by \$55 million from 2001-02 to 2002-03, and is also expected to increase over the forward estimates, reflecting the moderate increases in superannuation liabilities over that time. The government has increased scheduled cash payments compared to the 2002-03 budget for every year out to 2034, to ensure that superannuation liabilities are fully funded by 2034.

The cash payment is forecast to increase by \$29 million in 2003-04. While investment conditions are very difficult, Funds SA's earning performance has been comparable to other like fund managers. Funds SA has outperformed its benchmark for the last six and 12 months. The projected earnings rate used in the 2003-04 budget (at negative 3.7 for 2002-03 as a whole) has been derived by taking the actual earnings rate to the end of March 2003 and assuming that earnings for the remaining three months of the year will be at an annual rate of 7.5 per cent. I qualify all of these answers by saying that this is my advice. If I have misread the advice and incorrectly advised the committee, I will put in place a checking process at the conclusion of estimates when *Hansard* is provided to my staff, who wait eagerly to ponder over and pore through the estimates.

Mr O'BRIEN: What is the status of legislation designed to improve financial responsibility and accountability?

The Hon. K.O. FOLEY: The Public Finance and Audit (Honesty and Accountability in Government) Amendment Bill was introduced in parliament in May 2002. The bill requires the Treasurer to prepare a charter of budget honesty within three months of the commencement of the act. The primary objective of this charter is to improve the transparency of the government's fiscal management, thereby improving the accountability of the government to the public and the parliament. I probably should not be providing this information, but I will.

The bill is currently before the Legislative Council, and most clauses have been passed. However, the council is currently debating particular clauses relating to the pre-election budget release to be provided by the Under Treasurer. The opposition has proposed some amendments to the part of the bill relating to the pre-election report. The government

is considering these amendments. The government is surprised that the opposition wanted to frustrate the passage of this bill, which relates to honesty and accountability in government, but when one reflects on their level of honesty and accountability one can understand why they are not that keen to see such a bill pass.

Mr O'BRIEN: What are the government's capital expenditure priorities for the next three years?

The Hon. K.O. FOLEY: Cabinet expenditure priorities for the government include, obviously, the important and critical areas of health, education and transport infrastructure. New projects to commence in the 2003-04 budget are classified as new works in the Capital Investment Statement (Budget Paper 5). The largest projects based on the total project costs include: the Port River Expressway (stages 2 and 3), \$131.3 million; the Royal Adelaide Hospital redevelopment (stage 4), \$130 million; new schools projects in DECS, \$33.6 million; the Lyell McEwin Health Service (stage B) \$32 million; long-term plant and equipment purchases for Transport SA, \$29 million; and the Adelaide light rail project, \$26 million (excluding costs of leasing of trams estimated at a further \$30 million).

Budget Paper 5 also shows that projects for expenditure in 2003-04 are classified as new works carried forward: that is, projects that were planned to have commenced but for which major expenditure has not yet been made. The government has maintained a funding commitment to these projects by retaining them on its capital works program. These include: the Queen Elizabeth Hospital redevelopment (stages 2 and 3), \$60 million; the Repat General Hospital Medical Health Unit, \$9.8 million; the Murray Bridge Hospital redevelopment, \$9 million; and the Port Augusta court redevelopment, \$7.4 million. That is what I have been advised.

Mr GOLDSWORTHY: In respect of all departments and agencies that report to you, what is the estimated level of under-expenditure for 2002-03, and has cabinet approved any carryover expenditure into 2003-04?

The Hon. K.O. FOLEY: We have been up front about this. Yes, it is carryover approved; that is commonsense. I have said so much about carryovers, underspending and savings. There is so much information in the budget papers that I think the opposition has been more than adequately provided with substantial information on these matters.

Mr GOLDSWORTHY: I refer to Budget Paper 3. On page 2.5 it is stated:

The coverage of table 2.5 is wider than that included in the 2002-03 budget and now aligns with the annual survey of the state's public service work force conducted by the Commissioner for Public Employment.

The effect of this is that total public sector employment of full-time employees (estimated as at 30 June 2003) has increased from 67 720 to 71 117. What is the specific difference in the compilation of this table from last year to this year; that is, what agencies are now included that were not previously included, and are there still public service agencies not included in the figures in table 2.5?

The Hon. K.O. FOLEY: I am happy to get the information for the honourable member.

Mr GOLDSWORTHY: In May 2001, the former government implemented a comprehensive new policy entitled 'A new dimension in contracting with SA government', which introduced a comprehensive program of public disclosure of government contracts. Recently, the Treasurer issued a new Treasurer's Instruction 27 entitled 'Disclosure

of government contracts'. Does the Treasurer's Instruction 27 replace the former policy? If so, why has the Treasurer decided to stop the public disclosure of all consultancies of less than \$500 000? Does the new policy now stop the public disclosure of government contracts of less than \$500 000 (including government asset sales, joint venture land developments and industry assistance proposals), and prevent the disclosure of public sector executive contracts?

The Hon. K.O. FOLEY: I do not know what the great mystery is. You knew what your policy was when you were in government and you know what my Treasury instructions are. Compare the two.

[Sitting suspended from 12.58 to 2 p.m.]

The CHAIRMAN: Is there agreement in respect of the timetable for this afternoon?

The Hon. K.O. FOLEY: Mr Chairman, I am happy for my colleagues not to ask questions. I do not want to deny the opposition that opportunity, but I will not change the schedule. I am happy to drop my questions, which will free up half the time.

The Hon. I.F. EVANS: We are happy for you to go quiet. That will give us a chance to ask more questions. We would still prefer to have the time for this area go until 3.15 and have a shorter time for SACORP, super, etc. but, if the government is using its numbers to do that, so be it.

The Hon. K.O. FOLEY: That is exactly what you did for eight years. I am happy for all questions to come from the opposition.

The Hon. I.F. EVANS: I understand that during the lunch break the Treasurer made a press announcement regarding the Treasurer's instruction about the disclosure of government contracts, saying that the figure in relation to consultancies is not \$500 000 but is now some \$25 000. When was the Treasurer's instruction renewed to come up with the new figure?

The Hon. K.O. FOLEY: The \$25 000 figure?

The Hon. I.F. EVANS: Yes.

The Hon. K.O. FOLEY: When the question was asked I asked the officers to confirm what the opposition was putting and why it had a figure of \$500 000 for disclosure if such information was there. It was part of prudential management review, started under the former government. Correct me if I am wrong: the review you put in place came up with the proposal that, as contracts were at \$500 000, consultancies should also be at \$500 000, and the government accepted the recommendations of the prudential management group. When I had another look at that instruction I thought that your point that \$500 000 was too high a level was well made and fair. I foreshadow that the government will revise it and in fact will go below what the former government had at \$50 000 and it will be \$25 000.

The Hon. I.F. EVANS: The way I understand that answer, that decision was taken over lunch.

The Hon. K.O. FOLEY: Yes.

The Hon. I.F. EVANS: It was a lunchtime review?

The Hon. K.O. FOLEY: It was a decision taken; the minute I looked at it, I wondered why we had done that. In government when you sometimes make errors of judgment you should be brave and prepared to acknowledge that and make an adjustment. I think we will go down to \$25 000, and I am sure that my cabinet colleagues will endorse that.

The Hon. I.F. EVANS: You are saying that your cabinet colleagues will endorse that. Does that mean that the previous treasurer's instruction went to cabinet?

The Hon. K.O. FOLEY: Yes. I am advised that the prudential management review was a cabinet decision.

The Hon. I.F. EVANS: Were the minister and cabinet aware of the ramifications? When you and cabinet signed off on it, were you aware of the ramification that the \$500 000 figure would apply to the sale of government assets and the joint venture industry assistance?

The Hon. K.O. FOLEY: Clearly, the government was aware of all the facts before it and, as I said, it was about consistency. It was on the advice of prudential management. I have had a look at it post this break and I thought the point made by the opposition was fair. I think we erred as a government in making that call and I have reversed it.

The Hon. I.F. EVANS: You were made aware by Treasury of the ramifications prior to signing off initially on that Treasurer's instruction? You were aware that the intent of the instruction was to restrict access to those consultancies of less than that amount?

The Hon. K.O. FOLEY: Let us put this into some degree of context. I am advised that the government had a review of prudential management. We had a submission to cabinet and made a set of decisions based on advice, and the appropriate Treasurer's instructions were therefore issued. What I have said is that I think it is a fair point; in an endeavour to get consistency across government and streamline the process the decision was taken to put them at \$500 000. I think the government took the wrong decision and it should be reversed. I will take the heat and flak for that. I do a fair bit in my job where one can make mistakes. One corrects them as quickly as one can and moves on, and that is what I am doing.

The Hon. I.F. EVANS: Where does that leave the policy in regard to disclosure of public sector executive contracts?

The Hon. K.O. FOLEY: In regard to what?

The Hon. I.F. EVANS: We asked the question before lunch: does the policy now prevent disclosure of public sector executive contracts? There has been a lunchtime review which we have not been part of and apparently the policy has changed.

The Hon. K.O. FOLEY: I will get that clarified, but I am not foreshadowing changes to what has already been agreed to on that matter. We will take that on notice.

The Hon. I.F. EVANS: Is the committee to believe that you reviewed the policy over lunch and now you do not know the detail of the policy?

The Hon. K.O. FOLEY: CEOs' contracts are publicly available information, so what is your point?

The Hon. I.F. EVANS: Does the policy now prevent disclosure of public sector executive contracts? Is your answer no?

The Hon. K.O. FOLEY: My answer is that the policy is what the policy is; that is, that public CEO contracts are made available for all to see. I will get you a more detailed response to that as it relates to other executives. My understanding is that the position of the former government was that CEOs' contracts were made available and this government has not changed that. That is my understanding; I will get that clarified and checked. I am advised that the CEO contracts are still available. I do not know about you, but a number of your colleagues have accessed CEO contracts of employment. As it relates to other levels of the executive, I will get that answer for you.

The Hon. I.F. EVANS: On the questions we asked earlier with regard to the \$67 million figure and the \$64 million figure and the government's claim that it was going to cut Treasury by 11 per cent—

The Hon. K.O. FOLEY: Which issue are you referring to?

The Hon. I.F. EVANS: Page 3.16 in Budget Paper No. 4, Volume 1. The earlier answer that we were given was that part of the reason for the difference between the \$67 million figure and the \$64 million figure was because of the TVSPs. Could you please explain to me where the TVSPs are calculated into those figures?

The Hon. K.O. FOLEY: We will get you that answer in one moment; I will do a famous Rob Lucas huddle here. The savings I referred to were the savings based on the 2003-04 budget estimate from the 2002-03 budget. Of course, the expenses that we choose to put in for 2003-04 are then adjusted from that base, and you then calculate what new spending will be added back in. I am advised that the TVSP contingency is on page 3.24 under Administered Items for the Department of Treasury and Finance—at the top there you will see a figure of \$25 million, funding of targeted voluntary separation packages. As I said earlier, that appears in that line for the Department of Treasury and Finance and then is farmed out, in a sense, to agencies as and when they make a call on that amount. So the expenditure of that money will appear under other agency items.

The Hon. I.F. EVANS: Your previous answer to the committee though, Treasurer, was that that \$25 million was included in the \$67 million figure. Your earlier answer clearly indicated that part of the reason for the \$67 million worth of expenditure was because TVSPs were included. What you are saying now is that they are included under Administered Items.

The Hon. K.O. FOLEY: No, you are talking about two different issues. Go to Budget Paper No. 3, page 2.13—Savings Initiatives. If you look at Table 2.1, Savings and Expenditure Initiatives, Department of Treasury and Finance: the first group is the \$67 million, I am advised, then you have all the other items including the administered items, and we have a savings initiative of \$6.99 million. Now, I am advised that \$6.99 million as a percentage of the \$67 million is roughly the 10.4 per cent of savings. So what is the confusion?

The Hon. I.F. EVANS: Your earlier answer indicated that the reason there was a \$67 million figure was that TVSPs were included in that figure.

The Hon. K.O. FOLEY: I do not recall saying that. You may be right and, if I said that, I will correct it, but that is not my understanding of what I said at the time. What I said at the time was that, when looking at savings, we came back to 10.4 per cent, roughly, I am advised, as the savings number on the \$67 million. You then have your expenditure, so the expenditure for 2003-04 includes a figure of some \$25 million for administered items. Your argument to me was that you said you are saving money but in fact you are spending more. What I said to you was that, when you start the process of identifying the savings, we have identified those savings at about \$6.99 million, or 10.4 per cent. We then decide to add in new spending. One item of this, which is accounted for in the budget, is \$25 million for TVSPs, and that gets you a figure that you say is larger than what the NU result may have been. That was my understanding of the explanation I gave to you last time and, if there is a difference, I apologise and

I am happy to ensure the record is corrected subsequent to this process.

The Hon. I.F. EVANS: So was the \$25 million included in the \$67 million or not?

The Hon. K.O. FOLEY: No, and I have told you that twice now. Go to the table on page 2.12. You can see for yourself. It is an administered item. I have said that. I was quite up-front about that. But if, as I said, there is confusion with an earlier answer, we will clarify that and get it checked—we will sort it out. If you go back and have a look at the *Hansard* I think you will find that you are talking at cross purposes. We are talking about a lot of figures, but if there is confusion I am happy to get the record corrected.

The Hon. I.F. EVANS: I assume the calculation for the 10.4 per cent savings figure comes from table 2.1 on page 2.12 of Budget Paper 3. Are you adding those figures to get your 10.4 per cent, or is there a different calculation in respect of how you got your 10.4 per cent?

The Hon. K.O. FOLEY: The operating funding for the department—the figure you referred to of \$67 million—is the operating expenditure, I am advised by the department, and a saving of \$6.992 million for 2003-04 is delivered. That represents roughly 10.4 per cent of the operating expenses of the Department of Treasury and Finance.

The Hon. I.F. EVANS: In relation to the treasurer's instruction—I just want to clarify that I have got this right—it went right through the cabinet process and it was only when you were asked a question here today that we discovered that it is wrong. Is that what you are telling us?

The Hon. K.O. FOLEY: No, I am saying that it went through a cabinet process. We made a decision based on advice, and I have taken the decision that I think that we should have looked at it differently. In an attempt to ensure consistency, I think on balance we should adopt the recommendations from what is in a sense a quasi-independent operation within government—the Prudential Management Group—which provided this advice to government. We accepted that advice, but on reflection in respect of that particular point I think we should not have done so. I think you are right and I have changed it and I am relaxed about that.

The Hon. I.F. EVANS: So, when you signed the cabinet submission, it did not appear wrong; when cabinet discussed it, it did not appear wrong; and when you finally signed off the treasurer's instruction it did not appear wrong. Is it only today that it appears wrong?

The Hon. K.O. FOLEY: I have had a closer look at the matter today and I think on balance that your arguments are well placed. We are not like the last government, in that if we make what we think is a mistake, we fix it: we do not cover it, hide it or lie about it, we fix it. I notice the member for Morialta is not asking any questions about this matter.

Members interjecting:

The CHAIRMAN: Order!

Mrs HALL: No, because I want to talk about another policy that you have made on the run. I refer to Budget Paper 3, page 2.26. Under the heading 'Transport and Urban Planning' it states:

The government has decided that the road and rail bridges over the Port River should be built by a public non-financial corporation (PNFC).

Are all other roads and rail bridges in South Australia included in the PNFC sector or the general government sector and, if not, why the difference?

The Hon. K.O. FOLEY: The general government sector.

Mrs HALL: Does this decision mean that all the capital costs of building the bridges and associated road infrastructure, other than the general government subsidy, will not be included in the general government sector budget result which is now the focus of the budget papers?

The Hon. K.O. FOLEY: We will provide a detailed response to that question. When you were in government your original plan was that the bridges would be totally funded by tolls. The truth is that, after undertaking more due diligence, tolls do not provide sufficient revenue to cover the entire project.

Mrs HALL: Does that include the opening of the bridges?

The Hon. K.O. FOLEY: Yes. We need to provide a subsidy from the budget and we think that, in this instance, a PNFC is the best model to deliver this particular one-off project.

Mrs HALL: The extra money is all accounted for in the PNFC.

The Hon. K.O. FOLEY: I will get a more detailed answer for the honourable member on that.

Mrs HALL: The Treasurer notes that the last Liberal budget of 2001-02 had actual expenditure on health and education which was estimated to be in the order of 19 and 16 per cent higher respectively than the estimated standardised national average expenditure. Does the Treasurer believe that the actual expenditure on education and health needs to be closer to the national average expenditure, or does he believe it should be maintained at the level of 19 and 16 per cent above the national average?

