

HOUSE OF ASSEMBLY

Thursday 17 June 2004

ESTIMATES COMMITTEE B**Chair:**

Ms M.G. Thompson

Members:

Ms J. Hall
 Mr M.L.J. Hamilton-Smith
 Mr T. Koutsantonis
 Mr M.F. O'Brien
 Mr J.R. Rau
 Mr M.R. Williams

The Committee met at 11 a.m.

Office of the Venture Capital Board, \$11 493 000

Witness:

The Hon. K.O. Foley, Minister Assisting the Premier in Economic Development.

Departmental Advisers:

Dr Roger Sexton, Chief Executive Officer, Office of the Venture Capital Board

Mr Bill Price, General Manager, Office of the Venture Capital Board

The CHAIR: As usual, I have some opening remarks. 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 approximate time for consideration of proposed payments to facilitate change-over of departmental advisers. Have the minister and the lead speaker for the opposition agreed on a timetable for today's proceedings and, if so, could you provide the chair with a copy?

The Hon. K.O. FOLEY: I understand that we have.**Mr HAMILTON-SMITH:** Yes; I understand that we have one hour.

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 time, 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 to make opening statements of about 10 minutes each. There will be a flexible approach to giving the call for asking questions based on about three questions per member alternating each side. Supplementary questions will be the exception rather than the rule.

A member who is not part of the committee may, at the discretion of the chair, ask a question. Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the assembly *Notice Paper*. There is no formal facility for the tabling of docu-

ments before the committee. However, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted, but 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. The minister may refer questions to advisers for a response. I also advise that, for the purposes of the committee, there will be some freedom allowed for television coverage by allowing a short period of filming from the northern gallery.

The Hon. K.O. FOLEY: Madam Chair, can you ask members not to play with their mobile phones?

The CHAIR: I think members are all aware that mobile phones are not permitted in the chamber. I remind them of that. I declare the proposed payments open for examination and refer members to the Budget Statement, appendix C, page C2 and Portfolio Statements, Volume 1, part 2, pages 2.1 to 2.3 and 2.34 to 2.42. Does the minister wish to make an opening statement?

The Hon. K.O. FOLEY: No.**The CHAIR:** Does the member for Waite wish to make an opening statement?

Mr HAMILTON-SMITH: Very briefly and then I will ask the first question. The opposition notes the coverage of venture capital given in the EDB's Economic Development in South Australia Framework and was pleased to see that it was a focus of attention in the EDB's work. We congratulate the government for picking up the EDB's recommendation in regard to establishing a venture capital board. We think that is a positive step, but we were disappointed by the lack of significance given to venture capital in the state's strategic plan, which we note was barely mentioned in the state's strategic plan, other than to acknowledge that the Venture Capital Board had been formed and, specifically in regard to summary of targets and growing prosperity, was under emphasised and not mentioned as a specific target.

We think that the issue of venture capital and entrepreneurship is vital to growing the state economy, and we seek information on some tangible outcomes from the Venture Capital Board and the initiatives that have been foreshadowed by the EDB. With that, I will ask my first question, which relates to Budget Paper 4, Volume 1, page 2.36. Treasurer, in March this year, you and I attended a private equity forum organised by the Venture Capital Board at which you indicated that guidelines were about to be released which would specify how the Venture Capital Board was to function. On examining highlights in the budget paper, I note that you have put down that a highlight in 2003-04 was that guidelines had been developed. Have those guidelines been released publicly and, if not, when will they be released and when will we have them?

The Hon. K.O. FOLEY: Soon, is the advice to the committee. Cabinet will be considering a submission to finalise the guidelines and various components of the public tender for access to the funds we have available. That should be through cabinet, one would hope, in the next few weeks. These things require a high degree of rigour by the government to ensure we get the processes as correct as we can. It has taken longer than either Roger or I would have envisaged or wanted, but the truth is that we are dealing with a large amount of money in a very complex area. It is an initiative shown by this government that has not been shown by many, and for quite obvious reasons I want to be sure, as does cabinet, Roger and the government, that when we finalise

these arrangements they are as watertight as one can make them, given that we are entering into an area with risk attached to it. I make no apology for the delay in releasing these details. I would rather be late in finalising them and safer in the knowledge that we are putting in place the guidelines and necessary protection for taxpayers rather than just rolling out into the market ahead of all this stuff being sorted out. We are close to finalising it.

Mr HAMILTON-SMITH: To explore that further, it has been acknowledged in the budget that the guidelines have been completed and have gone to cabinet. Can the minister give us any indication, even in general terms, as to what the guidelines might be for the \$10 million South Australian private equity program? Can you give us any heads-up of what the guidelines might comprise?

The Hon. K.O. FOLEY: Not at this stage. I would like to do that once cabinet and my colleagues have had the ability to debate, discuss and sign off on it. I am not trying to avoid making it public, but it needs to be made public as a package. The principle of this is to establish one, or two if possible, Adelaide or South Australian based venture capital firms. We do not simply want to make the money available to any pre-existing venture capital firm that just wants to access the money and not have a commitment to South Australia. It needs to be a firm that shows strong commitment to South Australia, and we are working through these guidelines now. Roger Sexton showed me earlier today that we are already starting to see a large degree of venture capital and private equity interests in South Australia, and the work Roger, Bill and the board have done has been extremely valuable in promoting venture capital and private equity in South Australia. A lot of the work the board will do is not just about who we give money to and giving it out but about breeding a culture of entrepreneurship among risk takers in South Australia.

Roger has designed a brilliant board. The quality of people we have providing advice to government on venture capital is quite outstanding. Roger Sexton is the chair. He has a well known background and experience in merchant banking, the finance markets and capital raising and has been extremely successful in his own businesses as well as running other businesses. Gary Lines is the Executive Director of Quentin Ayers—a gate keeper company and a significant player in the private equity market. Fiona Roche is known to many as the Managing Director of Estates Development Company and the Economic Development Board's representative—a South Australian who has made it very successfully in the west.

John Sanders is a former senior executive with News Limited, APM News and Media Limited. The member for Morialta may know John Sanders. He was a senior executive in Adelaide for many years. He was the managing director of *The Advertiser* many years ago and has had a lot of experience in private equity. David Simmons, also from the Economic Development Board, is the Group Managing Director for Hills Industries. Su-Ming Wong is the Managing Director of CHAMP Ventures—a leading venture capital company in Australia. They have a number of investments in South Australia: from memory the Penrice Group (although I think they recently sold out of that), Bradken and I think Sheridan. They have had a lot of investments in South Australia. There is also the Under Treasurer, Jim Wright, so it is a very powerful board of local and interstate people, along with the Under Treasurer, giving a fair amount of expertise. We are lucky and fortunate to have put together that type of board, which is not just about who we give

money to but about fostering the culture of venture capital, entrepreneurship and risk taking in South Australia from the private sector.

Mr HAMILTON-SMITH: I refer to Budget Paper 4, Volume 1, page 2.42. I refer to the \$10 million put in as the capital fund. It is apparent from the budget papers that none of the \$10 million has been spent at present in any investments, but I noted with concern a clear statement in the budget papers that states, under the statement of financial position, 'The \$10 million venture capital fund will not be spent in 2004-05 but will be held as an investment.' Does that mean in effect that the money will not be spent or invested in this coming financial year?

The Hon. K.O. FOLEY: It is unlikely that we will have undertaken the appropriate due diligence and tender process to award that money or parcels of that money this financial year. It may be that we will or that some will go. We are holding it as an investment. Once the guidelines are approved and we get this into the market, this money could be passed out in parcels. We are not yet decided on what nature or quantum of moneys will be made available—it will depend on a number of dynamics that will occur during the tender process.

