

HOUSE OF ASSEMBLY

Wednesday 16 June 2004

ESTIMATES COMMITTEE B**Chair:**

Ms M.G. Thompson

Members:

Ms F.E. Bedford
 The Hon. I.F. Evans
 Mr R.M. Goldsworthy
 Mrs J. Hall
 Mr J.R. Rau
 Mr J.J. Snelling

The Committee met at 11 a.m.

Department of Treasury and Finance, \$41 708 000
 Administered Items for the Department of Treasury
 and Finance, \$1 088 661 000

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.
 Dr P. Grimes, Deputy Under Treasurer.
 Mr B. Rowse, Deputy Under Treasurer.
 Mr D. Imber, General Manager, Finance.
 Mr T. Brumfield, Director, Financial Services.
 Mr C. Moore, Manager, Communication Services.
 Mr R. Schwarz, Acting General Manager, Government
 Accounting and Reporting.

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

The Hon. K.O. FOLEY: I understand so, yes.

The Hon. I.F. EVANS: We understand that there is some disagreement, but the Treasurer has advised a time frame. My understanding is that the shadow treasurer has had discussions with the Treasurer's chief of staff and we have indicated that, for the sake of the officers not having to hang around all day, the matters of SAICORP, Super SA, SAFA and SAAMC will be dealt with after afternoon tea and not before.

The Hon. K.O. FOLEY: I am happy to yield as many questions as possible to the opposition. Government members do not intend to fill the day asking dorothy dixers. We will give ample opportunity for members of the opposition to ask questions.

The CHAIR: 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 23 July.

I propose to allow both the minister and the lead speaker for the opposition time to make opening statements of about 10 minutes each. There will be a flexible approach to giving the call for asking questions based on about three questions per member, alternating each side. Supplementary questions will be the exception rather than the rule, but I note the Treasurer's comment that he intends to allow most time to the opposition. A member who is not part of the committee may, at the discretion of the chair, ask a question. Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the assembly *Notice Paper*.

There is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted on the same basis as applies in the house, that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the minister, not the minister's advisers, but the minister may refer questions to advisers for a response. I also advise that, for the purposes of the committee, some freedom will be allowed for television coverage by allowing a short period of filming from the northern gallery.

I declare the proposed payments open for examination and refer members to the Budget Statement, appendix C, page C.2, and Portfolio Statements, Volume 1, part 3. Does the Treasurer wish to make an opening statement?

The Hon. K.O. FOLEY: I had intended to clarify a comment which I made in the dying minutes of the last sitting of the house in relation to a ministerial statement I had made just to be doubly sure that I kept the record as correct as possible, but I understand from advice from the Clerk of the House of Assembly and the Speaker that it would be appropriate to deliver that to the full house when it resumes. I want it noted that I had intended to make it here, but I am told that my first opportunity will be when the house sits again.

The CHAIR: Member for Davenport, do you wish to make an opening statement?

The Hon. I.F. EVANS: We do not wish to make an opening statement.

The CHAIR: Do you wish to proceed with questions?

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 1, pages 3.25 to 3.27. These pages show that the Treasurer's contingency provisions under employee entitlements, supplies and services, other payments and purchase of property, plant and equipment are budgeted in 2004-05 to total some \$225.9 million, a massive increase over the equivalent 2002-03 budget total of \$98.2 million and the equivalent 2003-04 budget total of \$119.5 million. In a number of the post-budget interviews the Treasurer claimed:

We've got a \$50 million surplus. . . we're not hoarding or storing away cash. . . all but \$50 million of a \$9 billion budget is either being spent or given back to the community in tax cuts.

That was on 5AA on 28 May. Then the Treasurer further said:

. . . we're spending everything in this budget bar \$50 million. . . pumping it into hospitals, pumping it into child

protection, pumping it into our schools, putting 200 more police on the beat.

Will the Treasurer explain how he believes his claim to be correct when he has \$225.9 million of unallocated funding this year available for any purpose upon which he and cabinet agree?

The Hon. K.O. FOLEY: Thank you; that is an easy one to answer. I say from the outset that we will endeavour to give the correct information, but we will review all our answers at the conclusion of the day and ensure that, where any errors are made, they are corrected. On the advice of the Under Treasurer and Deputy Under Treasurers, that contingency can be easily explained. A large proportion of that is contingencies for enterprising bargains into which we will be entering. The honourable member would be aware that we have just settled an enterprise bargain with nurses. I think that we are in the early stages of conducting an enterprise bargain with the police. We will have another round of enterprise bargaining with teachers, which I think would be included in this budget year.

A large proportion of that is contingencies for wages, and I am sure that the former treasurer and the honourable member would appreciate that it would not be sensible for us, nor appropriate in terms of ensuring the best outcome for taxpayers and the employees, to be flagging exactly what the provisions are for each classification. Another amount in that contingency relates to assistance that the government may wish to make available for the naval ship contract which we are endeavouring to secure for Osborne, but again that has not been brought above the line, again for what I would have thought to be obvious reasons, but I am happy to go into that in more detail in confidence with the member, if he would like to do so, at a later stage.

There is certainly no hoarding of unallocated money for a spending spree, as might be alleged, coming up to an election. I have said publicly that the \$50 million surplus is paper thin: it is about as thin as we could go in terms of wanting to assure the credit agencies that we were structurally repairing the budget. The unallocated contingencies are just that; that is, they are unallocated primarily based on the fact that we are entering into significant EBs and we have to make provision for that appropriately, as well as ensure that we have some assistance for the state's endeavour to become the home of major shipbuilding in Australia. As I have said, we are in hot competition around the nation on that, and I am happy to brief the member privately, if he so wishes.

The Hon. I.F. EVANS: Are you advising the committee, Treasurer, that the make-up of the \$225.9 million contingency is purely enterprise bargaining and the naval contract subsidy?

The Hon. K.O. FOLEY: Obviously there is also a normal headroom provision in there, which is not an abnormal number. I stand to be corrected and I would need to come back to the committee on this but, if anything, my headroom provisioning is somewhat less than what the previous government may have had, but there is the normal, standard headroom in there.

The Hon. I.F. EVANS: Is the headroom amount the \$50 million amount that you referred to in your media interviews straight after the budget, or is the headroom amount now a different amount from the \$50 million?

The Hon. K.O. FOLEY: I think the new shadow minister for finance does not fully appreciate the terminology or understand the budget process clearly. I said that we have a

\$50 million budget surplus, that is an accrual surplus. Headroom is part of the budget numbering, and the \$50 million surplus is not the headroom: that is the surplus. The headroom is an amount of money to allow for the fact that, as the former minister would appreciate, in between budgets there are demands from ministers to spend money and pressures on the Treasurer. Rob Lucas was in no different position. You try to resist those pressures, but sometimes you cannot and you need to have some headroom to cater for them, and that is what is in the budget.

The Hon. I.F. EVANS: All the headroom amount is in that \$225.9 million?

The Hon. K.O. FOLEY: That is the advice I am provided by my officers, yes.

The Hon. I.F. EVANS: What is the level of the headroom?

The Hon. K.O. FOLEY: That is not a figure that we would normally publish, and I do not think the former treasurer ever did that. I want to keep that secret from my colleagues; if they know what is in there, they might want to bid against it. No, it is a contingency, and I will ask the officers whether it is consistent with previous headrooms. The Under Treasurer has advised that my headroom is probably less than what has been in the budgets of the previous government.

The Hon. I.F. EVANS: Treasurer, after your first budget, you commented on the reduced level of contingency by claiming the following:

We were endeavouring to have a far more disciplined approach to the management of our contingencies and budgets, so I am able to provide for a smaller contingency in capital.

Given that claim by the Treasurer and the fact that he has nearly doubled the level of contingency funding for this year, is that now indicative of a lack of discipline in management of contingencies and budgets? Why the sudden change?

The Hon. K.O. FOLEY: What it shows to me is the honourable member's inflexibility by not altering his questions. That was clearly targeted in his first question. As I explained, on the advice of the Under Treasurer, the headroom is probably smaller than what the previous government had, but the contingency is made up—

An honourable member interjecting:

The Hon. K.O. FOLEY: Yes; the contingencies are huge, because we have to deal with huge enterprise bargains over the course of the next 12 months or so. I am advised by my officers that the nurses' enterprise bargain, which we have just concluded, is an increase in outlays of the order of \$170 million.

A large proportion of that, of course, is now coming out of that \$220 million contingency that you just mentioned. It is a three year agreement. I do not have the exact numbers, but let us say it is a third: it is a \$55 million or \$60 million lump—and it may not be that much because it depends on how the thing is profiled and in what year. A large hunk of that contingency has already gone on the nurses; we have the police EB; and we have not settled the PSA EB. They are all rolled in there, and that is why there is such a large number.

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 1 at page 3.26. In the media, the opposition has raised the issue of commonwealth funding of the Port River Expressway. The cabinet note, of which the opposition has a copy, states:

One possible approach is to reject the commonwealth offer. The DTF modelling of the toll revenue suggests that the state may be no

better off financially from forgoing tolls in favour of accepting the commonwealth offer.

Will the Treasurer rule out completely the possibility of not accepting the \$80 million of federal funding for this vital project?

The Hon. K.O. FOLEY: This is a difficult one for me, and I will talk as Treasurer. I am also the local member and I try, where possible, to defer to decisions about the bridges by the appropriate ministers, which are the Minister for Infrastructure and the Minister for Transport. The government position is clear: we want them to be opening bridges. I understand that my colleague the Minister for Infrastructure has written to the federal minister, John Anderson, asking that the \$80 million be provided on the basis of their being opening bridges.

I note that the opposition has now changed its position—I assume so, having heard the shadow treasurer (Rob Lucas) yesterday saying that we should accept the \$80 million on the basis that the bridges are fixed, although I stand to be corrected on that. From memory, that was not the opposition's position when we addressed a public meeting in Port Adelaide when the then shadow transport minister, Malcolm Buckby, from all accounts, was keen for them to be opening. The opposition, when it was in government, was keen that they be opening, and this government is keen for them to be opening. We have written to the commonwealth saying that we want that \$80 million to be made available for the opening of the bridges regardless of whether or not they are fixed or open and this government will have them opening and we will have the \$80 million. We hope we can negotiate and settle on that basis. Early indications are that we should be able to do that.

The Hon. I.F. EVANS: Will you accept the other conditions put on the state government by the federal government?

The Hon. K.O. FOLEY: You will need to ask the appropriate minister, and in this instance it is the Minister for Infrastructure.

The Hon. I.F. EVANS: Are you saying that as Treasurer you do not know? It is an \$80 million offer from the commonwealth to the Treasury. Are you saying that you do not know?

The Hon. K.O. FOLEY: I have not seen the specifics of the offer. I understand that it has three elements. The problem is that it is all speculation, I understand—and I stand to be corrected—because I do not think we have actually had anything official from the commonwealth about what conditions will apply to the money. It has said that there will be conditions, and we think one of the conditions is that they will be fixed. However, we think we can convince the federal government to allow us to have them open. I understand there are some issues relating to industrial relations: I am not sure of the specifics of that. There is also the issue of tolling. We will sit down with the commonwealth and negotiate those issues. It is premature for me to make any comment other than this: I concur with the view that we do not want to lose \$80 million of commonwealth funding. That is why we will negotiate our way through this.

The Hon. I.F. EVANS: How can you say the government is unclear about the commonwealth offer when the cabinet document says there has been Department of Treasury and Finance modelling that indicates we may be no better off forgoing the tolls than accepting the commonwealth offer? If the Department of Treasury and Finance is modelling the

commonwealth offer, does that not indicate that the government has seen the commonwealth offer?

The Hon. K.O. FOLEY: The Under Treasurer is clarifying this for me now. I cannot exactly recall the minute you are referring to, but the early advice was a Department of Transport piece of information, I am told. We in Treasury were modelling what we thought would be a commonwealth offer coming forward. I think it would be fair to say that the commonwealth offer of \$80 million all up is substantially larger than what we assumed the commonwealth would be putting on the table for this project. I assume—and I again stand to be corrected—that that is somewhat more than the figures that would have been modelled at the time of that minute. I will check with the Under Treasurer.

I am advised that the amount of the commonwealth offer is bigger than what was referred to in that minute, and the timing is later, so there are also some timing issues. The early bit of work was superseded by the AusLink announcement, which was a substantial offer of money from the commonwealth. I am advised that it was substantially increased from what we thought it would be.

The Hon. I.F. EVANS: So, as I understand it, as of today you cannot rule out the possibility of not accepting the \$80 million federal government offer.

The Hon. K.O. FOLEY: You can ask the question and try to be tricky, but you could tell me the opposition's position. Does it support opening bridges, and will it lobby its federal colleagues like we are lobbying our federal colleagues to allow us to have the \$80 million for opening bridges, which is what the state wants? Also, we do not want the commonwealth to put unrealistic and unreasonable qualifications or expectations on what we have to do to receive that money. We want that money to be given to build the bridges. I have made it clear as Treasurer that I do not want to jeopardise losing \$80 million, but we want those bridges to be opening. That is the government position, and we want the \$80 million to be given for opening bridges.

As we speak, officers are negotiating; our Minister for Infrastructure contacted the federal minister; I think our bureaucrats are trying to talk to federal bureaucrats; and we have had some assistance from the federal member for Port Adelaide in talking to John Anderson about it. These negotiations are fluid and we hope to ratify them fairly soon. But I agree: I do not want to lose \$80 million, and I do not want the commonwealth to put an unrealistic demand on the state and put a gun to our head over this. I think sense will prevail and we will get a negotiated outcome. I hope that happens.

The Hon. I.F. EVANS: So Rod Sawford has organised for your officers to talk to federal minister Anderson?

The Hon. K.O. FOLEY: No, that is not what I said. We have written to the federal minister; our bureaucrats talk to federal ministers; and I understand that the federal member for Port Adelaide has also lobbied the federal government, as you would expect a local federal member of parliament to do. I do not see anything wrong with that. I would like you to lobby your federal colleagues as well.

The Hon. I.F. EVANS: So, even though your officers are talking to the federal minister, in your words, the government does not know the details of the offer today.

The Hon. K.O. FOLEY: The advice of the Under Treasurer—unless the transport officials know more, and you are welcome to quiz them when they come before the committee, because we may know more by then—is that all we are aware of at this stage is what was transmitted to us via

the AusLink statement: that \$80 million was available for the project and that there would be conditions attached. The truth is—you look a bit puzzled, but they are your federal colleagues—that we have not been able to pin them down as to what those conditions are. As we speak, discussions and negotiations will be occurring. The sooner we can get the feds to pin down exactly what they expect from us, the quicker we can move this forward. I appreciate your interest, and I simply ask that you contact your federal colleagues and ask them to clarify this as soon as possible.

The Hon. I.F. EVANS: The cabinet note clearly indicates that DTF have done modelling on toll revenues and also in regard to the commonwealth offer. When was that modelling done?

The Hon. K.O. FOLEY: As I said, that modelling was done earlier on what we expected would be the probable offer from the commonwealth. I think you referred to the minute saying that it could be marginal—I cannot remember the exact wording—

The Hon. I.F. EVANS: It would be no better off financially.

The Hon. K.O. FOLEY: It would be no better off financially. I will check with the Under Treasurer, but I assume that was based on what we thought would be a modest offering from the commonwealth. I will ask the Under Treasurer to answer that question, because my comments might be a little too strong. Clearly, the commonwealth offer of \$80 million was well in excess of what we had previously expected, and I assume that it would swamp any of the data that we had worked on previously. We thought the offer from the commonwealth would be about \$30 million or \$40 million, I think.

Mr WRIGHT: The original modelling was done at the time of the 2003-04 budget when we put in the funding and set up the South Australian Infrastructure Corporation. That was done on the basis of an assumption of what we might be getting from the commonwealth. At that time, when we did the original modelling, we had to work out the finances of InfraCorp. The minute to which you refer is old, and we have not updated our numbers since the AusLink statement because we have not been able to clarify exactly what it is that the commonwealth is offering.

The Hon. I.F. EVANS: You were not expecting \$80 million; on what amount was the modelling done?

The Hon. K.O. FOLEY: I am advised that the modelling was done on a figure of \$64 million. It was a little more than the \$30 million or \$40 million, and we think the number now is closer to \$80 million. As the Under Treasurer explained, we have not been able to pin down the feds exactly on a lot of this stuff.

The Hon. I.F. EVANS: Does the modelling that you did on the \$64 million include tolls for both commercial and passenger vehicles?

The Hon. K.O. FOLEY: Yes. Of course, that was the policy of your government, which we supported when in opposition and which we still support. If there is to be tolling, the government's view is that it should be for both trucks and private vehicles. Put simply, there are two other bridges in Port Adelaide that commuters can use free of charge. The great benefit for Port Adelaide will be that they will have all the trucks taken out of inner Port Adelaide and to a large extent all the trucks taken off the Birkenhead and Jervois bridges. It is a win-win for everyone. If people want to use the new bridge, they should pay a toll.

The Hon. I.F. EVANS: What level of toll for commercial and passenger vehicles was used in that modelling?

The Hon. K.O. FOLEY: We cannot give you that information straight away. We will check whether or not there are any commercial in confidence issues, because the tenders are out on that, but the initial project put forward by your government, as I understand, had tolling in it, and it is of the same order as your government considered to be appropriate.

The Hon. I.F. EVANS: Will you come back to us with the toll figures?

The Hon. K.O. FOLEY: We are happy to do that. I am told that it is largely around a figure that you worked on when you were in government.

Mrs HALL: What is the latest total estimate for the project including all associated roadworks?

The Hon. K.O. FOLEY: I suspect that we will know that when the tenders come in. I am told that the approximate cost for stages 2 and 3 is about \$136 million, but we have the tenders to come in yet.

Mrs HALL: Can the Treasurer provide breakdowns of the total costs?

The Hon. K.O. FOLEY: We are happy to break them down where we can, but without the tenders being accepted we do not know the actual cost of the bridges. We can break it down into road and rail.

Mrs HALL: Do you have any figures that you are able to share with the committee of the additional cost of the opening bridges versus the fixed bridges over the total project?

The Hon. K.O. FOLEY: I am advised that the cost for 'opening' is about \$30 million.

The Hon. I.F. EVANS: Extra?

The Hon. K.O. FOLEY: Yes. That is the cost that I assume you would have been working on when you decided that you wanted to have them opening as well.

Mrs HALL: When you provide the breakdowns on the road and rail, will you be able to include any additional costs and comparison costs between opening and fixed bridges so that we can get an overall picture?

The Hon. K.O. FOLEY: It has to go to the Public Works Committee, and that information will certainly be provided there. I am advised that it would be better if you put those questions to the Minister for Infrastructure and the Minister for Transport, as they are actually detailing the work on this. I come back to the point and would be interested to know whether it is the view of the opposition that they should be opening, or should they be closed?

Mrs HALL: The opposition's position is well known. I am sure the Treasurer is aware—

The Hon. K.O. FOLEY: It is well known that your position is that you support them opening. If you are now telling me that you do not support them opening, you should tell the public and the media because, up until recent times, you proposed them opening. You made a decision to have them opening when you decided to build these bridges. At a public forum where we said they should be opening, from memory, I was urged by your shadow transport minister that they be opening. If for political advantage you are now trying to reposition yourself, you need to tell the media today what is your position. From everything I am getting from you, you now support them being closed.

The Hon. I.F. EVANS: I understood that it was the opposition's opportunity to question the minister and not the minister's opportunity to question the opposition.

The Hon. K.O. FOLEY: They do not want to give us an answer.

The Hon. I.F. EVANS: No, we have other questions.

Mrs HALL: I am sure the Treasurer would understand that I am particularly interested in Treasury lines and not his view on what our position may or may not be. In last year's estimates the Treasurer advised that capital expenditure by the new PNFC in undertaking stages 2 and 3 of the Port River Expressway would not impact on the budget result for the general government sector so, if the Port River Expressway had been treated as normal capital works in the general government sector, what would have been the impact on the budget result for 2004-5?

The Hon. K.O. FOLEY: That is a hypothetical situation and with the commonwealth offer one of the things we will revisit is whether or not it continues to be a PNFC. A tolling provision on the bridges allows us to treat this through the vehicle of a PNFC, but these are subject to negotiations with the commonwealth as to whether or not we continue to toll these bridges.

Mrs HALL: Do you have a time frame on these negotiations?

The Hon. K.O. FOLEY: Only in as much that we are having trouble getting an answer out of the feds, who are obviously preoccupied with a lot of things at present. As soon as we can get a response from the feds—and we have bureaucrats talking to bureaucrats and ministers talking to ministers—we hope to get it resolved ASAP. Minister Conlon would be in a better position to answer the question.