The Hon. K.O. FOLEY: I think it should be maintained at the level contained in this budget and in the forward estimates, and we will review whether or not more resources should be provided in subsequent budgets.

The CHAIRMAN: We do not want another world war in order to bring about changes to taxation regimes in South Australia, but are any moves afoot to review the current state-federal taxation regimes in terms of trying to address what are obviously some imbalances which went to the federal government as a result of Second World War decisions? Are any moves afoot, or are you initiating any to try to get a more realistic tax base for states such as South Australia?

The Hon. K.O. FOLEY: I can rule out categorically that this government will not be seeking income taxing powers from the commonwealth. We think that substantial reform and change has occurred through the GST and the funding for states, and it will probably take us a while to digest that one. We do not envisage any further movement. The more pressing pressure on us as a state is the move by the states of New South Wales, Victoria and, to a lesser extent, Western Australia to wind back HFE (horizontal fiscal equalisation) where the bigger states, the donor states, are putting a lot of work, effort and money into researching to attempt to pull back the amount of cross subsidy that occurs in this nation to ensure that the equal quality of services can be provided whether a child attends school in Salisbury or downtown North Sydney. That is a bigger threat to the smaller states in particular. It is for that reason that I always ensure that I sit next to Queensland at treasurers' conferences because they are still a recipient state, and one always ensures that one does not get off side with Peter Costello on this matter.

Mrs HALL: Can the Treasurer advise the committee what advice he has received in respect of the interest rate margin differential of the state government borrowing program compared with the states that have achieved a AAA credit rating; and what would be the dollar impact on interest

expenses in 2003-04 if the state does finally return to a AAA credit rating?

The Hon. K.O. FOLEY: I will be very careful in answering that question because I do not want to predict what it may mean except to say this. The interest saving as a result of a AAA credit rating of itself is not the major contributor to benefit the budget bottom line. The work that is done in the lead-up to getting it is where the majority of savings can be made. Let us say, for example, we chose to pay off half a billion dollars of state debt with our surplus and not spend it, which is what the opposition wants. By saving that money and other surpluses, the advice to me is that we could see interest savings of \$30 million to \$40 million per year. That is where you start to get the substantial interest rate savings from targeting a AAA. Whilst the actual marginal improvement on the improved cost of borrowings is of use, it is not the large contributor.

As I said, the contributor is the work that you have to do to get there. The opposition wants ever increasing spending and at some point the opposition will have to be held accountable and start to answer how it intends to pay for all its promises. I mean, yesterday Dean Brown was saying that he wants 200 more social workers, but he does not tell us how he will pay for them. But clearly—

Mrs Hall interjecting:

The Hon. K.O. FOLEY: Jan McMahan does—Jan McMahan and Dean Brown sing from the same song sheet. However, I have to say that it looks to me as though Rob Lucas has as much influence over Dean Brown in opposition as he had over him when in government, that is, none. If Rob Lucas were a fair dinkum shadow treasurer, he would have been on to Dean saying, 'Listen, mate, you have to be careful about what you say about spending because we will have to have an argument about whether that will mean more debt or more taxes, or whether we will have cuts elsewhere.' Rob Lucas, as I said, has as much power over Dean as he always had, that is, nil. The point is that had we adopted the big spending approach of the opposition and not targeted a AAA credit rating, we would not get the \$30 to \$40 million interest savings. I think that more than adequately answers the question.

Mrs HALL: As a supplementary question, because I asked about the advice that the Treasurer has received, is he indicating that it is somewhere in the vicinity of \$30 to \$40 million?

The Hon. K.O. FOLEY: What I have said is that my advice is that the 2002-03 drop debt level to the forecasted debt levels of 2006-07 should result if indeed those surpluses are paid off debt—and we may make decisions to use those surpluses in other ways—but I am advised that, on the current settings, we should see an interest rate reduction in the order of \$35 to \$40 million. That is a large contributor to an improved debt position and an improved budget bottom line, which we think in the medium term should lead to a credit upgrade.

The Hon. I.F. EVANS: I refer to the Treasurer's previous answers about administered items and what is and is not included in the \$67 million. As I understand his answer now, he is saying that the administered items in relation to TVSPs are not included in the \$67 million, that is, the 10.4 per cent or 10.6 per cent budget saving which Treasury has made and about which he is advising the committee. In relation to the \$6.992 million saving figure (10.4 per cent), can the Treasurer confirm whether the biggest lump of that saving is

\$5.4 million from Fleet Financing, the car fleet financing, which in itself is an administered item?

The Hon. K.O. FOLEY: The point is that the operating expenses of the Department of Treasury and Finance is the \$67 million. The savings are \$6.9 million. I am advised that that represents a 10.4 per cent cut. One of the contributors is in fact Fleet Financing which was a good saving, a good initiative and a deal done by Treasury and Finance.

The Hon. I.F. EVANS: Is the fleet financing figure in the \$67 million?

The Hon. K.O. FOLEY: No.

The Hon. I.F. EVANS: Are you bringing savings from the administered items into the 10.4 or 10.6 per cent figure, claiming that to be a saving to the Treasury line where in actual fact it is a saving to the administered line?

The Hon. K.O. FOLEY: What I am saying is that savings in Treasury and Finance represent \$6.992 million, which represents 10.4 per cent when compared to the operating base of the department. As the Under Treasurer points out, the fleet financing saving was an initiative and a work of SAFA which I am advised is part of the operating budget of the Department of Treasury and Finance. I am not sure what point the honourable member is trying to make.

The Hon. I.F. EVANS: I am trying to establish whether the \$67 million figure—

The Hon. K.O. FOLEY: I think your point is: what base are we comparing, and that, if we are comparing the operating expenses of Treasury and Finance together with the administered items, does that equal 10.4 per cent? I have not said that and if I have given that impression or I have said that, that is wrong. The saving is 10.4 per cent as a percentage of the department's operating expenses.

The Hon. I.F. EVANS: But the way you are getting to that 10.4 per cent is by including savings through your administered savings line, and not just those areas that contribute to the \$67 million.

The Hon. K.O. FOLEY: I am not sure of the point the honourable member is trying to make.

The Hon. I.F. EVANS: The point I am trying to make is that your department has not delivered you a 10.4 per cent saving out of its own operating line. It has fudged it by bringing it out of 'administered items.'

The Hon. K.O. FOLEY: It is not fudging at all.

The Hon. I.F. EVANS: \$5.4 million of the \$6.9 million is out of an administered line. It is not out of a departmental line at all.

The Hon. K.O. FOLEY: What are you suggesting—that we should not be making it?

The Hon. I.F. EVANS: I am suggesting that the public statements of the Premier are not accurate.

Mr KOUTSANTONIS: That is completely unfair, Mr Chairman. He is accusing the Premier which should be done in a substantive motion.

The Hon. K.O. FOLEY: From a political party that made little or no savings! It is all there in the budget papers. We are not hiding anything. It is all there for you. You can do your calculation, and come back to it. There is \$6.992 million worth of saving, of which \$5.4 million is the work done by SAFA to get a better deal on Fleet financing. That represents roughly 10.4 per cent, I am advised, of the operating expenses of the Department of Treasury and Finance. What have we said that is inconsistent with that? Are you suggesting I should make more savings in Treasury and Finance? Do you think we should make 16 or 17 per cent savings in Treasury and Finance? Is that what you are suggesting? Should I cut

another \$5.4 million out of the operating expenses of Treasury and Finance? If you think that, tell me how you think we should do it and I will have a look at it.

Mr GOLDSWORTHY: Treasurer, what assumptions have been used in the budget forward estimates for wages growth for police, nurses, doctors, teachers and other public servants?

The Hon. K.O. FOLEY: I will not disclose those figures, other than to say this: the government has provisioned a significant base for what we consider should be fair wage outcomes. However, to disclose those figures publicly would be to tip off the public sector unions as to what the government's provisioning is. I think that tactically that would be very foolish and I have no intention of doing it.

The CHAIRMAN: Treasurer, in formulating your policies, do you take into account the impact on families, particularly low income families, where often only one parent is working? They might not get any concessions and often struggle. We hear a lot about pensioners, and I have no problem with that. Often those low income families are worse off than the pensioner households. To what extent at the state level and through ministerial councils is this issue pursued in trying to get a fair deal for the so-called battler and battler families out there?

The Hon. K.O. FOLEY: We take that issue very seriously, and that is why the water levy was not placed on pensioners. Equally, since coming into government we have not raised the emergency services levy, notwithstanding enormous funding pressures on government over the escalating costs of delivering emergency services. We have not increased that levy, in large part because of the impact that may have on families. We consider quite carefully low income impact in all our decisions. It is always a consideration uppermost in our mind when we deliberate in cabinet.

The CHAIRMAN: Is it ever raised at ministerial councils?

The Hon. K.O. FOLEY: Not those that I have attended, no. However, I have been only to a few Treasury meetings and a few insurance council meetings.

The Hon. I.F. EVANS: Back on administered items and in regard to this \$67 million figure and \$6.992 million saving, I note on page 2.12 of Budget Paper 3 that the other large saving that contributes to your \$6.99 million saving is the \$500 000 out of the National Wine Centre. If we add that to Fleet, we have \$5.9 million out of the \$6.9 million saving to your portfolio area. That does not actually come from the day-to-day operating budget of the Treasury but rather the administered items. Can you confirm that?

The Hon. K.O. FOLEY: This is from the mob that gave us the National Wine Centre! This is the mob who went out there and wasted some \$30 million or \$40 million on that white elephant. Since coming into office, we have had to deal with inept government by the former government, maladministration. We have had to put advisers in there and spend lots of government money to correct this National Wine Centre fiasco that you presided over as a cabinet minister. You have your fingerprints all over it as a cabinet minister. We have fixed it. Treasury and Finance has fixed it.

We are going to do a deal very shortly with the Adelaide University that will create for us some real value out of the National Wine Centre. However, had it been left to your incompetence and your shadow minister, the member for Waite, who is out there bleating every five minutes that we should be pumping millions into it, the thing would be losing millions of dollars. The projections were at least \$2.5 million

a year, from memory. I stand corrected, but certainly a large amount of money. We have saved that. The fine work of the Department of Treasury and Finance has saved that, and that has contributed to substantial savings.

I have to say that these budget papers have been out there for three weeks. All these savings have been in there. We are not hiding a thing. We have shown you how the \$6.99 million is made up. It represents as a figure 10.4 per cent of the base funding for the department. I have been quite upfront about that. You can interpret those figures as you wish. You can make whatever political play you may wish out of that. One thing you cannot accuse us of doing—which was your hallmark as a government—is hiding, covering up, or withholding information.

The Hon. I.F. EVANS: Can you confirm to me that other departments have been treated equally in the budget in that they have been able to make savings out of their administered lines and claiming them as savings to their day-to-day operating lines as Treasury is doing? Have other departments been extended that courtesy or is it only Treasury?

The Hon. K.O. FOLEY: Every government department has delivered to the budget varying degrees of savings. Some departments have given—

The Hon. I.F. EVANS: Have they been treated consistently?

The Hon. K.O. FOLEY: No department has been treated consistently. Every department has been treated on a case-by-case basis. We are a bit smarter than you lot. Rob Lucas's approach was to put some phoney 2 per cent, from memory, or some arbitrary savings measure across all government. Very few departments, if any, delivered on that. That might be unfair on him, and some may have delivered on what he asked, but all I know is that education was overspending and health had enormous problems managing its budget. We have gone through in a much more targeted, selected and careful approach, and we have gone into each agency to see what its capacity is to provide savings.

The truth of the exercise is that, if you take out the \$5.4 million and the \$5 million, it might have been cabinet's decision that savings of 3 or 2.5 per cent would be taken from Treasury, given that Treasury is within itself largely an FTE agency. It is not a program based agency like many others. Your ability to reduce spending in Treasury is far different from what it may be in a different portfolio, say, transport or others, where there are programs for which you can apply efficiencies and reprioritisation. We have said that we can get more money out of the Treasury by the good work done by Treasury and put it in as savings. You asked me what that represented as a percentage of the base, and I have said what it represents. Also, my advice is that other agencies do have savings for administered items.

Mr GOLDSWORTHY: My question is in relation to Budget Paper 3, chapter 2, entitled 'Expenditure'. I refer to table 2.2, with the heading 'General government savings'. Are these additional savings revenue measures of \$538 million in addition to the \$967 million in savings over four years announced in last year's budget? Are you now claiming total savings revenue measures of \$1.505 billion?

The Hon. K.O. FOLEY: Yes, we are. My advice is that those figures, together with the savings from the last budget, represent a figure around the mark of what you have just mentioned. That is the scope of the work we have had to do on the budget; the surgery we have had to put in place.

Mr GOLDSWORTHY: Will the Treasurer provide a breakdown by portfolio of employees who accepted TVSPs in 2001-02 and also the estimated number for 2002-03?

The Hon. K.O. FOLEY: We will find out the information in terms of those who have accepted, and at the conclusion of 2002-03 I am sure we can provide that information. As the honourable member can appreciate, we have not yet got there, but we will provide that information as and when it becomes available.

Mrs HALL: For the financial year 2001-02, for all departments and agencies that report to the minister, can the Treasurer provide information about the underspending on projects and programs that were not approved by cabinet for carryover expenditure in 2002-03?

The Hon. K.O. FOLEY: I have more than adequately addressed those issues in the budget papers and in previous answers. I do not intend to add to them.

Mrs HALL: My next question is in relation to Budget Paper 3, page 2.12, on staff reductions. You are \$410 000 down for this year and \$821 000 over the forward estimates period. Will the Treasurer outline where these are? What branches and what types of resources will now be used to undertake the internal audit risk management work of the department in light of the resignation of Ms Elizabeth Moran from that role a couple of months ago?

The Hon. K.O. FOLEY: That is an administrative matter for the Under Treasurer to deal with. What I can say is that you have just had a whack at me for not getting enough savings from Treasury and you wanted more: now you have a whack at me for getting rid of people. You can't win in this job!

Mrs HALL: I said she resigned. I was interested to know who was going to do the audit. I did not know you had sacked her.

The Hon. K.O. FOLEY: It will be a matter for the Under Treasurer to sort through. We make changes all the time, but I cannot win in this job.

The CHAIRMAN: Do you ever get letters from people congratulating you as Treasurer?

The Hon. K.O. FOLEY: Only from my dad—and even he has not sent me a letter lately.

Mr RAU: I sent one.

The Hon. K.O. FOLEY: The member for Enfield sent me a nice letter. It is useful if members send me nice letters.

Mrs HALL: Will the Treasurer provide the committee with information about what consultants were engaged by the PPP unit of DTF during 2002-03? What were the costs of each consultancy and what were the terms of reference for each consultancy?

The Hon. K.O. FOLEY: After I change the Treasurer's instructions, if they are over \$25 000 you can see a summary on the web site.

Mrs HALL: Yes, but you are still probably up there with \$500 000 at the moment.

The Hon. K.O. FOLEY: We will go back—

Mrs HALL: After another lunch time review?

The Hon. K.O. FOLEY: Yes.

Mrs HALL: Is that one or two reds, Mr Treasurer?

The Hon. K.O. FOLEY: No, I did not drink at all at lunch time, not at all.

The Hon. I.F. Evans interjecting:

The Hon. K.O. FOLEY: Cabinet starts in the morning. I have not yet started drinking before midday.

Mrs HALL: You are probably not far away.

The Hon. K.O. FOLEY: What a terrible slur! Are you insinuating something there?

Mrs HALL: No, I am just suggesting that South Australia has great red wine. You can drink it at any time of the day, I am sure.

The Hon. K.O. FOLEY: I heard a funny story, too, about one of your helicopter rides the other day. But, the PPP unit is undertaking confidential work. I am happy to provide that information, provided it does not impact on the confidentiality in the early stages of the PPP work. As soon as we can make that available, I am happy to do so.

Mr GOLDSWORTHY: As at 17 June this year, what were the number of unfunded positions in the Department of Treasury and Finance? For each position, can you list the classification and the TEC associated with it?

The Hon. K.O. FOLEY: We can check that. I cannot answer that off the top. I am happy to take the question on notice and get a considered response. Does the member for Davenport want one last crack at me?

Mr GOLDSWORTHY: My question is in relation to Budget Paper 3, page 2.12, under the heading, 'Savings and expenditure initiatives', which is table 2.10. It states:

Accommodation—consolidation from multiple CBD locations to a single location.

There are figures of \$250 000, \$550 000, \$550 000 and \$550 000 over the forward estimates period. Can you outline what is happening there? Does the savings amount include the amounts required to refurbish the State Administration Centre floors?