We are being realistic. Some may go out through 2004-05. It is extremely unlikely that the whole lot will go out in 2004-05 and it is possible that none of it will go out in 2004-05 if we are not confident that the tender process has given us the people we want. We would rather hold the money as an investment until we can find the right venture capital firms to access this money than simply to pay the money out into the marketplace because we are under pressure to pump it out. We are under no pressure to pump out the money. We are under pressure to help from a substantial critical mass of venture capital firms in South Australia and, if we can identify through a tender process the right types of companies, that would be good. I would like it to go out in 2004-05 if we can do it, but it is highly probable that not all of it will go out because we have to wait for the right type of companies to form.

As to the type of companies that we are wanting to attract, some of them may be in an embryonic stage or they might be consortia that are forming. The very nature of venture capital is that, when we go to tender, the money being available might trigger a new firm, consortia or an existing firm to diversify. We just do not know. We are being realistic. The money is available. It is a matter of process of how we make it available to the marketplace.

Mr HAMILTON-SMITH: As a supplementary question, I express some concern about that. You have been Treasurer since March 2002. We have had statements from the government about what it is going to do for venture capital on and off over 2½ years. We have had this money put there, none of it has been spent and now we find out that it is not being spent in 2004-05. I accept the sound points the Treasurer has made about fiduciary responsibility and making sure that everything is set up correctly. It is a little underwhelming. It does not sound like there is much of a sense of urgency in getting this thing going. Not only that, if it is not going to be spent in 2004-05, it is interesting that it might be spent in 2005-06 which happens to be an election year. It sounds as though it has taken an awfully long time and there does not seem to be much urgency about it. Can we move faster with it?

The Hon. K.O. FOLEY: I reject the suggestion that the money would be held over for an election year. What I hope

the member for Waite would appreciate is that I want to be as risk averse as I can in a risky venture. The member might have a preference for simply taking on a higher degree of risk than I am, and that could be a fundamental difference between us. I think that I am taking on sufficient risk on behalf of the government simply by having a venture capital approach, because by definition these are more risky ventures for governments than normal. We are putting sound practices, principles and guidelines in place to minimise that risk. I do not want to increase that risk by galloping into the market without having done due diligence and my homework. If the only criticism from the member for Waite is that we are not doing it fast enough, I am on very solid ground.

As to why some money may go out, some may not, in 2004-05, you must understand the process. I am not being patronising because we have not fully articulated that process yet, but when you see it you will understand. I have already said this publicly, so it is nothing new. When we make this money available, we will make it available to the private sector on the basis that they themselves contribute. If a venture capital fund wants to avail themselves of \$5 million, I think at this stage we would expect them to raise at least \$5 million, maybe \$10 million. One way that you minimise the risk or spread the risk, as I am sure the member for Waite would appreciate, is that other people must take the risk. We are not simply going to give \$5 million to a venture capital fund and say, 'Here you go. Have some fun with that \$5 million. See who you can invest in.' We are going to tie that to some pretty stringent requirements, and the ratio could be as high as 1:3. It may be 1:2. That is based in part on what the commonwealth government has done with its BITS program and Roger's experience in the private sector.

If we make \$5 million available to Smith Brothers venture capital consortia, we would be requiring them to go to the market and raise possibly \$5 million or \$10 million. That will take some time. They may already be in the process of raising some of that money, they might have to accelerate their efforts or they might be starting afresh. That might take two years. I do not know. We want to make them \$15 million, \$20 million, \$30 million funds with our \$5 million going in as the seed. We want that \$5 million to leverage capital raising in the marketplace. We want to see that leverage commonwealth government money even, so we get a fund of critical mass of \$20 million or \$30 million. That takes time and it is not a simple exercise of handing over \$5 million because that would be foolish of a government to do that without these leverage opportunities.

Mr HAMILTON-SMITH: I hear all that, but I still cannot get away from the issue that we are in year three and nothing has happened.

The Hon. K.O. FOLEY: We are not in year three. The board was established in October last year. We are in year one.

Mr HAMILTON-SMITH: We are in year three of your government.

The Hon. K.O. FOLEY: We can't do everything. You had eight years to do this and you did nothing. We established the Venture Capital Board in October last year. It is now June of the following year and we are working at a pretty cracking pace, but I would not want this board to be moving any quicker. Play as much politics as you want, but at least be factual. The Venture Capital Board was established in October. They are working as quickly as they can, but I do not want Roger to get ahead of the pack on this, and he does

not want to either, and he has far more experience than I do in this. You must be careful in how you progress forward.

Mr HAMILTON-SMITH: We are in year three of a Labor government and nothing has happened with venture capital in tangible terms except the former government's Playford Capital initiative.

The Hon. K.O. FOLEY: You did nothing in eight years.

Mr HAMILTON-SMITH: Playford Capital and Bio Innovation SA were a good start.

The CHAIRMAN: Order! The member for Waite will ask his question.

Mr HAMILTON-SMITH: You have put in \$10 million this year (page 2.37). Are you considering making a further investment? Is that a one-off \$10 million that is to last for five or six years?

The Hon. K.O. FOLEY: Well, I really wish—

Mr HAMILTON-SMITH: I am asking the question, Madam Chair.

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: Will you let me finish the question? You have put \$10 million in, and you have given no indication as to how long that \$10 million is to last. I simply make the point that eventually that \$10 million will be consumed. Do you have any plans to put in any follow-on funding once that \$10 million is consumed? Is it to last for 10 years, or will it be topped up? Will you wait and see how it lasts when you eventually start spending it and, when you have spent it, will you put some more in? Is there any long-term life in the Venture Capital Board? Is this just a \$10 million injection that sounds great but there is no plan for the future?

The Hon. K.O. FOLEY: I wonder why I bother answering questions from the member for Waite. You have just been haranguing me because we did not get the \$10 million into the market soon enough, and I have explained to you the very solid reasons why we did not do so—and even you acknowledged they were solid reasons. Your follow-up question is: am I going to spend more money? I have not been able to spend the \$10 million yet.

The approach to this will be quite simple: we will see how the tender process evolves, and we will see how long it takes for the Venture Capital Board to successfully place the \$10 million into the market. I am sure that the board will need to work with the consortia and the private venture capital firm to build this new fund. I do not know how long the ongoing work of the Venture Capital Board and this \$10 million will take, but I suspect it will be some years.

If we can successfully place the \$10 million and grow one or two firms, the government of the day will be well placed to make strategic decisions about whether or not it is work completed and whether or not we have done all we needed to do, that is, we have established one or two major firms in Adelaide and there is no further need for the government to intervene and there is no further market failure. We might decide that there is still market failure and that we need to place some more money, or we might decide on a variation of that, namely, we do not need to place any more money but there is a need for the government to still have a venture capital focus and it needs a unit or a board within government that continues to play a role. I do not know.

Roger and Bill have a pretty good work plan for the next couple of years that will require a lot of careful, clever and considered decision-making and a hell of a lot of work to get it right. I am not wondering about how we can spend another \$10 million (nor would I expect Roger to be) until we have

been through this evolutionary process. It would be quite wrong for the government to be saying to the market that it will follow this \$10 million up with another \$10 million two years later. We might, but let us get this \$10 million placed carefully, responsibly and strategically for the state before we necessarily consider what we will do into the future.

Mr HAMILTON-SMITH: I take the Treasurer's answer to mean that there is no long-term plan to go beyond the \$10 million. So, that is it at the moment.

The Hon. K.O. FOLEY: No; hang on.

Mr HAMILTON-SMITH: That is what you just said.

The Hon. K.O. FOLEY: I envisage the Venture Capital Board being in place for a very long time. I am not certain just how its work will roll out over the next two, three, four or five years. If I sat down with Roger now, I think Roger would say that we have some very interesting work to do over the next 12 or 18 months as we try to form one or two significant venture capital firms in Adelaide. That is the immediate task. Let us be serious about this. We are talking about something that I assume has not really occurred in Adelaide before. We have not had venture capital firms. There has been market failure.