Mr GOLDSWORTHY: I refer to the consolidated account receipts that show a return of capital as follows: DAIS, \$84.7 million; human services, \$77.7 million; and the South Australian police department, \$15.9 million. That makes a total of \$178.3 million. Given the budget pressures in hospitals and elsewhere in human services, why are you taking \$77.6 million out of the human services portfolio and returning it to the consolidated account?

The Hon. K.O. FOLEY: For a start, that is a furphy: nothing has been taken out in the sense that expenditure authorities in these agencies are not altered nor affected. Since coming to office I have implemented a whole raft of reforms to give us better discipline and budget management. Unfortunately, the way finances were managed by your former government were appalling. One of the things we have implemented here is a new cash alignment policy where we are requiring agencies to return cash to consolidated account and Treasury instead of holding it so that we can better manage their cash balances. We do not want huge amounts of cash being stored in agencies. We want more central control over that so that we can monitor how it is handled. The budget is about the expenditure authorities, which are not changed.

The Health Commission, DAIS and so on have expenditure authorities. It is the health department and not the hospitals themselves. September this year will be the first time agencies will start implementing the cash alignment policy, but it is a better way to manage cash within the government sector, but it does not alter the expenditure authorities. The health department has authority to spend what the parliament has allowed it to spend.

Mr GOLDSWORTHY: Continuing on from the Treasurer's announcement of the new cash alignment policy, if these three figures are the result of this new policy, can you tell us why there are not similar figures for other portfolios

where the portfolio statements show cash reductions due to this new policy?

The Hon. K.O. FOLEY: The policy we are moving towards, I am advised by the Under Treasurer, is that each agency has about two weeks cash at their disposal within their agency, and where larger amounts accumulate we bring them back to the consolidated account; and there is a little buffer there as well. I assume that agencies like DAIS and the Health Commission tend to accrue quickly large cash balances in their accounts. They have a history of doing that, and that is why those agencies feature more strongly than perhaps other agencies.

Mr GOLDSWORTHY: Going on from that, you spoke about retaining a buffer. We are talking of \$178.3 million over the three areas I initially spoke about. What would be the buffer?

The Hon. K.O. FOLEY: The Under Treasurer advises that they have the cash they are authorised to spend, plus about a two week buffer to enable them to trade. Effectively it is allowing an agency to have sufficient cash to operate, but they will not accrue these huge cash balances. You have to understand the difference. We are talking cash. Your government had a strong emphasis on cash accounting. You moved towards accrual accounting.

We are just tidying up a lot of the work that should have been done under your last government, and a cash alignment policy is a sensible thing to do. There is no reason for the Health Commission or DAIS to be hoarding large amounts of cash; there is no reason whatever. They have their expenditure authority and that is what they work to. As clarification, I am told that in the budget papers there is an amount for each agency but, for an accounting purpose, human services, admin services and the police have amounts via return of contributed capital as against via payment to government. I am told that this is an accounting measure and one that we need not get too excited about. The agencies had a choice of which way they decided to send the money back.

Mr GOLDSWORTHY: Given the fact that with your new cash alignment policy these agencies have a fortnight's worth of working capital, I understand you said the bulk of the funds is held in consolidated accounts. Is the interest earned on the retention of those funds passed on to the specific portfolio area, or is it retained in consolidated accounts?

The Hon. K.O. FOLEY: The principle behind this policy is an important one to understand in that, in my and Treasury's view, large cash balances accruing in agencies leads to a temptation to overspend. If they think they have large amounts of cash, the temptation to spend over their expenditure authority is greater. So, we think that bringing that money back to Treasury provides much better discipline. We have quizzical looks opposite, because you never employed discipline when you were in government; you allowed agencies to overspend far too often. We are not perfect; we have not been able to get it right. There is still a tendency for agencies to overspend, but having large amounts of cash sitting in agencies is a temptation from which we want to relieve them. On the issue of interest, I am advised that a budget adjustment was made where the interest is now accruing to the Consolidated Account, but we made an adjustment to the agencies so that they did not have a cash shortfall in terms of what they had previously. That is the advice that I am given.

The Hon. I.F. EVANS: Are you advising the committee that Treasury earned no more interest under the cash align-

ment policy than the agencies collectively would have when the cash alignment policy did not apply?

The Hon. K.O. FOLEY: The interest is the same. The interest will be earned on those cash balances whether the cash balances are held DAIS or Treasury. The Under Treasurer has advised me about that; I am not sure what your point is.

The Hon. I.F. EVANS: I just wanted to clarify it.

The Hon. K.O. FOLEY: Are you happy with that?

Ms BEDFORD: I would like to explore some of the expenditure measures in the budget. What growth in expenditure has occurred in the government's priority areas of health, education and police since 2001-02?

The Hon. K.O. FOLEY: Based on government purpose classification and expense data, nominal growth in health expenditure between 2001-02 actual result in the 2004-05 budget is \$508 million, or 23.6 per cent, I am advised. In real terms this represents an increase of 13.1 per cent. As part of the 2004-05 budget the government has provided substantial new funding for health over the next four years and, as we have said, an extra \$239 million of extra spending on existing operations of metropolitan hospitals. To address cost and demand pressures this government will also further direct \$193 million over the next four years to spending on new initiatives, including mental health reform, expansion and improvement of emergency services at Flinders, hospital avoidance strategies, elective surgery and support to reduce dental waiting lists.

Ms BEDFORD: Dental is particularly interesting.

The Hon. K.O. FOLEY: What more did you want?

Ms BEDFORD: About the dental stuff.

Mr Goldsworthy interjecting:

Ms BEDFORD: Dental health is a big issue in my electorate; I do not know about yours.

The Hon. K.O. FOLEY: I am advised that the amount for dental allocation is around \$2 million a year.

Ms BEDFORD: I refer to Budget Paper 3, page 8.1. What has been the growth in economic indicators since the government was elected just over two years ago?

The Hon. K.O. FOLEY: Growth in economic indicators such as business investment, household consumption, dwelling investment and employment in the past two years has been very strong. When we compare the most recent data for the March quarter 2004 with the March quarter 2002 in trend terms, we see that state final demand grew by 11 per cent compared with 7.7 per cent growth in the previous two years; business investment grew by 28 per cent compared with 23 per cent growth in the previous two years; household consumption was up 9.3 per cent compared with 9.1 per cent growth in the previous two years; and dwelling investment grew by 30 per cent compared with a fall of 12 per cent in the previous two years. Comparing the labour force statistics trends for May 2004 with February 2002 we see that total employment in South Australia has grown by 27 300 persons or by 4 per cent.

We have had a lot said from the opposition trying to talk down the economy. I do not know whether many members have been aware of this, but I was pleased that somebody made a very strong statement about the South Australian economy, as follows:

The economic growth that is now occurring in South Australia, the best for a generation, will, in fact, be reinforced and will continue.

That was Prime Minister John Howard on 25 May saying on the record that the economic growth that is now occurring in

South Australia, the best for a generation, will, in fact, be reinforced and will continue. So, we have a very strong underlying performance in the state.

Ms BEDFORD: My last question refers to Budget Paper 3, page 3.2 to 3.5. What tax relief has been given to business in this budget?

The Hon. K.O. FOLEY: That is a good question. Tax relief was always a difficult one. I wanted, from the outset, to provide tax relief, but I did not want to inappropriately target that relief. When we decided that we had a \$50 million surplus, which we thought was a reasonable surplus to have, we then had to make our allocation decisions as to where to spend the money, then we had to see what money we had available for tax cuts, and we came up with an amount of money. I then wanted to target it most effectively. We sought an improved first home owners' grant scheme, which I understand was one of the more substantial changes for first home owners for many years; certainly more than what the last government had done. From memory, I think a short-term scheme was put in place in the lead up to the 1997 state election and, I stand to be corrected, when treasurer Lucas came into office changes may well have been made to that.

As I said, I think there was a short-term program—I do not have all the data in front of me—but I think this is a far more substantial reform than had been done previously. It is not as much as other states—many members think we should do more, and many members think we should do more on land tax. I had a select amount of money to spend, which we targeted to business. We felt that knocking off a few of these business taxes was important; also that we bring down the rate of payroll tax. We need to get that closer in line with Victoria, given that that is our main competitor state. They were the hard decisions.

I get plenty of criticism from members opposite that we should have done more on land tax and stamp duty. We get plenty of statements from the shadow health minister that we should spend more on health, and the shadow police minister says that we should spend more on police. It does not compute. I understand that Rob Kerin, the Leader of the Opposition, has recently said that surpluses are an appropriate thing to have—he has made that comment somewhere—and, if that is the case, the opposition needs to tell us that if it wants bigger tax cuts what spending it would cut or what tax cut that I have given it would take away.

Budgets are about making decisions. The opposition has been let off scot-free from too many people in terms of not being put under pressure to detail how it would structure its budget. That calling will come during an election campaign, but you cannot have ministers saying that they would spend more money, other ministers saying we should cut taxes more, and then the Leader of the Opposition (I will try to get the record of this) out there saying that we should have surpluses. That is the magic pudding approach to budgeting which cost this state dearly for so many years under treasurer Lucas.

Mr GOLDSWORTHY: This is a follow up on the previous answer that you gave to my last question. You said that large cash balances held in various portfolio operating and working accounts could lead to the temptation of overspending or excessive spending. Surely those people who have the authority to spend that money would know their budget allocation held in the consolidated account. I cannot understand the idea behind that because they know what they have to spend anyway. There are two points to my question. Are you saying that these people who spend the money do not

know what they have in their consolidated account? Or do they need to have authority to transfer funds from the consolidated account to their working operating account on a fortnightly basis?

The Hon. K.O. FOLEY: I am saying that overspending in government is as difficult as underspending, as silly as that may sound. There are plenty of problems with underspending, but overspending has been a problem. It is a problem that confronted the last treasurer; he had overspending in health and education. We are trying to put in place as much discipline as we can to try to eliminate, where possible, the practice of sloppy budgeting and overspending. One way of doing it—one tool in the kit—is to have a cash alignment policy, which we think is a better discipline. Judge for yourselves as to whether or not you think that is a fair approach, but we think it is a good policy which we think will pay dividends.

I am not trying to win fans amongst senior bureaucrats: I am trying to manage a \$9 billion budget and I want agencies to show more discipline than they have in the past. We are not perfect; we will still have overspending in areas, but I think that there will be less of it with these types of approaches, as well as better discipline by ministers and the expenditure review committee of cabinet, which is an instrument we have put in place to prepare budgets and to oversee budget practices throughout the year. All these things, collectively, are offering a much more disciplined approach to budget management.

The Hon. I.F. EVANS: I refer to Budget Paper 3, page 2.7. In a note at the bottom of Table 2.6 it is stated that funded superannuation expenses have been allocated to the relevant function category, for example, accruing superannuation for teachers is now included as part of the total education expenses. Prior to this year, all superannuation expenses were not included in functional categories such as education and health but were included as part of the general Public Service function. A comparison of past budget papers would seem to indicate that up to \$400 million in expenditure has been moved out of the general Public Service functional category into other functional categories such as education and health. Can the Treasurer give some idea of the order of magnitude of this adjustment to education and health in 2004-05? Will the Treasurer provide, at a later date, a detailed breakdown of Table 2.6 with all the adjustments detailed?

The Hon. K.O. FOLEY: We will get that information for you and come back to the house. I refer to an earlier answer that I gave to the member for Florey on dental care. The amounts for dental care are \$1 million in 2004-05; \$1 million in 2005-06; \$1.2 million in 2006-07; and \$1.3 million in 2007-08.

The Hon. I.F. EVANS: So, in other words, your program is halved. In regard to Budget Paper 3, page 8.3, in this year's budget papers the Treasurer and Treasury have estimated that employment growth for this year (2003-04) in South Australia will be 1.5 per cent; however, the latest ABS labour force figures for May 2004 show that total trend employment growth in South Australia for the 11 months of 2003-04 until May was actually minus 0.3 per cent compared with plus 2.4 per cent for Australia. The SA trend figures are: June 2003, 719 400 and May 2004, 718 600. Does the Treasurer still believe that employment will have grown by 1.5 per cent when the June ABS labour force figures are released in less than four weeks?

The Hon. K.O. FOLEY: Can I have that last part again?

The Hon. I.F. EVANS: The question is, basically, does the Treasurer still hold to his prediction that employment will have grown by 1.5 per cent over the past 12 months when the June figures come out?

The Hon. K.O. FOLEY: I will ask the Deputy Under Treasurer, Brett Rowse, to clarify that. These are difficult numbers to follow in the budget papers.

Mr ROWSE: I think the numbers to which the member is referring are through the year growth numbers, whereas the numbers contained in the budget papers are year average numbers. We are still confident that the year on year numbers will come out at that, even though the through the year numbers (I take it) are the ones to which the member is referring.

The Hon. I.F. EVANS: For the benefit of the committee, can Mr Rowse explain the difference?

Mr ROWSE: Through the year is a point in time estimate. What were the months that the member was using?

The Hon. I.F. EVANS: From June 2003 to May 2004.

Mr ROWSE: So, it is a point in time versus a point in time. The year average number takes the average employment for the entire 12 months of a financial year and compares it with the average employment for the previous 12-month period. It is a different methodology of calculating it.

The Hon. I.F. EVANS: You are saying that the budget estimate last year of 1.5 per cent will be met this year?

The Hon. K.O. FOLEY: The question is put to me.

The Hon. I.F. EVANS: They all are, Treasurer.

The Hon. K.O. FOLEY: Exactly. We put down our forecasts, but they are only that; they are forecasts. On the employment front (and I am sure this would have been the case with respect to the former treasurer), you want Treasury to give you conservative, considered forecasts. I would rather be surprised on the upside than on the downside. From the numbers we are seeing, the economic strength is pretty good in South Australia. The Manpower employment survey, which was released a couple of days ago, stated that the quarter on quarter increase in South Australia was greater than in any other Australian region. The managing director of Manpower for Australia and New Zealand said that both the Northern Territory and South Australia are anticipating highest hiring rates, with net figures of 31 per cent and 27 per cent respectively. So, we are seeing some very strong economic numbers coming through. John Howard, the Prime Minister of Australia, has said that the economic growth that is now occurring in South Australia—the best for a generation—will in fact be reinforced and will continue. When you have a conservative Prime Minister endorsing the economic policies of a state Labor government, it does not get much better than that.

The Hon. I.F. EVANS: We are only 14 days away from the end of the financial year. Does the Treasurer believe that the employment growth estimates in the financial year just ending will be met?

The Hon. K.O. FOLEY: If the member is referring to the numbers in the budget documents, my advice is yes.

Mrs HALL: I refer to Budget Paper 3, page 3.5. Before the government took its decision to reject the claims from the Land Tax Reform Coalition (and the Treasurer has referred to this earlier) and many others for significant land tax relief, did the Treasurer take any advice on the potential impact of another 30 per cent increase in land tax receipts for next year, particularly on the rental market and the bed and breakfast tourism sector, and will the land tax notices be issued at the same time this year as last year?

The Hon. K.O. FOLEY: I will answer the last part of the question first. I took the decision not to cut land tax, and I know that I will be criticised for it. I know that the shadow minister (as does the minister) has particular issues about bed and breakfast. I am still trying to work through some of those issues. The great problem I have with altering land tax for specific categories is the unintended flow-on effects. If we make an exception for one particular group, what is then the consequential flow-on to other groups? It is extremely difficult, in a policy sense, to isolate one group from another. I am still looking at that, and I make no promises at all, but I am conscious of the issues that the member has raised.

With respect to the issue of land tax, again, we have factored in increases in land tax receipts based on property growth. As a government we have just taken a policy decision not to cut it. We will be criticised for that, but I put to opposition members that, if it is their view that land tax should be cut, they have to nominate by how much they think it should be cut and how they will pay for it. We are less than two years away from an election and members of the opposition cannot keep saying, 'You should cut tax more' and not say how they would pay for it. There has to be a day of reckoning and, at some point, the shadow treasurer will have to reconcile all the loose statements made by many shadow ministers about how they would spend money. I am not saying that the minister is doing that, but many of her colleagues have done so. With respect to the issue of the timing, I will ask Mike Walker to come to the table and answer that question.

Additional Departmental Adviser:

Mr M. Walker, Commissioner of State Taxation.

Mr WALKER: Broadly, it is considered that the billing cycles will be within the same time frame as they were last year.

Mrs HALL: I have a supplementary question. I am sure that the Treasurer is well aware of all the arguments that have been put to him, and I certainly have an understanding that a very detailed submission has been put to Treasury or the Treasurer on behalf of the tourism industry by the B&B operators and, I understand the South Australian Tourism Commission. In view of what has happened in Victoria, which also has a Labor government, and the substantial cuts that have been made to this area (and I take on board the fact that the Treasurer said that he is still looking at it), is there anything else the Treasurer wants to say about that matter?

The Hon. K.O. FOLEY: I have asked these questions, and I have received various submissions on land tax from a whole lot of people; there has been no shortage of submissions coming forward as to how we could reform it, all of which cost the budget substantial money. I cannot remember the specific material: I will have to check and see what I have received from the tourism industry. There was a representative of the B&B industry at one meeting I had with John Darley, the former valuer-general. They put a very strong case, but it comes back to the point that, if you think we should cut land tax—and it is a very valid position for an opposition to have; I have no argument with that—the opposition would have to give the media at least the courtesy of saying how it would pay for it. I cannot afford to do it in this budget; that is what I have said.

My priority has been cutting payroll tax, getting rid of a number of other taxes and spending more on child protection, health, education, etc. They are the choices we have made as

a government (and we will be criticised for it), but you have to tell us how you would pay for it.

Mrs HALL: At this stage, I understand that we are here to question the Treasurer. As it relates specifically to the tourism industry, will the Treasurer give an undertaking that he will have another look at the area of B&B operators and the enormous effect it has on the tourism industry, on the basis that the government loudly proclaims the importance of the tourism industry and that B&B operators are an extremely important component in relation to providing accommodation facilities in regions of our state where accommodation is limited and that the B&Bs operating now have dramatically increased in number, product and quality over the past few years, and they are struggling?

The Hon. K.O. FOLEY: I will make no commitment other than what I have previously said. Again, the member's points are well made and I am not disagreeing with her points (whether or not they are somewhat dramatic on some of the impacts I will let others judge), but I have not been able to afford the relief that many have asked for in this budget. Now, if it is the honourable member's view, as part of her tourism policy, that that should be a policy, then she will need to cost it and explain how she will pay for it.

The Hon. I.F. EVANS: What will be the impact on the rental market and on the bed and breakfast tourism sector of land valuations going up by 25 to 30 per cent this year?

The Hon. K.O. FOLEY: I tell you what, there will be a significant impact in the wealth effect of thousands of South Australians through significant property growth. That is a given. The rental market, as best as I can judge and as someone who is in the rental market, is a pretty tight market at present and some of the vacancy rates we are seeing in South Australia are probably the tightest vacancy rates in most of Australia. I am not certain as to what impact there may be, but it is not an impact which is causing me concern at this stage.

The Hon. I.F. EVANS: If the Treasurer is unsure about what the impact will be, I am not sure how he comes to the conclusion that it is not of any concern to him. Did the Treasurer take advice on the impact of the 25 to 30 per cent increase in land value over the next 12 months on the rental market or the bed and breakfast market?

The Hon. K.O. FOLEY: No, I did not take any specific advice, from memory, but I will check whether there was any, other than the obvious; that is, there will be higher land tax bills for a number of people in a number of categories as a result of the increased wealth effect of their investment properties. I have taken a decision not to cut it and I will be roundly criticised by those with rental properties. That is the hard choice of governments. If the honourable member wants to give tax relief to people with rental properties, if he wants to give tax relief to B&Bs, he is entitled to do it and, indeed, it would be appropriate, if that is what he wants, but I ask him to tell us how much it will cost—and I will help him cost it, if he wants me to give him some costing numbers—and then he can tell us how he will pay for it. I will give the honourable member the costing numbers, if he tells me how he will pay for it.

The Hon. I.F. EVANS: Given the 25 to 30 per cent increase in property values over the next 12 months (and that is the estimated figure; we know that property values will go up at least 25 per cent over the next 12 months), what is the projected increase in the collection of land tax over the next 12 months as a result?

The Hon. K.O. FOLEY: It is all there in Budget Paper 3, page 3.13, table 3.9 to give you the break ups. The tax commissioner has just reminded me that the values that we are billing now were set by the Valuer-General on 1 January this year.

The Hon. I.F. EVANS: Are they the same valuations used for the emergency services levy that we will be billed this year?