The Hon. K.O. FOLEY: I am advised that the Department of Treasury and Finance, I assume under the administration of the former government, was well above the allocation or standard square meterage for each employee. We are bringing it back down closer to the standard. I am happy for the member for Davenport to ask another couple of questions to finish off, so I cannot be accused of cutting him off.

The Hon. I.F. EVANS: The Department of Treasury and Finance web site discloses the state's consolidated financial statements for the years ended 30 June 1999, 2000 and 2001. Will the Treasurer confirm whether consolidated financial statements were prepared for the year ended 30 June 2002? If they were prepared, why are they not available publicly on the internet? If they were not prepared, why not?

The Hon. K.O. FOLEY: I am advised that it has taken some time to prepare that data. I am advised that the Auditor-General has signed off on it and it should be forthcoming in the near future.

The Hon. I.F. EVANS: My question is in relation to Budget Paper 4, Volume 1, page 3.1, the portfolio expenditure reviews. Part A of the Auditor-General's Report to parliament in October 2002, as previously raised in the house, states:

Considerable risk inherent in the future budget results, particularly with regard to achievement of planned savings.

Page 69 of the Auditor-General's Report Part A states:

... further expenditure reviews were commenced during 2001-02 in relation to education and human services portfolios. Reviews with respect to other areas have yet to be established. . . It is anticipated that the final reports for these initial reviews will be completed for consideration as part of next year's budget process.

Page 3.5 of Budget Paper 4, Volume 1, under 'Highlights 2002-03', states:

Made substantial progress on the expenditure reviews of the (former) Department of Education, Training and Employment and the Department of Human Services.

Under 'Targets 2003-04', it states:

Complete expenditure reviews of the departments of Education and Children's Services, Further Education, Employment, Science and Technology and Human Services.

Why has it taken almost two years for the expenditure review committee to be completed on DECS and human services—

The Hon. K.O. FOLEY: Because I'm cleaning up the bloody mess!

The Hon. I.F. EVANS: And does the Treasurer accept that the delay in completing these reviews has increased the likelihood of planned savings not being achieved?

The Hon. K.O. FOLEY: You left the department of education and the Health Commission in a financial mess when we came into office. We had to have a large number of officers in both agencies doing outstanding work. For example, in relation to DECS, your mate and the guy listening on the speaker now could not control the DECS spending, where budget blowouts in the order of some \$25 million were just accepted by treasurer Lucas. He had no control over his factional opponent Dean Brown, and, from what I can find out, there was barely any communication between the two departments.

The financial management of those two agencies was an unmitigated disaster, and we have sent in teams to try to fix it. And we are doing it. It is taking longer than we would have liked and more work than I would have thought, but the outstanding effort of the officers involved is getting through what to date, prior to this government's coming to office, have been very poorly administered departments. We may not be doing this as quickly as the honourable member would like but, if the honourable member had shown a bit more zest and rigour when he was in government, this amount of work would not be required now. This question has been asked of me in the house. Achieving these savings is not easy. We may not get some of them, at the end of the day. We expect to but, whether or not, we can be told only at the end of the financial year.

But it is ironic that I am being quizzed over the savings or, perhaps, as the honourable member would point out, the lack thereof in departments such as Treasury and Finance. I have the honourable member's colleagues out there every day—although he is not necessarily one of them at this stage, at least—calling on me to spend money every day of the week. You just cannot have it both ways, and at some point the opposition of this state is going to have to explain how it intends to pay for the hundreds upon hundreds of millions of dollars of new spending that it has publicly committed itself to—if not now, then during the next election campaign.

The Hon. I.F. EVANS: Did all departments and agencies reporting to the minister meet all required budget saving targets for 2002-03 set for them in the last year's budget? If not, what specific proposed project and program cuts were not implemented?

The Hon. K.O. FOLEY: I think I have just explained that in the wrap-up to my last question. I do not think I can add any more to it. I will conclude by saying that today I have attempted to answer all questions as I have been advised and as correctly as I can, but we will of course qualify those answers and ensure that if any incorrect information or advice was provided by me or by my officers, to the best of our endeavours we will correct that. We will ensure that any confusion that may have occurred is clarified at the earliest opportunity and be reported back to this committee.

Additional Departmental Advisers:

Ms J. Roache, Chief Executive Officer, Lotteries Commission of South Australia.

Mr A. Chia, Chief Financial Officer.

The CHAIRMAN: Other states that are part of the X-Lotto group seem to have various packages, systems and so on that are not on offer here. Is there any plan to introduce in South Australia some of the other lotto-type offerings that are available? For example, in New South Wales, in Powerball, you can lock in the Powerball. It is a pretty important question for a lot of people out there.

Ms ROACHE: We are actually participating in five national games: Powerball, Saturday Lotto, Tuesday Oz Lotto, Super 66 and the Soccer Pools. New South Wales Lotteries, taking that organisation, does run a traditional draw lottery, like a raffle book, but apart from that I am not aware that they are running anything that we are not running here.

The CHAIRMAN: Someone in Broken Hill told me that they offer a system whereby people can lock in the Powerball by computer. A lady up there told me that she had won \$400 one week and \$400 the previous week. It sounded like a pretty good scheme to me, although I do not know whether you guarantee that sort of return! That was the sort of thing I had in mind, whether there were any plans to modify the current offerings through the computer system.

Ms ROACHE: That particular issue is where the computer can lock in every Powerball number from 1 to 45 on that Powerball panel. The way it is done in South Australia presently, if someone wants to cover the Powerball number, which is the most difficult to get, of course, that is a manual crossing of the coupon. We do not have any immediate plans to do that. It is fairly costly for software changes, but we would take on board to look at it.

The CHAIRMAN: I note that you have what you call your electronic agencies, which are equipped for Lotto and so on, but you run a tight regime in terms of not allowing other small businesses to sell, say, scratchies, which does seem to happen in other states. Is there any plan to allow small businesses that will not get the electronic linkage to have scratchies, say, as part of their offering through their retail business?

Ms ROACHE: Years ago Lotteries did run what we called scratchies-only agencies, and that was on a manual basis. With the implementation of the new lottery system in 1999 the decision was taken that, for issues of control, it would be better to have only agencies where you do have that form of control by way of the terminal at the agency. Strategies are continually reviewed at Lotteries. It is not something that we even have in our long-term plan at the moment. We are looking at our whole distribution network structure throughout the state. The findings of that have not been concluded at this point.

The CHAIRMAN: Do those who have the electronic linkage pay to buy in, as with a franchise? Clearly, you have some distance restriction on who can access that type of facility. You do not allow them to be side by side, basically. Do they pay in addition to their rent, or whatever, for the computer link? How do you decide which businesses will get a lottery licence?

Ms ROACHE: Every application for a Lotteries agency is assessed on the basis of commercial viability. We look at things such as customer traffic through that business or that shop. Proximity to any agency is not a determinant. What the commission looks for is incremental sales as a result of

having another agency within close proximity. For example, at Mile End, not far from the West Torrens council chambers, in a large shopping centre we have an agency and across the road there is an agency in a delicatessen. They are both very successful.

Mr O'BRIEN: What was the level of return to government by SA Lotteries in the period subsequent to parliament's rejecting the bill to privatise SA Lotteries?

The Hon. K.O. FOLEY: Thankfully, the former government did not attempt to sell lotteries or we might have had a double whammy effect with the TAB. Proposed legislation to enable the sale of SA Lotteries was defeated by the parliament on that historic day on 29 November 2000. For the financial years 2000-01 and 2001-02, the total distribution paid to government was \$78.6 million and \$74.9 million, respectively. For the 2002-03 financial year, the total distribution was estimated to be in line with the budget estimate of \$77.6 million. Since the time of budget preparation, this estimate has been revised to \$80.1 million. This represents a total distribution to government of approximately \$234 million over three years. It should be pointed out that that money goes to the dedicated Hospitals Fund in this state, an hypothecated account set up many years ago. We do not do enough to remind the community that every dollar of profit that we get from the Lotteries Commission goes back into hospitals.

Mrs Hall interjecting:

The Hon. K.O. FOLEY: Well, I don't have a problem with people spending more on gambling, if that's what they choose to do. I am a well-known liberal, so to speak, in respect of that matter, like the member for Morialta. This money goes straight into the Hospitals Fund. Distribution to government includes: gambling tax, income tax equivalents, the distribution of the post-tax surplus, and of course unclaimed prizes. In addition, approximately \$34.9 million for the goods and services tax has been paid to the Australian Tax Office since that time. Revenue from the GST is granted to the state government in accordance with the Agreement on Principles for the Reform of Commonwealth-State Relations, which was endorsed at a special premiers conference in Canberra on 13 November 1998.

I should point out that the performance of the Lotteries Commission in recent years has been outstanding. That is not to say that it is without serious threat. It operates in a very competitive industry for the leisure dollar for the type of product that it markets. All of us from time to time have been concerned about what impact the lotteries may suffer from online gambling and other threats in the marketplace, but all credit to June and her staff and the board and management of the Lotteries Commission for maintaining an extremely good business in difficult times with good revenue flow for our Hospitals Fund.

Mr KOUTSANTONIS: What does the commissioner do about keeping large winnings private? I had a constituent who won a considerable amount of money on Lotto and was hounded by the press about how much the win was, where they lived and how they were going to spend it. How do you ensure someone's privacy?

Ms ROACHE: We respect every prize winner's privacy. We always prefer to handle any media release on that. There has been only one instance that I can recall where a large prize winner a few years ago telephoned the *Sunday Mail* and was then hounded by the press. We control that. We have a very professional public relations area within the lotteries who are expert in handling the media—as expert as organisa-

tions can be—and we encourage all winners not to speak to the media.

Additional Departmental Advisers:

Mr B. Daniels, General Manager, SAICORP.

Mr K. Cantley, General Manager, SAFA.

Mr J. O'Flaherty, General Manager, Super SA.

Mrs HALL: I refer to section 1 of the SAGIRM Fund (the commercial operations of SAICORP) and the performance of investment assets held in that fund. What is the investment performance of the assets invested in section 1 of the SAGIRM Fund for SAICORP for the year to date, and what is the current solvency ratio of section 1 for SAICORP? Given that clearly there would be a reduction in investment earnings experienced as a result of the difficulties in investment markets over the past few months, will the Treasurer confirm whether this is likely to lead to higher insurance premiums for government agencies so that an adequate solvency funding level can be maintained?

The Hon. K.O. FOLEY: As that is a fairly detailed question—I have no problem with it—in fairness, I will take it on notice and get a considered response.

Mrs HALL: I refer to section 2 of the SAGIRM Fund. As we know, the South Australian Government Insurance and Risk Management Fund is used for pre-1994 insurance claims against the government. As at 30 June 2002, section 2 had \$71.04 million in outstanding claims liabilities. As I understand it, this fund is predominantly unfunded; it is funded only by an annual budget appropriation of approximately \$7 million per annum. What are the current outstanding claims liability figures for section 2, and will the Treasurer advise whether the government intends to commence a process of fully funding these liabilities over a period of time?

The Hon. K.O. FOLEY: Regarding the fully funded component of the honourable member's question, my advice is no. I will take the first part of her question on notice and provide a considered response.

Mr O'BRIEN: How has the Treasurer and the Department of Treasury and Finance been involved in the public liability debate?

The Hon. K.O. FOLEY: This has been a very difficult time for me as Treasurer, getting my head around public liability insurance. It is pleasing to note that, when I am in the chamber debating this matter, the opposition spokesman knows as much or as little as I do on this matter. As I have said before, one of the more interesting moments in the house was when the member for Davenport and I were debating the first reform. It was an interesting process, but I am learning.

The Hon. I.F. Evans interjecting:

The Hon. K.O. FOLEY: Well, it is. We were asking and answering each other's questions without having as much understanding as perhaps one would prefer to have on this matter, but it is a complex area of law, and I am sure the former attorney-general advises the member for Davenport well as my legal advisers advise me. I am sure that the member for Davenport understands it as well as I do. As I have said a number of times, the treasurers of the nation were given the responsibility of guiding this reform, because there was a view that attorneys-general were not able to advance this reform as quickly as we needed to.

Mr Goldsworthy interjecting:

The Hon. K.O. FOLEY: Yes, that's true. The approach has been very good. Senator Helen Coonan, the Minister for

Revenue and Assistant Treasurer, has been outstanding in the way that she has conducted the meetings in a collegiate, bipartisan way, because this matter is really beyond politics.

Members interjecting:

The Hon. K.O. FOLEY: No, she is a good minister; she is a senator, not a member. I read in the paper that she was looking for a lower house seat—someone mentioned Bronwyn's seat. We have made a number of reforms. We have legislation before the house, and I cannot comment on that. In August this year the ministers will be meeting again, this time in Adelaide, to discuss further matters related to public liability, in particular, matters of professional indemnity and how we would move that forward. The insurance companies are showing some real signs of putting more product into the market, although the member for Kavel's constituency in the Hills has had enough problems with pony clubs. We are seeing some changes, but I think that the insurance industry can do still more. My experience tells me that the more you give the insurance industry the more it wants. I had an interesting discussion with its senior people just a few weeks ago, where they started to offer some views about some of the reforms we were proposing as being not quite what they were looking for. Unless you give them 110 per cent of what they want—

An honourable member interjecting:

The Hon. K.O. FOLEY: You never satisfy them but, notwithstanding that, we have to move forward. I will be making the point at our meeting in August that we still need to put pressure on the insurance industry to deliver. They have put the Community Care Underwriting Agency into South Australia; that is a joint venture of QBE, NRMA and Allianz which is giving good product for not for profit organisations, and that is a good initiative. We just have to keep doing more.

Mr O'BRIEN: How has SACORP assisted or been involved in the improvement of risk management standards and practices in government agencies during the year?

The Hon. K.O. FOLEY: SACORP's risk management coordinator has continued to: coordinate a network of officers associated with risk management activities in government agencies; arrange government risk management forum meetings; discuss current risk management topics in general and, in particular, initiatives undertaken by agencies; publish the SACORP newsletter; promote to agencies the benefit of the Australian risk management association (ARIMA) and act as a member of the state executive of ARIMA; convene meetings involving the Office for Volunteers, the Office of Recreation and Sport and the SA Tourism Commission; ensure that risk management initiatives being undertaken for volunteer organisations, community groups, sporting bodies and tourism operators are coordinated in order to enhance the overall benefits to the community; and, importantly; provide risk management advice and assistance to government agencies across a diverse range of risks associated with those agencies.

The CHAIRMAN: We seem to have a lot of arson attacks in Adelaide; it seems to happen almost every night, and it is affecting both private and public infrastructure. I have spoken with Chris Newland from the Insurance Council. I am curious to know why collectively those involved in insurance have not been out there offering rewards, because the costs to the community for public and private damage must be enormous, including the recent fire at the historic railway station building at Belair. Is there any chance that the public sector could work with the private sector to try to tackle this issue

by perhaps offering rewards to catch people who are clearly deliberately lighting costly fires, especially in the metropolitan area?

The Hon. K.O. FOLEY: I will ask Brian Daniels to answer that. Brian is the head of SACORP and an experienced insurance person. He is far better qualified than I.

Mr DANIELS: It is not an issue about which SACORP has had any discussions with the Insurance Council. As far as the major arson attacks that affect the government are concerned, that is an issue that is looked after, administered and funded by the education department, which has responsibility for looking after the first \$1 million of each of its fires. It does quite a lot of risk management work within the agency to address these issues.

The CHAIRMAN: I am aware of the work of Crime Stoppers, and it is probably an extension of that sort of work, but it amazes me that these fires are constantly being lit. I think there was one in the Treasurer's area the other night, where people did enormous damage to yachts. It happens all the time, and it is as if the community had come to accept it as a part of everyday living. I do not know whether you can help pursue that issue, but I think it is worth looking at offering significant rewards in the interests of private owners as well as the private sector.

Mrs HALL: I refer to the actuarial assessments of government super funds. When is the next actuarial assessment due to be undertaken on the superannuation funds? We raise this because a recent actuarial assessment of the commonwealth super schemes resulted in a \$4.6 billion increase in the commonwealth unfunded superannuation liabilities due to increased life expectancy of retired members; the greater tendency of members to retire early, which then leads to their accessing more generous benefits; and retrenchment exits, which have been taken into account in the revaluation for the first time. Is the Treasurer concerned that similar factors could lead to a further significant increase in superannuation liabilities here in South Australia?