The establishment of one or two venture capital firms based here in Adelaide will involve a very heavy workload. It will take quite some time, and no-one would be more delighted than me if, in two or three years, or perhaps in a year, we have successfully placed the \$10 million and that has leveraged another \$20 million in the marketplace, and leveraged money out of the commonwealth, and we have two firms in Adelaide of \$30 million. Roger and I could then sit down in two years and I could say, 'I reckon we have got this licked. This has been a bloody good piece of work by government. What do we do going forward, Roger? Do you think we can get a third firm, or do you think we need to invest in those two firms that have already placed that money?'

I do not want to say here today that we will help consortia form and that, in two years, we will give them another \$5 million or \$10 million, because it might be that the consortia that form do not succeed. It might be that we want them to work very hard to leverage the maximum amount of money they can from the private sector. I do not want to dangle a further \$5 million or \$10 million in front of them which makes their life easier in terms of going out into the private equity markets. This is about governments intervening in market failure and stimulating behavioural change in the private economy, that is, to establish, maintain and continue venture capital firms.

I do not think governments should be in this for the long run. I would like to think that there would come a point where we would step away from having to put the money in. The member for Waite may have a different view. He might be an old-term socialist who wants to keep pumping the money in all the time: I am not. I will intervene in market economies where there is failure, but I will not be a card-carrying member of the Socialist Party of Australia who says that we have to keep doing this for decades. You may be: I am not.

Mr HAMILTON-SMITH: I hear all that, Treasurer. The bottom line is that there is no funding beyond the \$10 million currently there. There is no future plan: it is a 'suck it and see' approach. That is basically what you are saying.

The Hon. K.O. FOLEY: No; that is unfair on the board and on the officers. It is not a 'suck it and see' approach. A very detailed plan has been formulated, and a lot of effort and work has been put into it. The funding is substantial and, at

this stage, it is one-off, but that is not to say that there will not be future funding. It will be a question of whether or not the market requires it, or whether or not the market needs it, or whether or not the government of the day believes it is the right policy. As I say, I am not an old-term socialist like you, who believes in chucking lots of money at business. You believe in a socialist approach to economic development, and your credentials are well and truly on the record in that respect. You want governments to pork barrel and to pump money into industry. You want to underpin, subsidise and so on. The member for Waite is quickly establishing a reputation on the public record for effectively having a socialist approach to economic development: I do not.

Mr HAMILTON-SMITH: Are you going to call him to order?

The CHAIR: You can raise a point of order, if you wish to, member for Waite, but I am offering you a question at the moment.

Mr HAMILTON-SMITH: We could waste time on this, but the Treasurer has made a whole lot of statements about what I supposedly believe that are totally wrong, completely subjective and misleading, and I just ask you to reflect on that. I will not bother asking you to withdraw them, because it would be a waste of time.

The Hon. K.O. FOLEY: If it is a suggestion that I have misled the parliament, you can move a substantive motion. My personal view is that, when it comes to economic development, to a large extent all the comments attributed to you on the public record are about pumping millions upon millions of taxpayers' money into the economy. I personally think—

Mr KOUTSANTONIS: The arts.

The Hon. K.O. FOLEY: The arts is an example. I personally think that that demonstrates a more socialistic approach to the formulation of economic policy than I have. All I am saying is that you are, to me, showing the signs of an old time socialist in your approach to economic policy. That is a personal view and, if you take offence to it, I apologise. It is just my personal view. I am not saying you are a commo, but I am saying that there is a fair old socialistic sort of tenor in everything that you come forward with on economic policy.

Mr HAMILTON-SMITH: We do have a different view on government's role in facilitating economic development, Treasurer.

The Hon. K.O. FOLEY: You are a socialist—I'm not.

Mr HAMILTON-SMITH: We will see what the future holds in that respect. I do not see the point in wasting any more time in going over the success that the former government had in attracting industries here compared to your lack of success. We will leave that. I make the point to you that the average latest stage venture capital deal now is usually in terms—

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: Well, your average latest stage venture capital deal is now around \$20 million, and at the earlier stages it is much smaller. You have a \$10 million fund; I know you seek to leverage off that. I am seeking information on your future plans; \$10 million in the venture capital game is a spit in the bucket. If you are going to be in this game—and you have indicated that you want to be in it, but you have no plan for the future; that is fine—just be aware that it is a small amount of money in terms of venture capital funds. If you look at the EDB—

The Hon. K.O. Foley interjecting:

Mr HAMILTON-SMITH: No; let me finish. If you look at the EDB's—

The CHAIR: Order! The member for Waite: do you have a question?

Mr HAMILTON-SMITH: Yes, I do.

The CHAIR: Would you ask it, please?

Mr HAMILTON-SMITH: Let us go to page 2.37. What is the reason for the increase in the budget for supplies and services in the EDB from \$581 000 to \$994 000? What new supplies and services have been purchased? Within the context of that, could you also explain how much has been spent by the Venture Capital Board in setting up its operations and how much of the \$1.5 million allocated in 2005 will be spent?

The Hon. K.O. FOLEY: I will try to answer that as best I can and we will follow up with any other information that is necessary. However, I have to address this issue of the allegation from the socialist member for Waite that this is a spit in the bucket. Honestly; fair dinkum! Their government did nothing for eight years. We have put up \$10 million. You wonder why I call this bloke a socialist. He will just spend more. You never hear the shadow treasurer, who is lurking around somewhere in the bowels of this parliament—

Mr KOUTSANTONIS: Quasimodo.

The Hon. K.O. FOLEY: Quasimodo! Where is the discipline of their budget?

Mr Hamilton-Smith interjecting:

The CHAIR: Rise in your seat if you have a point of order.

Mr HAMILTON-SMITH: We do not normally rise in our seats during estimates. I raise a point of order: Madam Chair, it is your job to avoid quarrelling and to step in and intervene in quarrels between members and cases of personal abuse of members. Standing orders deal with a range of issues. The Treasurer just does not want to answer questions; he wants to stray into these areas. I ask you to call him to order. Could we get back to the questions and answers, because where we are going is doing the committee no good.

The Hon. K.O. FOLEY: He is not just a socialist: he is a sook.

The CHAIR: Order! I would ask everyone to be respectful, but the role here is that members ask questions and ministers reply. That may involve statements.

The Hon. K.O. FOLEY: Sorry; I am having too much fun. I just reject the notion that this is a spit in the bucket. This is a substantial financial commitment by the government. I would have thought that most, if not all, commentators have been extremely supportive of it; you, yourself, were supportive in the opening comments. However, because you are searching for questions, you criticise me for not spending it, then for not spending enough, and now you criticise me for it being a spit in the bucket. Quite frankly, everything that comes from the member for Waite, is about spending, spending, spending. No discipline is applied by your shadow treasurer on his errant ministers who just want to spend. I am sorry, but you are an old time socialist, in my opinion.

In terms of the budget, the amounts that appeared in the budget paper were for the six-month period for 2003-04, because it had only been established towards the latter part of the year. The budget that appears for 2004-05—the \$1.493 million—I am advised is for the full year effect. That is broken up as follows: the Investor Ready program funds, which is an outstanding program that Roger, Bill and the board have developed, will take \$170 000; the operation of the board itself, \$350 000; supplies and services, \$499 000;

and the salaries and on-costs of the Venture Capital Board, \$474 000. That is the break-up, I am advised by the chair.

Mr HAMILTON-SMITH: Is it correct to say that we are going to spend \$1.5 million, in effect, on administration and functioning of the Venture Capital Board while not investing a single dollar in companies?

The Hon. K.O. FOLEY: Yes; that is correct, in that we are spending \$1.5 million on the functions, but let us go through the break-up of it. The Venture Capital Board members, who are of the quality of John Sanders, Su-Ming Wong, Gary Lines, Fiona Roche and all of the board—have board fees. We have to remunerate them for their time and efforts. I suspect we do not remunerate them for anywhere near the time they put in, but I am sure that you would not be suggesting that we ask them to do that for nothing. We have a very small secretariat and office for Venture Capital headed up by Bill Price, and we have salaries and rent to pay. The Investor Ready program is \$170 000 and is an educational program. The concept that Roger and the board are developing will essentially be based on four main components. They will be in research and development commercialisation, working with the universities, CSIRO, BioInnovation and DSTO to commercialise the work that is existing within our institutions.