The Hon. K.O. FOLEY: Yes, with the exception that land tax is site value and emergency services is capital value. I come back to this point; that is, all the revenue we expect to receive from strengthening property valuations, be it through land tax, stamp duties, or whatever, are all factored into our budget. That is how we are able to spend more on child protection, health and education, and it is how we are able to give tax cuts to business. If the opposition wants to cut land tax, it is more than welcome to do it. That would be a product differentiation between Labor and Liberal, except for this point: you have to tell us where it is coming from. If the opposition wants to cut land tax, which I assume is what the honourable member is saying, he either runs his budget in the red, spends less elsewhere in government or he gives us a new tax. Which of those three will be his way of funding his land tax cuts?

The Hon. I.F. EVANS: Treasurer, the valuation increase over the next 12 months—

The Hon. K.O. FOLEY: He cannot answer that question.

The Hon. I.F. EVANS: I am not here to answer questions, with all due respect, Treasurer; I am here to ask questions. Our role is to ask questions during estimates—

The Hon. K.O. FOLEY: No, because the opposition is giving us the magic pudding budgets, which it has done for two years now and they just do not stack up.

The Hon. I.F. EVANS: I have read the Kevin Foley book of estimate committees and I am following that model, Treasurer. Your history of answering questions in estimates is probably as good as mine in respect of being in the opposition chair. The land valuation increase being used for emergency services levy calculations is an increase of 25 per cent. Is that same level of increase being used to calculate land tax?

The Hon. K.O. FOLEY: They are two different things. Land tax is based on the land site value of a piece of land, and the emergency services levy is based on the capital value of the property in question.

The Hon. I.F. EVANS: Is it a 10 per cent increase in site valuations you are looking at for land tax? Is it 20 per cent or 25 per cent? The capital value increase over the next year for the emergency services levy will be a 25 per cent increase in valuation: what is the level of increase in valuation for land tax?

The Hon. K.O. FOLEY: I will take advice on that. I might ask the Deputy Under Treasurer to answer that.

Mr ROWSE: It has been explained to me that that 25 per cent is growth in taxable values for residential properties in the metropolitan area; and for all land tax across all entities, not just residential properties, it is 21 per cent across the whole state. That is the reason for the difference in the numbers.

Mr GOLDSWORTHY: This question is similar to a question that was asked last year in estimates committees to which you promised an answer on notice but to which an answer has not yet been provided. In your July 2002 budget speech you promised that government departments would cut \$10.6 million in consultancy expenditure in 2002-03 from the

\$122.3 million spent in the 2001-02 year. You also promised that the government's commercial businesses would deliver on a similar saving. What was the total expenditure by government departments and commercial businesses on consultants in 2002-03, and what is the estimated expenditure for 2003-04 and 2004-05?

The Hon. K.O. FOLEY: My advice is that the original target expenditure reduction strategy for consultancies was based on a reduction of 50 per cent calculated against projected 2001-02 expenditure levels. That can be found in the 2002-03 budget statement at page 3.2. A savings target of \$10.6 million was published in the 2002-03 budget papers. Savings would not apply to the Office of the Commissioner for Public Employment or the Independent Regulator. I am advised that projected 2001-02 expenditure levels for the general government sector were \$26.2 million. The actual 2001-02 expenditure for the general government sector was in fact down to \$20.9 million. Actual 2002-03 expenditure for the general government sector was \$16.6 million. General government expenditure levels on consultancies have reduced by \$9.6 million between projected 2001-02 expenditure and 2002-03 actual expenditure, which is broadly in line with the government strategy to reduce the levels of expenditure on consultancies. The actual level of consultancy expenditure in 2003-04 will be available as part of the end of year budget outcome reporting.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.17 which discusses your new cash alignment policy. In accordance with this new policy, page 3.17 shows that the Department of Treasury and Finance is paying \$8 million in 2004-05. Can the Treasurer advise where in the budget papers we can see the money being received; that is, where is the other side to this entry?

The Hon. K.O. FOLEY: I am advised that there would be a receiving consolidated account.

The Hon. I.F. EVANS: The question was: where is it shown in the papers? Where do we find it?

The Hon. K.O. FOLEY: I am told it would probably be an aggregated amount. We are checking whether or not it is separate. I refer to page C.7 of Appendix C, towards the back of Budget Paper 3, and the item 'Return of cash to Consolidated Account—Cash Alignment Policy'. I am advised that the figure of \$144.212 million contains the Treasury \$8 million.

Mr GOLDSWORTHY: That is under 'Recoveries'?

The Hon. K.O. FOLEY: That is right. It is recovered from DTF, along with a whole lot of other agencies.

Mr GOLDSWORTHY: When the agencies pay this money over, is the money now effectively lost for the use of the agency, or does the money go into the general government pool?

The Hon. K.O. FOLEY: I am not sure what you mean when you say 'lost for the use of the agency'. The agency has expenditure authority and that is what it can spend. If an agency has expenditure authority for \$100 million and has an extra \$20 million in cash sitting in its accounts as part of its day-to-day cash operations, it cannot go out and spend that \$20 million so that it has an overspending of \$20 million. It has authority to spend \$100 million. We give the authority enough cash to allow it to meet its wages and bills and we give it a couple of weeks' buffer, I am advised. If an agency finds \$20 million sitting in the bottom drawer we do not allow it to say, 'Crikey, let's go out and spend \$20 million that we do not have authority for.' That is how we are trying to get better budget discipline.

Mr GOLDSWORTHY: So, does that mean that the moneys which may have accrued as a result of good financial management by an agency will be lost to those agencies?

The Hon. K.O. FOLEY: I do not think the member understands the budget and how agencies structure their budgets. Are you saying that if an agency, through its own clever budgeting, finds savings, it can spend more than it has been authorised to spend by parliament? Are you saying that, if a department finds savings of \$10 million out of its \$100 million, under your government you would let it spend \$110 million?

Mr GOLDSWORTHY: No. My question is: as a result of the agency's good financial management, if they have an accrual, is that money lost?

The Hon. K.O. FOLEY: If they save money, they can spend up to their expenditure authority. An agency has an expenditure authority to which it must stick. If it saves money, it has more to spend—up to its spending authority, but not over it. Well, some do go over, but we are trying to stop them doing that. We are talking about simple cash balances accruing; we are not talking about anything more magical than that.

Mr GOLDSWORTHY: As you are aware, the department prepares the state's consolidated financial statements. These are published on the department's web page along with the report of the Auditor-General, which this year is dated 15 March 2004. The main issue continually raised by the Auditor-General is that the timeliness of the preparation of the financial report:

... continues to be considered by audit to be unsatisfactory, particularly considering most individual agency reports had been finalised by September 2003 and that a substantial part of the consolidated reports were prepared by late November 2003. It is noted that three larger interstate jurisdictions had finalised their financial reports by October 2003 and the others by December 2003.

The report goes on to say that individual processes should be implemented to ensure that further reports are published in a more relevant and timely manner. Given that this issue was also raised by the Auditor-General last year, why has it been ignored?

The Hon. K.O. FOLEY: That is fair criticism by the Auditor-General, and, obviously, we are aware of it. Part of the problem is getting the information from agencies. One of the things that has concerned me since coming to office is the very poor accounting and financial management across government in agencies; the inability of agencies to properly communicate with Treasury; and the lack of system alignments to allow us to have access in a timely fashion to information, and we are putting more resources into trying to improve that. We have been conducting a large program to try to improve the financial management within agencies and, importantly, our ability to get access to that data. We need to do more on that; I could not agree more.

Membership:

Mr Koutsantonis substituted for Mr Snelling.

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 1, page 3.17. Prior to last year's budget there was a series of pre-budget announcements by the Premier and Treasurer claiming that there would be an 11 per cent cut to their agency budgets and that this money would go to hospitals. It was subsequently revealed during the estimates that the DTF budget was increasing by \$3 million from \$64 million to \$67 million. The 11 per cent cut to Treasury

was evidently manufactured through creative accounting by looking at savings in administered items of \$7 million in 2003-04, of which \$5.4 million was for revised arrangements in fleet financing. These savings were then taken as a proportion of the department's 2003-04 budget expenditure of \$67 million.

The 2003-04 estimated result for total expenses shows \$68.6 million as against the budget of \$67 million, and actual spending of \$62.4 million in 2003. So, rather than an 11 per cent cut in the DTF budget there was actually an increase of \$6.2 million or 10 per cent. Does the Treasurer still claim that there was an 11 per cent saving in the DTF budget which was redirected to hospital funding and, if so, will he provide details of the 11 per cent cut?

The Hon. K.O. FOLEY: We are here to be questioned on the 2004-05 budget. The figures in the budget papers are the actual results that have occurred.

The Hon. I.F. EVANS: Did the 11 per cent savings occur, Treasurer?

The Hon. K.O. FOLEY: We make best endeavours to get outcomes right across government. If you do not accept our explanations, I cannot convince you. We cannot be any more upfront than publishing the data in the budget papers. Our forecasts of savings and expenditure are always that: forecasts. We try to reach them: sometimes we do, sometimes we don't. The data is in the budget papers. As I have said, the problem for you and your colleague the shadow treasurer (who I am sure is listening intently) is that you are fighting old battles; you keep going back to the election that you think you should not have lost. The world has moved on. I am happy for you to question me on the 2004-05 budget.

The Hon. I.F. EVANS: Is it true that the 11 per cent saving that it was claimed would be made in actual fact has not occurred and that there has been a 10 per cent increase?

The Hon. K.O. FOLEY: The Under Treasurer tells me that we have achieved the savings that we expected, except for some savings that we hoped to get on the accommodation side where we are a little bit down.

The Hon. I.F. EVANS: And that saving went to the hospital fund, did it?

The Hon. K.O. FOLEY: I cannot give you any more than the answers I have given. You are quizzing me on last year's budget; I am here to deal with this year's budget. Let's move on.

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 1, page 3.3. In relation to the expenditure review of the Department of Education and Children's Services what was the actual saving in 2003-04 due to reduced enrolments in 2003 and 2004, and what is the expected annual saving in 2004-05 from reduced enrolments in the years 2004 and 2005?

The Hon. K.O. FOLEY: The advice is that the numbers we put into the budget were about fixing the forward estimates to ensure they were accurate. Those questions may be better put to the Minister for Education and Children's Services.

The Hon. I.F. EVANS: On a matter of principle, does the agency retain any savings made due to decreased enrolments, or are they returned to consolidated account?

The Hon. K.O. FOLEY: Each budget updates the appropriate allocation for education. The agency does not have authority to spend any more than it has. It has a certain amount of money to spend, and we revise it at each budget and take account of increasing or declining enrolment numbers. We adjust the forward estimate to take account of

the expected enrolment numbers. We are an ageing community. We have fewer people going to schools and still have a drift from public to private schools and we are trying to arrest that. Our forward estimates are what we think will be the likely scenarios, but we update them at each budget as we go along.

The Hon. I.F. EVANS: But if the budget is done on 100 000 pupils (or whatever is the figure), and the enrolment comes out to be 90 000 pupils, the 10 000 fewer pupils being enrolled creates a saving. Does DECS keep that saving or is it returned?

The Hon. K.O. FOLEY: It is a difficult one to answer, other than to say that education spending is rising across the forward estimates. It is lost in the mix at the end of the day. If there are fewer enrolled than expected, it is then up to the government to decide whether it wants to adjust the health budget down to take account of that or whether it wants to increase spending in education. We have taken decisions to increase spending in education. As you will see across the forward estimates, education spending increases each year at a time when there are declining enrolment numbers. We have taken a decision to increase expenditure on public education at a time of reduction in enrolment numbers. That is a policy decision. You would be at liberty, if you so chose, to track down your education spending. If there was a continuing decline one policy option for the opposition would be to track down the spending with the decline. We have chosen not to do that and are spending more.

Mrs HALL: I refer to page 2.2 of Budget Paper 3. An efficiency dividend calculated at 3 per cent of the administrative employee expenses, at an impact of \$18.6 million per annum, has been imposed on all agencies across the board. In the 2003-04 estimates the Treasurer stated:

We are a bit smarter than you lot. Rob Lucas' approach was to put some phoney 2 per cent, from memory, or some arbitrary savings measures across all departments.

Very few departments, if any, delivered on that. Does the Treasurer now agree that an across the board efficiency dividend is a useful budgetary tool, and is he confident that those saving measures will be delivered as outlined?

The Hon. K.O. FOLEY: I am, and stand by my comments. Poor old Rob Lucas is still about trying to defend himself from two years ago.

Mr Koutsantonis interjecting:

The Hon. K.O. FOLEY: He hasn't got a bad job. I do not think he has ever had a real job in his life. He went to Liberal Party headquarters and came into parliament. He likes to stay as Leader of the Opposition and get his car and perks. He has a pretty cushy life, I would have thought. The crude efficiency dividends applied by the former government have been much more targeted. In the first two budgets the figure was of the order of almost \$1.5 billion, which we took out of spending, reallocated and spent elsewhere with our priorities. In this budget we put a modest efficiency dividend in place but, importantly, we excluded those areas that we do not want it to apply to, for example, policing, nursing, teaching and front line services. The agency has a number of options available to meet it. One option would be vacancy factors, another may be cutting down on some of its expenditure with stationery, travel and all these sort of things, but we have targeted a very defined and tight area, largely administrative functions and not core services. We think it is modest and achievable.

Mr GOLDSWORTHY: In last year's budget papers for this department the Treasurer and Treasury claim that the

estimated result for 2002-03 would be 571 full-time equivalents as at 30 June 2003. This year's budget paper states that the actual result was 523; the number was 48, or 8.4 per cent. Given that the estimates would have been done just before the late May budget, how could the Treasurer or Treasury make such a significant error in such a short period of time about the actual number of employees in the Department of Treasury and Finance?

The Hon. K.O. FOLEY: I do not give any credence to the allegation that it is some terrible mistake by Treasury. There are issues about the ability to recruit staff and vacancy factors. It is a specialised area, and Treasury cannot always get the people it wants.

Mr GOLDSWORTHY: I refer to Budget Paper 3, page 2.2, regarding wage costs. In regard to table 2.3 entitled 'General Government Expenditure' and the salaries and wages expenses across the forward estimates, do estimates of agency wage costs in each of the portfolio statements include any percentage of future wage increases which are not yet the subject of enterprise agreements?

The Hon. K.O. FOLEY: I am advised that there is a small provision in there, but not the full provision.

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 1, page 3.1.

Mr Koutsantonis interjecting:

The Hon. I.F. EVANS: I have done it for every question. During the election campaign the Treasurer was very critical of what he called the excessive growth of fat cats in the Public Service. He said that he was looking forward to tapping them on the shoulder. In his labour costings document 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 those numbers. The work force summary on page 3.1 shows an increase of 44 full-time equivalents, or some 26 per cent in administered items, and an increase of 84 or 16 per cent in the DTF proper from the 2002-03 actual to the 2004-05 estimate. Can the Treasurer provide a detailed breakdown of the areas where the 84 extra staff are employed within DTF proper?

The Hon. K.O. FOLEY: I am happy to try to get that information for you. I stand by my ability to deliver consistent surpluses and very significantly improved budget practices. I look at some of the commentary made by various people and at Standard and Poor's when it looks at whether or not it will re-rate our state. This is a comment by Brendon Flynn, the financial analyst for Standard and Poor's. I am upfront about it and acknowledge that there was a significant reduction in debt through the sale of ETSA. Brendon Flynn states:

The concern that Standard . . . has had is that for a while some of the ongoing finances weren't as strong. . . the state was living beyond its means to an extent. The current government has really addressed that issue. They've done a pretty good job. . . they're looking at surpluses, they're looking as surpluses down the track. They're even managing to fund a fairly healthy capital spending program without resorting to debt so the finances and the things that are in the government's control are doing really well.

That is saying that this government can be confident that it has managed our expenditure well. You can nit-pick, talk about fat cats and DTF until the cows come home, but you cannot argue with independent analysts who state that we are doing really well and that this government has really addressed the issue in terms of living beyond our means. That is what Standard and Poor's thinks about our ability to manage this budget. Sorry, I have taken a bit of license there.

The Hon. I.F. EVANS: Is it not true that you promised to reduce the level of staffing in DTF prior to the election, and since the election it has increased by 84?

The Hon. K.O. FOLEY: Well, you can make your own assumptions.

The Hon. I.F. EVANS: That is true, isn't it?

The Hon. K.O. FOLEY: You have made your own assumption.

The Hon. I.F. EVANS: Am I inaccurate?

The Hon. K.O. FOLEY: I have advice from Treasury that the total estimated work force as of 30 June 2004 of 586 FTEs is an expected increase of 21 FTEs from a revised estimate work force as of 30 June 2004 of 587 FTEs. This is mainly due to an increase of six in the revenue collection office, Revenue SA; an increase of seven in the finance branch; and five positions in the financial management improvement project and in SAFA for the transfer of the industry assistance attraction fund (which, of course, comes from the old industry department) into SAFA. We have had more tax officers out there collecting tax, and we make no secret of that. If people owe tax, they should pay it.

The Hon. I.F. EVANS: I will write to the Treasurer. I am getting a bit sick of Revenue SA writing to constituents who are not due to pay tax but of whom it is demanded. Even when Revenue SA has written to the constituent four years previously saying they are not due to pay the tax, it then rebills them three years later.

The Hon. K.O. FOLEY: I will tell you one thing: Revenue SA does an outstanding job in a very difficult and trying set of circumstances, because it has been using some pretty old technology which we are trying to replace and improve. It has been under-strengthened; we have given it more resources: and, surprise, surprise, occasionally it will make an error. That is not unexpected and it is always regrettable, but it is not beyond making mistakes like all of us. I make plenty. Given the complex nature of Revenue SA's work and the diversity of the people with whom it interacts, I think we can be very pleased with the quality of its work.

The Hon. I.F. EVANS: In relation to page 3.25 of Volume 1, Budget Paper 4, have the payments totalling \$64.5 million already been made to Remco and Investor and, if not, when will they be made?

The Hon. K.O. FOLEY: I am advised that they have not been paid as yet. We are in the process of finalising the arrangements.

The Hon. I.F. EVANS: Will they be paid prior to 30 June?

The Hon. K.O. FOLEY: I am advised that the majority will be.

The Hon. I.F. EVANS: I refer to Budget Paper 3, page 2.1, table 2.2. In previous budgets the government has claimed savings of some \$967 million in the 2002-03 budget and \$538 million in the 2003-04 budget. Can the Treasurer advise the committee, now or by tabling at a later date, details of those agencies which did not achieve the budget savings required of them, or has cabinet finally decided not to insist on the required level of saving?

The Hon. K.O. FOLEY: I will take that question on notice and consider it.

The Hon. I.F. EVANS: You cannot give us a yes or a no now?

The Hon. K.O. FOLEY: I have just said that I will take that question on notice and consider it.

The Hon. I.F. EVANS: Well, it just seems extraordinary that the minister cannot decide whether he can provide to the committee information in relation to—

The Hon. K.O. FOLEY: You can make all the comments you like; I have answered the question.

Mrs HALL: My question is about Budget Paper 3, page 2.1, table 2.2. In previous budgets the government has claimed savings of \$967 million in 2002-03 budget and \$538 million in the 2003-04 budget. Can the Treasurer advise the committee, either now or by tabling at a later date, details of those agencies which did not achieve budget savings required of them or where cabinet finally—

The Hon. K.O. FOLEY: I think it is the same question. Lucas writes the questions and sends them up here.

Mrs HALL: My apologies. Last year's budget papers referred to savings initiatives of \$550 000 per annum—

Members interjecting:

The Hon. K.O. FOLEY: I am happy for the member for West Torrens to ask questions. I was actually asking him not to as a courtesy to give the opposition free and unfettered access to me as Treasurer. If you would like my colleagues to ask questions, they have plenty to ask.

The Hon. I.F. Evans interjecting:

The CHAIR: Order! The member for Morialta has the call.

The Hon. K.O. FOLEY: Sorry, member for Morialta; we have all been rude.

Mrs HALL: It is okay. Last year's budget papers referred to savings initiatives of \$550 000 per year associated with the consolidation of accommodation to the State Administration Centre. Can the Treasurer provide the committee with information showing exactly what has happened there and whether those savings have been realised?

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

Mrs HALL: If you are going to take that one on notice, I will add a couple of supplementaries. Are the estimated savings just those associated with the lease payments or do they take into account removal costs, costs of people's time and refurbishment costs in the new accommodation? What floors have had to be reconfigured in the State Administration Centre to accommodate the consolidation?

The Hon. K.O. FOLEY: I can give you an answer to that.

Mrs HALL: Have any of these floors been reconfigured in the last two years?