The Hon. K.O. FOLEY: I think that from the outset we need to be very careful with our language. I know the former treasurer—quite rightly; that is the role of a shadow treasurer—has highlighted the fact that there has been an increase in the unfunded liability component. We have been up front about that. To a large part—not entirely, because there are some other factors—that is the result of sharp downturns in world and domestic equity markets. As it relates to the review of actuarial assessments for Super SA, I am advised that the last one occurred on 30 June 2001, and the next scheduled one is 30 June 2004. I am advised that many reviews are undertaken as part of the budget process to refresh some of these numbers, but the next wholesale review of actuarial assessment will be done by 30 June 2004. I am not able to comment on whether or not those factors you have mentioned will impact, but they would be picked up during the appropriate reviews.

Mr GOLDSWORTHY: My question relates to SAFA in Budget Paper 4, Volume 1, page 3.5, headed 'Department of Treasury and Finance 2003-04 targets/2002-03 highlights'. Under 'Targets 2003-04' it states that the South Australian State Government Financing Authority is to continue to develop its broader role as a corporate treasury for the state. This extends to providing risk management advice, financial services and debt management. What exactly is intended by a broader role as a corporate treasury, and why is SAFA providing risk management advice when that is the role of SACORP?

The Hon. K.O. FOLEY: I will have the General Manager, Kevin Cantley, make a few comments, but from the outset I would say that I have asked SAFA to undertake a number of pieces of work for me since coming to office. The review of the Basketball Association may have started under the former government, but I certainly had an increased body of work done by SAFA into the issues of the management of that liability to the state. I have had SAFA undertake a detailed review of WorkCover (which has been the subject of debate in the lower house) because they are the right body to do that. We have had SAFA do some work in reviewing HomeStart, because I think the unique body of skills we have within SAFA is one that we should be using more widely in government.

I put on public record the role that Kevin Cantley and the team at SAFA have played in what has been an extremely difficult, stressful and, using the word 'dangerous' is probably a little emotive, but in negotiating the NRG crisis—the \$140 million liability—the work of Kevin Cantley and his team in providing sound advice to government as to how we should manage that liability has been outstanding. Those are skills that I think we should use within government and I am quite keen to see SAFA further develop a broader role in those areas. Perhaps if I can ask Kevin Cantley to expand a little further on that.

Mr CANTLEY: Thank you Treasurer. I think that is a very good introduction. SAFA's role in the past has been solely concentrated on raising funds for the state and managing the state's liquidity position and the day-to-day cash requirements of government. With the significant reduction in the state's debt level, we did an internal review of SAFA in 2000, under the former government, and looked at some of the opportunities to go forward to build on the skills base within SAFA. We have tried to model ourselves on the traditional corporate treasury: if you take BHP Billiton or major corporations, what are the type of services that are provided in the central treasury type organisation and what are some of the opportunities for SAFA to add value to managing the state's finances?

The focus has not only been on just supporting the semi-government authorities, as stated in our governing legislation, but also to try to add value to broader government departments. Part of that development has been looking at whole of government risk measures, whole of government interest rate risks, credit risks, and foreign exchange risk. We offer a foreign exchange hedging service to various government departments and advise them on ways to hedge their exposure. We have also developed an advisory capability whereby, as the Treasurer has said, we have undertaken a number of assignments using the expertise we have within the organisation to report back on any issues associated with risk in the organisations. That is a different type of risk to what SACORP is doing. SACORP's is risk of physical assets, while ours is more risk associated with financial assets and liabilities. So that is where we have been taking the organisation over the last few years, and we are looking to continue to pursue that strategic theme over the next few years.

The Hon. I.F. EVANS: Can we have Super SA back?

The CHAIRMAN: Can I just ask a question of SAFA? The Treasurer would know that for a long time I have been interested in what I call infrastructure bonds to encourage mums and dads to put money into schools and hospitals etc., and I have tried to get the federal treasurer to give them a special tax break to encourage that. Is there any way SAFA can provide a facility for the mums and dads and grand-

parents who want to help in the development of their own state to put money into projects such as schools, hospitals and so on? I guess the related thing is for the Treasurer to take it up federally at a ministerial council to see if those particular projects can get special tax consideration for the interest payment. I believe a lot of people would put money into those things, because currently the banks—and to a lesser extent the credit unions—are not really interested in the small person wanting to save and invest in that way.

The Hon. K.O. FOLEY: I will let Kevin answer that briefly. It does have this normal retail bond issue that it places in the market, whereas the commonwealth has not done that. It has toyed with this idea of further tax breaks for infrastructure bonds but it has certainly not been forthcoming at commonwealth level.

Mr CANTLEY: We do actually have a retail bond program which enables the mums and dads to invest in SAFA, and we refer to it as SAFA bonds. Those borrowings that we undertake or the investments of the mums and dads are guaranteed by the government of South Australia. Those borrowings by SAFA are then used in managing the government's overall stock of debt and so they are not specifically related to a particular infrastructure project. They are just general borrowings. So a facility is offered currently and, as you have mentioned, there are no tax breaks or incentives in terms of offering infrastructure bonds. At the moment it is more effective to borrow at the government costed funds and some project costed funds, so we would not be borrowing and paying anything more than we would normally raise to fund a particular project, if that was the basis of the question.

The CHAIRMAN: Next time he meets with the federal Treasurer, perhaps the Treasurer could pursue this matter because I think there is a special case. It is always difficult in a state like South Australia to retain investment funds, particularly given that many of our schools need additional facilities. I am sure that it is not simply about emotion, but I think people would put money in. It does need a bit of encouragement from the federal government for those specific type projects. I would ask that the treasurer consider that the next time he sits around the big table in Canberra.

The Hon. K.O. FOLEY: I will do that.

The Hon. I.F. EVANS: I have raised this matter with the Treasurer by way of letter and legislation. The super schemes basically give access to a payout when someone turns 55. I had a constituent who applied to receive their super when they were 55 years and 6 months and they were denied the payments or interest earned between 55 and 55 years and 6 months because the payment is made from the date of application and not from when they turn 55. I assume that your actuarial advice is done on the basis of people taking their super at 55 and, if it is done that way, why cannot people who apply when they are older than 55 actually be paid the back-dated earnings?

The Hon. K.O. FOLEY: The act prescribes that and, as you know, your amendment, which we support, will change that.

The Hon. I.F. EVANS: Put the act aside for one minute. Is your actuarial advice based on everyone taking their super payout at 55?

The Hon. K.O. FOLEY: I will let John answer that.

Mr O'FLAHERTY: When an actuarial review is done, a number of different assumptions are factored in, and included is a certain percentage who might take their benefit at 55, while some might take it at 56, etc. So in a large scheme such as ours an average of a number of different

assumptions make up the actuarial review. So, at any one point in time you cannot trace it back to the individual member to say that that member will get their benefit or take that benefit at that particular point in time. It is very much a broad, general assessment according to some general factors such as wage increases, the percentage of the number of people who retire early, and also the percentage of those who stay late. It is only ever a broad assumption that is made about the number of people retiring at a particular age.

The Hon. K.O. FOLEY: I think it is a very good point. I think you are right. I have said to the member privately that the situation happened with my father with the aged pension. Dad, when he turned 65, did not go and apply for about four or five weeks, assuming that you would go and apply and you would get it from age 65. Well you do not. You get it from the moment you apply, and I think the commonwealth would do well to consider this as an issue. Of course that would cost the commonwealth and it would not want to do that, would it?

The CHAIRMAN: In terms of topping up super, particularly for women who may have come into the paid work force late, what is possible under salary sacrifice? Some people in the Public Service can do it: can all people do it, if they wish to top up in their latter working years, so that they can get a better super?

Mr O'FLAHERTY: Yes. Increasingly there are a range of different mechanisms that are available for people to top up their super, and salary sacrifice is now pretty wide-spread across government. I think the last group to get it were the teachers who can now salary sacrifice. Certainly all the general public sector can and there are different ways of doing it, depending on what scheme you may be in, as your primary scheme. You can also make contributions post-tax into some of the schemes as well as additional contributions, so a range of different arrangements have been put in place now to enable people to catch up to get an adequate retirement income.

Additional Departmental Adviser:

Mr R. Harper, Chief Executive Officer, Funds SA.

The CHAIRMAN: According to the schedule we have Funds SA.

The Hon. I.F. EVANS: In Budget Paper 3, page 5.4, the 30 June 2003 earnings rate projections for Funds SA of a negative 3.7 per cent is based on actual earnings rate to the end of March 2003 and assumes that earnings for the remaining three months of the year will be an annual rate of 7.5 per cent. In addition, on page 5.4 of Budget Paper 3, footnote (b) advises that the budget estimates for unfunded super liability assumes a rate equal to the long-run earnings rate assumption of 7.5 per cent in later years. Even with this assumption, the estimate for unfunded super liabilities as at 30 June 2007 is now at \$4.9 billion, up from \$3.03 billion in February 2002.

When the Queensland budget was released in June 2002, senior economists and international rating agencies were reported in the *Australian* of 3 June as casting doubt on the Queensland government's economic assumptions of a 7.5 per cent long-term average return on its superannuation investments, which are fully funded. The same assumptions were used in the South Australian budget. The article states:

Quote from Standard and Poor's director of public finance ratings 'Any surplus is only as reliable as Mr Mackenroth's predicted 7.5 per cent return and I think that is optimistic'. 'The last three years they

(the Queensland government) have been very wrong and it is clearly a major risk.'

Access Economics' Alan Tregilgas also branded any reliance on a return of 7.5 per cent as unreasonable and 'very hard to justify'. 'It will have to be a very large grain of salt if they are going to assume 7.5 per cent in the budget,' Mr Tregilgas said.

'The budget is looking at the coming year and most people would consider the forecast unreasonable.

ANZ chief economist Saul Eslake also believes returns of 7.5 per cent are too high.

In light of the above, why does the Treasurer believe that an earnings rate of 7.5 per cent per annum is achievable for the final quarter of 2002-03; and why does the Treasurer believe that an earnings rate of 7.5 per cent per annum is achievable for 2003-04 as well? Does the Treasurer agree with the comments from the senior economist from Standard and Poor's in respect of the use of an economic assumption of 7.5 per cent long-term average return on its superannuation investments?

The Hon. K.O. FOLEY: Can I say from the outset that the comparison with Queensland is not a relevant or appropriate one, except to say that it is a government superannuation fund. My advice is that our fund has outperformed the Queensland fund for a start. That is the advice I have been given—and it may or may not be correct but that is the advice which Mr Harper has provided. I am not doubting Mr Harper, but let us say that is correct and we are a better fund. However, the substantial difference and why the comparison is not relevant is that I am advised that the way in which the Queensland government accounts for its super is in the general government sector. Therefore, when there is a loss, it impacts on the deficit. Whereas the way in which we account for our unfunded super is, if it grows through underperformance, it is the nominal interest charge which is accounted for in government.

The Hon. I.F. Evans interjecting:

The Hon. K.O. FOLEY: Let us wait and see. I mean, everything is based on assumptions: it is very difficult for governments to predict the market. We have attempted to estimate what we think is an appropriate outcome. We have not attempted to be bullish in our assessment. I refer to page 5.4, which states:

The long-term assumption used by the government in respect of earnings on superannuation funds is 7.5 per annum.

I am advised that the previous government set the figure of 7.5 after the last actuarial assessment. It continues:

Given the state of financial markets the government concedes that the earnings rate over the last three months of this financial year is likely to be lower than a rate equal to 7.5 per cent per annum. However the alternative would be for the government to attempt to forecast market performance over the last three months of the financial year. The judgment has been made that it is better to set out the assumptions clearly and let readers make their own judgment.

The government has increased scheduled cash payments for future years to ensure that all superannuation liabilities are fully funded by 2003-04. The estimate of liability payments over the forward estimates are shown in Table 5.5 of the budget paper.

We are not hiding anything. We are not underfunding it. All I am prepared to say at this stage is that before we make the predictions that you made, let us wait and see how the performance at 30 June stands, because the advice provided today is that performance is better than expected.

The Hon. I.F. EVANS: The Treasurer did not address the question about whether he believes an earnings rate of 7.5 per cent per annum is achievable in 2003-04. Does the Treasurer believe it is achievable?

The Hon. K.O. FOLEY: As Mr Harper quite rightly points out, we do not invest to get a certain rate of return every year, otherwise you would be chopping and changing your spread and asset allocation every year. We invest for the medium to long term, which was the approach taken by the previous government. How could we do anything other than forecast a plus 7.5 per cent for 2003-04, because all of your actuarial assumptions and pay back over 40 years is based on plus 7.5 per cent? When one does not achieve plus 7.5 per cent, one has to put more cash in to make up the difference. That is what we have done for the last two budgets and what we will have to do for every future budget to make up for those shortfalls. We would hope that for the next financial years there is a rebound in equity markets in particular and that 7.5 per cent is achieved. If it is not, we will have to make up the nominal interest difference.

Again Mr Rick Harper makes the point that, of course, in some years, the overall performance has exceeded 7.5 per cent. In a couple of bull years in the lead-up to the downturn the previous government was receiving in excess of 20 per cent. It is an average. It is not a 7.5 per cent one year performance: it is the average over the medium to long term. One would measure the performance of 2003-04 over an eight to 10-year period, and the expectation of the previous government, (which I still support) was that 7.5 would be the average. This is an important point. It is *deja vu* in that I remember asking the same question and hearing the same answer that I am about to give.

The way in which the funds are managed is that within a given period annual returns may be volatile and indeed negative returns may be experienced in two years out of the eight. That is the risk profile that Funds SA adopts. We have had a couple of negative years and let us hope that they are the last over an eight-year period. We do not know that, but I have to say—and I will put it on the public record—that Rick Harper, his team and the board have managed Funds SA exceptionally well during an extremely difficult period. I have looked at the benchmarks of other private and public sector funds as part of my budget presentation and the performance of Funds SA has been outstanding in what has been an extremely volatile period. We all have government super of one form or another, but the performance of some private sector funds—and I have a couple—was lousy in comparison to what Funds SA has delivered. In fact, I am looking at rolling mine into the government scheme if I can.

Mr Koutsantonis interjecting:

The Hon. K.O. FOLEY: This is the retail employees sector fund. What did it get during the boom years, 3.5?

Mr KOUTSANTONIS: Something around that; they are consistent.

The Hon. I.F. EVANS: Does the Treasurer accept that, if his assumptions are wrong and the market experts are right, there will be a further blowout in the state's unfunded superannuation liabilities?

The Hon. K.O. FOLEY: That is hypothetical, provocative and problematic, and only time will tell.

The Hon. I.F. EVANS: What is the latest estimate of the year to date earnings performance of Funds SA, and how does it compare with other comparable funds as measured by any other comparable fund management index?

The Hon. K.O. FOLEY: I cannot give you a 30 June result, because I want to keep that until 30 June. We are not there yet. I have figures with me. We obviously do not have the 30 June figures. It is not appropriate to release these figures yet. Let us have a look at them a bit closer. I will say

this: the figures are very good. We are seeing a turnaround at this point. We have with us what are called soft figures, which are very accurate, but we prefer to rely on the hard figures. They will be coming in. We will get them on 30 June, and they will be made available. There are 10 more trading days.

The Hon. I.F. EVANS: If they are the soft, accurate figures, why can we not have them on that basis?

The Hon. K.O. FOLEY: All I can say is that they are performing better than we expected.

The Hon. I.F. EVANS: You have the figures in front of you, and we cannot have them.

The Hon. K.O. FOLEY: That is right. The performance of Funds SA's balanced funds has remained in the 1st or 2nd quartiles of industry surveys over one, three, five and seven year periods ending March 2003. You can have the figures in another 10 days, and they will be the published figures on those performances. All I am saying is that they are improving, which is a very good sign. They fit quite neatly with our expectations at this stage; that would be a fair assessment. The balanced fund, which contains 70 per cent growth assets, shares and property, is the most readily comparable to industry surveys which cover funds with similar objectives and asset allocations.

A survey conducted by investment adviser InTech Research Pty Ltd covers 17 major super funds, accounting for \$70.7 billion of assets. The median return from the survey, together with Funds SA's balanced return, is Funds SA's one year performance minus 8.3. The InTech median is minus 9.8. Over three years Funds SA's performance is minus 0.4, and InTech's median is minus 1.4. Over five years, Funds SA's performance is plus 4.4, and InTech's performance is plus 3.9. Over the seven years, Funds SA's performance is 7.7 and InTech's performance is 7.6. So you are seeing our out performing that model. The one year figures are one year and not financial year figures. They are all to 31 March for the one year figure.