We have already discussed and debated at length the funding that we want to put out into the market, but that is not everything. This is not just about pumping money into the system, nor is it just about building two venture capital firms in Adelaide. This is about much more than that and a much broader approach to venture capital. A lot of work among businesses has been put into simple networking and getting businesses to talk among themselves. We are running functions and events, and you attended one of them. They are events where we bring people together. I recall getting a letter from somebody—I cannot think who it was—who said it was one of the best forums that they had seen on venture capital in Australia.

Of course, there is education and training where we are working with accounting firms, SA Enterprise Workshop and Australian Business Week running courses and working with legal firms. An enormous amount of work is being undertaken by the Venture Capital Board to develop, foster and encourage a venture capital approach in this state. It is well beyond whether or not we place \$10 million into the market. I would have thought that that is a pretty good investment. Coming from an old socialist like you, I would have thought that you would think it is pretty good.

Mr HAMILTON-SMITH: How is the Venture Capital Board going to ensure that what is quoted in the budget is a more coordinated and improved approach to educating and training South Australian businesses in seeking private equity? How much will you invest in that particular objective?

The Hon. K.O. FOLEY: I cannot win; fair dinkum! I just explained the education and training role and that part of the \$1.5 million is going towards that, and you criticised me for spending too much. Part of the funding for services and supplies is about the education role: working with accounting firms; legal firms; the SA Enterprise workshop; running one and three day courses; and educating people about opportunities in the venture capital and private equity markets. It is a very important part of the work of the Venture Capital Board. To be honest, I believe that the work of the Venture Capital Board, apart from whether or not we can build venture capital funds, is as important as the building of those funds. While

I appreciate that there is a difference between your socialistic approach to this and the government's dynamic private addressing of market failure approach—

Mr Hamilton-Smith interjecting:

Mr KOUTSANTONIS: I have a point of order. The member for Waite is using foul language in the chamber.

Mr HAMILTON-SMITH: I do not think it is a foul word.

Mr KOUTSANTONIS: I think it is. Would you say that in front of school children? No, you wouldn't. You are a coward.

The CHAIR: Order!

Mr HAMILTON-SMITH: This is the issue: if you are going to allow the Treasurer to make stupid and inane remarks from his position, expect the same back, Madam Chair. I simply say that if you call the Treasurer to order we can get on with the business of the meeting. If he wants to make a fool of himself—

The CHAIR: Order! The member for Waite will keep quiet when I call for order. The word used is not unparliamentary, and I will not uphold the member for West Torrens' point of order. However, it would be much easier for me to make these rulings if you abide by the procedures of parliament and respect the committee process.

Mr HAMILTON-SMITH: I have a point of order, Madam Chair. You are the chair. If you wish the proceedings to proceed in order, I suggest that you apply the same standard to the Treasurer, because he is sitting there making a fool of himself with his stupid remarks. I would rather get on with the questions and get the answers.

The CHAIR: There is no point of order.

Mrs HALL: I have a point of order. I know that the estimates committees are slightly more informal than sittings of the parliament, but for the member for West Torrens to accuse the member for Waite of being a coward, I believe, is utterly unbecoming and objectionable in terms of parliamentary or estimates language. I believe it is within reason to ask the member for West Torrens to withdraw the remark that the member for Waite is a coward.

Members interjecting:

The CHAIR: Order! If the member for Waite took offence, he should raise a point of order and ask for a withdrawal.

Mr RAU: I have observed this going on, and it appears that the member for MacKillop has been extraordinarily well behaved, and I suggest that you call on him whilst everyone else calms down, and we might return to some decorum.

The CHAIR: Thank you for that information, member for Enfield. However, I understand that the member for Waite is asking questions, and I am being generous in allowing him to continue.

Mr HAMILTON-SMITH: I ask that you apply the same standard to the Treasurer.

The CHAIR: Order, the member for Waite!

Mr HAMILTON-SMITH: In relation to page 2.35, what prudential management measures will be put in place to ensure that persons or entities in any way associated with the Venture Capital Board are not stakeholders in businesses seeking funding from the Venture Capital Board? Who is responsible and accountable for conflicts of interest and probity management?

The Hon. K.O. FOLEY: Presently, there is a very strict code of conduct for each board member. I am advised that each board member must update monthly if there is a change in circumstances or any potential, perceived or real conflicts

of interest. In the preparation of the cabinet submission, the Crown Solicitor's Office has been advising the agencies in the preparation of the submission on matters relating to conflict and probity as it relates to the tender process for the moneys. Once the cabinet submission is concluded and approved, those types of issues will be made widely known, because it will be important for the integrity of the process for everyone to understand what is in place.

Mr HAMILTON-SMITH: I again refer to page 2.35. How will the function of the Venture Capital Board differ, or interact, with the operations of Playford Capital and Bio Innovation SA in regard to coordinating and developing opportunities for private equity firms and private investors?

The Hon. K.O. FOLEY: I will let Dr Sexton answer that question. With respect to the previous question, I understand that the chair, Roger Sexton—or Bill Price—also has been consulting with the Auditor-General about some of the issues relating to this matter. I will ask Dr Sexton to comment on the relationship with Bio Innovation SA and Playford Capital.

Dr SEXTON: The arrangement that we have in place with Playford Capital and Bio Innovation SA is that we very much provide a sort of umbrella culture for the encouragement of entrepreneurial activity and venture capital. We have worked jointly with Playford Capital in a number of training sessions. We held a VC connect forum two weeks ago in conjunction with Playford Capital, and we are looking to do one with Bio Innovation probably in about August this year. We do a number of things jointly. We see our approach as sort of an umbrella role, which works very closely with those two organisations, heading in the same direction that the minister has outlined in the operating model.

Mr HAMILTON-SMITH: I again refer to page 2.35. How will the Venture Capital Board assist South Australian businesses to present their expansion plans to private equity firms and private investors to improve their chances of attracting investment? In particular, I am interested in that standard of documentation that will be required relative to other commercial venture capital providers. Will there be a much higher bar than would otherwise be required by a venture capital provider?

The Hon. K.O. FOLEY: The Investor Ready program funding of \$170 000 is primarily targeted towards that area, and I will ask Dr Sexton to comment on that.

Dr SEXTON: The Investor Ready program, as the member is probably aware, was part of CIBM, and with the changes that have been made in CIBM that function and those resources have shifted into the venture capital office. The program is now being run out of the VCB. Our approach was to retarget and refocus it. Certainly, much lower funding is in place for that program than was the case previously. With that refocus we are running training courses for small and medium sized business, and also education programs, to help them access capital and attract investment from the eastern states and generally make them aware of the role of equity versus debt.

Mr HAMILTON-SMITH: I refer again to page 2.35. If the Venture Capital Board takes an equity position in a South Australian business, what will happen to any of the losses or profits subsequently accrued? If it is a profit, will it be available to the Venture Capital Board to reinvest or, if it is a loss, will it be deducted from capital reserves? How will that relative position be reflected?

The Hon. K.O. FOLEY: We have not signed off on the guidelines, and so on, as I have explained. I need to make this very clear, because it will answer the member's question. We

are not investing in firms. We will not be taking a dividend, nor will we be taking any income stream or benefiting from any of the upside in a venture capital firm through the placement of our money. This is a grant from government to stimulate an area of perceived market failure. The reason for that is quite simple. I do not want to be thinking that I am losing out on the benefit of getting some sort of windfall gain out of the success of a venture: I do not want to balance that with taking the risk of failure. For example, if Smith Brothers venture capital firm, in which we invest our \$5 million, goes out and raises \$20 million from the private market and the commonwealth government puts in \$5 million, you have a \$30 million fund. They invest in a company, and that company becomes one of the top 100 companies in Australia. We have missed out on a \$100 million dividend a year, maybe. But, if that venture capital firm also makes some bum decisions and there is liability to the state, we also do not then become liable for the substantial losses that may accrue.