The Hon. K.O. FOLEY: I will try to get some answers, if I cannot give you everything. Accommodation costs have estimated savings of \$250 000 in 2003-04, increasing to \$550 000 in 2004-05. The department is consolidating some of its branches which are currently located in other buildings in the CBD into the State Administration Centre. In line with government office accommodation guidelines, this will reduce leasing costs on other buildings. Actual savings of approximately \$25 000 will be achieved in 2003-04; however, other departmental savings will enable the achievement of the total savings target in 2003-04. I think I alluded to it before: we are down a bit on accommodation. We are down in getting those savings, and we are picking them up elsewhere. Treasury will deliver at \$550 000; we just have to do it in some other ways. I can tell you those other ways, if you like. It is a timing thing as well. I am told that we will have accommodation savings of \$550 000—the issue is one of timing, but we will still make up the savings through other initiatives. We will comply.

Mrs HALL: I have some supplementary questions: the ones that you were going to take on notice and there were two additional questions. Are you going to take them on notice or do you have that information?

The Hon. K.O. FOLEY: What were they?

Mrs HALL: Are the estimated savings just those associated with the lease payments? Do they take into account removal costs, costs of people's time and refurbishment costs in the new accommodation? What floors have had to be reconfigured to accommodate the consolidation? Have any of these floors been reconfigured in the last two years?

The Hon. K.O. FOLEY: We will get you an answer on that. I think it would be best.

Mr GOLDSWORTHY: I refer to Budget Paper 3, page 3.2. I refer to the revenue impact of \$20 million-plus per annum arising from the reduction in payroll tax from 5.67 per cent to 5.5 per cent: how much of this payroll tax is from state government agencies and how much is from the private sector?

The Hon. K.O. FOLEY: I am advised that there is none. That is the saving to the private sector and the tax cut. That is the advice that I am provided with.

The Hon. I.F. EVANS: I have a supplementary question. Is the Treasurer aware of any proposal to increase the payroll tax rate?

The Hon. K.O. FOLEY: Increase it?

The Hon. I.F. EVANS: Yes.

The Hon. K.O. FOLEY: I am not, from memory. Who is working on one of those ideas? No; but, please, if you have some information, share it with me. I am about cutting payroll tax; I want to get us closer to Victoria. It is a state objective. I think I probably even said well before this budget that we have to work towards that. What are you referring to?

The Hon. I.F. EVANS: So, you are not aware of any proposal to increase payroll tax or to introduce a new payroll tax?

The Hon. K.O. FOLEY: Am I aware of it? Look, if you are trying to fish and ask whether bits of paper have been sent to me—I do not know; possibly, but nothing immediately comes to mind. Lots of people come up with proposals. I do not recall seeing one. I will ask the Under Treasurer whether he is aware of anything.

Mr WRIGHT: No; I do not recall any proposals.

The Hon. K.O. FOLEY: The Under Treasurer is not aware of anything. If something has been sent to me, I cannot recall, and I would be happy to have it shown to me. What, in particular, are you referring to?

The Hon. I.F. EVANS: I just wondered whether anyone had put that to you and whether you were aware of any proposals. That is all.

The Hon. K.O. FOLEY: People may have put it me, but I cannot immediately recall that under examination here. If there is a bit of paper in my office or somewhere around Treasury that somebody came up with an idea to increase it, that is interesting, but only to the extent that I am not going to be increasing payroll tax. People can have all the ideas they like. Over time, I want to see us further reduce the rate of payroll tax.

Mrs HALL: I refer to Budget Paper 3, page 1.4. One of the government's fiscal targets is to provide value for money community services and economic infrastructure within available means. Page 1.4 of Budget Paper 3 states that the state strategic plan includes a target to 'lead the nation in cost effectiveness of government services within five years'. Page 1.4 also states, under the government's progress towards

achieving this target, 'Significant funding increases have been delivered to priority areas, particularly in the health sector.' However, in contradiction to the above statement, on page 21 the strategic plan states:

Total government expenditure in an area does not of itself accurately indicate cost effectiveness. Cost effectiveness measures will be developed in 2004-05.

Does the Treasurer agree with this statement in the strategic plan, and can the Treasurer or Under Treasurer outline the sorts of cost effectiveness measures that are now being successfully used in other states or countries, particularly as they relate to health services?

The Hon. K.O. FOLEY: The state strategic plan is a recently released document. It has some ambitious targets and will take time to achieve. Many of the targets will be met and some will not be met. The Premier has been up front about that. It is about putting some benchmarks out there to test all of us. In terms of efficiency of government services, we have had an expenditure review process under way since shortly after coming to office. We will be looking at agencies and how we can better and more efficiently deliver services. The Generational Health Review comes to mind as one piece of work undertaken to try to identify better and more efficient ways in which to allocate scarce resources.

We have recently started a process in another government agency where we have looked at health and, I think, education. We are now doing the Department for Administrative and Information Services (DAIS). These measures are all about trying to identify more efficient ways of delivering government services. I think that one of the most important principles of any approach to state finances is that we should always be looking at improving efficiency of delivery and we should be prepared to set a goal, as we have done in the state strategic plan. Whether or not we will get there only time will tell.

Mr GOLDSWORTHY: I refer to Budget Paper 3, page 5.6. Can the Treasurer advise whether any other states have adopted early a proposed new accounting standard for employee benefits, given that South Australia has used a discount rate of 6 per cent to value the unfunded liabilities where previously 7.5 per cent was used?

The Hon. K.O. FOLEY: I will obtain some considered advice. I understand that we are the only state. We think that Western Australia may have done so; we will have to check that. The decision we took was a difficult one. Following our decision, it was a subject of discussion at the treasurers' conference as to whether or not the state should adopt this new accounting standard. We took the view that it is going to happen and that to use the risk-free discount rate is an appropriate way to measure our liabilities, and we saw an adjustment to our unfunded liabilities of about \$1.4 billion, I think, from that decision. It is in keeping with a very conservative, careful and considered approach to the state by this government with respect to our finances. We do not want to be gilding the lily. We do not want to, where we can avoid it, do anything other than present the facts as they should be presented. The difference is that we have taken the risk-free discount rate at, I think, 6 per cent. The previous government had valued it at the expected earnings rate of 7.5 per cent. Equity markets have shown incredible volatility, and the earnings expectations are down.

Last year I travelled to America and Europe and spoke to a large number of fund managers. I am not in the business of giving investment advice, and this is not proffered as investment advice, but I came away thinking that the outlook

for equities and returns from various super funds over the next decade will be pretty conservative. In my view, a 7.5 per cent earnings rate on average is probably too ambitious in the current investment climate globally. We had two negative years, and we have had a very strong positive year this year. The advice I have received is that, with respect to returns on super funds, managed funds, equities, bonds, property trusts—the whole lot—an average annual return of 7.5 per cent is ambitious. So, whether or not we even adjust it ourselves to the new accounting standard that we think will come into operation in Australia, I would have wanted to revise down that expected earnings rate, anyway. I remember talking to the Under Treasurer about whether we should bring that number down from 7.5 to 7 per cent, from memory, and, arguably, whether we should take it down to 6.5 per cent. We took the view that, by adopting the risk-free discount rate, we will be preparing ourselves for the new international accounting standard, which we believe is inevitable.

Michael Egan is trying to fight it (as are a few other states), and Peter Costello has indicated that he thinks there still needs to be a little more work done before we agree to it. I think that is the essence of what he was saying, but I may be wrong. I think there is an expectation from all commonwealth officials that this will happen at some point. That is the advice that I have been given. Regardless of that, we have done it and we think that is prudent. It does show an increase in our unfunded liabilities on paper. However, I have discussed it with the rating agencies and they are quite relaxed about it. I think it would be fair to say that they thought it was not a bad measure at all, to be honest.

Mr GOLDSWORTHY: The Treasurer said that he travelled to America and spoke to some US financial investors.

The Hon. K.O. FOLEY: People who we invest our state super money with.

Mr GOLDSWORTHY: Did the Treasurer take any advice from other people?

The Hon. K.O. FOLEY: What does the member mean?

Mr GOLDSWORTHY: The Treasurer said that he went to America and took the advice of those investment managers. Did he seek any other advice before implementing that measure?

The Hon. K.O. FOLEY: No; I did not go to America necessarily to seek advice on how I should frame my budget or whether I should adopt an international accounting standard. I wanted to meet a number of the fund managers who manage our billions of dollars of state government super to get a feel for how they do their business and the type of people with whom we spread our assets around and also to seek advice and information on where they see the global markets heading in the forthcoming year and in future years.

That is part of what I would always do: I obtain advice from a whole series of people. The decision to adopt the risk free discount rate was not based on their advice. I left those meetings with my own mind moving towards probably reducing our expected earnings rate on our portfolio, which, in turn, would have increased their unfunded liability but, at the same time, we had this issue that Australian corporates and governments would be required to adopt the new international accounting standards (we thought) in 2005.

There is some resistance at other state levels. I think the federal Treasurer has given some indication that he will let it slip a little, but it will happen. I would rather account for it now, get it into the open and deal with it. In terms of

advice, I receive a large amount of advice from my Department of Treasury and Finance.

Mr GOLDSWORTHY: And others?

The Hon. K.O. FOLEY: What do you mean by 'others'?

Mr GOLDSWORTHY: Other people from whom you seek advice, apart from your trip to America and your departmental officers.

The Hon. K.O. FOLEY: I am not sure where this question is going. I went to America for a variety of reasons, one of which was to meet and to talk to fund managers. They gave me a view on the global outlook for equities. The issue on the risk free discount rate and adopting that international standard was a separate issue, and I took the advice of the Under Treasurer and his senior officers that we should adopt it, and that is what I based my decision on. Lots of people give me advice.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.19. Will the Treasurer explain the \$4.8 million underspend in the property, plant and equipment lines in 2003-04; and is this carried forward to the next year or is it lost as part of the cash alignment policy?

The Hon. K.O. FOLEY: I am advised that that relates to the RISTEC program for Revenue SA. We are updating the computer technology—hardware, software and gismos—so that we can collect tax more efficiently, and it has been reprofiled into the out years. It is taking a little longer to implement than we had hoped. Maybe the member for Davenport's constituents will not receive a bill which they should not. I cannot guarantee that—

The Hon. I.F. EVANS: Well, third time lucky!

The Hon. K.O. FOLEY: If you are working on technology that is past its use-by date, the error rate will increase. I think, from memory, the Commissioner for Taxation was pretty up-front with me when we were discussing all this stuff—and the former treasurer would know better than me, given that he was in the job longer, governments' propensity to spend money on computer IT equipment is pretty significant—but he made it very clear to me that, if at some point we did not start to improve our technology, there would be a significant leakage in tax revenue as our ability to properly collect tax would be harmed. The last thing I want to do is see the state's tax receipts suffer through lack of technology.

Mr GOLDSWORTHY: I refer to Budget Paper 3, page 2.14, DTF operating initiatives and savings initiatives, savings initiatives, administration measures—reduction in operating costs for 2004-05 to 2007-08, \$0.679 million per annum. Will the Treasurer detail specifically what savings and branches this amount covers?

The Hon. K.O. FOLEY: We will take that question on notice; we do not have that information to hand.

Mrs HALL: I refer to Budget Paper 3, page 2.14, relating to the industry investment attraction fund. It lists the operating initiatives and it includes: 2004-05, \$1.2 million; 2005-06, \$0.85 million; 2006-07, \$0.7 million; and 2007-08, \$0.7 million. Will the Treasurer provide information which says how many staff and what resources this money will fund; are any staff from DTF and DBMT transferring over to manage these contracts; and which area in Treasury will be managing these contracts?

The Hon. K.O. FOLEY: I am happy to obtain a more detailed answer for the honourable member because there are many elements to that question. As the honourable member has quite rightly identified, we have taken the IAF fund out of the old industry department and put it into Treasury. Some resources are required for that, and we are managing that. I

will provide the honourable member with a detailed answer. As I have said, I have tried, where possible, to give correct and factual answers. If we have made any errors in our answers, we will try to identify those subsequent to today and provide the committee with an update. I look forward to your questions after lunch.

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

The Hon. I.F. EVANS: I want to go back to the subject of the Port River Expressway. We asked some questions earlier in respect of a cabinet note dated 18 April 2004 and titled 'To the Premier. For cabinet to note. Port River Expressway commonwealth funding' from the then acting transport minister John Hill. Is the Treasurer claiming to have not seen the cabinet note dated 18 April 2004 about the Port River Expressway and signed by acting minister John Hill?

The Hon. K.O. FOLEY: I would have to check whether that was a cabinet meeting that I attended; and, if it is a cabinet note, clearly I have seen it. I quickly read over an article yesterday in which there was reference to a leaked document; I did not actually give a lot of thought to what that document was. I have not been shown the document in question that the opposition claims to be a leaked document. I have seen many documents and notes, both inside and outside cabinet, relating to the Port River Expressway. I have no doubt that this could be one of them, but I have not seen the particular document. When I say I have not seen it, it has not been produced in this committee or publicly, but I am happy for the document to be brought forward. We will find out whether I was at the cabinet meeting in question.

The Hon. I.F. EVANS: Even if you were not at the cabinet meeting, you would have been sent the note. Just because you were not at the meeting does not necessarily mean—

The Hon. K.O. FOLEY: I am not denying I have seen the minute. You have not shown me the minute you are referring to. You say you have a minute from John Hill. I do not recall the specific minute in question, and I will find out where it is and when I would have seen it. I have seen plenty of briefing notes about the Port River Expressway, and I am sure this is one of them. But you talk about a document: let us look at the document and I will try to recollect when I read it.

The Hon. I.F. EVANS: Can you confirm that Treasury officers have seen the cabinet note about the Port River Expressway signed by acting minister John Hill on 18 April 2004, because the cabinet notes go to Treasury?

The Hon. K.O. FOLEY: Yes, of course they would have seen it. Treasury would have been providing advice on it.

The Hon. I.F. EVANS: So we have confirmed that Treasury has seen it. We are not yet sure whether the Treasurer has seen it.

The Hon. K.O. FOLEY: As the former treasurer would know, I get, on average, one bag of dockets per night and, on the weekend, anywhere between four and eight bags of dockets. In relation to the Port River Expressway, I have probably seen a dozen or more briefing notes and advice, some of which have been for cabinet, some of which have been directly for me and some of which have been copies of things between ministers. The specific document the member is referring to I will need to sight to reconcile in my own mind when I saw it. I have never professed to be as brilliant in this job as the former treasurer, who clearly was a genius in that he could remember any particular document. I am not

quite as gifted as the former treasurer and, clearly, he is a much cleverer person than am I: he just could not balance his budgets.

The CHAIR: Does the member for Davenport have any further questions relating to the estimates?

The Hon. I.F. EVANS: Yes, I do. Can the Treasurer confirm that the cabinet note dated 18 April makes it clear that the commonwealth offer was, indeed, \$75 million to \$80 million?

The Hon. K.O. FOLEY: Let me sight the document so that I can be in a position to confirm what the document says. I cannot recall what was in the document.

Mr Koutsantonis interjecting:

The Hon. I.F. EVANS: Because the Port River Expressway is in the budget. There is a line of \$65 million there. If the member for West Torrens had been here earlier, he would have heard the previous answer, with due respect to him. We know that Treasury officers have advised the Treasurer that they have seen the document, and the Treasury officers are here today. Can the Treasury officers confirm that that briefing note confirms that the offer was \$75 million to \$80 million?

The Hon. K.O. FOLEY: Let us get the document. I am happy for any officer who may have it to produce it. We will get the document and come back to that question. I am quite relaxed about it. I cannot recall exactly what would have been in the document because I see so many documents that go before cabinet. It is impossible for me, not being of such intellect as the shadow treasurer, to recall all of this stuff. I will get the document and we will see what is in it.

The Hon. I.F. EVANS: So none of your Treasury officers are aware—

The Hon. K.O. FOLEY: Aware of what? What is the question?

The Hon. I.F. EVANS: That the briefing note indicates quite clearly that the commonwealth offer was \$75 million to \$80 million, not the lower figure that was suggested this morning?

Mr WRIGHT: Without seeing the document, I could not say. I have seen so many documents on the Port River expressway, but I cannot recall this specific one and what was or was not in it.

The Hon. I.F. EVANS: But there are officers over there negotiating as we speak, are there not?

The Hon. K.O. FOLEY: The Under Treasurer has made the point that, up until the AusLink document, there was no official offer from the commonwealth. There was speculation, and we were working around what we thought might be the commonwealth offer. We did not know the hard numbers until the AusLink document was released. So, whatever is in that minute would relate, I assume, to estimates: what we thought might be the commonwealth offer from what we could glean from officers. Until we saw the AusLink document we did not know what the offer was. I am not quite sure what is your point. If you are trying to catch me out—

The Hon. I.F. EVANS: The point is that the government was fully aware that the offer was likely to be between \$75 million and \$80 million, which was not the answer given this morning.

The Hon. K.O. FOLEY: What we said this morning, I think, was that the number netted out at the mid-sixties or seventies. There are some conflicting numbers; we will get an answer on that. There was \$64 million, as I said earlier. There was an extra \$11 million in the AusLink offer. We had been working around a whole series of different numbers, but

until we saw the AusLink document we did not know what the exact offer from the commonwealth would be. The Under Treasurer advises me that these were all unofficial numbers given to us by commonwealth officers (treasury or transport) and that the first hard numbers we saw were in the AusLink document. I said earlier that I thought the number was lower, around \$30 million or \$40 million. I corrected that and said that it was around \$64 million. If the number was a bit more than that, we will get that information, but the number in the AusLink document was \$80 million, which makes a difference.

The Hon. I.F. EVANS: Are you advising the committee that you have no knowledge that the cabinet note of 18 April makes it clear that ministers Anderson and Campbell had insisted that the non-negotiable condition was compliance with the National Construction Code guidelines?

The Hon. K.O. FOLEY: I have never said that. When have I said that?

The Hon. I.F. EVANS: I believe in an earlier answer you indicated that you were unclear on what the non-negotiable items were.

The Hon. K.O. FOLEY: Absolutely. That is the advice that my Treasury officers have given me here at the table: we have not been able to firm up what we think will be the three requirements of the commonwealth. We think they will be: a requirement for them to be fixed, but we do not know; not to have a toll, but we do not know. We are probably firmer on the issues around industrial relations, because the commonwealth has made that clear in respect of projects in Victoria. All of those items are matters for negotiation. Well, we think they are for negotiation; the commonwealth may have a different view.

That is the advice I am provided with. If you want to make accusations, hopefully we will see this cabinet document shortly and we can look at exactly what it is that you are looking at that you have not given me the courtesy of seeing. It is impossible for a suggestion to be made that I can be held accountable for knowing or not knowing what is in a cabinet document that you tell me went to cabinet on 18 April (two months ago). I am somehow supposed to remember seeing the document. If it was in cabinet and if I was there I would have, because I read all of my cabinet material. However, my ability to recall that document I must confess is limited. I cannot recall the specific document, but I take your word for it: if it was in cabinet, I would have seen it.

As the Under Treasurer pointed out, we see a lot of documents on the Port River expressway. I am not in a position to make a definitive statement until I see the document. The Under Treasurer's advice to me is that all the information that, to date, has been provided to Treasury has come from the Department of Transport and Urban Planning. We are working on information that has come via the transport department in South Australia, and we will do our analysis based on that. We are not in one-on-one negotiations with the commonwealth treasury. That is the advice I am given.

The Hon. I.F. EVANS: But the Treasury has already admitted receiving the cabinet note.

The Hon. K.O. FOLEY: I get every cabinet note. I know that when you were in government you would try to avoid stuff going to Treasury from time to time, but we try to make sure that that happens.

The Hon. I.F. EVANS: Treasury advice to you today is that that cabinet note does not make it clear that the non-

negotiable item is the compliance with the National Construction Code guidelines?

The Hon. K.O. FOLEY: Say again?

The Hon. I.F. EVANS: Are you saying to the committee that your Treasury advice here today is that the cabinet note of 18 April does not make it clear that the non-negotiable condition was compliance with the National Construction Code guidelines?

The Hon. K.O. FOLEY: No, that is not Treasury advice. I do not know whether it is in that minute. If you are telling me that the elite document that you have from cabinet tells you that that is a provision, I believe you, but I would like to see it. You may well be correct, but it is no big deal; the commonwealth has a view of major capital works funded by the commonwealth on the requirement of states to adhere to, I think, the Cole Commission. It is just not my area, to be honest. I have limited ability; I am not as clever as the former treasurer. I try to stick to my knitting. I do not recall the specifics of that requirement, but if it was in the cabinet note it was in the cabinet note and, if it was, Treasury would have seen it. I am not trying to deny that. I am not trying to say that there are not requirements, we think from the commonwealth, on issues of IR. As I said, I cannot remember everything. All I can do that is different from the former treasurer, as clever as he is, is: I can balance a budget; he couldn't.