As I said, in terms of the performance, when I say they fit neatly, there has been an improvement which we think is a good improvement. Just how that impacts on the final result, we will see over the next 10 trading days, and then we will make an assessment of whether we have fallen short on what our expectations were, whether we matched or exceeded them. That is the only way we can approach this matter. It is an estimate. We are confident at this point that we are tracking very well in comparison to our budget. However, last night the Dow shot up a couple of hundred points. Let us hope it does that for the next five or 10 days.

Mrs HALL: I seek information from the Treasurer regarding the fund asset allocations of the Funds SA investment products. Given the current difficult investment climate which is well acknowledged, how do the asset allocations for the defined benefit and growth schemes compare with the comparable government super funds interstate, and has there been any changes in the asset allocation since March 2002?

The Hon. K.O. FOLEY: There have been no changes—and Rick Harper will correct me if I am wrong—between the growth and defensive allocations. There has been some fine tuning within those respective areas, and there has been the change of a few fund managers. However, the split between growth and defensive allocations has remained roughly as it has been, barring some fine tuning. This is an issue that the chair of Funds SA has raised with me on a couple of occasions—about whether or not one should alter asset allocation in such a volatile situation, because the temptation is, as you

see negative returns, to try to chase better returns. By doing that, you upset what has been a considered medium to longer term strategy.

We have an outstanding chair of Funds SA in Helen Nugent, who has wide experience of equity and financial markets. We also have a very good board. The advice to me was that, notwithstanding pressures and considerations, we should hold our nerve. We should hold for the long term, and that is a decision of the board's that I have supported. As Rick Harper the General Manager has indicated to me, at this point at least the decision to hold our nerve and to stick with asset allocations and approaches is starting to return dividends to us in terms of a rebound.

If there is to be an assessment of how we allocate our assets, that should be done in better times not in bad times, and be done for reasons strategic and not for reasons of panic or nervousness about the returns. I am a bit surprised that many members of superannuation funds may not have received negative returns. People who have been in funds for only five to 10 years would not have seen negative returns. I do not think there has been a large call to Super SA about the returns—although some people would have grumbled, and that is understandable. There is a greater level of understanding, awareness and maturity in people receiving superannuation and an understanding that governments have to hold the line, be consistent, do not panic, and do not chop and change. That is a good strategy.

Mrs HALL: By way of supplementary question, the Treasurer mentioned in the early part of his response the few changes that had already been made. Can he provide any additional information on that? Just following up on that last point the Treasurer made about those members of the super funds getting a negative return for probably the first time in I do not know how long, I am sure members of parliament have received constituent inquiries from people expressing concern. When they make contact with the funds, are they taken through what has happened, and is some time invested to allay their fears and concerns?

The Hon. K.O. FOLEY: In a moment I will ask John O'Flaherty, who is in charge of Super SA, which is the body that has the face to face contact with members, to contribute. On the earlier point about the changes, I will ask Rick Harper, Chief Executive Officer of Funds SA, to make some comments because we have made some changes in fund managers. One, in particular, was market sensitive and had to be dealt with extremely confidentially at the time for obvious reasons, but I will let Rick expand on that.

Mr HARPER: I think there were two parts to the first part of your question. To what extent have the strategic asset allocations changed? As the Treasurer has already said, with the five products that we offer—the defined benefit product, the growth product, the balanced product and the conservative product with the cash option, as well—there have been no changes made in the strategic asset allocations in the split between growth assets, such as equities and property, and defensive assets, such as bonds and cash. However, within the defensive asset sector marginal changes have been made.

We have given a greater weighting to inflation linked securities, recognising that the long-run experience is that the greatest enemy of any investor is unexpected inflation. It erodes the value of one's invested funds quite dramatically at times. We have given a slightly greater weighting within our defensive asset sectors to inflation linked securities over the past year. That has been very well rewarded. Incidentally, over the last year, inflation linked securities have been the

best performing asset sector. I think they have returned something like 12.5 per cent—which is good. That was the main finetuning adjustment made and that was across all the different products.

In terms of manager changes, we have made a number of changes over the past 12 months. If members wish to get an update on our manager make-up, they are as printed in the last annual report with a few changes. We have terminated mandates with Schroeders Investment Management in emerging markets and EFA small caps. The reason is that we had concerns over the way in which that business was travelling and, more importantly, we thought better options were available, both in emerging markets and EFA small caps. Similarly, we terminated a mandate with Rothschild Australia in listed property trusts. The reason we did that is because we thought our existing other two managers presented better options, so we switched the money to them.

The sensitive one, which the Treasurer mentioned, was the termination of Perpetual Investments, which managed around \$550 million in Australian equities, both in broad markets and in small cap band notes. The reason that was so sensitive is because we needed to transition those assets to another manager. In small cap stocks, it is quite a difficult thing to do sometimes because of the relative liquidity of the stocks; we wanted to keep that under wraps so we did not get people trying to anticipate the trades that were being made in the market by our replacement manager. We have added a number of managers. In order to replace Perpetual, we reallocated money to Perennial Value Management, which is a value manager in Australian broad market equities.

We allocated a small cap component from Perpetual to specialist small cap managers, S.G. Hiscock and Jenkins Investment Management. As a result of the termination of Schroeders in emerging markets, we appointed a US-based company, Grantham Mayo Van Otterloo (GMO as it is more often known) as a specialist manager in emerging markets, and we appointed Boston based Fidelity, one of the largest money managers in the world, to look after EFA small caps. Another minor change is that we made one further investment to a different manager in Australian Private Equity Key Partners, which is a Sydney based private equity manager.

Mr O'FLAHERTY: The honourable member raised an issue about the number of people who have expressed concern about the negative returns. A small number of people have made comment to us—which is surprising. Over the past couple of years, the Super SA board has gone out in all its communications, even before negative returns, trying to dampen down expectations of the big returns, which the Treasurer mentioned, of 20 per cent, in order to try to get everyone thinking in terms of much lower returns. We think that has had some success. Also, we have had various focus groups of members and we have asked the question, 'Are you concerned?' Most members have said that they are in it for the long haul, so one year's return is not of particular concern to them. We will continue to do that. Until we know the outcome for this year, it will affect our communications going out to members in a couple of months.

Mrs HALL: Thank you for that response. I think the newsletter and material that you send out is very impressive. I am surprised that you say so few people bothered to contact you, because there was some concern out there.

The Hon. K.O. FOLEY: I was quick to praise Funds SA, but the work that John and the Super SA people do is outstanding. They are the ones who have to manage the

interface. I think for a government business that is a huge multi-billion dollar business, it is run exceptionally well.

Mrs HALL: My next question is in relation to the fund asset allocation of Funds SA investment products. If the international equities allocation is higher in Funds SA than other funds, why? Has any thought been given to adjusting the weightings or rebalancing range bands, given the current difficult investment climate?

The Hon. K.O. FOLEY: Could I say from the outset that the reason this government has stuck to the international asset allocation is because the former government was comfortable with that. I think that was the right decision. As Rick Harper has pointed out, there are a couple of primary reasons. I know the member for Morialta has a good appreciation of this. When investing in international opportunities, the spread can be over 7 200 stocks, whereas the Australian spread is over 300 domestic stocks. Because Funds SA is a non-tax paying entity, there is no bias or incentive to take advantage of imputation opportunities for domestic stocks. Therefore, there is a heavy weighting in international stocks—and it has performed exceptionally well. Unfortunately, the past 18 months have seen a dive in international equities. It was at that point where, if we chose not to hold our nerve, we could have jumped into domestic equities and stemmed some of the potential losses—maybe; maybe not—but we have to be ready for the upswing. I think that is sound. While we have a greater international exposure, the exposure is not significantly greater: it is just bias towards international without being overly so.

Earlier I was reluctant to release some of the performance figures, and I did that based on my concern to be very careful about what we put into the market place. I have consulted with both the Under Treasurer (who is a board member of Funds SA) and the CEO of Funds SA. They both think it is okay so, if I get into trouble, the three of us are in strife. In fact, as at 13 June the fund is tracking much better than what we have forecast in the budget. The words 'much better' might be a little on the high side, but it is certainly better. The growth fund at present is minus 1.3 per cent.

The balanced fund is positive 2.5 per cent; the conservative fund is plus 7.71 per cent; cash is 4.87 per cent, and we are talking there about the accumulation funds, in essence, for the Triple S funds. The important one from the budget point of view, with the large unfunded component, is the defined benefit scheme, which is tracking better than forecast in the budget at plus 0.77 per cent. So, at present the returns are in excess of what we have anticipated in the budget, but we do have 10 trading days to go and, famous last words, we could find that the 200-point rise in the Dow yesterday represents a 200-point dive for the next three days, day on day. Who knows? I urge any readers of this *Hansard* or media who are reporting it to be prudent in the use of those figures: they are not the 30 June figures and are extremely volatile.

Mr GOLDSWORTHY: How much is the Funds SA international portfolio hedged and has any analysis been undertaken on the effects of hedging of the international portfolio? If so, what were the results?

Mr HARPER: Effectively, we have two components to our international equities exposures. If we take the defined benefit fund, for instance, one-third of our exposure to international equities in that fund is currency hedged, two-thirds is not. There is no exact answer as to what a funds hedging ratio should be. There is even no really accepted way of addressing the problem. Some funds say that the starting point should be that you are fully hedged. We believe that

there is a benefit to be gained through having some of your exposure unhedged, because you get additional diversification benefits from having exposure to a range of currencies and, over time—and I stress over time—that can be beneficial to a fund, although in short periods of time that can inject some volatility in the outcomes that you achieve.

So, effectively, one-third of our international equities exposure is hedged, again reflecting the fact that we have a slightly higher allocation to international equities. Typically, your average fund in the Australian marketplace, in the commercial marketplace, would have a lower exposure to international equities, but nearly all that exposure would be unhedged. Within the last 18 months we have adjusted our hedging ratio to reduce peer risk to other funds, stemming from currency risk.

Mr GOLDSWORTHY: There was a second part to the question. Has any analysis been undertaken on the effects of the hedging of the international portfolio?

Mr HARPER: There has been a lot of analysis, but you could go to anyone in the world and ask for their best thinking on currency and you would get a number of different answers. It is a very difficult issue. We believe that we are around the right mark but we cannot say categorically that we are in a better position than other people, although we certainly do not believe that we are in a worse position.

Mr GOLDSWORTHY: Given the current volatile state of the property market, does the investment strategy for Funds SA include proposals for direct property investments?

The Hon. K.O. FOLEY: I am not quite sure I agree with the assessment that the property market is volatile. The property market has, in fact, provided some good buffer against volatility in the equity market. I think it would be fair to say that the property market in some sectors may be reaching a point of concern, but I do not think you could describe the property market as volatile. Whether or not it becomes volatile is a fairer question, I think.

Mrs Hall interjecting:

The Hon. K.O. FOLEY: Where is the volatility in property at present? I am not saying it will not come but, as we speak—

Mr Goldsworthy interjecting:

The Hon. K.O. FOLEY: Yes, in residential, and commercial has had some weaker and some stronger points, but the property market has been robust. I accept the point—if that is the point of the member for Morialta—that there are areas of concern. Clearly, there are areas of concern: I agree with that; but to date the property returns for the fund have been very good. But again, the same principle applies as applies for equity. The budget is predicated on a downturn in property, so we acknowledge that there is a downturn coming. We cannot quite pick when, and the sharpness of it will depend upon whether or not interest rate movements sustain the residential market or we see a general deflation in the bubble, or we reach a point in a year or two when we have a more substantial collapse. But they are all for the future.

At present, the returns have been solid. But we do not invest in direct property; that is the advice I am given. As the former government did, and as has been maintained under this government, Funds SA has an appropriate allocation in both listed and unlisted property trusts.

Mr HARPER: Our approach to property has not changed very much over recent years. Property we regard as a very powerful diversifier, in its own right, away from equities. Property in Australia in particular has been in a 20-year bull market now and arguably has been heating up over the last

year or two. We maintain a strict rebalancing policy between all our different asset sectors, so as property has performed better we have actually been pulling money out of property to maintain our asset allocation and divert that money back into things like equity markets, which have not been performing so well.

Mr Goldsworthy interjecting:

The Hon. K.O. FOLEY: Yes, maintaining the asset allocation, but at 30 June 2003 property has performed at plus 10.98 per cent in the growth. I will give you all the figures. Australian equities was plus 1.71 per cent; international equities, minus 10.22 per cent; property, plus 10.98 per cent; fixed interest Australian, 11.03 per cent; international fixed interest, 14.62 per cent; inflation-linked, 14.85 per cent; and cash, 4.87 per cent. So, pretty strong results in some of those areas. But the honourable member's point is correct, and I am not suggesting for one moment that property will not be having some difficult times, because it will be. But at present the volatility has not emerged, in my view.

Mr GOLDSWORTHY: Given the statement that the Treasurer made about the experience available within Funds SA, can he confirm that he did not consult the Funds SA board or management when he increased the estimate of unfunded superannuation liabilities in the mid-year budget review in February 2003 and in this budget?

The Hon. K.O. FOLEY: My advice from both a board member, the Under Treasurer and the chief executive officer is that in fact we did consult in both the mid-year budget review and the latest budget. It would clearly be appropriate for us to seek their advice, and those figures are included. That is the advice I am provided with here. If the honourable member has information to other effect, will he please let me know? I cannot do more than ask the CEO, the board member and the Under Treasurer.

Additional Departmental Adviser:

Mr G. Vogt, Chief Executive Officer, Motor Accident Commission.

The CHAIRMAN: I have a couple of questions which have been the subject of recent correspondence with the Treasurer. In terms of third party bodily injury, strictly speaking, we do not have a 'no fault' scheme, because I think the maximum that can be imposed is \$300 if someone is involved in an accident to which they are deemed to have contributed. Is there any plan to review the amount payable where someone has caused bodily injury?

The Hon. K.O. FOLEY: I will ask Mr Vogt, the Chief Executive Officer of the Motor Accident Commission, to respond.

Mr VOGT: If you are driving normally and you are at fault, the maximum is \$300. On the other hand, if you drive with reckless indifference or do other things which are considered to seriously jeopardise or put the Motor Accident Commission at risk, the Motor Accident Commission has the right to recover the amount of compensation which it pays to those whom you injure. So, there is, to an extent, a capacity to recover additional amounts.

The CHAIRMAN: Do you often seek to recover in those situations?

Mr VOGT: It is very difficult to do so, given that the burden of proof is difficult. We look closely at cases where we believe there is an opportunity, and from time to time we have had success.

The CHAIRMAN: My other point is whether you make drivers aware that they run the risk of being billed for inappropriate driving behaviour which causes bodily injury. I suspect there are a lot of people who do not realise that they could be held accountable for bodily injury.

Mr VOGT: That is an interesting question. We do get some people claiming that they do not know. There have been substantial publicity campaigns about the \$300 excess. As soon as we have success with recoveries in those other examples which I gave where the amount is larger, we seek to publicise that so that the public are aware of it. Primarily, we are encouraging people not to do those things because it creates a lot of injury and suffering for the public and financial stress for the fund, and ultimately for themselves.

The CHAIRMAN: Road safety primarily comes under the Minister for Transport, but you obviously have a direct and vested interest. What is the commission doing to help improve road safety? Have you undertaken or engaged in activities to help bring about a reduction in the road toll (in particular, injuries), and is the commission considering making submissions to the review on road safety in relation to things such as driver training and testing, making drivers aware of the impact of accidents on their fellow human beings and issues such as old cars and young drivers, etc.? Do you see yourselves playing an active role in that and, if so, what do you actually do?

Mr VOGT: The Motor Accident Commission has an active role in encouraging road safety, but it is not the state's road safety expert. We spend about \$3.6 million a year in sponsorship, \$2 million of which goes towards Transport SA's mass media campaigns. The balance goes towards other programs such as the Wandering Star service, which the PTB puts out, aimed at trying to encourage young people not to drive home. Those who are short of cash might drive home; this encourages them not to do so. There are a number of other programs for which we also provide funding. We provide some funding for people who are injured and who need some sort of assistance through smaller groups such as Compassionate Friends and BINSa and others.

The CHAIRMAN: Have you considered doing what I believe the NRMA does in New South Wales? I think that it provides, free of charge, a CD to anyone, but it is particularly targeted at young people, to help them with their driving skills and making them aware of the dangers, etc. Have you thought of funding something similar to that as a way of using modern technology to improve driving skills?