We took this decision from the very beginning. The Victorian Development Corporation (VDC) back in the 1980s lost substantial amounts of money. There are plenty of examples here with the State Bank—and, perhaps more pertinently on this point, SGIC—where government took a risk by investing in risky ventures on a wing and a prayer and in the hope that it might receive a financial return should these firms succeed. That is great if they succeed. However, it is lousy for the state if there are substantial ongoing liabilities through that. So, we are not taking any risk. We are placing the money.

I can appreciate that, from a more socialistic approach (which might be the member's preference), one would invest in a firm and have a sort of state owned or state investment in a firm. But we do not want to do that. That is the old approach of governments in the past. It is a more socialistic approach to economic development, and we are just not in that business. But I do appreciate that that is where the member and I have a fundamental difference.

Mr HAMILTON-SMITH: I again refer to page 2.35, and the issue of the future of the Venture Capital Board and where it might be going. The Treasurer has not really answered that question: I think he knows where it is going. I will remind the Treasurer what the Economic Development Board said should happen with respect to the Venture Capital Board, in case he has not read the EDB's report. It recommended that after five years the venture capital fund should close: I think it said that after that five-year period it should be wound up. If the Treasurer agrees with that, does he see it being handed over completely to the venture capital industry after that?

The Hon. K.O. FOLEY: I tell you what, this bloke is a hard one to follow. The honourable member has taken every conceivable position: I am not spending enough or I am spending too much; I am too cautious or I am not providing enough safeguards. All he has been arguing is that I have not been able to give a long-term commitment to the board. To paraphrase the honourable member, I think his words were something like, 'You are not telling us whether this board has a future', and then his attack point is that the EDB thinks it should only be five years. Fair dinkum, he is all over the shop.

Mr HAMILTON-SMITH: What do you think?

The Hon. K.O. FOLEY: I have already said what I think, and what I said is exactly consistent with the EDB; that is, we have a board that has a work program. The EDB's view is that, after five years, the venture capital fund should be

wound up and that within five years we should have placed that money. We will place the money early in the five year period, but there is a lot of work to do to get private capital raising, to get the fund fully established and to get the money into the marketplace. The EDB thinks that will take about five years. You would then close Venture Capital Board fund No. 1; then you might begin the process, if it is the view of the government of the day that it wants to have Venture Capital Board fund No. 2, of a new five year work program. However, you have a lot of work to do before you are in a position to determine whether or not the Venture Capital Board as it currently exists is the right model going forward.

I would hope that the work of Roger Sexton, Bill Price and the board is so outstanding that we do not ever have to place another \$10 million and that that will have triggered a whole lot of private capital raising in the market. That is this Labor government's approach to addressing market failure: with a pro business, pro growth, pro economic development and pro private sector approach as contrasted with the honourable member's socialistic and paternalistic approach, which says that we should just shovel money into the hands of industry for ever and a day. You and I have a fundamental disagreement on that, member for Waite; I am sorry. To me you are an old time socialist in your approach to economic development. This government is pro market, pro growth, pro development and pro private sector.

Mr HAMILTON-SMITH: I refer to page 2.35. Does the Venture Capital Board have any intention to seek any federal funding for its own purposes? For example, does the Venture Capital Board have any intention to seek federal funding, for example, through the BITS program or some other program for its own purposes, as occurs with Playford?

The Hon. K.O. FOLEY: No, we do not, because we have different models. We hope that the formation of the venture capital fund in South Australia will be such that it will be able to attract possibly BITS or other commonwealth funding. We really want to stimulate the work of the fund. We do not see our role as accessing federal grants. That is not to say that there will not be opportunities for us to access some, but it is not a priority for us.

Mr HAMILTON-SMITH: I refer to page 2.35. How will the Economic Development Board and the government monitor and report on South Australia's performance in attracting venture capital relative to other states? I note that the EDB used Price Waterhouse Coopers' *Australian Venture Capital Journal*, but what key performance indicators will be monitored to evaluate our ongoing relative position?

The Hon. K.O. FOLEY: The EDB, of course, has two members on the board, David Simmons and Fiona Roche, and Robert Champion de Crespigny takes a personal interest in the activities of the board. We have developed or are developing key performance indicators (KPIs) and we are also using a particular group, Australian Venture Capital Association Limited (AVCAL). We are using their data, which in recent years is showing a significant improvement in South Australian private equity as a percentage of Australian private equity over a three year period. We have seen a significant improvement in the last couple of years and, while not wanting to overdo the role of the VCB, I think that in part the VCB can take credit from the fact that it is now stimulating discussion, debate and interest in venture capital and private equity. That is already starting to deliver dividends to the state whether or not we place that money.

Mr HAMILTON-SMITH: I refer to page 2.36. Considering that the Treasurer is not planning to spend any of this money in 2004-05—

The Hon. K.O. FOLEY: That is not what I said. I said that we are not sure how much of that money will be placed in 2004-05. We do not know whether all of it will, some of it will, or none of it will. It may be that none of it will, but I would think that part of it will. We will have made the decision, provided a successful tenderer comes forward and we have a company or companies that we are prepared to invest in or grant money to but, as I said before, member for Waite, you have to understand the process. I appreciate that we have not articulated it fully yet, so I am not being critical, but we want private sector venture capital firms to raise capital in the market. We will not give \$5 million to a venture capital firm before it can prove to us that it has leveraged an appropriate amount of money from the private market, because we want the risk to be shared by private equity investors and, hopefully, the commonwealth government. Now, that process might take six months, a year or two years: it is very much up in the air.

Mr HAMILTON-SMITH: The Treasurer seems to be stepping back now from his earlier remarks that the money would not be spent in 2004-05 and from a clear statement in the budget papers that that would not happen. He has stated as an objective that he will definitely have established at least one of these privately based equity funds by 30 June 2005, but in his budget papers and his earlier remarks in this morning's proceedings he said that it is quite likely that we might not spend the money. None of the \$10 million in the SAPE project is to be expended in 2004-05, so how was he going to raise that one fund?

The Hon. K.O. FOLEY: As Dr Sexton points out, the money could well be paid over a period. Let us say for argument's sake that, after we have gone through a tender process, we identify one or two funds late this calendar year or early next calendar year; we may make progress payments, depending on the capital that the private venture capital firm raises. We are not giving over a cheque of \$5 million to a venture capital firm on day one without being confident that either it has already raised capital or it can demonstrate a pathway to raising capital. It may be that we will make progress payments to a venture capital firm; we just do not know until we complete the tender process.

It may be that none of the money is spent in 2004-05; it may be that it all is; it may be that part of it is. I think the most likely scenario will be, as Dr Sexton points out, that there will be part payment of these moneys in 2004-05—we just do not know. You have been critical of our approach, but one day you might realise that the old socialist way of doing things does not work in South Australia. It has been our problem for too long. A socialist and a sook.

The CHAIR: The time for examining this line has expired. I therefore declare the examination completed.

Members:

The Hon. D.C. Kotz
Mr T. Koutsantonis
Dr D. McPetridge
Mr M.F. O'Brien
Mr J.R. Rau
Mr M.R. Williams

Department for Administrative and Information Services
(including equity contributions), \$183 172 000
Administered Items for the Department for Administrative
and Information Services, \$5 680 000

Witness:

The Hon. T.G. Roberts, Minister for Aboriginal Affairs.

Departmental Advisers:

Mr P. Buckskin, Chief Executive, Department of Aboriginal Affairs and Reconciliation.

Ms K. Lennon, Chief Executive, Families and Communities.

Mr A. Doyle, Associate Director, Finance, Department of Aboriginal Affairs and Reconciliation.

Ms M. Russell, Policy Officer, Department of Human Services.