The Hon. I.F. EVANS: Is Robert Champion de Crespigny attending meetings today trying to negotiate on this issue?

The Hon. K.O. FOLEY: My understanding (secondhand) is that Robert Champion de Crespigny will meet with John Anderson tonight, we think, to discuss this issue and a number of other matters. Why would you want to make an issue of that? You don't think the government should be assisted by Robert Champion de Crespigny?

Mrs HALL: I refer to Budget Paper 4, Volume 1, page 3.3. Under the targets for 2004-05, it states:

Support implementation of the state strategic plan objectives.

What role is DTF playing in this, and what resources have been allocated for this?

The Hon. K.O. FOLEY: I am advised that Treasury and Finance has one specific target, namely, to achieve a AAA credit rating. The Department of Treasury and Finance assists all agencies in costings and various other budget work to ensure that other agencies have access to the skill base of Treasury to meet their required objectives under the plan.

Mrs HALL: Can you inform the committee what resources, or whether additional resources, are being allocated by DTF for the implementation of the state strategic plan?

The Hon. K.O. FOLEY: My advice is that there are no specific resources, but we will work within the available resource base of the department.

Mrs HALL: I refer to Budget Paper 4, Volume 1, page 3.3, specifically the ownership framework for public non-financial corporations. In the highlights for 2003-04 it states that the ownership framework for public non-financial corporations was reviewed. Who conducted the review in regard to the ownership framework for these public non-financial corporations?

The Hon. K.O. FOLEY: The finance branch of Treasury did that, I am advised.

Mrs HALL: Which public non-financial corporations were included in that review and what were the results of the reviews?

The Hon. K.O. FOLEY: The general framework is to apply to everybody, I am advised, and it has not been completed as yet.

Mrs HALL: When is it likely to be completed?

The Hon. K.O. FOLEY: The second half of this year.

Mrs HALL: What is meant by the statement in targets 2004-05 about restructured dividend, community service obligations and capital structure arrangements?

The Hon. K.O. FOLEY: I am advised that it is all about greater transparency, greater accountability and more commercial orientation.

Mrs HALL: I now refer to the Playford Centre operations, page 3.3, paper 4, Volume 1. The highlights for 2003-04 state that Treasury assisted in the review of Playford Centre operations. Who conducted that review?

The Hon. K.O. FOLEY: Treasury's member on the committee is David Imber, Department of Treasury and Finance.

Mrs HALL: Were any consultants engaged?

The Hon. K.O. FOLEY: A blast from the past! I am advised that it was Frontier Economies. That should delight the shadow treasurer in his bunker right now. I assume that it is his old mate, Danny.

Mrs HALL: What was the cost involved?

The Hon. K.O. FOLEY: We will have the cost. Apparently it was a consultancy from DFEST (Department of Further Education, Science and Technology) who contracted the consultants. You will need to ask the Minister for Further Education questions relating to that consultancy.

Mrs HALL: Is it possible to provide the committee with the results of the review?

The Hon. K.O. FOLEY: You would need to put that to the Minister for Further Education. Can you give me a copy of the cabinet submission? Apparently 70 000 public servants cannot find it.

The Hon. I.F. EVANS: If 70 000 public servants haven't got it, I have not got it.

The Hon. K.O. FOLEY: We will get it as soon as we can.

Mrs HALL: Perhaps Robert has it with him in Canberra.

The Hon. K.O. FOLEY: The opposition seems to like having a dig at Robert de Crespigny.

Mrs HALL: It is not a dig.

The Hon. K.O. FOLEY: Sounds like a dig to me.

Mrs HALL: It is a perfectly legitimate thing to assume.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.4 under the heading 'Highlights 2003-04', which states:

RevNet... made significant business practice changes for the assessment of stamp duty instruments. This has had significant benefit for both the private sector and for Government.

How has the government made the judgment that there have been significant benefits and, in particular, was a post-implementation review conducted on the system?

The Hon. K.O. FOLEY: I will ask the tax commissioner to answer that.

Mr WALKER: A post-implementation review has not been conducted yet, but it is to be conducted. In relation to the first question, we made that assessment when the RevNet system went live and everybody moved to a self-dissemination system on 7 October last year. We have conducted an internet-based survey of everyone on RevNet and the strong feedback we have been given is that RevNet has had appreciable benefits for the private sector in terms of efficiencies for its office and in time saved.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.3. Under the heading 'Targets 2004-05' it states:

Review capital works planning, approval and information management arrangements.

Can the Treasurer advise what is proposed here?

The Hon. K.O. FOLEY: I am advised that this is in response to EDB recommendations on the capital process.

Mr GOLDSWORTHY: Again, Budget Paper 4, Volume 1, page 3.7, under the heading 'Sub-program: 1.2 Budget and Financial Management,' it states:

The department is jointly responsible with the DHS for the oversight and management of a major consultancy examining financial management practices in DHS. The department is part of the transition governance team managing the split of DHS.

Who from Treasury and Finance is on the transition governance team?

The Hon. K.O. FOLEY: The Under Treasurer, Jim Wright.

Mr GOLDSWORTHY: Is that all?

The Hon. K.O. FOLEY: I am advised that there are some other officers assisting.

Mr GOLDSWORTHY: To whom does that team report?

The Hon. K.O. FOLEY: It reports to a group involving the Under Treasurer, Jim Wright, and the CEO of the department, Kate Lennon, and Jim Birch.

Mr GOLDSWORTHY: As a supplementary question, are we able to have a list of those officers who form part of that transition governance team?

The Hon. K.O. FOLEY: No problem.

The Hon. I.F. EVANS: The cash balances for the Department of Human Services is reduced from an estimated result of \$81 million to \$27 million. The government has made a lot of political play about the reduction of cash reserves in the department of health under the former government where, for example, the Minister for Health refers to it as having been reduced to \$36 million. On what basis is the government reducing its cash reserves to \$27 million?

The Hon. K.O. FOLEY: I will let the Under Treasurer answer that question, if you do not mind.

Mr WRIGHT: I am not sure what particular reference in the budget papers you are looking at, but the general answer will be that changes in cash balances simply reflect the particular arrangements about where people can call upon for the expense authority. When we give a department an expenditure authority, it can be directly funded from consolidated account, or it can be funded by a reduction in cash balances. Without having the details of the answer to this one in front of me, I assume that it is the case that they have expended expenditure from cash balances rather than the consolidated account.

The Hon. I.F. EVANS: In relation to page 8.3, in this year's budget the Treasurer and Treasury estimate that next year in 2004-05 South Australia's employment growth will be around 0.75 per cent. This compares to a national employment growth projection of 1.75 per cent. Similarly, if you look at other state budget papers for 2004-05, the employment growth in New South Wales is estimated to be 1.25 per cent; Victoria is 1.5 per cent; Western Australia is 2.25 per cent; Queensland is 2.25 per cent; Tasmania is 2.4 per cent; and the ACT is 2.9 per cent. So, our employment growth estimates are half to a quarter of the estimates of other states. Given that it is not unreasonable to assume that all state governments and treasuries would adopt a similar approach

to estimating employment growth, why is it that South Australia's estimate for employment growth is the lowest in the country?

The Hon. K.O. FOLEY: The advice I am given—and this has been historical fact—is that it is because of our state's poor population growth compared with the nation's average. In fact, I am advised that, historically, we are about 1 per cent below the historical trend of the nation. I am told that, if we were growing our population at the same rate as the national average, our employment growth and our state GSP growth would be more in line with the national average.

I am advised by Treasury that for the past 15 years from May 1989 to May 2004—half of which you were in government, half of which the last Labor government was in office, and a year or so of us—average annual employment growth has been 0.7 per cent. So, we are actually predicting next year to be slightly above the historical average for the past 15 years. In recent years we have had a very strong boom in our economy. Treasury is conservative in its forecasting, and that is appropriate. But, I come back to the work of Manpower Australia who said that we are seeing some significant hiring intentions in South Australia. Manpower states:

Quarter on quarter increases in South Australia was greater than any other Australian region.

The Northern Territory and South Australia are anticipating the highest hiring rates with net figures of 31 per cent and 21 per cent respectively. Even though we have put some conservative numbers in the documents—they are slightly ahead of what has been a 15 year average in the state—we are seeing some more bullish responses from other agencies. I come back to the conservative Prime Minister John Howard who stated:

The economic growth that is now occurring in South Australia, the best for a generation, will, in fact, be reinforced and will continue.

I hope it is higher than 0.75 per cent. I think that, if we are forecasting a little bit above what has been the 15 year average next year, that is not an unrealistic and unreasonable forecast for Treasury.

Mr Koutsantonis interjecting:

The Hon. I.F. EVANS: Well, I am just amazed. The member for West Torrens interjects. I am just surprised that the growth rate in South Australia is one-third that of Tasmania. I wonder why we would be budgeting that. It just surprises me that South Australia has a growth rate of 0.75 per cent when Tasmania has 2.4 per cent.

The Hon. K.O. FOLEY: We do not know why Tasmania is so high. It is a big number for Tasmania.

The Hon. I.F. EVANS: Take another one. Take the ACT—theirs is at least twice ours.

The Hon. K.O. FOLEY: Yes; but, at the end of the day, we are putting in a conservative number on what we think employment growth will be. It is above what I am advised by Treasury was the average annual growth for the last 15 years. We are coming off a significant boom. I am advised that we are forecasting an 18 per cent reduction in activity levels on stamp duty transactions. That will result in a 22 per cent reduction in activity. We are expecting the economy to slow—whether it does or not. When we look at Econtech, in fact, we are probably the most conservative of all the commentators.

The Hon. I.F. EVANS: That is convenient.

The Hon. K.O. FOLEY: Why would you say it is convenient? Treasury is saying 0.75 per cent, which is

marginally above the 15 year average annual rate of 0.7 per cent. The South Australian Centre for Economic Studies puts it at 0.8 per cent, Access Economics, 1 per cent and Econtech, 1.1 per cent. So, Treasury is at the conservative end. I have to tell you, the day that Treasury has the most bullish set of forecasts coming through to me, I would get very worried. If we look at Tasmania's budget papers—maybe that is a question your colleagues in Tassie should ask the government—I do not know why they have 2.4 per cent. Econtech is suggesting zero employment growth in Tasmania; Access Economics is suggesting 1.1 per cent. I would say that I am pretty comfortable with those forecasts from Treasury. I would always rather be surprised on the upside than the downside.

The Hon. I.F. EVANS: The highlights for 2003-04 state that in late 2003 Treasury and Finance conducted a year-end review process. That involved the ministers and their chief executives meeting with the Treasurer and Under Treasurer to discuss each portfolio's actual performance in 2002-03. The review also included discussions of the portfolio governance arrangements. What were the results of the review and what improvements have come about as a result?

The Hon. K.O. FOLEY: Sorry; can I have that question again? I was not concentrating.

The Hon. I.F. EVANS: Highlights for 2003-04 state that in late 2003 Treasury and Finance conducted a year-end review process. This involved ministers and their chief executives meeting with the Treasurer and Under Treasurer to discuss each portfolio's actual performance in 2002-03. The review also included discussions of the portfolio governance arrangements. The question was: what were the results of the review and what improvements have come about as a result?

The Hon. K.O. FOLEY: From memory, it was actually a good reform suggested by Dr Paul Grimes, who had recently arrived as head of the budget office for the commonwealth government under federal Treasurer Peter Costello. Dr Grimes worked closely with Peter Costello and brought to us a number of suggested reforms that we should make in preparing the budget. One of them was this process. I was involved in most of the meetings. Some were conducted by the Under Treasurer and his senior people. It made some significant improvements in how we prepare the budget. We do a lot more work prior to Christmas than we had done in our first two budgets, from memory, and it gave us less pressure at the sharp end of the budget period when we were running out of time. We did a lot of early work, and we also put more rigour into requiring the agencies to monitor their own performance. It is part of a number of reforms suggested by not only Dr Grimes but also Brett Rowse, the Under Treasurer and others, who have suggested and implemented it in Treasury in the last two years and a bit.

The Hon. I.F. EVANS: Will that be an annual process?

The Hon. K.O. FOLEY: Yes, it will be. It may not involve me all the time; some of the stuff can be done at officer level, but some of it needs me in it. It will be a trial and error sort of thing. We will sit down and talk through our approach in the next few months for this forthcoming budget.

Mr GOLDSWORTHY: Continuing on the current theme, I refer to Budget Paper 3, page 6.6. Can the Treasurer advise, or table at a later date, the names and functions of all government corporation law companies as at 31 May 2004, the names and terms of appointment of board members and the remuneration of each board member?

The Hon. K.O. FOLEY: That does not sound like an unreasonable request.

Mr GOLDSWORTHY: Thank you.

The Hon. K.O. FOLEY: It would probably show a lot of former Liberal members of parliament and Liberal business-people and others who were appointed, because we are a bipartisan government.

Mr GOLDSWORTHY: And a few ALP people too.

The Hon. K.O. FOLEY: Yes; and quite a lot of appointments have been made of good quality people from the Liberal persuasion. I have identified the cabinet note with respect to the Port River expressway minute. My advice is that I was in cabinet that day. Looking at the minute now, I have to say that it did not immediately come to mind. However, if I was in cabinet I clearly saw the minute. I am not sure what the member's point is. The minute states that John Hill, the acting minister, said:

I have been advised today that minister Anderson and his junior minister, Senator Ian Campbell, have indicated to commonwealth officials that compliance with the guidelines is non-negotiable.

So, the advice from the acting minister was that the guidelines (and this has to do with the issues of rights of inspection, veto over contractors not complying with the codes, the right to specify workplace arrangements) apply to all projects to which the commonwealth is contributing more than \$10 million and which have been approved for commonwealth funding after 1 January 2004. The minute states:

All states have indicated their opposition to having to comply with these guidelines. I have been advised today that minister Anderson and his junior minister, Senator Ian Campbell, have indicated to commonwealth officials that compliance with the guidelines is non-negotiable.

That is consistent with what we have said. We have known they have been putting up some guideline issues and that at some point they would officially notify us of all these requirements. The minute continues:

The present situation is that on around 11 May 2005 the commonwealth will be offering SA \$75 to \$80 million towards the costs of building high, fixed and un-tolled bridges (estimated capital costs of \$108 million) conditional upon meeting the guidelines. The SA government will therefore be faced with either breaking rank and accepting the money or forgoing \$75 to \$80 million and resist the intrusion of the commonwealth and state industrial powers.

I do not know whether our officers recall that minute. It came to cabinet. I am advised that Treasury did not provide a specific briefing on this minute. Our advice is that it came in on a pink, and Treasury would not have provided input to that. It was a cabinet pink brought into cabinet by the acting minister and, I am advised, to the best of our understanding at this point, it has not officially been through Treasury. This would have been in my cabinet bag on the Friday night and it would have been noted in cabinet on the Monday. Shock, horror! I do not think that process of cabinet pinks is any different from when the member was in government. They are used by ministers to bring matters to cabinet. Cabinet submissions are required to go through the normal cabinet process. Cabinet pinks—

The Hon. I.F. EVANS: Straight after lunch we were advised that Treasury had seen the minute, and the only matter in dispute was whether the Treasurer had seen the minute.

The Hon. K.O. FOLEY: As the Under Treasurer pointed out to me, in most cases Treasury officials see cabinet pinks late on a Friday and do not participate in formal preparation of those notes. Their advice today was that they recall seeing the minute. I could not recall seeing the minute. I never said

that I had not seen it: I just do not have the photographic memory that others do.

The Hon. I.F. EVANS: This is going to be a great read of *Hansard*, because five seconds ago the Treasurer said to us that Treasury had not seen the note. Now he has reverted back to his pre-lunch statement that Treasury has seen the note. *Hansard* will clearly show that the minister has taken two different positions on the matter of the note.

The Hon. K.O. FOLEY: The member is playing with words. The cabinet process, as he would recall, is that for a cabinet submission it goes through, in most cases—but, unfortunately, in this case it broke the 10-day rule for which Treasury would, as part of the normal process, be involved in verifying costings and assisting in the preparation of the financial data for a cabinet submission. The cabinet pink process, as the member would recall, is a vehicle open to ministers to bring matters to cabinet of which they want cabinet to be aware. We in Treasury, through the cabinet process, sometimes do not even get to see these things until the very last minute. I do not think that Treasury gets cabinet pinks in the normal course of events. It gets them from my office. If my office had shown this to Treasury late on the Friday, over the weekend or on the Monday morning, Treasury would have got to glance at the document.

My earlier comments were about whether Treasury was involved in the preparation of this document. I am working on the advice of the Under Treasurer and his officers. We were not. There may well have been some input from lower level officers; I do not know. But, at the end of the day, this is a pink that went to cabinet. I could not recall seeing it, because I had not sighted the document before; it has just been provided to me. It is advice that went to cabinet. I cannot specifically recall seeing it, but we probably see 10 to 20 pinks every cabinet day and I do not recall every single cabinet document that I see, quite frankly. I wish I was smarter than I am in that sense.

The Hon. I.F. EVANS: Now that we have managed to locate the minute, and given that the minute makes it clear that the commonwealth has made the industrial relations issue a non-negotiable point, will the Treasurer rule out completely the possibility of not accepting the \$80 million of federal funding for this project?

The Hon. K.O. FOLEY: As I said, the member needs to put that question to the Minister for Infrastructure. We are negotiating with the commonwealth. The member has chosen to make public the fact that Robert Champion de Crespigny is meeting with John Anderson tonight. Our transport officers are talking (just when and where I do not know) to federal transport officers. We are trying to negotiate with the commonwealth what the conditions are, of which this is one.

Mrs HALL: I refer to page 6.7, and this relates specifically to guarantee fees. Pursuant to the Public Finance and Audit Act the Treasurer may, as I understand it, charge periodic fees with respect to the provision of guarantees or indemnities. Is the Treasurer currently in a position to rule out charging guarantee fees on other business liabilities, for example, employee provisions or accounts payable?

The Hon. K.O. FOLEY: We only charge on loans that are taken out from Treasury through SAFA, I assume. We can be charged on loans from anyone, I am advised.

Mrs HALL: This question specifically relates to the ongoing monitoring of expenditure reviews. Would the Treasurer provide information to the committee about what ongoing monitoring roles the department has once the

expenditure reviews have been conducted within the agencies, if any?

The Hon. K.O. FOLEY: I have put a fairly complex process in train since becoming Treasurer. We have what we call the ERBCC (Expenditure Review and Budget Committee of Cabinet). We have monthly reporting from agencies to that committee. We have the mid-year budget review, the end of year budget review and the normal budget bilateral process. We have the form to which we referred previously in terms of some monitoring work being done prior to the end of the calendar year. A number of these processes have been put in place to keep agencies on track. Another one that I am looking at putting in place this year deals with this perennial issue we have in government of underspending. We have concentrated a little today on overspending and recalcitrant agencies that continually overspend.

We are trying to bring some of them back in and we are, but there is the issue of underspending; that is, where agencies are given an allocation to spend and, for whatever reason and in some cases it happens year on year, they simply do not spend what their expenditure authority allows them to spend. We have had a very hard line on what we call carryovers in terms of allowing agencies to carry that under expenditure into next year, but one of the threats I have to the budget is this underspending which requires carryovers. It means that you start your position further behind the eight ball if you are carrying over expenditure into your new budget year.

What I will try to do this year (and I have not quite sorted out how I will do it) is to have regular meetings with agency heads not actually to see whether they are overspending but to ensure that they are spending what they are given. For instance, if an agency has \$10 million to spend on a program, I do not want to find out at the end of the financial year that they have spent only \$7 million and that it is commonwealth money, therefore it has to be carried into the next year because that means you have a \$3 million hit to begin the year on. They are all the sorts of things that we have been putting in place over the course of the past couple of years and going forward.

Mrs HALL: When does the Treasurer think he may have a proposal to handle this underspend?

The Hon. K.O. FOLEY: We are working on it now. We have not sat down and had a debrief since this budget yet, but I would think that, in the next month or two, I would sit down with Treasury officers and, come the new financial year, start a whole new round of meetings with bureaucrats to monitor this.

Mrs HALL: Do you aim to get it into effect for next year's budget?

The Hon. K.O. FOLEY: Yes, absolutely.

Mrs HALL: I again refer to page 3.3 and, in particular, the HomeStart review. Your target refers to 'complete the review of HomeStart'. What reviews have been undertaken to date; what are the preliminary results; and when do you think this particular review will be completed, if it is not already?