Mr VOGT: That is an interesting campaign. They may have done quite well with that, but the cost is an issue for us. Whilst \$3.6 million sounds like a large sum of money, by the time you spread it around there is not a lot to spare. The other issue is that education for drivers is a very vexed and difficult area. Nobody quite knows yet what the correct answer is. There is a lot of debate about it, and I would be interested to see what the parliamentary inquiry determines. In relation to that, the Motor Accident Commission would have some input on the Road Safety Council, which the minister has established. We have input through that as well as through the sub-committees and the various task forces.

Mr KOUTSANTONIS: Regarding the Wandering Star program that you subsidise through the PTB, have you taken into account the damage that is doing to other public transport providers such as the taxi industry?

Mr VOGT: Our primary objective is road safety. I understand the issue that you are addressing, but our primary interest is in road safety. From our information, most of the

people who use this service go particularly to outer suburban areas where the cost of alternative means of travel is substantial and often more than they would intend to spend on an evening. We think it is better to enable them to get home in safety than have them attempt to drive or get others who might be drunk to drive.

Mr KOUTSANTONIS: The Wandering Star takes people to the outer metropolitan areas, does it?

Mr VOGT: This service is operated by the PTB, but it goes north to Gawler and south to the Noarlunga Centre.

Mr KOUTSANTONIS: Do you have any evidence to show that people who could take alternative public transport such as a taxi would normally drive home instead of catching a bus?

Mr VOGT: The PTB runs this, so I am not an expert—

Mr KOUTSANTONIS: Well, you pay for it. You give them the \$3 million.

The Hon. K.O. FOLEY: I am actually responsible as the minister, so if you have an issue with the government wanting to ensure that young people can get home to the outer northern suburbs in an affordable method of transport and safely, you should address those concerns to me.

Mr KOUTSANTONIS: I will.

The Hon. I.F. EVANS: Regarding the CTP program increases, on 11 May 2002 the Treasurer issued a press release entitled 'The Liberal legacy that left an insurance company hanging', which states:

The Liberals drove the financial viability of the MAC into the ground by refusing to lift third party vehicle premiums to levels recommended by an independent body.

He went on to say:

It showed a wanton and reckless disregard for a major and government-owned company.

The independent Third Party Premiums Committee recommended in 2002 that third party premiums on passenger vehicles increase by \$63. The government increased the premiums by only \$45. The 2003 independent Third Party Premiums Committee recommended that the third party premiums on passenger vehicles increase by \$56. The government increased the premium by only \$30. Further, in *Hansard* of 13 May, the Treasurer said:

We now have a potentially insolvent motor accident insurance corporation because members opposite, the former cabinet, took a political decision to keep premiums down—and you have put at risk the future of a major government insurance corporation. You refused to take the hard decisions; you did not take the hard decisions; you failed to do the responsible thing.

Given the discrepancy between the Treasurer's previous comments on this matter and his current actions, will he advise why he is not setting the premiums at the rate recommended by the independent Third Party Premiums Committee; does he accept that his actions are driving the financial viability of the MAC into the ground; and has he shown 'a wanton and reckless disregard for a major and government-owned company'?

The Hon. K.O. FOLEY: What is the opposition suggesting; should premiums be increased even more? The member for Davenport cannot say we will spend more money and then not say where the money is coming from. It is now on the public record that the Liberal Party wanted us to increase the premium exactly in line with what was recommended by the Third Party Premiums Committee. They want higher third party premiums; I am glad your position is now on the record there for all to see. You want those increases higher. You will have to explain that to the wider community.

The Hon. I.F. EVANS: Are you directing him to answer the question?

The CHAIRMAN: I cannot direct.

The Hon. K.O. FOLEY: Thank you very much for putting your position out there for all to see after months of attacking me for various things; you are now on the public record attacking this government for not increasing the premiums higher than what they are. It is refreshing to see an honest opposition member prepared to put that on the record.

The Hon. I.F. EVANS: As a supplementary question: on what basis did the Treasurer not accept the independent advice?

The Hon. K.O. FOLEY: The opposition is still urging me on this matter to increase the premiums further.

The Hon. I.F. Evans interjecting:

The Hon. K.O. FOLEY: Exactly. Disallow it; put it out and take some action. We stand by our decision; we think it is a fair and balanced decision in difficult times, ensuring that we have a financial institution that has the financial strength to maintain its position and not be a call on taxpayers. We also acknowledge that there is a limit to how far premiums can be increased and we have tried to get the balance right, but I am pleased to see that on the public record today the opposition is urging the government to increase those premiums higher. We now have a point of clear difference between the government and the opposition when it comes to third party insurance premiums.

The Hon. I.F. EVANS: Will the Treasurer indicate how the MAC funds management performance has performed year to date; how does it compare with other comparable funds as measured by any other comparable fund management index; and over the past year has MAC funds management performance exceeded its own benchmark?

The Hon. K.O. FOLEY: He got that one off quickly enough, didn't he? 'Whoops!' he said, 'Move on; next question.' As of 30 April 2003 the Motor Accident Commission CTP investment assets were valued at \$1.25 billion, compared with \$1.21 billion as at 30 June 2002. The asset allocation adopted by the Motor Accident Commission uses the following targets: Australian equities, 18 per cent; international equities, 12 per cent; listed property, 2.5 per cent; direct property, 7.5 per cent; indexed bonds, 5 per cent; fixed interest (a very high component), 50 per cent; and cash, 5 per cent. As at 30 April 2003, actual asset allocation for all asset classes was within approved ranges around these targets.

The asset allocations were weighted towards the fixed interest sector to ensure the preservation of capital and the matching of assets with MAC's interest rate sensitive liability profile. To provide protection against inflation, the uncertain liabilities beyond three years were matched with growth assets, equities and property. The strategy is reviewed annually by external advisers—in 2003 by Ken Atchison of Atchison Consultants—and the outcome of that review is currently being assessed by the Motor Accident Commission board.

In the 10 months to 30 April 2003, actual performance was 1.4 and the benchmark 1.2 positive; in the year to date, 30 June 2002, actual was 1.2 and the benchmark was 2. The average since inception on 1 July 1995, the actual performance is positive 8.3 against a benchmark of 7.4 so, again, it is an outstanding performance in difficult times by the board and management of the Motor Accident Commission.

The Hon. I.F. EVANS: What is the current solvency of the MAC CTP fund?

The Hon. K.O. FOLEY: On 31 May I am advised that it is about 100 per cent funded, or break even.

Mrs HALL: My question to the Treasurer is in relation to the determinations issued by the Third Party Premiums Committee and the setting of CTP premium rates. Section 129 of the Motor Vehicles Act 1959 states that the Third Party Premiums Committee is responsible for determining the premiums to apply for the CTP insurance. Section 129 also requires that the 'minister must lay every determination and a statement of reasons for the determination of the Third Party Premiums Committee before parliament.' Will the Treasurer advise whether the determination of the Third Party Premiums Committee issued in 2002 and 2003 have been laid before the parliament and if they have not, why not?

Mr KOUTSANTONIS: I rise on a point of order, sir. Estimates committees are about asking questions related to the budget. That question would be perfectly legitimate in the house during question time, but not during estimates. It has no relevance at all to the budget.

The CHAIRMAN: The chair has been quite tolerant and has shown a bit of latitude. I do not think the world would end if the question were answered; if the Treasurer does not want to answer it—

The Hon. K.O. FOLEY: The only problem is that I am not the right minister; the Minister for Transport is responsible for tabling the Third Party Premiums Committee recommendation. I assume that 2002 has been done; I may be wrong and it may not have been. I assume a process is followed.

Mrs Hall interjecting:

The Hon. K.O. FOLEY: The honourable member states that traditionally it has been the Treasurer; I am not sure that is the case. Mr Vogt's advice is that that is not necessarily the case. It may be; I do not know, but we will ensure that that is tabled appropriately.

Mrs HALL: In setting the CTP premium increases for the MAC in 2002-03, did the Treasurer issue a direction to the MAC under the Motor Accident Commission Act or under the Public Corporations Act determining the premium rates to apply? If the answer is yes, were the directions published by notice in the *Gazette* within 14 days of the directions being given and tabled in both houses of parliament within six sitting days after its publication in the *Gazette*, as required in section 6 of the Public Corporations Act 1993? If the answer is no, what is the process by which the Treasurer directs or instructs the MAC of the premium rates to apply?

The Hon. K.O. FOLEY: The advice provided to me by the Chief Executive Officer of the Motor Accident Commission is that the direction I applied was, pursuant to the Motor Accident Commission Act, not required to be tabled in parliament but would appear in the annual report. I am advised that that is the process undertaken by former treasurers.

Mrs HALL: This question is in relation to the CTP claims management function of MAC; what is the process with the transition of claims management from SGIC to Allianz Australia Insurance Limited, given that the transition was proposed to be effective as of 1 July 2003? How many SGIC employees have transferred to Allianz or been reallocated elsewhere within SGIC and how many were offered redundancy packages?

The Hon. K.O. FOLEY: I will ask Mr Vogt to respond to that, but from the outset I would make a couple of comments on that. This was a process begun by the former treasurer. It was an appropriate process. I am not at all

critical: quite the opposite; I think it was a prudent thing to do. An expectation may have been in the market that the government may roll the contract over. I do not think that was the view of the former treasurer; I may be misquoting him, but I doubt that that was his view. I think he would have come at it from a competitive point of view, as I certainly did. We had to make a decision on the merits of the final bids.

In a fairly lengthy process I ensured that due process was followed to the nth degree. I asked for a number of reviews of the process and the conclusion so that government and cabinet could be provided with as much advice as we could get on what should be the correct decision on this. The cabinet was totally supportive of the recommendation of the Motor Accident Commission board, which was to appoint Allianz, and that meant that NRMA, now Insurance Australia Group (IAG), was not successful. It was a very close bidding process and there was some reaction from the Finance Sector Union and some other quarters, but the government must always make the decision in the best interests of government, following due process and, unless there is an overwhelming reason as to why one would not, one should back the judgment of the board. If one does not, then one has a problem with the board. We do not; we think it is an outstanding board and we supported its decision.

That was Allianz. That was a good decision and Geoff and his team did a very good job in getting there, but I will ask Geoff to comment in more detail as to how that transition is going and attempt, where we can, to answer the member's questions.

Mr VOGT: At this stage the transition is well progressed. Allianz has been putting together all the stepping stones it needs—it calls them 'planks'—in order to be able to run the business successfully from 1 July. The emphasis is on business as usual for the public, so anyone who is injured or who wants to lodge a claim or has one being processed should notice very little difference except that on 30 June they would go into Victoria Square and on 1 July they would go into Pirie Street, and they would see a different sign over the door. Apart from that, things are progressing very satisfactorily.

I think the point that needs to be made is that this is the only CTP scheme in the world, that we are aware of, where there is only one claims manager on an outsourced basis, so it is the first time a transition such as this has taken place—there is no rule book. We have very carefully done a risk analysis and analysed all the issues associated with it in an attempt to cover everything that could possibly arise. We have spoken to the plaintiff lawyers, the Law Society and others who have a close association with us as suppliers and participants in the scheme, to explain to them what we are doing and to seek their feedback. We have asked them to provide us with any information they may have where things that we have not anticipated seem to be arising, so that we can address those quickly.

We have put in place special provisions so that, if unanticipated things do occur, we can deal with them very promptly indeed. We are satisfied that everything that could be done to make sure that this is a smooth transition for the public will be done—the public will not notice anything too serious. What I can say is that towards the end of June the active operations of SGIC will wind down a little—this operation requires extensive volumes of paper files and computer files, and the computer conversion will take a period of time in order to allow that to happen by 1 July. We are taking some of that information, or files, offline which

means that, if someone has a query, whereas in the past (and from 1 July) they would get that answered almost instantaneously, or very quickly, it might now take a while to get the file back from where it has been lodged or where it is in transit, so that it can be dealt with appropriately.

Mrs HALL: I do not know whether the Treasurer is going to depute it to you Mr Vogt, or whether he is coming back, but I was also seeking information about the numbers of SGIC employees who have already been transferred to Allianz or have been relocated elsewhere in SGIC, and how many were offered a redundancy package. I do not know who wins that one.

The Hon. K.O. FOLEY: I will ask Geoff Vogt to make a generalised response to that. We may be able to give you something confidentially, but I think there is a sensitive process under way at present.

Mr VOGT: The transition process involved approximately 40 to 50 SGIC staff who sought to have employment with Allianz. The majority have to start on 1 July, so there is some water to pass under the bridge yet until the numbers are locked in, and there are some other issues associated with that transition process. As far as that goes, we are quite satisfied that Allianz has been able to get appropriate numbers of highly skilled staff from SGIC, from their own operations in Queensland and New South Wales (where they are leading CTP insurers) and from elsewhere, for example, from the TAC in Victoria, so that they do have a very good, sound and robust balance of experience within the new team.

Mr GOLDSWORTHY: My question is in relation to the non-compulsory third party insurance businesses administered by the Motor Accident Commission. Budget Paper 3, page 3.14 refers to \$15 million of dividends being collected from the MAC for the periods 2002-03 and 2003-004. As advised in the budget papers, this relates to non-compulsory third party activities of the MAC, which the opposition is aware is the mortgage insurance run-off and financial risk insurance run-off business from the former state government insurance commission. Specifically, what activities, liabilities and risks still remain from the non-CTP businesses?

The Hon. K.O. FOLEY: I will take that on notice. I am not wanting to avoid the question. I have got some advice here that we can give but I think I just need to consider that and we will get you a proper and more detailed answer.

Mr GOLDSWORTHY: Just going on from that, I have a supplementary question. Given that the government is collecting \$15 million from these residual businesses over the period of 2002-03 and 2003-04, will this leave enough cash to pay out future liabilities? If yes, how certain is the Treasurer that there will not be a need for a government guarantee to be called upon in the event of cash not being sufficient to fund future commitments?

The Hon. K.O. FOLEY: I am advised by Mr Vogt that on the best information available at present it will be sufficient. That is the advice I am provided with and, again, only time will tell.

The CHAIRMAN: Are there any further questions in this section? There being no further questions, I declare the—

The Hon. K.O. FOLEY: Before we do that Mr Chairman, can I just make a brief comment on something? Member for West Torrens did you have something?

The CHAIRMAN: It has to be on Treasury.

The Hon. K.O. FOLEY: Yes, on Treasury. I just want to make a brief comment. I have asked my staff to check the questions and answers in relation to that issue that we had a bit of ping pong on over DTF savings and controlled

initiatives. As I said, I will still make sure that we double check the record to clarify any inadvertent errors provided, but I will just make this contribution to try to better clarify the situation. DTF has found, as I said, savings of \$6.992 million and this equates to 10.4 per cent of DTF—Department of Treasury and Finance—controlled expenditure. The Department of Treasury and Finance controlled expenditure excludes the \$25 million in Department of Treasury and Finance administered items budgeted for targeted voluntary separation packages.

The Department of Treasury and Finance spending overall went up because of the growth built into the forward estimates prior to the budget and because of new funding shown in table 2.10 of Budget Paper Number 3, and the timing of expenditure associated with the public/private partnerships unit which was deferred from 2002-03 to 2003-04. The rise in the Department of Treasury and Finance controlled budget is not due to the TVSPs. Now, that is the advice I am provided with by Treasury. As I said, we will further check *Hansard* on all answers and if there is anything that requires further clarification we will clarify it, in our endeavour to ensure that the house gets full, frank and correct advice.

The CHAIRMAN: There being no further questions, I declare the examination suspended until 24 June.

The Hon. K.O. FOLEY: I thank all officers from the Department of Treasury and Finance who are still here.

Office of Economic Development, \$14 062 000

Additional Departmental Advisers:

Ms D. Walford, Acting Chief Executive Officer, Office of Economic Development.

Dr R. Sexton, (Former) Chief Executive Officer.

Mr D. Mitchell, Director, Strategic Initiatives.

Mr D. Litchfield, Director, Infrastructure.

The CHAIRMAN: I declare the proposed payments open for examination and refer members to appendix D, page 2 in the Budget Statement and part 2, pages 2.4 to 2.12, Volume 1 of the Portfolio Statements. Will the minister introduce his advisers and if he wishes to make a statement do so.

The Hon. K.O. FOLEY: Last week, Robert Champion de Crespigny put a release out stating that Dr Roger Sexton has agreed to accept a position in establishing the government's venture capital board and is standing down from his work with the Office of Economic Development to take on the role—initially full-time and then in a part-time capacity—as chair of the Venture Capital Board. In the budget, we have allocated a sum of some \$10 million, plus recurrent funding from memory, to ensure that we have a serious attempt at putting in place a workable and safe strategic venture capital fund that will be designed to leverage more venture capital into this state. We believe that Roger's outstanding skills in the area of venture capital funds management and merchant banking are ideal.