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 approximate time for consideration of proposed payments to facilitate the changeover of departmental advisers. I ask the minister and the lead speaker of the opposition to indicate whether they have agreed on a timetable for today's proceedings and, if so, provide the chair with a copy.

The Hon. T.G. ROBERTS: Yes, Madam Chair.

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 to make opening statements of about 10 minutes each. There will be a flexible approach to giving the call for asking questions, based on about three questions per member, alternating each side. Supplementary questions will be the exception rather than the rule.

A member who is not part of the committee may, at the discretion of the chair, ask questions. 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 normal 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 and not the minister's advisers, but the minister may refer questions to advisers for a response.

I declare the proposed payments open for examination and refer members to the Budget Statement, appendix C, page C3 and Portfolio Statements, Volume 2, parts 5 and 6, and in particular pages 6.1 to 6.8 and 6.11 and 6.12. Does the minister wish to make an opening statement?

The Hon. T.G. ROBERTS: Yes, Madam Chair. It is a privilege to be charged with the responsibility for improving the lives of the state's Aboriginal people, and I have taken that responsibility seriously. It has now been 12 months since the South Australian government's 'doing it right' policy framework was introduced and, while much work remains,

the foundations of partnership, coordination and consultative policy development have been laid.

The problems of poor health, crime and substance misuse remain, but the capacity of government and the Aboriginal community to respond is growing. The state government's approach to Aboriginal affairs is to recognise that the only way for real outcomes to be achieved for Aboriginal people is for all ministers and departments to accept responsibility for improving access and outcomes for Aboriginal people for issues within their portfolios. This is the challenge laid down by *Doing it Right* and this is the challenge that government departments are meeting head on.

The Department for Aboriginal Affairs and Reconciliation has been restructured to enable it to meet the new challenges and priorities of *Doing it Right*, and DAARE is committed to driving the government's Aboriginal affairs policy agenda ensuring that tangible outcomes are produced for the state's Aboriginal communities. This commitment is reinforced and maintained by the government's social inclusion agenda and the work of the Social Inclusion Unit and the board, for example, in connection with the school retention initiatives.

The key areas of effort by DAARE during the past 12 months—and these are likely to remain priority issues—have been the development of partnerships with Aboriginal communities and other stakeholders, the introduction and development of action zones, advancement of reconciliation, delivery of Aboriginal family reunion services, improvement of community infrastructure service delivery on the AP lands and the protection of Aboriginal heritage. DAARE continues to build reporting frameworks to ensure that the achievements of agencies are monitored and these frameworks are also extended to the department's action zones and its support for the APY lands task force.

DAARE is also actively involved in various across government committees ensuring that Aboriginal issues are taken into account in all areas of public sector policy development and service delivery. This involvement sees DAARE represented on bodies such as the senior officers group on child protection, intergovernmental committee on the women's safety strategy, Juvenile Justice Advisory Committee and the senior officers committee on drugs. Consultation is a cornerstone of all the government initiatives targeting the Aboriginal community. This has involved numerous community visits by myself and the Chief Executive of DAARE and a range of DAARE field and policy officers. DAARE is ensuring that all the agencies develop and implement policies and programs in consultation with the Aboriginal community. Appropriate contacts within the community are frequently sought from DAARE by other agencies.

The West Coast action zone, which takes in Ceduna and Yalata, has progressed significantly in 2003-04 and certainly more is to be done. Key state and commonwealth departments are working with Aboriginal communities on the Eyre Peninsula to improve service delivery across areas such as education, policing, housing and employment. Acknowledging that the needs of Aboriginal families and communities differ from region to region and that effective action depends on engaging families and communities in decision making that affect their lives, DAARE is also collaborating with communities in the Riverland, Port Augusta and northern Adelaide with a view to establishing action zones in these localities.

The impending changes to Aboriginal affairs at the commonwealth level will undoubtedly provide further

challenges and opportunities for the government. At the Ministerial Council for Aboriginal and Torres Strait Islander Affairs, I have been firm on behalf of the South Australian government in calling for funding levels to be maintained and appropriately tracked under the proposed mainstreaming approach favoured by the commonwealth. At this forum, I have been clear in my desire for appropriate regional consultation mechanisms to be maintained, and we are working on those contacts.

Although this is certainly threatened by the expected abolition of ATSIC regional councils from June 2005, I believe that the levels of engagement that we have established between the two elected arms (state and commonwealth governments), the two administrative arms (ATSIS, ATSIC and the state public sector) and with the community are the strongest they have been for many years and will form a strong foundation for the continuing representation of Aboriginal affairs. It is through these various consultative, advisory and engagement processes that Aboriginal South Australians have been involved in policy development and service design and delivery at both political and public sector levels.

Reconciliation continues to be progressed and celebrated in the South Australian public sector. The Across Government Reconciliation Implementation Reference Committee has supported a variety of initiatives across the state government including cultural awareness training, development of 'Welcome to Country' protocols and identification of Aboriginal employment opportunities within the sector. The inaugural annual report from the committee was presented to me earlier this year. Responsibility for the committee has recently transferred from the Department for Administrative and Information Services to DAARE, with the DAARE Chief Executive to sit as chair.

Another key reconciliation initiative has been the funding of Reconciliation SA throughout the year to run various reconciliation events, including the recently concluded Reconciliation Week schedule. Aboriginal family reunion services for members of the stolen generation has also been a feature of the government's Aboriginal affairs activities in 2003-04. Nunkuwarrin Yunti's South Australia Linkup program has performed a wonderful service in reuniting Aboriginal families and communities, and will continue to receive funding in 2004-05. Community infrastructure continues to be an important consideration for government. Improved power, water and road infrastructure is being achieved at many communities across the state. Within the Adelaide metropolitan area DAARE has been exploring the feasibility of a substance misuse facility and an Aboriginal sport and recreation facility.

Service delivery on the APY lands and government liaison with the APY Land Council has been given further emphasis by the recent establishment of the APY lands task force in the Department of the Premier and Cabinet. This task force, in conjunction with the Hon. Bob Collins, is ensuring that improved coordination of service delivery on the lands remains a priority for the state and commonwealth governments. Additional financial support has been provided by the 2004-05 state budget of \$2.45 million for service delivery on the APY lands.

Administration of the APY lands, along with the Aboriginal Lands Trust and the Maralinga Tjarutja land, is the focus of investigations by the Aboriginal Lands Parliamentary Standing Committee. This committee, of which I am the chairperson, is investigating a range of issues prevalent

on Aboriginal-owned land and is providing Aboriginal people with another avenue for raising issues with the government.

Protection of Aboriginal heritage remains a priority. Members will note that the targeted number of Aboriginal heritage sites registered as a result of the determinations exercised under the Aboriginal Heritage Act 1988 was not achieved and that the average cost for determination of sites was slightly higher than anticipated. The reduced number of determinations was due to the legislative process being resource intensive and highly complex, and the higher cost related to this was due to the size and complexity of the determinations required. A new administrative approach to Aboriginal heritage matters has been adopted to achieve the government's objective of certainty and consistency in the administration of the act, and priority projects are being progressed as a matter of urgency and in full compliance with the consultation requirements of the act.

During 2004-05, the government will focus on improved conditions of service delivery across government and further progress Doing It Right. Similarly, objective 6 of the state strategic plan, which includes a focus on improving the wellbeing of the Aboriginal community and the proportion of Aboriginal people employed in the public sector, will be a key target for the government. I look forward to building on the foundation put in place in 2003-04.

The CHAIR: Does the member for Morphet have an opening statement?

Dr McFETRIDGE: I have a short opening statement. In the budget handed down in May 2003 the Treasurer said:

Mr Speaker, the crisis afflicting the Anangu Pitjantjatjara peoples requires a whole of government approach. The findings of the Coroner's inquiry last year, including senseless death, petrol sniffing and domestic violence, shocked us all. The government has responded in this budget by providing nearly \$12 million, including \$7 million for health services, \$1 million for policing, \$800 000 to ensure the safety of electrical services, \$2 million to provide housing for teachers and \$1.2 million for a Department of Human Services regional office and respite centre.