The Hon. K.O. FOLEY: I am advised that it is close to completion. Hopefully, it should be completed within the next two months.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.3. The subject is revenue estimates and under the heading 'Targets 2004-05' it states:

Improve the quality of agencies' revenue forward estimates through improved processes and critical analysis of information received.

Will the Treasurer advise what deficiencies in processes he thinks currently exist?

The Hon. K.O. FOLEY: The Under Treasurer has advised me that it is largely about improving the quality of information. One of the pieces of work which has been good work and which helps us understand the financial needs is the issue of education where we need to get a better handle on what we think the enrolment numbers will be going forward. A variation or an incorrect calculation on what you think the enrolment numbers will be has a big swing in terms of what you provide for education. Consequently, obtaining better numbers and better data and, overall, improving the quality of data within government is extremely valuable to us in terms of delivering better budgets.

The Hon. I.F. EVANS: My understanding of the process that is in place in the Department of Treasury and Finance regarding providing advice to the Treasurer on cabinet pinks or cabinet notes (as they are called) is that the Department of Treasury and Finance provides an advice to the Treasurer known as a blue and provides a separate advice on cabinet pinks or cabinet notes. Did Treasury provide advice to the Treasurer on the cabinet note dated 18 February?

The Hon. K.O. FOLEY: I do not know whether it is different from when you were in government but Treasury provides me with detailed advice on all cabinet submissions. In relation to cabinet pinks, which are a more ad hoc approach to advising cabinet, they are information documents to cabinet, many of them are walked in on a Monday—and that is a separate issue. We get them late on a Friday and the ones which we think will be of interest to Treasury, my office provides to Treasury. In the main, I receive a verbal comment from Treasury and very rarely will I get a written piece of advice on a Treasury pink. I think that is a reasonable description and the Under Treasurer confirms that. My advice is that we think that this particular document—and we are still trying to check—came into my office some time on Friday, and I think I am right in saying almost certainly late in the day on the Friday.

Whether or not this was given to Treasury on the Friday night to look at I cannot confirm until it is checked. If it was not given to Treasury on Friday—and it would normally be the case that it is shown to Treasury on Friday—it would have been discussed at my 8 o'clock or 8.30 meeting on the Monday morning before cabinet. But, as the Under Treasurer has indicated, our understanding is that we do not recollect being part of framing this document. The Deputy Under Treasurer advises that this document was prepared by the Department of Transport and given to us late on the Friday. Clearly, if it was in my cabinet bag on the weekend, I would have seen it and read it and noted it with my colleagues on the Monday. I do not automatically recall seeing this document. But, again, I get between 10 and 20 of these on Monday, and I do not think it is unreasonable that I have difficulty remembering a particular document.

The Hon. I.F. EVANS: Can the minister come back to the house and advise us whether Treasury briefed him on this document?

The Hon. K.O. FOLEY: We can check, but the Under Treasurer has just said that we cannot remember. It is unlikely that I would have had anything written from Treasury. The Under Treasurer has indicated that that is very unlikely, but we will check that. If anything, it would have

been verbal. But, even if I had something written from Treasury, I do not know what the point is. I have not denied seeing it: I just could not recall seeing it. That is an honest answer. As I said, I get 10 to 20 documents in cabinet. Some weeks it might be 5 documents and another week it might be 20 documents. I do not have a photographic memory: I do not remember every bit of paper. I sit at home on a weekend doing eight bags of dockets and it is a bit unreasonable for the member to suggest that I should remember this document. I have never denied that I might have seen it.

Mrs HALL: I specifically refer to the highlights of 2003-04, one of which was helping to dissolve the National Wine Centre and complete the site lease arrangements with the University of Adelaide. What residual or ongoing matters, if any, remain with the wine centre leasing arrangements?

The Hon. K.O. FOLEY: I am told that there are a few minor unpaid bills and some backlog maintenance issues that we are still working through with the university.

Mrs HALL: Has the Treasurer received an update or progress reports on the performance of the new arrangements? Also, is my understanding correct that it is going exceptionally well and proving to be a very important facility not only for the state but also for the wine industry and tourism in particular?

The Hon. K.O. FOLEY: I can only say that this is an extraordinary event and I thank the member for Morialta, the shadow minister, for congratulating the government on the work it has done to rescue the wine centre, which had been struggling, to say the least, until this government took decisive action to put it on a solid footing with a unique dynamic concept involving the university. It is a big thing in politics to admit error and then congratulate government for fixing it, and I thank the member for Morialta for that.

Mrs HALL: As is the Treasurer's wont, he has taken some liberty with the question I asked.

The Hon. K.O. FOLEY: I do not know about that: I do not think anyone else would have thought that. I am a bit stunned: it is not very often that the member for Morialta is complimentary towards anything that this government does, or anything I do in particular. I am tickled pink, to be honest.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.3 which sets out the highlights for 2003-04, and the paragraph which states:

Helped to manage and oversight a consultancy to examine financial management practices in the Department of Human Services.

What specific role did the DTF (Department of Treasury and Finance) have in managing and overseeing this consultancy?

The Hon. K.O. FOLEY: I am advised that Dr Grimes (the Deputy Under Treasurer) and Jim Wright were both involved in that process.

Mr GOLDSWORTHY: Was it a specific branch of DTF that undertook it?

The Hon. K.O. FOLEY: It is being supported by the finance branch and the policy analysis branch.

Mr GOLDSWORTHY: What were the terms of reference of that consultancy, if any?

The Hon. K.O. FOLEY: I will ask the Under Treasurer to comment on that.

Mr WRIGHT: They are quite long, and I do not have a hard copy to read from, but the main thrust was to try to establish exactly what the department had spent, and on what, over the previous five years so that we had something on which to base future budget estimates: that was a crucial part. The second crucial part was to suggest better financial

management and financial systems to manage the department going forward. I will ask Dr Grimes whether I have left out anything important.

The other point which he makes is that they could advise on program structures, which is part of the financial systems idea. You have to have a financial system that supports your program structure.

Mr GOLDSWORTHY: To whom does the consultancy report?

The Hon. K.O. FOLEY: The consultancy would report to myself and the Minister for Health, via the steering committee and the bureaucrats who are charged with overseeing it

Mr GOLDSWORTHY: Does it have a sunset clause?

The Hon. K.O. FOLEY: It is going to get its work done fairly soon. Our priority is to get the work done properly, and we have not concentrated on an end point. We have to get the work done. I have to make this point: one of the things that distressed me when we came to office was the Department of Human Services. There was no doubt in my mind that the political conflict between Dean Brown (the then health minister) and Rob Lucas (the then treasurer) was extraordinarily destructive to the internal workings of government. So little was communicated.

In fairness to the former treasurer, to an extent, he and his officers were clearly kept in the dark about what was going on in the health commission. One of the first things we did when we got into office was to remove the then head of the Department of Human Services, Christine Charles. What we discovered (and are still discovering) is mindboggling. One of the few times I have had sympathy for the former treasurer was for how he could have conducted government with a health minister (former premier Dean Brown) who clearly, to my mind, participated in the most appalling financial practices one could imagine. We have talked about it. There were cash balances for housing that were misused; there were black holes in FAYS where expenditure was occurring without the cash to support it; there were cost pressures within health, many of which were not reported to Treasury at the time and were being funded by moving money around within the agency.

When we came into office, the dam was about to burst. We discovered underfunding we think of the order of \$70 million a year. We have had to pump that money in to fill that vacuum. We brought in Ernst and Young to give us some forensic accounting skills to try to find out the true nature of the financial structures and the financial mismanagement within the agency. There is no doubt in my mind that the period during which Dean Brown was the health minister was a period of massive financial mismanagement of the agency. There was misallocation of moneys; there were moneys used for wrong purposes; there was the movement of moneys to plug holes; and they were not advising the Treasury of the day, as best I can ascertain, of the true extent of their financial position.

Since coming to office we have done a number of things: we have broken the department in two; we have pumped a lot of money into FAYS and health to deal with this chronic underfunding; we are bringing in forensic accounting expertise to look at the situation; and we are repairing what has been an unacceptable breakdown of decent public administration within the health agencies. That is the way I see it, and it has been acknowledged by S & P in my discussions with them. As we have said to them: a lot of what we have had to do in this and previous budgets is to restore

financial arrangements in the state budget to make sure that we fix these problems so that we can move forward (with a strong degree of catch-up in many cases) and eliminate the ongoing black holes that have been distorting budgets. I had to put that on the record. For the former health minister to stand in this place and be critical of this government is a joke. In my opinion, the way in which the former health commission and the former health minister treated the Treasury and the former treasurer was appalling. I note that no-one leapt to Dean's defence.

Mr GOLDSWORTHY: I refer to the same page under highlights for 2003-04, where it states:

A review aimed at improving consolidated financial reporting in the South Australian government has been conducted. The recommendations of this review are under consideration by cabinet.

Is this review related to the recommendations of the Auditor-General in which he commented that processes relating to consolidated financial reports needed to be improved?

The Hon. K.O. FOLEY: We have a financial improvement plan on which cabinet signed off a couple of months ago. That work is now being implemented. It is all about getting better financial data and information flowing from agencies to Treasury. The frightening thing about health was that we did not have any idea of the dimensions of the problems we were dealing with—and we still don't. I am sorry to admit that, but that is the case, and we are getting to it as quickly as we can. We have had to pump \$100 million-plus into child protection. It was not until we got down to the nitty-gritty of what was being underfunded, that these sort of pressures started to come to light.

Mr GOLDSWORTHY: I do not know that the Treasurer has answered my question: has this been in response to the recommendation of the Auditor-General?

The Hon. K.O. FOLEY: The Auditor-General's complaint is that we are not getting the accounts out soon enough. If we had better data we could get them out sooner. We do not fundamentally disagree.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.4. Under highlights for 2003-04 it states:

A review of the financial processes and systems used across the public sector has been completed. Negotiations to continue with the current financial transaction processing system have commenced.

Will the Treasurer provide more information on this review, and what is the current financial transaction processing system in use?

The Hon. K.O. FOLEY: Masterpiece, I am advised.

Mr GOLDSWORTHY: What term of use is the government looking at in the negotiations for this system?

The Hon. K.O. FOLEY: Continued licensing of the system, I am advised.

Mr GOLDSWORTHY: Given that this system will continue to be used, have any agencies expressed doubts as to the efficiency and effectiveness of the usage and reporting mechanisms in the current system?

The Hon. K.O. FOLEY: We are not aware of it. We consult pretty thoroughly, but we cannot be certain.

Mr GOLDSWORTHY: So, you are not necessarily ruling out that new arrangements may necessarily provide a more useful system?

The Hon. K.O. FOLEY: We are trying to get a common system. We want consistency, and that is what we are aiming to achieve, I am advised. Coming back to the perennial issue of the cabinet minute, the advice I am provided with from my office is that there is no record in my office or in Treasury of any written advice to me on that particular pink. If any advice

was given to me it would have been verbal and would have occurred on the Monday morning. I think we had an early cabinet meeting that day, although I cannot be certain. We meet three times a week, including on the Monday morning before cabinet, so if any advice was given it would have been verbal. It would appear that Treasury was not part of constructing that document, so it would have been a cursory piece of advice on a note to cabinet. It was not for decision in cabinet but for noting. It is not inconsistent with the practices of the last government—maybe you did it differently.

The pink system of coming to cabinet, which would mean nothing to anyone other than ministers who have been in cabinet, needs to be improved. Too much stuff can come to cabinet via pinks and we do not go through enough diligent processes as we would with normal cabinet submissions. In the main, cabinet submissions should go through a 10-day period, and they should go to Treasury and to the Department of Premier and Cabinet and be properly considered. Pinks are brought in too frequently and often without enough rigour. I think I have more than covered that.

Mr GOLDSWORTHY: On page 3.4 under highlights for 2003-04 is a heading 'Management of the Glenelg flooding compensation scheme.' When does the Treasurer expect that all claims will be finalised in respect of the Glenelg flooding?

The Hon. K.O. FOLEY: We will have SAICORP here after afternoon tea: could we put it to them, as they are the ones managing it?

The Hon. I.F. EVANS: I refer to national competition payments. What discussions has the Treasurer or his officers had with NCC over the past few months about the application of penalty payments?

The Hon. K.O. FOLEY: It is mainly handled out of the Department of Premier and Cabinet, but I am the Minister for Federal/State Relations. I had a meeting with Wendy Craik, the new chairperson of the NCC a month or so ago and we worked through a list. I do not have a briefing note on me, but from memory (and I do not have a great memory) we canvassed a number of issues. We talked about barley.

Mr GOLDSWORTHY: It was not on a pink?

The Hon. K.O. FOLEY: You won't ever have to worry about whether or not you will see pinks, member for Kavel.

Mr GOLDSWORTHY: Don't bet on it—never say never in this game.

The Hon. K.O. FOLEY: True; given some of the ministers I have seen in your governments you probably are a chance. We had a discussion about a whole range of issues on which we have been penalised, the main one from memory being barley, where they want us to either get rid of the single desk or significantly restructure the way barley is marketed in terms of export, to which your party is strongly opposed, so we are getting pressured by the federal Liberal Government and being opposed by state Liberals, but there is nothing new about that. We have a list in the budget papers starting on page 4.7 of Budget Paper 3, but it goes through all of them. It wants to deregulate taxi licences, but we will not go there. They want us to relax on liquor licensing, but we are not of a mind to do that. They want compulsory third party to be freed up and want some further justification by the state as to why we have a sole provider of compulsory third party.

Gambling is a funny one, because the commonwealth is looking at things like whether or not we should have a sole licence for the Lotteries Commission. That is one of the issues they are discussing. Barley marketing is well known, as well as chicken meat. We are getting pinged. As I have

said publicly, we are at the hard end of the list of things to do now—they are the really hard ones. They were hard for you; you could not deal with them. I am not critical of you on that. You were not prepared to budge on barley marketing, so I am not sure where we will go from there. Pharmaceuticals is another issue. Howard has given Carr some wriggle room on pharmacies. They may make that available to us, but I understand (and I may be wrong) that it was a one-off deal for New South Wales. We will try to see if we cannot get a slice of that as well.

The Hon. I.F. EVANS: Can the Treasurer give the committee any indication of the likely penalty for each of the matters raised on pages 4.8 and 4.9?

The Hon. K.O. FOLEY: I am happy to provide it to the committee as it is useful information to be brought to the parliament. We are also getting pinged on shopping hours, but we will get that information.

The Hon. I.F. EVANS: I can't believe you messed it up.

The Hon. K.O. FOLEY: The retailers do not want it, the consumer does not want it, the shop workers do not want it, the parliament did not want it but, apparently, because we cannot shop between 9 p.m. and midnight or some bizarre set of hours we are not providing, we get pinged.

Mrs HALL: Surely you can work out something.

The Hon. K.O. FOLEY: So you support deregulation between 9 and 12 p.m. and also public holidays?

The Hon. I.F. EVANS: Has there been any progress in the negotiations with the federal government in relation to reducing the levels of possible penalties?

The Hon. K.O. FOLEY: We are trying. Various things have come before cabinet, and we are negotiating and putting presentations and arguments to it. We are trying to minimise the overall penalties. I will see whether we have a quantum of penalties. We will get that number, if not today, later. I think we are probably getting around \$14 million to \$15 million as the quantum of penalties. Sometimes it is difficult to work it out.

In the budget papers it is \$17.4 million with permanent deductions of \$5.8 million for chicken meat and liquor licensing legislative restrictions. Basically with liquor, if you want a pub, you have a pub somewhere. There is a temporary suspension of \$2.9 million for the single barley export marketing desk, and a similar suspension of \$8.7 million related to 49 other legislative reviews where reform implementation has not been completed. Temporary suspensions which have not been dealt with by 1 July 2004 may become permanent deductions. We are discussing them with the commonwealth as we speak.

The Hon. I.F. EVANS: My understanding is that with the NCC the next round of competition payments/penalties will be to do with water reform. Can the Treasurer give the committee any explanation as to where the commonwealth might be heading in relation to that?

The Hon. K.O. FOLEY: I stand to be corrected by my officers, but we have had some water requirements in terms of our utility and transparency, and we have done quite a bit of reform there. I think the member might be referring to the wider political debate about whether the feds will put pressure on us to tie future competition payments to more substantial reform of water. If that is what you are alluding to, none of us can pin that down. From memory, there have been some public comments by John Anderson suggesting this. There have been matters raised by Michael Egan and, perhaps, John Brumby.

Even I have said on a few occasions that in respect of the \$50 million—I am not sure of the exact competition payments we get—at some point the feds might try to put a line under this stuff and lock in some of these permanent deductions in respect of the next \$50 million or whatever it is we get—I am advised that it is \$56 million. We are only guessing, but there seems to be a bit of evidence coming out of the federal government that it may tie that to future water reforms, but that is only speculative. It might tie future GST moneys; I do not know. However, I think there is pressure building at the commonwealth level.

I suspect, if I can indulge myself politically for a brief moment, that the conservative commonwealth Liberal government probably likes the idea of forcing state Labor governments to comply with water reform so that it can, perhaps, distance itself from it. I do not know. The best of my understanding and knowledge of the matter is that this is in the realm of possibilities and hypotheticals; there is nothing firm coming out of Canberra. I do not know whether my office has seen anything more than I have mentioned.

The Hon. I.F. EVANS: When does the current regime of NCC payments finish?

The Hon. K.O. FOLEY: I think they came in in 1995 for 10 years.

Mr ROWSE: When the original agreement was signed there was an attachment to it which had payments for 10 years, but it was silent on whether or not the payments would go on past that point. The commonwealth is currently undertaking a review of NCP policy by the Productivity Commission; the review is currently in progress. At the moment the commonwealth has a provision for continuing to make the payments, but it is not actually allocated to the states in the forward estimates.

The Hon. I.F. EVANS: Do I take that to mean that the state government is unsure of whether the penalties that are being suggested, and I think it was \$5.8 million or \$5.6 million for chicken meat—

The Hon. K.O. FOLEY: All up it is \$17.4 million.

The Hon. I.F. EVANS: Do we know whether that goes on for any more than one year?

The Hon. K.O. FOLEY: We do not know. If I am correct, we have factored—

The Hon. I.F. EVANS: So, it could be a one-off penalty?

The Hon. K.O. FOLEY: No. We have factored in the \$56 million of competition payments going forward, and I assume we have factored in the penalties. So, if we can reduce the penalties we will get a budget benefit. We are alluding to the fact that a risk to the budget could be if the commonwealth Treasurer says to us, when we meet in March, 'By the way, for you to get competition payments for another decade, you are going to have to sign up for a lot of water reform or you might have to sign up for something else'. We do not know whether that is the case; we are only speculating. As Brett Rowse mentioned, it was an agreement that I think was signed in the mid 1990s for 10 years. The expectation from all the state Treasurers to whom I speak is that these are ongoing. The best information which I have is that I suspect the commonwealth probably has that in the forward estimates. Budget Paper 3 at page 7.4 states:

Changes in Commonwealth national competition policy grants. The possibility of future National Competition Council penalties. . . means a significant part of future National Competition Policy (NCP) payments to the State is at significant risk.

There is also a risk of changes to the Commonwealth's arrangements for making NCP grant payments. In its May 2003 Budget, the

Commonwealth did not commit to a specific level of NCP payments beyond 2005-06—

so, it would appear that it is not in the forward estimates— noting only that 2006-07 payments will be disclosed after the conclusion of negotiations. No further information was provided in the 2004-05 Commonwealth Budget. The Commonwealth Treasurer has recently provided terms of reference to the Productivity Commission. . .

So, it is a risk. That \$56 million has a question mark over it going forward. We have it in our numbers, but will we state it up-front as a risk?

Mr RAU: In relation to the Productivity Commission inquiry, which I know was announced a few weeks back by the federal Treasurer, can you indicate whether there has been an invitation issued to South Australia to make submissions to that and, with or without an invitation, whether, as a matter of course, the state will be making a contribution? If the state does make a contribution, would it be pointing out the manifest absurdity of the penalties that have been visited upon us?

The Hon. K.O. FOLEY: I am wondering whether there is a suggestion in there that the member for Enfield could be part of a delegation to give the views of the party. I assume that state governments will be asked, through the Department of Premier and Cabinet, to provide a formal submission from the government. I do not envisage an open forum where the member for Enfield and others might wish to elaborate on their views. I think you could write in. Send them a collection of your speeches. I told Graeme Samuel the other week when I caught up with him that you are not a bad bloke. I said, 'He has just got some views on this stuff.' He hears and reads everything that is written. The Under Treasurer said that anyone can make a submission.

Mr RAU: That closes it.