I want to say on the record that, over the last 12 to 14 months, Roger's work with Robert de Crespigny and the team of the Office of Economic Development has been outstanding, culminating in the economic summit being held at parliament and the report brought down by the board. Roger's work has been outstanding and highly valued by the government. It is a good opportunity for Roger to move to

what now is the critically important area of venture capital for the government and to ensure that we get that right. We need this to be a full-time commitment until we can appoint a highly skilled board consisting of the best business people we can attract to work with Roger. I am happy for questions.

The CHAIRMAN: Does the lead speaker for the opposition wish to make a statement?

The Hon. I.F. EVANS: No. The government approved Dr Sexton as CEO of the Office of Economic Development on a \$1.25 million contract over five years. Dr Sexton, as the Treasurer said in his introductory remarks, recently announced that he is leaving the position to take up the position of chairman of the government's new venture capital board. What are the terms of his new contract and was any termination payment made to Dr Sexton in relation to his old contract, or any sign-on fee paid for his new contract?

Mr KOUTSANTONIS: Mr Chairman, I have a point of order. How is this question in any way relevant with any budget line? These questions are well able to be asked in the house.

The Hon. I.F. EVANS: He talked about it in his introduction.

The CHAIRMAN: Order! As I said earlier, the chair has been somewhat tolerant. It is a budget issue in terms of ultimately someone has to pay and it is the government that will be paying the package.

The Hon. K.O. FOLEY: As I prefaced my remarks earlier, Treasury will give answers that we believe to be correct, but of course we will check the records subsequent to today's estimates to ensure that any inaccuracies are corrected. On the advice I have from Roger and my recollection—and we will double check this (and I am not in any way doubting what Roger has said)—Roger will be full-time for the next three months fulfilling the mutual contractual obligations of the CEO contract on his pay as the CEO of the Office of Economic Development, because there is a standard clause requiring Roger to do at least three months work full-time. At that point, he will be taking up a part-time appointment as chair of the board and to establish it. I would hope that after three months Roger is in a position to go part-time, but again these things are moveable feasts until the body of work needing to be done is done.

The Hon. I.F. EVANS: So, the Treasurer is not answering the questions about termination payments.

The Hon. K.O. FOLEY: No, I am advised that there is no termination payment, no special payment. That is the advice: you have heard it from Roger and you are hearing it from me. We will double check to ensure that that is correct, and if any other information adds value to the answer, we will provide it.

The CHAIRMAN: In relation to developing a venture capital fund, Australians are not noted for being keen to get into the venture capital area. I am not asking for trade secrets to be given away, but is the focus of this fund to be on providing some seed money, or is it to be a catalyst to get more venture capital into South Australia either from Australia or overseas?

The Hon. K.O. FOLEY: A key recommendation of the Economic Development Board in its recently released framework for economic development in South Australia is the establishment of a venture capital board to boost the growth of existing and new businesses in South Australia. Dr Sexton has been appointed as Chairman of the Venture Capital Board. One of the first tasks of the Venture Capital Board will be to investigate the feasibility of providing seed

funding for one or two locally based venture capital funds. The government has set aside \$10 million in the 2004-05 financial year for this purpose and \$1.4 million over four years to fund the board and associated activities. The government agrees with the EDB that there is a case for government supporting an increase in the supply of venture capital in South Australia.

Access to venture capital is a prerequisite for growth in existing businesses and the development of new businesses. Initially the venture capital board will review all venture capital and related activities within various government agencies and it will then recommend to cabinet the most effective and efficient use of these resources. This is in line with the EDB's view that funding assistance for industry can be used in a more targeted way. It is envisaged that the board will sponsor several venture capital symposiums each year at which companies seeking venture capital will have the opportunity to make a formal presentation to a collection of venture capitalists. Another function of the board will be to improve coordination between business networks, universities, commercial units and entrepreneurial courses.

This is not a quick fix, but a plan to develop over a period a strong local venture capital industry which will positively influence innovation and development in the local business community. Other board members will be announced over the next few months. This is not the government getting into the venture capital business. As we say, it is an opportunity, as recommended by the board, to provide seed funding by matching funding to leverage more funding and to establish at least one or two locally based venture capital firms. We think that is the way to move forward. As well though, which is perhaps the more exciting part, Roger has a number of exciting ideas about how we can promote in the wider business, academic and general community the benefits and otherwise of the use of venture capital funds in developing businesses.

The CHAIRMAN: Will there be a particular focus, for example, on biotechnology or nanotechnology?

The Hon. K.O. FOLEY: Roger's advice to me is that it will be broad based. There is no specific focus. I would assume that is because the market in our state is small to begin with and we need to keep these broad based. This is an evolving process and we will keep the parliament informed on a regular basis.

The Hon. I.F. EVANS: Did Dr Sexton advise the Treasurer or the government after his original appointment that he had any potential conflict of interest, and as a result, was Dr Sexton excluded from discussions on any project or issue?

Mr KOUTSANTONIS: Mr Chairman, I have a point of order. Again this has absolutely nothing to do with any budget line. This is a question for the house.

The Hon. I.F. EVANS: Come off it, he is CEO of the office for goodness sake.

The Hon. K.O. FOLEY: As I said last year, when Dr Sexton took up the appointment certain arrangements were put in place relating to issues of conflict of interest. Dr Sexton advised the government (as is required) the areas of conflict that he may have and what his personal financial position was. He filled out a register with all his financial interests and that is kept with the Commissioner for Public Employment, the Department of Premier and Cabinet, or wherever those things are kept. I am advised that the opposition has twice examined his contract and, to the best of my knowledge, Roger has conducted himself in total

accordance with what is required of a chief executive officer. If the member has other information, he should feel free to release it now.

The Hon. I.F. EVANS: The Treasurer says that Dr Sexton advised the government of all conflicts—

The Hon. K.O. FOLEY: No, the areas of his financial investments, and obviously as a chief executive officer it is for Roger to manage the issue of conflict.

The Hon. I.F. EVANS: I will put this question to the Treasurer, and he might clarify whether Dr Sexton advised the Treasurer in regard to this matter. The Best of Wine Industry Trust is a specialist infrastructure fund investing in establishing vineyards and other wine industry assets such as crushing, processing and storage facilities. As at 30 June 2002, it owned 19 vineyards in Australia and New Zealand—for example, the Barossa Valley, the Riverland, Clare, Coonawarra, etc.—with a total value of some \$76.7 million. Last year, the trust began to acquire infrastructure assets through the acquisition of wineries. In January and February of this year, presentations were made to a number of stockbroking firms about the trust, and it was highlighted during those presentations that Dr Sexton was a director of the BWIT. Did Dr Sexton advise the Treasurer and/or the Premier of his position as director of BWIT, and was Dr Sexton then excluded from discussions within government about the wine industry?

The Hon. K.O. FOLEY: Dr Sexton is on the public record as a director of the Best of Wine Industry Trust. He is a director of IOOF and of IBIS, the industry economic analysis firm. They are all boards external to South Australia and, because Roger's intention is to return to the private sector, we would allow Roger to hold those directorships and to deal with conflicts accordingly. Roger has just advised me that he took no part in Best of Wine Industry Trust's roadshows as you have mentioned. Roger's advice is that matters of the wine industry have not provided a conflict in his position.

The Hon. I.F. EVANS: As a supplementary question, does that mean that he has been excluded from discussions within government about the wine industry, or is it in his judgment that they have not presented a conflict? There is a difference there, is there not?

The Hon. K.O. FOLEY: I am not aware of any work done by the Office of Economic Development specifically in the wine industry that may have presented a conflict. However, I am certainly more than happy to receive advice from the member if he thinks that that is not correct. I stand to be corrected if that is the case. I am not saying that that is an absolute. Roger advises me here and now—and you heard him talking to me—that he is not aware of being involved in any discussions on any matters relating to the wine industry. Clearly, with the work of the Economic Development Board and the Office of Economic Development, issues relating to the wine industry in a general sense would be talked about.

Are you suggesting that that in a way presents a conflict? I would have thought that it was quite the opposite in the sense that, provided Dr Sexton ensured that he excluded himself from any specific work, that would have a positive impact on his business. However, his advice to me here is that there have not been such discussions that would cause that. This is the great problem of attracting senior business people to work for government. If we require them to have no external interests, they will not come and work for us. That is the balancing act. The thing with Roger Sexton is that it has all been declared up front and it is known and, to the best of

my advice, it is well managed. Having said all that, if the member opposite can present advice or evidence or a suggestion that what Dr Sexton has said to me and what I have relayed to the committee is not correct, I ask the member to come forward. In the absence of that and on the advice as provided to me by Dr Sexton, that is my answer.

The CHAIRMAN: Treasurer, in your statement you referred to the venture capital fund linking in with universities, which is long overdue. For a long time we have lost opportunities in South Australia, because some of our best brains and innovators have gone overseas. It is early days, but is there an opportunity to assist some of the bright people coming out of university—graduating and so on—through this fund to establish businesses and other developments in South Australia? That has been sadly lacking for a long time.

The Hon. K.O. FOLEY: I could not agree more. One of the roles Roger sees the board playing is to improve coordination between business networks, universities, commercial units and entrepreneurial courses, very much working with the universities to see how we can have a better rate of spin out of ventures from our universities to become commercially viable. It will be a major part of the work undertaken by the board. This is an involving process. I encourage all members—and particularly the Chairman and others who have an interest in this matter—to correspond with Dr Sexton and talk to him about some of these ideas. It will be an evolving process, and I encourage members to have dialogue on it.

The CHAIRMAN: With regard to the matter of intellectual capital, which ties in with business ventures, a lot of government agencies have not been well equipped to deal with this issue, and likewise in relation to universities. Will this fund and the mechanism being set up in any way help to facilitate the protection and development of intellectual capital, or is this simply seen as a dollar operation rather than a legal facilitator?

Dr SEXTON: I will talk generally about the outcomes we expect to achieve from the board. As the Treasurer said, it is designed to focus on both the supply venture capital and the demand side. We want to increase the deal flow in South Australia. We want to accelerate the growth of medium and small businesses. There are about 80 000 small businesses in the state, all of which have the potential to grow if they can access finance. Through that, we want to generate increased employment opportunities and rationalise the provision of venture capital services by government and work towards a one-stop shop for venture capital in the state. We want to facilitate access to peer group venture capital business persons and fund managers, which currently does not exist in the state, because they are all based in Sydney.

We want to increase the rate of business start ups and educate the business community generally about the growth opportunities in key sectors of the South Australian economy. We also want to enhance the development of an entrepreneurial business culture in the state, as well as build and strengthen the business networks in South Australia and, as the Treasurer said, encourage the development of commercialisation units in the three universities, and also entrepreneurialship courses. In the context of your question, through the universities and the work in commercialising some of the research coming out of universities, there should be some good opportunities to encourage young people to get access to venture capital.

The Hon. K.O. FOLEY: I will come back to that issue raised by the member opposite. Despite advice from Dr Sexton that he would prefer me not to say this, because

this is a reflection on him, it is important to note that Dr Sexton was required—and volunteered to do so—to resign from three boards in South Australia when he took up this appointment, namely, Korvest, the Motor Accident Commission (where he chaired the Motor Accident Commission with the former government and worked with the Treasurer) and IOOF South Australia. He was also required to divest himself of a considerable amount of shareholdings in South Australian companies. I think that a big task was required of Roger to do what he has done over the past 12 to 14 months, and it came at considerable personal cost in terms of his own financial position.

Mr KOUTSANTONIS: What is the status of the interstate investment agreement?

The Hon. K.O. FOLEY: Shortly, a number of states will be in a position to announce an agreement to a process to try to put an end to cross-border poaching. We are trying to end the rent seekers who hawk themselves from government to government. It is a courageous decision. We have cut around \$31 million from the industry attraction fund. I believe that all states, barring the recalcitrant state of Queensland, will be in a position soon to sign an historic agreement to try to put closure to this, as best we can. Only the test of time and the political consequences of some decisions will see who holds tight on it, but it is a genuine attempt, where possible, to reduce the amount of senseless cross-border bidding where we poach businesses that are footloose and free as capital on some false idea that this is adding economic value. It is not bad for premiers of any persuasion, Labor or Liberal, who want to cut a ribbon. It may look good for a headline in a paper, but it is a zero sum gain when it equates to real economic development.

That is not to say that there should not be competition between the states for international capital that wants to locate itself in Australia. It is not to say that governments for strategic reasons may not want to support the growth of a domestic company or, indeed, the relocation of some activities. There must be flexibility in this agreement. The member for Davenport raises his eyes. The old Tories' approach to economic development, which started under Olsen and Brown, is to ask how big a cheque they want; it was \$30 000 to Australis and \$20 000 to Motorola and a contract to go with it. That was the way they did it. We are different. I think it is worth attempting to put some sense into this process, but it will have some flexibility.

It is already working. A major bank wanted to relocate 250 call centre jobs to South Australia, and a very senior executive said to me, 'But, of course, you will have to put incentives on the table to attract us.' and I said, 'Sorry, you will not get it; we will not provide it.' I took that call and I will be criticised by some, but, if I had put an incentive on the table, he would have been telling John Brumby and, in the old days, John Brumby would have matched it or gone one up; and Bob Carr would have gone one up again. Then he would have come back with a higher bid and said, 'You have to match this.' It is just silly. We are putting that in place and we will be in a position to make an announcement in the not too distant future.

Mr KOUTSANTONIS: Will the government continue to provide industry assistance?

The Hon. K.O. FOLEY: I used one of my answers on a dorothy dixer from the chairman, but I think it is important that I follow on from my previous answer. We make no apology for our tough stance on industry assistance. We want to put resources into strategic economic development—the

venture capital fund, broadband communications infrastructure and skills development. We want to put money into strategic industry assistance packages that are designed to help a broader base of industry, not selected and narrow business, which has been the policy of the past. We want to move away from the short-term headline driven approach of the past—and that is a criticism of former Labor and Liberal governments. As I said earlier, that is not to say there will not be assistance: there will be, but it will be done more equitably and it will be more focused. Already we have reduced significantly the industry attraction fund.

Mr O'BRIEN: What action is intended to follow up on the Economic Growth Summit and to capitalise on its success?

The Hon. K.O. FOLEY: I think all participants, including the opposition, even in its more political moments, would acknowledge that the Economic Growth Summit was an outstanding success. It was highly regarded by all participants from business, unions, community services and social groups to whom I have spoken. It was an outstanding success. Officers from the Office of Economic Development, the Department of Business, Manufacturing and Trade, my own office, the Premier's office, the Department of the Premier and Cabinet and the board itself, including Roger Sexton, thought it was an outstanding success. It brought together for the first time all the diverse interest groups. It was a great motivating experience. It demonstrated that governments can work in partnership with business in a far more productive way than governments of all persuasions have in the past.

The summit was the beginning of the work. Since the summit, all delegates have become ambassadors for the state. We have had regular communication and dialogue with all participants. Immediately following the summit, the board distributed a PowerPoint presentation to all summit delegates. It was a presentation which delegates requested to better equip them as they seek to convey the key themes of the summit to their respective organisations, businesses and community groups. The summit was the beginning of a new partnership between government, business and the broader community. The spirit of partnership—and I am certainly prepared to say bipartisanship—will be strengthened, I hope, over the next 12 months to three years. This should be a structure that survives governments. It should not be here for one political party: it should be embraced—and I am certain it is.

The summit delegates will be sent regular updates on the government's progress in terms of implementing the economic development framework. The Premier announced at the conclusion of the summit that all delegates would be invited back to a follow-up meeting 12 months on, so the government could report on what it had done towards implementing the framework. Similarly, delegates could report on what they had done to improve the economic fortunes of South Australia. Community support for the change process that began at the summit is critical. The Office of Economic Development is in the process of scoping an effective communications strategy to promote the initiatives it adopts from the economic development framework, targeting diverse sections of the community by using messages and media that are most relevant to them. Hopefully, this strategy will build a unique 'can do' image for South Australia and reinforce the message that business and the community need to work with the government to achieve a positive future for all South Australians.

Mrs HALL: In April last year the government announced the state's biggest ever industry assistance package of \$50 million to Mitsubishi. When the Liberal Party was in government—I am sure the Premier and the Treasurer would well remember—we made commitments that any assistance packages to industry should be repaid in full if employment or development commitments made by the company were not met. Will the Treasurer assure the committee, consistent with his past promises, that all the \$50 million being provided to Mitsubishi is subject to strict clawback provisions if employment and investment commitments are not met?