I appreciate that the \$12 million was directed through departments and agencies for which this minister is not directly responsible. However, on page 24 of the annual report of his department (Department of Aboriginal Affairs and Reconciliation) there was an acknowledgment that DAARE has a key role in:

...ensuring that across government services delivery and program responses to Aboriginal communities are better integrated.

In March this year the Deputy Premier announced that self-government on the AP lands was 'dead' and that Police Superintendent Jim Litster was to be appointed administrator to the APY lands. Subsequently, the government appointed the Hon. Bob Collins as coordinator of state government services on the APY lands. In this year's budget speech the Treasurer announced a further \$9.5 million to 'provide additional services to the APY lands in 2004-05'.

The general community is entitled to know how effective this government is in ensuring that the funds allocated for the benefit of the people of the APY lands actually deliver real benefits to them. More importantly, the Aboriginal people on the lands are entitled to know what has happened to the money. Having recently been on the lands with the Aboriginal Lands Parliamentary Standing Committee, I can assure the committee that there is little evidence of increased government spending. My first question to the minister is: what evidence or assurance can he provide to satisfy the committee that the amounts announced in last year's bud-

et—\$7 million for health services; \$2 million to provide housing for teachers; \$1.2 million for a Department of Human Services regional office and respite centre; and \$1 million for policing—have actually been spent in the year that they were intended to be spent? More importantly, when, how and where were those funds spent?

The CHAIR: I remind the member for Morphet that questions need to be referenced.

Dr McFETRIDGE: As there is no separate budget line in Budget Paper 3, I refer to Budget Paper 3, appendix C for Aboriginal Affairs. The program information is in DAIS, Budget Paper 4, Volume 2, pages 6.1 to 6.45 and, within those pages, Aboriginal Affairs and Reconciliation appears as program No. 2 on page 6.12.

The CHAIR: Does the minister have sufficient references to answer the question?

The HON. T.G. ROBERTS: I have some information that will assist in answering the question. It is a broad question and, as the honourable member indicates, it is across agency in responsibility, but I will endeavour to answer as best I can with the information I have available. If there are any gaps I will bring that information back to the honourable member.

The department monitors and reports against the delivery of South Australian government services in response to the Coroner's recommendations of September 2002. We also need to ensure that the improvements in the service delivery of the government appointed coordinator are brought into play and monitored. DAARE has responsibility for a monitoring process and, as minister, I have responsibility for keeping in contact with the way in which other agency funding is spent. The programs being put together to improve the delivery of services and programs on the APY lands are as follows:

- DAARE is to provide secretariat support to the APY lands task force, chaired by the Department of the Premier and Cabinet, and that is part of the administrative responsibilities; and
- DAARE is to consider the recommendations made by the University of South Australia in relation to effective management plans to counter and minimise the abuse and misuse of petrol sniffing and its associated risk to health and wellbeing, and we take on that responsibility.

The outcomes for 2003-04 were as follows:

- to establish a team within DAARE to provide ongoing secretariat support to the APY lands task force;
- to employ a community liaison officer to reside on the APY lands to lead and manage the community engagement strategies, work with communities and service delivery agencies in action zones where programs, services and resources are directed to local community priorities, and identify opportunities and innovative responses to complex community issues (and that includes the APY lands); and
- to develop matrix profiling data and statistical records to help improve monitoring and reporting on service delivery on the APY lands in response to the Coroner's recommendations.

We have developed and strengthened the partnership between the South Australian government, the AP executive board, the Anangu service providers and the commonwealth Department for Health and Ageing. We are also providing documentation to the Crown Solicitor's Office and the Coroner regarding the coronial inquiry to be held later this year. As indicated by the

honourable member, funds allocated across government for use on the AP lands were as follows:

- \$7 million to the Department of Health and the Department for Families and Communities for health and wellbeing initiatives related to petrol sniffing;
- \$1.16 million to the Department of Health to provide regional office and respite initiatives;
- \$1 million for policing and justice; and
- \$2 million to DAIS to provide housing.

These programs and initiatives, including the housing initiative, cannot be dealt with overnight. We are coming off a very low base, and we are trying to cross those agencies to commit the funding in a time frame that can be met by the cross-agencies using their skills and support in getting those services onto the lands.

In a lot of cases there will not be measurable outcomes for some of the issues that the honourable member alludes to because of the in-built problems associated with long-term substance abuse and community neglect. It will take some considerable time for any visible turnaround. I have certainly noticed a difference in the four years that I have been going on to the lands that improvements have been made in some of the circumstances in which people find themselves. However, in a lot of cases, there is certainly a lot of work to be done.

The 2003-04 outcomes in regard to disabilities—a major problem on the lands because many people with disabilities suffer the tyranny of distance, isolation and remoteness—are now starting to be dealt with. Some of the outcomes, new programs and total funds allocated are as follows: \$776 000—that is, \$140 000 one-off and \$636 000 recurring; new allocations in 2003-04 include early intervention services through Nganampa Health at \$55 000 one-off and \$136 000 recurring; new service development projects, \$65 000 one-off; day activities and meal programs for the Ernabella Community Council, \$15 000 recurring; tri-state service development, \$20 000 one-off; options coordination brokerage services, of which I do not have details but I can supply a breakdown of those, \$150 000 recurring; ongoing services for tri-state case management, family support, and APY women's council, \$55 000 recurring; and supported accommodation care for full clients by Anglicare Northern Territory, \$280 000 recurring.

We have targets set for 2004-05 in those same areas. However, as the honourable member noticed during the committee's visit, housing was a particular problem; overcrowding in some areas was reported to us and other immediate problems. As I said, there will be time delays in some of those urgent matters—it is a work in progress. We will not be able to solve all the problems that have developed over the past 30 years on the lands in relation to health and opportunities for young people, but we have a commitment to work our way through it across agencies, and to give people on the lands the same opportunities that other South Australians expect in building their lives and in providing opportunities for young people in particular.

Dr McFETRIDGE: I refer to Budget Paper 4, Volume 1, page 1.10. Government targets for 2004-05 include coordination of 'programs and services by the state government in the APY lands'. On 7 April it was announced that Bob Collins would be appointed to coordinate the provision of state government services to the APY lands. In the Legislative Council on 4 May, the Minister for Aboriginal Affairs and Reconciliation tabled Bob Collins' first report. What amount is being paid to Bob Collins? What assistance

is being provided to him? Why is he reporting to the Department of the Premier and Cabinet and not the Minister for Aboriginal Affairs and Reconciliation? When do you anticipate that Bob Collins' assignment will be completed?

The CHAIR: As the question refers to a line that is not open, you can answer it by providing what information you are able to.

The Hon. T.G. ROBERTS: I will endeavour to answer it as best I can with the information I have and refer the unanswered parts of the question to the Department of the Premier and Cabinet. To ensure improvements in service delivery, in April 2004, the government appointed the Hon. Bob Collins as coordinator of state government services. The Hon. Bob Collins brings extensive experience and understanding of the needs of indigenous Australians, particularly those living in remote communities. The coordinator is supported by a newly formed government task force. Bob Collins has visited the lands and consulted widely and is now providing expert advice to assist the task force to address the recommendations of the coronial inquest into the deaths from petrol sniffing.

Bob Collins has also strengthened links between the commonwealth and state agencies involved in the COAG trial. In 2003-04, \$11.96 million over four years was allocated to the APY lands, principally on the recommendations of the work previously done by DAARE, the cross agencies, and with the coordination and help of Bob Collins in putting together those priorities. In the departments of health, policing, admin and ageing, that work will provide cross-agency support and allocation of resources. He will be reporting to the Department of the Premier and Cabinet, but DAARE is working closely alongside the Department of the Premier and Cabinet in working through those priorities and making sure that those targets that are set are reached.