Mrs HALL: I would like some information about the PPPs. Specifically in relation to them, I understand that the government has been looking at a number of these, and my understanding is that we are talking about regional police stations and the aquatic centre. What advice has the Auditor-General provided about the budget treatment of both those areas of PPPs?

The Hon. K.O. FOLEY: Good question. We keep the Auditor-General informed, and I am advised that he does not give us advice as such. Part of that is the trick, in that these PPPs will need to be structured in a way that meets with his approval in terms of their being off balance sheet transactions. I think that would be the right description, would it not? But you really will not know until you do them and he reports on it. I assume we have informal discussions at officer level to keep him up to date, and we then have a feel for what his feelings will be on this stuff. But ultimately we will not know until things are done.

Mrs HALL: If I could follow that up and ask: what decision has the government actually taken about the treatment it intends to use on PPPs within the budget? How are you going to actually progress the two that I have mentioned and PPPs in general?

The Hon. K.O. FOLEY: These are problematic for government, in identifying the projects and ensuring there is sufficient risk transfer in order that we meet the requirements for these to be off-budget. There needs to be a bit of other due diligence too, which we have learnt; for instance, building prisons in built-up metropolitan areas is never popular, and we have looked at the women's prison. However, we made a mistake with the location of that. If you build one outside

suburbia it is of no interest to the private sector, because they do not capture the value of the property after its use is no longer required as a prison. The police stations we think are a very good small, modest PPP at main street locations, and the private sector has an appetite for that. They are not particularly innovative, but they are still a PPP. The problem we have in the state, to be honest, is that these things have to have a critical mass. They have to have a decent scale, and we do not have enough big projects in South Australia. However, we are investigating a number of other options, of which the Aquatic Centre is one. I am not quite sure where we are at with that one yet. We are now just starting the process of sounding out some potential bidders, but we will go to the market with this particular project.

Mrs HALL: Does the same apply for police stations?

The Hon. K.O. FOLEY: No; we are well advanced on that. That is actually out in the market now, I am advised.

Mrs HALL: Well, Treasurer, I am utterly curious as to why the government has removed the title of PPPs from the Treasury unit that has been worked on them and changed its title to the Project Analysis Branch.

The Hon. K.O. FOLEY: Quite simply, because governments love changing the names of agencies regularly. It just is something—

Mrs HALL: New stationery printed and all of that?

The Hon. K.O. FOLEY: We do it all the time. It keeps a whole industry in work in South Australia when governments change names. The reason we did it was that we initially set up this unit to give us the expertise within Treasury. On coming to office I did not want individual agencies running off doing their own PPPs. You have duplication of effort. We have enough trouble in this state getting quality advice at the best of times, and I did not want it dissipated across two or three agencies. I did not want transport having their own unit, health having theirs, and whoever else. So, we put in the resources, and we got criticised for putting about \$3 million into the budget line last year or the year before. It was changed, because a lot of the work that this unit has done and the expertise and skill base that we are developing there are actually more than just giving us advice on PPPs; they are actually good for analysing major projects, traditional capital works projects, and more complex projects. It is a better recognition of a skills set that we are developing in government which is available for a far broader use than just PPPs. It is always good to change. I have to say that PPP is a bit hard to roll off the tongue. What do we call it now?

Mr WRIGHT: Project Analysis Branch.

The Hon. K.O. FOLEY: Project Analysis Branch rolls off the tongue much easier than PPP.

Mrs HALL: I have two specific questions from the hard working member for Flinders that she particularly wanted asked of the Treasurer. I refer to page 3.1 under the heading 'Electorate office staffing'. The member's question is as follows:

The number of full-time equivalent employees has risen from 523 in 2002-03 to 607 in 2004-05. How many electorate office staff have been increased in rural electorate offices? Electorate office staff were increased by an additional full-time employee in all city electorates but no extra staffing for country officers was permitted, specifically the electorate of Flinders.

The Hon. K.O. FOLEY: I am happy to obtain that information. One of the reasons why I felt we should increase the number of electorate staff in our city offices was that I thought there was an unfair workload on our single staff and

that it was an occupational health and safety issue. The member for Flinders had a large staff contingency—and for very good reason, because she is a hard working member with a large geographical area. Quite frankly, I think the member for Flinders benefited from an imbalance in the system of staffing that was provided to members of parliament. There were anomalies. I think that until recently my colleague the member for Giles had just a suburban complement, and I had to increase her staff. I may be wrong about that. The member for Stuart had a different number. There was inequity in the way in which staff were allocated, particularly for regional and rural members, that I thought needed to be fixed.

If the member for Flinders is being critical of the government for giving extra resources to metropolitan members and some country members and not to her she is being a bit cheeky, because I think one will see that she has benefited over a longer period from increased resources which a number of rural members did not have and which, certainly, suburban members did not have. I will obtain a more detailed answer, but I think the member for Flinders is being a little cheeky on this one.

Mrs HALL: I have another question from my colleague the member for Flinders. I refer to page 3.22 under the heading 'Administered items for departments. Treasury and Finance'. The subject is the River Murray Rehabilitation Fund and her question is as follows:

\$19 million is going to be raised by the RML. How will these funds be spent and when will a report of moneys spent be available?

The Hon. K.O. FOLEY: I think I know where the member is coming from there, being from Eyre Peninsula. That question would be better directed to the Minister for Environment and Conservation, who has ministerial authority for that fund and can explain how it is being spent. We just raise it, I assume, through SA Water. The question is better directed to minister Hill.

The CHAIR: We will now move to SAICORP, Super SA, SAFA and SAAMC.

Additional Departmental Adviser:

Mr B. Daniels, General Manager, SAICORP.

The CHAIR: Does the Treasurer have any statement that he wants to make?

The Hon. K.O. FOLEY: No.

The CHAIR: Does the member for Davenport have any statement?

The Hon. I.F. EVANS: No.

Mr GOLDSWORTHY: I asked a question previously, and the Treasurer said it was more appropriate to ask it under this topic. I refer to Budget Paper 4, Volume 1, page 3.4 under 'Highlights 2003-04. Management of the Glenelg Flooding Compensation Scheme'. When does the Treasurer expect that all claims will be finalised in respect of the Glenelg flooding incident?

The Hon. K.O. FOLEY: SAICORP is the South Australian Insurance Corporation. It has been managing the government's compensation scheme that was implemented to assist the residents affected by the flooding of the Patawalonga Lake during the early morning of 27 June 2003. The scheme provided for claims to be split into four categories of loss: buildings, contents, motor vehicles and other losses. Many claimants lodged claims covering more than one category of loss. A total of 157 claims were received by SAICORP from 152 claimants in respect of 363 losses. I

repeat: 157 claims from 152 claimants in respect of 363 losses.

Six of the claimants subsequently withdrew their application and one claim was rejected on the ground that it was not related to the flooding event, while 104 claims have been finalised. The majority of the remaining 46 claims relate to outstanding building repair claims. More than 200 payments totalling in excess of \$1.2 million have been paid to date. Outstanding claims are estimated at about \$0.5 million. Discussions are being held with Baulderstone Hornibrook about recovery of these costs. That was a fairly comprehensive answer.

The Hon. I.F. EVANS: I have a supplementary question. What is the envisaged time frame before they are all completed?

The Hon. K.O. FOLEY: We do not expect to get any more claims, and we think another couple of months in which to settle everything finally, the building repairs, etc., which I have to say is a pretty quick turnaround by government, and SAICORP has handled it very well.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.4 under the heading 'Targets 2004-05', where it states: 'Complete the amalgamation of SAFA and SAICORP'. What operational savings, if any, have been achieved by this amalgamation and, in particular, how does the total number of staff employed now compare to the total number of staff employed prior to the amalgamation?

The Hon. K.O. FOLEY: One of the recommendations of the Economic Development Board was that we should be trying to reduce the number of committees that we have in government and trying to find some further efficiencies in the public sector. That fitted neatly with the concern the Under Treasurer and his senior people have had for some time in that, notwithstanding the outstanding work of SAFA, as we as a government borrow less money as we enter the financial markets less regularly than previously, there is an issue with maintaining the skill sets and the expertise that we have within government in many of these complex financial areas. I think I am right in saying that there was a view that by bringing both the insurance corporation and SAFA together there was a sharing of the mutual skill sets between the two units and that there would be some good synergies and some good ongoing organisational efficiencies but, more importantly, we would get a better critical mass of a particular skill set within government.

We now have one board instead of two, and that was the EDB recommendation. According to the EDB we have too many boards and committees for a state government and we agree with that, and where we can reduce that number we are doing it. Therefore, it met a number of objectives.

Mr GOLDSWORTHY: Have any concerns been expressed by any board member of either SAFA or SAICORP to the Under Treasurer or the Treasurer about this decision to amalgamate?

The Hon. K.O. FOLEY: No doubt there probably were. I mean, from the way in which the honourable member asked the question he has probably heard something. I would have to check on what was raised with me. I do not immediately recall, but it would not surprise me if there were some grumbles. You would think that would be the case if we were getting rid of a board, but I will ask. I am told that the SAFA board was happy. The Under Treasurer is the chair. The Deputy Under Treasurer is the chair of SAICORP. Have you had a whinge about this?

Mr ROWSE: The board of SAICORP is preparing a paper outlining some of the issues that it thinks need to be addressed, if the merger is to occur. In time, that paper will be sent to the Under Treasurer and the Treasurer just to alert them about what they think some of the issues may be.

The Hon. K.O. FOLEY: Fearless and frank advice both to the government and within the Department of Treasury and Finance is why we have such a good Treasury.

Mrs HALL: And modest, too!

The Hon. K.O. FOLEY: Not me; these guys. Not me, no, I am just the spokesperson.

Mr GOLDSWORTHY: What about the total number of staff employed, which was the second part of my question? How does the total number of staff employed now compare to the total number of staff employed prior to the amalgamation?

The Hon. K.O. FOLEY: We are not certain on the numbers. We do not think there will be any reduction at this stage, but we come back to that fundamental issue of the changing nature and role of SAFA, as much of what has been SAFA's traditional work has been reduced because we are not in the debt markets to the extent that we were previously.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, pages 3.10 and 3.11 under the headings 'Sub-program: 2.2, Financing Services' and 'Sub-program: 2.3, Superannuation Services'. The performance indicators for Revenue SA and SAICORP both include an indicator relating to the cost of operations expressed as a percentage of some dollar measure. In relation to SAFA (page 3.10), there is a reference to cost-effectiveness being used as a component of a client satisfaction indicator, and for Super SA (page 3.11) the target refers to administration costs being benchmarked against industry measures. Thus for SAFA and Super SA, the indicators are relative. Does the government believe a similar performance indicator can be developed for these two organisations?

The Hon. K.O. FOLEY: They are quite different organisations and their performance indicators would clearly be different. Super SA, of course, is largely an administrative organisation, and SAFA is about financial management and financial markets and is a totally different type of business.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.11 under the heading 'Superannuation Services'. The performance commentary states:

... an increase in revenue from the Superannuation Board that will be transferred to Treasury and Finance cash reserves for future asset replacement.

Can the Treasurer advise whether the assets purchased will be for Super SA, or will Super SA members' cash reserves be used to pay for assets for the DTF?

The Hon. K.O. FOLEY: Just the super, I am advised.

The Hon. I.F. EVANS: What is the latest estimate of the year to date earnings performance of Funds SA?

The Hon. K.O. FOLEY: They are looking quite good. It has been a very rocky road, as we know, in the world equity market over the two previous years and Funds SA outperformed the benchmark in the two previous years, even though they were negative returns. This year they have performed exceptionally well again. I have some figures for the first week of June, but they are what we call soft figures and we do not want to release them until they are firmed up.

I can give some figures to the end of March. The balanced fund was 19.2 per cent. The seven year average was 8.6 per cent, the five year average was 6 per cent, and the three year

average at this stage is 4.3 per cent. Obviously, at the end of this year the averages will change a bit.

The Hon. I.F. EVANS: Can you advise how that compares with other comparable funds as measured by any other comparable fund index?

The Hon. K.O. FOLEY: If we can take that on notice we will provide a table. We do not have it with us but we are happy to provide it. The former Treasurer would be aware that there is a fairly extensive benchmarking process undertaken by Funds SA and I am advised that, even through two poor years in the global and domestic equity markets, we outperformed the benchmark, and I am pretty sure we are outperforming our benchmark again this year.

We are slightly ahead of the Intech median, which is 17.9 per cent (we are at 19.2 per cent), and I am advised that we are slightly ahead of the benchmark. I will see whether I can get more information on that. It is performing very well. I also take this opportunity to point out that the chair of Funds SA, Helen Nugent, was awarded an AO in the Queen's birthday honours list for services to business and the arts.

Additional Departmental Adviser:

Mr. A. Daniels, Chief Executive Officer, South Australian Motorsport Board.

Mrs HALL: I refer to Budget Paper 4, Volume 1, page 3.26 and the Motorsport Board. I preface my remarks by saying that I am sure that everyone agrees that the Clipsal 500, administered by the Motorsport Board, is a fantastic event. We all acknowledge that it has won many national and local awards and, clearly, the attendance numbers over the past few years show that an increasing number of South Australians enjoy it. I acknowledge the extension of the event from three days to four days. I think that even the Treasurer now calls himself a petrol head, which I thought would never happen.

The Hon. K.O. FOLEY: I would never refer to myself as that. I think Roger Cook refers to me as that on some occasions, which I think is not a fair—

Mrs HALL: You are not quite there yet?

The Hon. K.O. FOLEY: I am not quite there, but I am the minister.

Mrs HALL: In pursuing areas under the administration of the Motorsport Board, I observe that in last year's budget there was a decrease in the marketing, advertising and media budget. Why was that decision taken?

The Hon. K.O. FOLEY: I am not sure what the member is referring to. Did she get that from the Portfolio Statement?

Mrs HALL: From the Auditor-General's Report.

The Hon. K.O. FOLEY: So it was last year's budget?

Mrs HALL: Yes, in last year's budget there was a substantial decrease in the marketing, advertising and media budget. What are the plans for this year?

The Hon. K.O. FOLEY: The advice from Andrew Daniels is that the budget has not changed at all. It has been adjusted for inflation, I assume, and there is some extra money for capital works. It may be a classification issue. We will take that question on notice. The marketing budget has not been cut; in fact, it is probably being adjusted in accordance with the CPI.

Mrs HALL: The Auditor-General's Report for last year shows that. What are the latest numbers of international visitors from New Zealand and Malaysia, and have any new markets been developed this year?

The Hon. K.O. FOLEY: We may have to come back on that. I have said on the record ad nauseam that it was a good initiative of your government and you are to be commended for it. The Motorsport Board under the chairmanship of Roger Cooke and the management of Andrew Daniels and his team has been outstanding. The race has grown in just about every year. We are now reaching the point where we need to keep thinking about how we are going to take it to the next level. One idea was, of course, to extend the race for an extra day.

Equally, we need to leverage the race more in terms of promoting our state. We did that in the last two events where we concentrated our efforts on getting more business people to come to the race. I think we are going to look at improved promotion in New Zealand. This is an issue for not just the Motorsport Board in terms of ticket sales but us as a government to see how we can profile Adelaide in cities such as Auckland which also has a car race. We are targeting Auckland with our promotion for immigrants and investment. Our Billboard campaign will be run at Auckland airport, and I want to sit down with the Motorsport Board in the next month or two and talk about how the government itself might leverage a bit of profile for the state out of the race in New Zealand.

I remember talking to a Kiwi at the car race who had to leave before the main race on the last day to catch a plane back to New Zealand so that he could be back at work on Monday. He had to leave at midday on the Sunday to be back in New Zealand for work mid-morning the next day. He had come for the four days, but he had to leave before the main race because direct flights were so lousy. We now have direct flights, and we are hoping that that will bring about a significant increase. I will ask Andrew to comment on that in a moment. Securing that direct link with New Zealand—we have put some government money in to promoting that—will work as well.

Tony Cochrane, the head of AVESCO, is extremely aggressive about wanting to take this race elsewhere. He is looking at Shanghai. It will probably not happen this year, but it may happen next year. Andrew has been to Dubai to assess whether or not our management skills could be made available to some people. We do not want to risk anything by staging the race, but we have a set of skills within the Motorsport Board which the government should be prepared to market, and there are other possibilities of holding the race elsewhere. It depends what Tony decides about where he is able to take his race, but it seems to me that if Tony Cochrane is running his race in Shanghai and given that we have an office in Shanghai, and China is such a great opportunity for our state, it would seem sensible that we look at piggybacking onto some promotional stuff there. I think there is an exciting future for us to use the car race for getting greater exposure for commerce, immigration and, importantly, tourism.

Mr DANIELS: We have in excess of 1 000 tourists per year coming from New Zealand. That is our major international market. We believe there is still a significant upside there. Bathurst currently attracts in excess of 8 000 New Zealand visitors. There is no doubt that the direct flights that will start later this year will be of great assistance in bringing more tourists from New Zealand. We are currently working with Bill Spurr and the tourism commission to see if the number of flights can be increased for the week of the Clipsal 500 next year.

The Malaysian market, to date, has been relatively small: 100 to 200 people. Most of those are in conjunction with

Clipsal as our major sponsor. They are using the event very successfully in driving sales into new regions and for sales promotion purposes. We have a target to continually grow our tourist base. The 2003 event attracted 10 800 interstate and international visitors and generated over 65 000 bed nights for South Australia. That, in itself, generated nearly \$20 million in economic benefit. Economic research consultants are currently finalising the research for this year. I have seen the draft, but it will not be finalised until later this month or early July. We will advise the Deputy Premier of our results for this year then, but current indications are that our visitation numbers are once again up.

The Hon. I.F. EVANS: Has the board looked at chartering their own flight? I have been involved in organisations that have had national conferences and, because the commercial airlines did not suit our timeline, we simply chartered our own flight and made the timetable our own. In the light of the New Zealand experience, has the board considered chartering a plane to leave on Friday and return in time for work on Monday or whatever the marketing message is?

The Hon. K.O. FOLEY: There is a risk issue there, but I will ask Andrew to respond.

Mr DANIELS: We have looked at that in the past, particularly with Freedom Air. It has transpired that the way in which Clipsal has wanted to bring in their people from New Zealand, in particular, which is probably the single largest group that we currently attract, they have made their own way here. We have always held back because of the amount of guarantee required by Qantas or Air New Zealand to charter a plane. We have looked at this in the past, but the numbers have not quite been there for the board to take that risk.

The Hon. K.O. FOLEY: We will have another look at it, but I suspect that there would be a view about the risk that we would be taking on as a state in chartering planes. It is a reasonable question to ask.

Mrs HALL: One of the issues I wish to raise concerns the composition of the board. The representatives on the board are laid down in the legislative framework and include two or maybe three representatives from the Adelaide City Council. My understanding is that they serve on the Motorsport Board as representatives, and I think they are probably elected or appointed by the Adelaide City Council. However, when the debate takes place at the Adelaide City Council about funding, resources and issues upon which they have debated when sitting on the Motorsport Board, they have to remove themselves from the Adelaide City Council debate and votes because of a provision under the Local Government Act.

Certainly in years gone by I have raised that issue—and I know the board has raised that issue—with former mayors, and I would not be surprised if it had been raised with the current Lord Mayor of Adelaide. Has any progress been made on that issue or, alternatively, is it the government's view that a provision should be made? It has always seemed to me to be utterly absurd that they are paid to serve on the Motorsport Board and act as direct liaisons yet, when the debates and discussions take place inside their own forum, they are not allowed to be there.

The Hon. K.O. FOLEY: It is a good question. I will take it on notice because I need to think about it, but will make a couple of comments. My personal view, as far as I can have a personal view as the minister responsible, is that I do not think having two representatives from the Adelaide City Council on the board is necessary, frankly. If the opposition

were to indicate to me that it would be prepared to consider changing the legislation, I would be happy to have a discussion. I do not know whether the Adelaide City Council gives us any money towards the race.

Mr DANIELS: It provides \$50 000 in sponsorship.

The Hon. K.O. FOLEY: For \$50 000 sponsorship it gets two voting members on the board. I am not even certain why we would have any Adelaide City councillors on the board, but if we did it is hard to say that there should be more than one. With future appointments I would like to acknowledge that we probably need to broaden the skill set of the Motorsport Board because every year Andrew and Roger think it has reached a plateau, but it goes further. We have to keep redefining and setting new goals for the race to keep growing it. We do not want to stagnate it because, if it stagnates, over time it will be picked up by somebody else.