The Hon. K.O. FOLEY: They are a negative lot, aren't they? We do the hard yards to save an industry and they nitpick. I have to say that one of the first people I consulted on how we get a strategy to save Mitsubishi was John Olsen, and I am on the public record as acknowledging the fine work of John Olsen. But Mitsubishi's \$1 billion of new model investment project is well under way. This project involves the design and manufacture of two new vehicles: a Magna replacement, designed primarily for domestic markets; and a long wheel-based luxury car, designed primarily for export markets. These vehicles will be released to the market in late 2005 or early 2006. The project also involves the establishment of a major new research and development facility in Adelaide as part of Mitsubishi's global network of research and development facilities.

The project will lead to the creation of at least 1 000 direct new jobs, many of which, Mr Chairman, will be in your electorate and some I suspect in that of the member for Davenport and, indeed, in all our electorates. Some 200 of these jobs will be at the research and development centre, taking total R&D employment at Mitsubishi to 300 engineering and technically skilled staff. The state is already starting to see the flow-on benefits from Mitsubishi new model project announcements. Siemens VDO Automotive, part of the giant global conglomerate Siemens AG, has announced the establishment of a manufacturing operation in Adelaide that will initially employ 55 people.

In respect of the other components of the honourable member's question, I am happy to provide a confidential briefing to members on aspects of the package as they relate to provisions for the areas outlined. As this package is WTO compliant, we have certain constraints on how it can be put together. But I am more than happy for the opposition to be privately briefed on this. At this stage, it would not be my preference to make it public, because a number of sensitivities are involved.

Mrs HALL: As a supplementary question, have the contract and agreements been signed?

The Hon. K.O. FOLEY: Yes.

Mrs HALL: Has the Chairman of the Office of the Economic Development Board, Mr Robert Champion de Crespigny, advised the Treasurer or the Premier that he has any potential conflict of interest within the broad defence-related industry sector and, if so, has Mr de Crespigny been excluded from any discussions within government on this important issue?

The Hon. K.O. FOLEY: Robert Champion de Crespigny is an outstanding South Australian who, I should put on the record, put aside two days of his own time to travel with me to Sydney and Melbourne last week to sell the state's budget and economic development. We had a number of meetings and functions involving senior business people, banking people, finance institutions, economists, financial journalists, a number of very interesting business people in Melbourne,

in particular, rating agencies and others. Robert Champion de Crespigny's commitment to this state is just outstanding.

In respect of the question that has been raised, Mr de Crespigny is a member of the government's Defence Industry Advisory Board, chaired by Vice-Admiral Shackleton, the former head of the navy in Australia, together with former defence minister Ian McLachlan and Mr John White, former principal player in the construction of the Anzac class ship in Australia, and some other members. It is an outstanding board. We are giving it significant resources to attempt to get for our state the potential \$4 billion to \$5 billion, at least, of major ship construction in this state, and even more if possible. Robert is on that board. I am not aware of any matters that the member refers to, but, if the honourable member has any concerns about Robert de Crespigny's role in and involvement on that board, I would encourage her to come forward with that information.

Mrs HALL: Given the Premier's view that there could be a perception of a conflict of interest because of Mr de Crespigny's previous involvement with the AMC, what specific guidelines and procedures did the Treasurer require of Mr de Crespigny in relation to ensuring that he was not involved in discussions in relation to SAMAG?

The Hon. K.O. FOLEY: I will answer that, but I would not mind the honourable member finishing the first question. I do not think it is fair to come in here and cast aspersions on the integrity of Mr de Crespigny and then move on. The honourable member either has something or she has not. Does she have any concerns about the defence industry and Mr de Crespigny?

Mrs HALL: I sought information. The Treasurer responded to the question I asked.

The Hon. K.O. FOLEY: I think it is very unfair just to sort of stir the market a little bit, stir the interest in whether there is a conflict there. If the member has come into this parliament and asked a question under privilege, I think she needs to clarify it here and now. Does the honourable member have concerns about Mr de Crespigny's involvement with the defence industry—yes or no?

Mrs HALL: The Treasurer responded to my specific question, and I am happy with his response.

The Hon. K.O. FOLEY: I think that is unfortunate, but we will move on. In relation to SAMAG, I made a statement to the house during estimates last year. Mr de Crespigny had written to me about SAMAG at the time he took the appointment, and we had an understanding. Mr de Crespigny made clear what his position was and, in a letter that he wrote to me on 15 May, he stated:

A few weeks ago I resigned from the Australian Magnesium Corporation Board. My understanding is that this resignation was publicly announced around 21 April 2002. I believe it is appropriate that I am not involved in any SAMAG discussions for quite a considerable time. I do, however, advise that I have no interest in the AMC. I have resubmitted this letter for September 2002. At that time, if there is a requirement, you and I could discuss if it is appropriate for me to be involved in any discussions on these matters but, until that time, I will excuse myself from any discussions on this matter.

Mr de Crespigny and I have observed the intent of that letter but, clearly, he felt that, with considerable time having elapsed, he had concerns about the industry. In a letter that he has sent—and I have a copy of a draft—to the Hon. Rory McEwen, the Hon. Ian McFarlane and the Hon. Nick Minchin, Mr de Crespigny makes this point:

As you are also aware, as the chairman of the Economic Development Board of South Australia, I am aware of the SAMAG

project. For various reasons, I have not been involved in any form of assessing the merits of this project.

He goes on to say that when in North America recently he travelled to Canada to meet with Noranda, which had closed and written off a Canadian \$750 million magnesium project. With that information and with headlines like 'AMC in Writedown Meltdown', you would be a pretty ordinary government if you ignored someone saying, 'Look, you just can't operate in a vacuum. It would be good for the SAMAG project and good for the government to quickly review the merits of the project, given the current local and international magnesium market.' That is a prudent and sensible thing to do, and that is what we are doing.

The CHAIRMAN: Just on that, what is the time frame for that review? I am aware of people in Port Pirie expressing concern about the review process. Can the Treasurer enlighten us as to how long that review will take and the essence of it?

The Hon. K.O. FOLEY: That matter is being handled by the Minister for Industry and Trade (Hon. Rory McEwen) and through the Department of Business, Manufacturing and Trade. We expect it to be a reasonably quick exercise but an important one. Our offer of \$25 million remains on the table, but it is just sensible and prudent in light of world events and domestic events—the Queensland government and the federal Liberal government could be up to half a billion dollars, I think one of the reports might have said, although I cannot recall the exact figure—that we reassess this.

Mrs HALL: I have a supplementary question relating to magnesium. The Treasurer just referred to a letter from Robert Champion de Crespigny which I think is dated September, relating to magnesium. Will the Treasurer inform the committee whether a meeting took place or subsequent discussions following that letter and, if so, what was decided?

The Hon. K.O. FOLEY: This letter is dated 15 May and in it Mr de Crespigny says that it would be resubmitted in September 2002.

The Hon. I.F. EVANS: Was it resubmitted in September 2002?

The Hon. K.O. FOLEY: I'm not certain, to be honest. He wrote this letter in May, and it states:

I have resubmitted this letter for September 2002.

Mrs HALL: We will assume that the letter was resubmitted. Post that letter being resubmitted, did a meeting or discussions take place regarding magnesium, and what was decided?

The Hon. K.O. FOLEY: I have no recollection of a meeting. Are you saying: did we have a meeting in September and say, 'Look, all bets are off, start advising the government on SAMAG'? Is that what you are suggesting?

Mrs HALL: I am inquiring as to the process, given the importance of the project to South Australia.

The Hon. K.O. FOLEY: I will restate my position. I do not recall whether or not that letter was officially resubmitted to me. I have no recollection of a meeting with Mr de Crespigny on this matter on or about that date. I may be wrong; I will check my records, but it needs to be made very clear that this is a project on which Mr de Crespigny has had no involvement within government, to the best of my understanding—I may be wrong, and I stand to be corrected—and Mr de Crespigny has observed the spirit of that letter, as have I.

Mrs HALL: I understand that when Mr de Crespigny was appointed to the Economic Development Board, he wrote—I

presume to the Treasurer, maybe to the Premier—saying that, if elected, he was not going to discuss anything to do with magnesium for six months until 31 October 2002. I am curious as to whether Mr de Crespigny was correct in that statement, and has he been fully participating in discussions with the government on SAMAG post 31 October 2002?

The Hon. K.O. FOLEY: I will clarify that. The advice of Dr Sexton is no, not that he is aware. Dr Sexton is the head of the Office of Economic Development. David Litchfield, who has had responsibility for the project within government, advises that Mr de Crespigny has not. I am not aware of any such incident. To the best of my understanding, Mr de Crespigny has been extremely careful in all of this. The truth is that he resigned from the AMC board in April 2002. As we have advised, he has had no involvement with AMC at all and he has observed the spirit of his letter.

It reached the point, however, where he felt he had something to say on the matter. I cannot stop Mr de Crespigny writing to Senator Nick Minchin and voicing concerns about the project or about the industry either privately or publicly—he is free to do that—but, as we have heard from the officers here, he has not been involved in any matters relating to the project within government, which is in keeping with the spirit of his letter of 15 May as I read it. I will check whether or not a meeting occurred at that time, because Mr de Crespigny and I meet regularly, but I am happy to stand corrected if you have information that suggests other than what I have said to the committee. I will check the record.

Mr GOLDSWORTHY: Given the government's claimed industry policy of not picking winners, how will the new Venture Capital Board allocate \$10 million in funding to companies?

The Hon. K.O. FOLEY: You just had a laugh at the expense of one of my colleagues. Well, you can have a laugh at yourself, because that question has been asked and answered.

Mr GOLDSWORTHY: What are the details of how the \$25 million in funding has been offered to SAMAG? Whilst the government has talked about an industry park, exactly what is intended to be funded as part of the government's \$25 million assistance package?

The Hon. K.O. FOLEY: That question should be put to the minister for business, manufacturing and trade, who I understand, has carriage of the project.

Mr GOLDSWORTHY: What process is being followed to select a replacement CEO for Dr Sexton, and is there any proposal for a deputy CEO of the OED also to be appointed?

The Hon. K.O. FOLEY: Yes. A process to find a replacement for Dr Sexton is beginning. Donny is the acting CEO, and that will follow due course. The position of deputy CEO has been advertised, and I understand a selection process is being undertaken and we are getting close to a recommendation. I have not been involved in that process. I do not know of the Premier's involvement now as the lead minister, but that is a selection process managed by the board with appropriate public sector assistance. I do not think we are in a position to make that announcement just yet.

Mr GOLDSWORTHY: I would like to ask a question supplementary to the one I asked about not picking winners and so on concerning the Venture Capital Board, to which you replied that you had already answered that question. What will be the administration costs of running the board, and how many FTE staff will be employed?

The Hon. K.O. FOLEY: I have already answered that too, but I will do so a second time if that helps. The answer

is: \$10 million for the fund for 2004-05, and we have allocated \$1.4 million over four years to fund the board and associated activities.

The Hon. I.F. EVANS: Will the Treasurer provide the names of officers and their TEC who have been appointed to positions with OED and the titles of any unfilled positions?

The Hon. K.O. FOLEY: Yes, we are happy to do that.

The Hon. I.F. EVANS: Given the claims in this budget that there are about \$30 million in cuts to the Industry Investment Attraction Fund over the next four years, are the \$50 million funds for Mitsubishi and the \$25 million funds for SAMAG included in the IIAF or in some other budget line?

The Hon. K.O. FOLEY: That would be more appropriately directed to the minister for industry, but my contribution is that those funds are obviously secured. Why would we offer them and not have them secured?

The Hon. I.F. EVANS: The question was not whether they were secured; the question was whether they were included in the IIAF or in some other budget line.

The Hon. K.O. FOLEY: I cannot give you that answer. I suggest that you ask the minister for business, manufacturing and trade.

The Hon. I.F. EVANS: Do any of your officers know?

The Hon. K.O. FOLEY: I am told that they are both in the IIAF forward estimates.

The Hon. I.F. EVANS: Has any funding being provided to Mitsubishi up to 2002-03, and what funding in this budget has been provided to Mitsubishi for each of the forward estimates years?

The Hon. K.O. FOLEY: I am advised that \$35 million has been provided to Mitsubishi and that a further \$5 million will be provided in 2005-06. Of course, the other \$10 million is being provided progressively over a number of years through the Road Safety Research Program.

The Hon. I.F. EVANS: The Economic Development Board has recommended the establishment of an export council with cooperation between the industry and government. Does the government support this recommendation and, if so, when is it expected to be implemented?

The Hon. K.O. FOLEY: We are having a long, detailed cabinet meeting on 14 July and subsequent to that we will be making further announcements.

The Hon. I.F. EVANS: Has the government appointed all the members of the Venture Capital Board and, if so, who are the members of the board?

The Hon. K.O. FOLEY: No. Roger and I have had a few loose discussions, but we have not formalised any views and we will be seeking the advice of the EDP as well, so we have not gone down that road as yet.

The Hon. I.F. EVANS: Has the Office of Economic Development employed any consultants during 2002-03; if so, what consultants are employed, what are the estimated costs and what work was undertaken?

The Hon. K.O. FOLEY: We have certainly had Vice Admiral Shackleton and we have some consultants on the framework. We will take it on notice to make sure it is accurate and come back to you on that. We would not want to give you wrong information, would we?

The Hon. I.F. EVANS: The Economic Development Board has supported the establishment of an Office of Infrastructure. This budget appears to have allocated about \$13 million towards this office. I refer to page 3.24, Budget Paper 4, Volume 1. What progress has been made in the establishment of this office?

The Hon. K.O. FOLEY: You will have to ask the Minister for Infrastructure, given that it is his portfolio.

The Hon. I.F. EVANS: So, you are not taking any questions on the Office of Infrastructure?

The Hon. K.O. FOLEY: No, because we have a Minister for Infrastructure and he has responsibility. You might have asked me that question as the Treasurer, but I am here as the Minister Assisting the Minister for Economic Development. They have no responsibility for the Office of Infrastructure.

The Hon. I.F. EVANS: The minister responsible for the Office of Infrastructure will take questions; there is an estimates period for that office?

The Hon. K.O. FOLEY: I do not know; you will have to ask him. He is the Minister for Infrastructure responsible for the Office of Infrastructure; it is for him to answer the question, not me.

The Hon. I.F. EVANS: Even though the Economic Development Board, which comes under this office generally, has made the recommendation, none of the officers nor the minister can advise us in regard to the Office of Infrastructure?

The Hon. K.O. FOLEY: What do you want to know about it? I will see what I can do for you.

The Hon. I.F. EVANS: What progress has been made in the establishment of the office; has the CEO or any staff been appointed; has the government confirmed what the exact role of the office is and, in particular, what powers it will have?

The Hon. K.O. FOLEY: We will take that on notice and get back to you with a considered response. I do not have all that information. What you are talking about there is something that relates to a colleague's portfolio and work being undertaken to establish the office. I am not certain whether staff have been appointed or what budget positions have been agreed to as yet. We have put some funding aside initially, but I am happy to get you a more detailed answer on that. The economic development framework recommended this. It is not then the Office of Economic Development's responsibility to oversee the establishment of another agency within government; that is for government to pick up the recommendation of the EDB and progress it, which we are doing. I just do not have that information.

The Hon. I.F. EVANS: You would follow it with some interest?

The Hon. K.O. FOLEY: Probably; it is only embryonic. We only announced this a couple of weeks ago; give us a break. We are working on it. I am happy to take the question on notice and, if it saves my colleague some time, we will try to get an answer, but I am sure he will more than happy to add some value to my answer when his estimates committee is on. We have a draft structure that has been worked through. We are wanting the Office of Infrastructure to coordinate the major infrastructure requirements of government and to have a central agency that is responsible for the coordination and implementation of an infrastructure policy for government and major projects. It is embryonic, but we are working through it as quickly as we can. It has just been pointed out to me that Dean Brown has made a demand (and Dean is a pretty scary guy when he demands something) and Patrick Conlon has agreed to extend his estimates by half an hour to take questions on the Office of Infrastructure. I have been too generous; Minister Conlon has given an extra half an hour.

Mr GOLDSWORTHY: You said in your previous answer to a question concerning the administration costs of running the Venture Capital Board that \$1.4 million has been allocated to that.

The Hon. K.O. FOLEY: Over four years, I think I said.

Mr GOLDSWORTHY: But you did not answer the second part of the question: how many FTE staff will be employed?

The Hon. K.O. FOLEY: We just do not know at this stage. The early indications are that it may be six, but we will clarify that when we sit down and finally sort out the proposal. That is a rough number at this stage.

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

ADJOURNMENT

At 6 p.m. the committee adjourned until Wednesday 18 June at 11 a.m.