I am interested in broadening the skill base of the Motorsport Board and thinking about how we can add to the mix of skills on the board to keep coming up with innovative ideas and ways in which we can keep making it attractive and growing the event. I may have a discussion with the shadow minister responsible. I will certainly discuss it with the Adelaide City Council. There is a role for it, but I am not sure it needs two members on the board, which is a throwback to the old Grand Prix Board. When your government set it up you simply adopted the model and there is not the same justification for its going forward. That is no reflection on the two councillors on it, but I reckon that one would suffice.

Mrs HALL: The reason I raised the question was not in any way reflecting on existing or previous council representatives. It came as a shock to me to learn that the Local Government Act specifically prevents them from taking part in any debate or vote because they are paid to be members of the Motorsport Board and therefore they have to remove themselves. It always seemed to be something we need to address.

The Hon. K.O. FOLEY: And there is an issue about Adelaide City councillors being paid. They are paid under the act, but it is worth reviewing, and I would like to do it in a cooperative sense.

Mrs HALL: My next specific issue I wanted to raise was that of the circuit construct and deconstruct—I think the terminology is correct. I understand that that is a considerable sum of money and this year the sum of money expended was substantially increased from last year because of the success of the event this year and the extension of the three days to four. Does the government expect the Motorsport Board to replace the existing infrastructure and build pit straight stands as they end their useful life, or does it support the building of a more permanent infrastructure at Victoria Park in conjunction with the Adelaide City Council and/or the SAJC?

The Hon. K.O. FOLEY: What were the reasons that stopped your government from addressing that issue, do you think? No doubt we have an issue with the construction and deconstruction of equipment. It would be fair to say that the current infrastructure is probably getting to the end of its useful life, with two or three years left in it. There are issues for government whether we commission a whole new infrastructure or look at other options. No decision has been taken on that. I understand that the Motorsport Board has been working with the Adelaide City Council and the South Australian Jockey Club on the potential future of the Victoria Park racecourse. If requested, the board will advise and assist the SAJC and Adelaide City Council to ensure that any

proposal that may be forthcoming will be suitable for all users of the Victoria Park racecourse.

The SAJC has its own issues with the racecourse that it has to address, and the Adelaide City Council has its views about what the jockey club should do. We want to ensure that it does not jeopardise or impact unfairly on what we want to do but, equally, the issue of whether there should or not be permanent structures is a legitimate question. The government has not even got close to considering a position on that. Suffice to say that the time is about right to be talking it through. They are sensitive issues. The Parklands are a very sensitive issue, so that needs to be handled carefully. I know that the former government had a few ideas about it and it went nowhere because you were confronted with the politics of it. We hope that we can find something which is acceptable to everybody. It may simply be that we continue to construct and deconstruct; that might be the ultimate answer. I think it is only appropriate that we canvass other options at this stage.

Mrs HALL: Following on from that response—and I acknowledge the complexities of the issue—given that the circuit construct and deconstruct is now in excess of \$7 million and given that the useful life of the existing infrastructure is two or three years away from probably needing replacement—I think it is a very considerable issue—is it the government's view that, if no solution is found in the short term, the Motorsport Board/government funding should pick up the tab for all the infrastructure replacement, or would there be negotiations with the Adelaide City Council or the SAJC? Where do you think that is going?

The Hon. K.O. FOLEY: They are the issues that we have to throw into the melting pot. It should also be noted that at this stage the race is contracted only to 2008. Against all this, it would be a brave government that went off and invested money in fixed infrastructure or even replaced the existing knock-up/knock-down stuff without tenure beyond 2008. In the next couple of years this government, or your government if re-elected, will have to sit down with AVESCO and talk about the longevity of the race. All those things are in the melting pot as we speak. At this point it is very early days, but we have to balance the politics with the expenditure and with the needs of the SAJC and the Adelaide City Council and our own. I would like to think that we could progress to a fixed structure, to be perfectly honest, but one that is in sympathy with the existing amenity; that is the trick. If it can be done we will look at it; if it cannot be done we will probably continue to have a construct and deconstruct approach to it.

Mrs HALL: In terms of some of the issues that he has outlined, I wonder whether in his private capacity the minister would support the use of gaming machines in any future convention site, convention facility or hotel facility at Victoria Park?

The Hon. K.O. FOLEY: I do not know if there is such a thing as a private capacity. The reality is that the parliament put a freeze on the poker machines in this state; I opposed the freeze. I think the parliament was wrong to put a freeze on poker machines all those years ago. That is a personal view, and I was one of the dying number—and I think you were with me—that held out against the large majority of our colleagues—

Mr KOUTSANTONIS: The silent majority.

The Hon. K.O. FOLEY: The silent majority. I do not know what the parliament is going to determine with poker machines. I have always had a very liberal approach to the

poker machines, not because I am Treasurer but because I think that government should not be in the business of telling people how or whether they should gamble. I had best be careful, as I am probably straying into contentious issues. I cannot answer that; I have probably said more than I should.

Mrs HALL: I have a specific question relating to the activities of the Motorsport Board. I refer to the contractual arrangements that the Motorsport Board has with AVESCO, in terms of another one of the events that is very successfully managed by the Motorsport board and, in particular, Andrew and his team. Could any information be shared with the committee about progress or issues as they relate to the rally?

The Hon. K.O. FOLEY: The rally will be held from 31 July to 1 August. I am told that is the best window for this sport. Corporates have doubled, and it will be a very good event at Mount Crawford, in the freezing cold. My entire office went up there last time.

Mr GOLDSWORTHY: It is in my electorate.

The Hon. K.O. FOLEY: In your electorate, is it? We must make sure we invite the Hills members along. It costs us about \$50 000-\$60 000 a year to run. There have been some discussions about the future in terms of how we can further promote it. It gives the Motorsport Board a bit of balance in their work program through the course of the year, and I think it is a useful addition to the work of the Motorsport Board. The Barossa and the Adelaide Hills councils are big supporters as, of course, is Glen Cooper. This year in particular we have had much stronger corporate support, which is good, because I was getting a little anxious in the last couple of years that there was not quite the level of support that we would like to have seen with the event. For a \$50 000 outlay, I think it is a good event.

Mr Goldsworthy interjecting:

The Hon. K.O. FOLEY: That is the net subsidy level; the investment.

Mrs HALL: Given the stated objectives and targets of the state government as they relate to women on boards—and I understand that some fairly ambitious targets are being set as to the composition of members of government boards—will it be the initiative of the Deputy Premier as the minister responsible for the South Australian Motorsport Board to do something about the current composition and gender balance on this board?

The Hon. K.O. FOLEY: I take it that you would support more female representation on the board, because it is fair to say it is a bit blokey. I have been scolded, reprimanded and put on notice by the Premier that I have to lift my game. I think that I am the worst performing minister in this government in respect of the amount of female representation on boards. The Premier made it a goal for this government to increase female representation, and it would be fair to say that I am under a fair degree of pressure. From that, you can read that I think we need to be appointing more women to the Motor Sport Board.

Mr GOLDSWORTHY: Out of interest, what is the actual cost of running the Coopers rally? What is the total cost from corporate support to government support?

Mr DANIELS: The total budget for the event is about \$480 000. Most of the other revenue comes from ticket sales. It is the largest spectator point in Australia. Corporate revenue includes sponsorship from people such as Glenn Cooper and entry fees. We are targeting to bring down the required support by the South Australian government, but currently it is not quite at that break-even level.

Additional Departmental Adviser:

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

The Hon. I.F. EVANS: In relation to MAC, how have the property investments of the CTP fund performed this financial year? Have there been any acquisitions or disposals?

The Hon. K.O. FOLEY: The performance is above benchmark so far this year. I am advised that there have been no acquisitions or disposals.

The Hon. I.F. EVANS: Will the Treasurer indicate how the MAC fund's management performance has performed for the year to date? How does it compare to other comparable funds as measured by any other comparable fund management index? Over the past year, has the MAC fund's management performance exceeded its own benchmark?

The Hon. K.O. FOLEY: As at the end of April, the Motor Accident Commission was 7 per cent compared to the 6.9 per cent for the year to date benchmark. Bear in mind, when compared to Funds SA, Funds SA has a more aggressive investment approach than the Motor Accident Commission, which has a more conservative approach to its investments—that is why you note the difference in the one year rate. MAC has 50 per cent of its allocated assets in fixed interest; 10 per cent is in indexed bonds; and 5 per cent in cash; so, 60 per cent of its portfolio is very conservatively invested. The balance is made up of 18 per cent Australian equities, 12 per cent international equities, 2.5 per cent listed property, and 7.5 per cent direct property. It has a portfolio value of about \$1.43 billion compared to \$1.2 billion at 30 June 2003.

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

The Hon. K.O. FOLEY: Better than it was a year ago. CTP assets as a percentage of liabilities are forecast to be approximately 106.3 per cent, so it is fully funded and a bit but, of course, we had set down in legislation a solvency target much stronger than that. To meet the legislative requirement—the goal that I put out in my legislation when I first came to office—it would need to be about 113 per cent to be solvent as required by the act. The act is really a target for us and we have tried to keep the Motor Accident Commission as solvent as we can given the nature of the market that it is in. When I came to office, I inherited the situation where your government had failed to adequately lift premiums to keep solvency at strong levels. I am not sure what it was when I came to office, but it was certainly less than 100, I think.

Mr VOGT: It was more than 100.

The Hon. K.O. FOLEY: It was more than 100 when I came to office. It dropped down in the first couple of years of office of this government because of the equities and investment markets, but there was a lot of premium catch-up that was required and, had we not caught up with a lot of the premiums that your government failed to flow on—that is, to a number of recommendations that were made over a number of years that you simply did not implement—and if I did not put the catch-up in place, we would have been in serious trouble. We have put in those catch-ups which allow us to maintain the scheme fully funded. However, it would be nice to get the solvency a little higher.

The Hon. I.F. EVANS: So, has the MAC board recommended any action that the government should take to get its solvency to the level required by legislation? If so, why has the government not adopted those recommendations?

The Hon. K.O. FOLEY: It is actually the Third Party Premiums Committee that sets the premium necessary to achieve the stated solvency in the legislation. It set a five-year time frame two years ago for us to achieve it. That is why, when we came to office, I would argue that it is not entirely but reasonably close to what the Third Party Premium Committee has recommended. We have attempted to increase our premiums to that extent. We have three more years to go to reach the figure, I am advised. We hope that, with investment markets being strong and the appropriate increases being passed on, we will see that solvency level reached. To do it quickly would see a very large increase in premiums, and we are not prepared to do that.

The Hon. I.F. EVANS: In relation to CTP claims management, how effective was the transition of claims management from SGIC to Allianz Australia Insurance Limited?

The Hon. K.O. FOLEY: I think it was pretty good. It was a difficult period for the government and the board, because the cabinet backed the board decision, which was a very tight competitive process involving a number of companies. The cabinet endorsed the decision of the Motor Accident Board to award the contract to Allianz Australia. It took over contracting on 1 July 2003. It has a very diligent approach to the management of compulsory third party claims, including improved scrutiny of information and closer management of claim processes.

I am advised that a significant backlog of accounts accumulated during the handover from SGIC and that they have been cleared in recent months. Payments are now being made within normal business expectations. Ninety per cent of settlement payments are made within five days of receiving clearance from the Health Commission and, where necessary, Centrelink. Approximately 8 per cent are paid within 6 to 10 days, with efforts to bring these within a five day benchmark. I am advised that Allianz is applying the highest standards of scrutiny of medical advice. With this added diligence, Allianz is achieving over 90 per cent of all claims being settled before court proceedings commence.

Since 1 July 2003, fewer claims have been settled at the formal and informal conference stages. Allianz is reviewing its procedure for the conduct of conferences to improve those areas of settlement performance that are within its control. Continuing efforts will be made to inform the stakeholders about the new processes and requirements. The Motor Accident Commission is monitoring the impact of Allianz's procedures. Allianz is otherwise complying with the key performance benchmarks set out in its contract with MAC. So, generally, we are very happy with it. I met with the CEO of Allianz in Germany earlier this year in February and had a good talk about this and some of the other matters that it deals with.

Allianz has a significant presence here. It has this contract, it has work with WorkCover (as you would be aware), and we want to see Allianz continue to have a significant presence in the state. But, consistent with this government's approach, it will be a competitive process. This contract will be up for renewal on 31 December 2008, and I envisage at this stage that, if we are in government (if not, it will be someone else's problem), it will be an open and competitive tender.

The Hon. I.F. EVANS: How many SGIC employees were transferred to Allianz and how many were offered redundancy packages?

The Hon. K.O. FOLEY: Approximately 43 transferred. Some resigned. We do not know how many received

redundancy packages. Some were transferred elsewhere within the SGIC group, I am advised.

The Hon. I.F. EVANS: At some stage can you provide a breakdown of that?

The Hon. K.O. FOLEY: I do not know whether we can. It is SGIC's private business matter. The member might want to take up that matter directly with SGIC. I do not have any problem with the member having access to it; it is just that it is not my information.

The Hon. I.F. EVANS: What activities, liabilities and risks still remain from the non-compulsory third party business?

The Hon. K.O. FOLEY: A little bit of inwards insurance.

The Hon. I.F. EVANS: Can the minister perhaps expand on that, or do I not want to hear what that was?

Mr VOGT: Inwards reinsurance was when the former State Government Insurance Commission underwrote reinsurance by overseas insurers back in the early 1990s. One policy still remains, and it is worth a few hundred dollars. A small mortgage insurance policy remains, and there are no other remaining businesses of which I am aware.

The Hon. K.O. FOLEY: I think some of the more exotic investments have been well and truly worked through from those dim, dark days.

The Hon. I.F. EVANS: I have a few questions in regard to Funds SA. Have there been any changes in the fund asset allocation of the various schemes in the past financial year and, if so, what were the changes?

The Hon. K.O. FOLEY: I do not think there were. No is the advice that I am given. It was something that the chairman, the Under Treasurer and I have talked about, and earlier I alluded to travelling to America and London last year. It would be fair to say that, given those two very bad years worldwide with equities, we have maintained the approach that was taken under the member's government (and that is no criticism, because I think that, on balance, it is the right approach), and it was a very aggressive approach. It is strongly weighted in international equities and, given that we have such a significant unfunded amount and we have a number of years to fully fund it, it is not unreasonable to have a very aggressive position.

When I went to a number of the fund managers—and we talked to Frank Russell, the asset advisers, and so on—I took this issue through, that we have a very strong weighting in equities and a very strong weighting in global equities. I think it would be fair to say (and the Under Treasurer is here with me; he will correct me if I am wrong) that we are in the more aggressive positioning of most funds in Australia. We thought about the merits of that, particularly given that global markets were performing pretty poorly worldwide. But the advice given by Helen Nugent, the chair, and Jim Wright and the board is that you have to stay the distance, and probably the worst time to be making decisions about reallocation of asset classes is in the middle of a trough or in the middle of a boom.

These decisions should be taken carefully and calculated in a more normal environment than what we were experiencing at that time. In the end, we kicked it around a bit and a lot of advice was coming forward that you should be more into hedge funds and more complex products that try to get stronger absolute returns and beat benchmarks but, in the end, we have left it as it was and we were rewarded for it. At this stage, it is tracking around 19 per cent. You have to smooth it out over the long run. As we have said, we are using the risk free discount rate of 6. The historical performance of the

fund is probably closer to 8. Over seven years, it has done better than its target, but I do not think there is any need to change it: 8.7 is the eight year average.

However, I think it is the sort of thing that treasurers of the day should be debating every couple of years, and I suspect that in 15 years there will be less argument to be as aggressive as what we are today, but I think for the next period an aggressive position is correct policy, unlike a lot of things—I mean, famous last words.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, pages 3.3 and 3.4, under the heading '2004-05 Targets/2003-04 Highlights'. The subject is the SAFA review of funds management model operating within South Australian government. What are the terms of reference of the review?

The Hon. K.O. FOLEY: Something I was keen to do was to have a general review, given that we have major government corporations or corporations covered by government guarantees or implied guarantees. Be it the Public Trustee, WorkCover, MAC or Funds SA, there should be a general review of their processes, whether there are any efficiencies, whether there are things to be learnt from one organisation to another and whether there are better ways to manage all these assets within government.

I have had some views (and I have expressed them here when in opposition) about the fact that we seem to have a lot of fund management organisations within the umbrella of government or semi-government. I have not firmed a view on that because there are some pretty good reasons as to why they are all separate, but it does not mean that we should not be looking at various ways of improving efficiencies and the delivery of these services. Looking at the models operating in other states is also an important part of what we are doing, that is, looking at how other states manage all these things.

Mr GOLDSWORTHY: Who is conducting the review?

The Hon. K.O. FOLEY: The review is being undertaken by SAFA with input from the respective agencies with which we are dealing, and we do have a consultant on board from Towers Perrin who is providing some Q&A support.

Mr GOLDSWORTHY: What is the cost of that consultant?

The Hon. K.O. FOLEY: Approximately \$30 000, I am advised. Most of the work is internal within government.

The Hon. I.F. EVANS: We have a number of questions that we do not expect the Treasurer to answer today. He probably knows them as omnibus questions. I will read them into *Hansard* so that they are on the record. We then have some other questions which the Treasurer will probably not get time to answer, so, if time permits, I will read some of them in as well and he can take them on notice.

1. Did all departments and agencies reporting to the minister meet all required budget saving targets for 2003-04 set for them in the 2002-03 and 2003-04 budgets and, if not, what specific proposed project and program cuts were not implemented?

2. Will the minister provide a detailed breakdown of the expenditure on consultants in 2003-04 for all departments and agencies reporting to the minister, listing the name of the consultant, cost, work undertaken and the method of appointment?

3. For each department or agency reporting to the minister, how many surplus employees are there and for each surplus employee what is the title or classification of the employee and total employment cost (the TEC) of the employee?

4. In the financial year 2002-03, for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2003-04?

5. For all departments and agencies reporting to the minister, what is the estimated level of under expenditure for 2003-04, and has cabinet approved any carryover expenditure into 2004-05?

6. What was the total number of employees with a total employment cost of \$100 000 or more per employee, and also as a subcategory, the total number of employees with a total employment cost of \$200 000 or more per employee, for all departments and agencies reporting to the minister as at 30 June 2003? What is the estimate for 30 June 2004? Between 30 June 2003 and 30 June 2004, will the minister list the job title and the total employment cost of each position with the total estimated cost of \$100 000 or more and, first, advise which have been abolished; and, secondly, which have been created?

In relation to SAICORP, since March 2002, what agencies have been exempted from the insurance and risk management arrangements and what were the reasons for any exemptions? On page 5.9 of Budget Paper 3 the last paragraph states:

As the general government sector moves to a net financial asset position, the liability management framework of SAFA will need to be reviewed.

The question is: has any work been undertaken on this issue so far and, if so, what are some of the options that might be considered?

In relation to SAICORP, in regard to medical malpractice claims, can the Treasurer provide information to the committee on the level of reported medical malpractice claims against the government—that is, the number of claims, the types of claims and the estimated liability to the state?

The Hon. K.O. FOLEY: There is a fair bit of licence being taken here, Madam Chair.

The Hon. I.F. EVANS: They are only questions on notice.

The CHAIR: The minister can answer any question he likes at any time.

The Hon. I.F. EVANS: In relation to SAICORP investments, according to its 30 June 2003 annual report, SAICORP had \$138.2 million in investments comprising cash, fixed interest deposits and Australian overseas equities. The annual report also states that a new investment strategy was implemented for the first time in 1999-2000. According to the report, in the past two years the investment assets have lost \$7.1 million in 2001-02 and \$0.36 million in 2002-03. This includes \$12.8 million in unrealised losses, presumably on the equity assets. The 2002-03 annual report provides little or no information on the investment strategy adopted by the board and presumably approved by the Treasurer. How is the investment strategy implemented—that is, the level of in-house and external management; the role and function of the SAICORP board in managing the investments; the performance of the investment assets as against industry benchmarks; the level of hedging of the overseas assets—

The CHAIR: Order! The arrangement made this morning was that questions that have not been asked can be placed on the *Notice Paper* of the House of Assembly, not on the *Notice Paper* of this committee. That process is usually done with some agreement. There is a different date for completion of answers, as members will recall.

The Hon. K.O. FOLEY: Some of them relate to 2003-04 end of year results, which will be at least two months away

from compilation. So, we will not be deliberately late in some of these answers; it just may be that some of the data is not available.

The CHAIR: Are there any other questions that members wish to ask to be answered now?

The Hon. K.O. FOLEY: I thank members of the committee and all of my staff, both in my personal office and the Department of Treasury and Finance, the Motorsport Board, the Lotteries Commission, MAC and all the other

agencies that report to me, for their support and work in preparing for today.

The CHAIR: There being no further questions, I declare the examination completed.

ADJOURNMENT

At 4.57 p.m. the committee adjourned until Thursday 17 June at 11 a.m.