In relation to the completion, the work on the lands is complex and requires a lot of cross-agency support. It will also require a number of budget terms for us to carry out in consultation and partnership with APY for a lot of those programs over time. The Hon. Bob Collins has made a time frame for himself in relation to what difference he can make. I cannot answer on behalf of him in relation to any decision he may make, but the government would be working with Bob Collins for as long as he can be seen to be a useful tool in relation to working with Anangu in coordinating these services on the lands in an effective and efficient way to make sure that the cross-agency support that the departments can give is targeted.

As I said, it is not only our state agencies but it is also the pooling of the commonwealth's resources. The important link for us in terms of the changed circumstances in which the funding regimes are now placed with the abandonment of ATSSIS and the pending abandonment of ATSSIC is a coordinator's role. Whether it is Bob Collins or someone else in the future—depending on what the Hon. Bob Collins' views of the world are—it will be important to have that linkage between the lands, DAARE and the Office of Premier and Cabinet for the cross-agency cooperation.

Dr McFETRIDGE: I assume that the first part of the question about what amount has been paid to Bob Collins will be answered on notice. You did give some answer to what assistance has been provided to him, but can I expect more information on those two parts?

The Hon. T.G. ROBERTS: There is a secretariat supplied. I will ask Peter to add to that secretariat report from DAARE.

Mr BUCKSKIN: I am Peter Buckskin, the CEO of DAARE. DAARE supports the Department of the Premier and Cabinet by providing some secretarial support. The government task force is chaired by Joslene Mazel, the Director of Special Projects in the cabinet office. It has also dedicated two resources to that. With the resources that were dedicated to the Tier 1 committee which I chaired and which was abandoned as a result of the new task force set up by the Premier, we continue to support that work, and we now have a full-time officer on the lands, Mr Ian Liddy. Due to housing restraints he did not arrive until just recently, but he has now moved onto the lands. He is an ASO6 officer; that is, he supports the work of Mr Collins when he is on the lands. I understand that, if rain has not prohibited him visiting the lands, Ian Liddy and Mr Collins will continue their work by travelling through the lands this week, continuing with their consulting on the western side of the APY lands, because they have not been there yet. There are about three full-time officers dedicated to supporting the work of the government task force and ensuring that Mr Collins has appropriate administrative support.

Dr McFETRIDGE: I refer to Budget Paper 4, Volume 2, page 6.12. The performance commentary on page 6.12 shows that the Department of Aboriginal Affairs and Reconciliation's target for 2003-04 for 'the number of clients assisted with Aboriginal development initiatives' was 30. The estimated actual result was only six—one fifth of the target. The footnote states that this activity is no longer a 'lead responsibility of DAARE'. My questions are:

1. Why has this activity ceased to be the responsibility of DAARE, and who is doing it?
2. What has been the result across government for 2003-04; that is, what number of Aboriginal people have been assisted with economic development initiatives?
3. Who is now monitoring performance in this area?

The Hon. T.G. ROBERTS: Thank you for the questions. The high levels of poverty and unemployment currently experienced by Aboriginal people are unacceptable. Aboriginal people have the same rights to economic participation and benefits as non-Aboriginal citizens. It is critical to cost activities to enable local Aboriginal groups and communities to take responsibility for and contribute to their own economic advancement. Capacity building and economic independence are levers for sustained improvement in the quality of life of Aboriginal South Australians. The community consultation by the Department for Environment and Heritage staff resulted in the formulation of a draft integrated natural resource management plan for the APY lands. Community participation in negotiation, problem-solving and consensus development is empowering the Aboriginal participants and building their capacity for future management of their economic aspirations.

Activities include: involvement in traditional land management practices; cleaning water holes that support native animals; and exploring bush medicine and food planting which engage people's interest and motivate them to do things that make their lives better. Engagement in wildlife and vegetation management enables traditional culture to be passed on, creates work for people and increases the potential for tourism ventures. There is involvement through the AP lands management nursery and revegetation project in seed collection; propagation and re-establishment of native vegetation; water management activities to reduce erosion; fox baiting to reduce feral numbers; and reduction of feral flora like buffel grass. These are many of the

programs in place. The removal of large feral animals (camels, horses and mules) from the lands has captured the interest of many people. There is industrial opportunity for the slaughter and sale of meat and so on. These are some of the programs operating out of the Department for Environment and Heritage.

There are other economic programs operating from other departments. It is DAARE's role to monitor the impact of these on the State Strategic Plan. I probably got a bit carried away with the detail in relation to some of those programs running out of one agency, but there are other programs running out of the South Australian Tourist Commission, PIRSA has groups working in mining and energy and the arts department has programs running out of its area. The four communities that have arts centres seem to be doing quite well. The Department of Water, Land and Biodiversity Conservation has programs. Where other agencies are setting up economic programs, DAARE will be involved in assisting wherever it can and monitoring those results.

We are starting to put together a program that we hope is in place by late 2004-05 with respect to recognising economic development opportunities for land management and other agencies in environmental tourism and culture and heritage protection and so on. We are putting together cross agency a whole range of economic support through promoting small business opportunities in a range of areas, which we will be monitoring through the state strategic plan.

The Hon. D.C. KOTZ: In the same area of programming (Budget Paper 4, Volume 2, page 6.11), in last year's budget some \$6.7 million was provided for the construction of a central power station on the AP lands. The total project cost was some \$14.3 million, of which (and I know the minister is aware of this) ATSIIC was to provide \$6.7 million and negotiations had been undertaken with Greenhouse Australia to provide \$1 million. Under the heading 'Works in progress' in this year's budget papers, it is revealed that \$6.65 million was budgeted in the 2003-04 year for the AP central power station but only \$325 000 was spent. That is an underspend of \$6.225 million in the current financial year. The same item states that only \$1.138 million will be spent this year.

We have talked about this project in other budget years, as it was initiated in about 2000-01 and groundworks were underway by 2002. Will the minister advise the committee of the reason for this horrendous delay? Does the minister agree that providing adequate power is an important basic human service for people on the AP lands? Has the commonwealth government, through ATSIIC or ATSIIS, made its contribution, and has Greenhouse Australia contributed its promised \$1 million—which, as we both know, was the greenhouse equivalent with the solar photovoltaic panels? What are the benefits of the scheme? More importantly, I guess, what is the current status of the power station on the lands? And have the distribution lines, which were to cover 136 kilometres of land, yet been started?

The Hon. T.G. ROBERTS: I am not sure whether I have complete answers to all those questions. The project has been jointly funded by ATSIIC and ATSIIS, and the state government contributions are \$321 200 and \$291 000 respectively, which brings the total project value to \$612 200. Communities that have benefited from the installation of the distribution protection system so far are Indulkana, Fregon, Amata, Umuwa, Yunyarinyi and Pukatja, and consumers are connected to the 90 kilometres of Pukatja high voltage grid (so, 90 kilometres is rolled out).

As I have said, the APY lands electrical distribution system project is jointly funded. The nature of the electricity generated from small generation sources does not support electrical interruption devices adequately; there have been some failures. The staging of the construction work, as indicated to me, is as follows. Stage 1 is delivery of works and construction of duplex accommodation for power station staff and the provision of an additional bore. Stage 2 is civil works to prepare the site. Stage 3 is construction of the powerhouse (which I understand has just commenced, or is a work in progress). Stage 4 is the acquisition of generation services and equipment. Stage 5 is the installation of the distribution and networking services.

The Department of Administrative and Information Services has project managed the design and has called for tenders and engaged tenderers to support the progress of the work. The first two stages of construction have been delivered and the third stage of construction of the central powerhouse commenced on 10 May 2004. Powerhouse construction is programmed for completion by the end of September 2004, and the contract for the next stage of implementing generation of services and equipment is programmed for completion at the end of February 2005. I could mention the benefits, but the member is probably aware of the benefits that that would bring. We have the sun farm, which complements the use of fossil fuels. I think the member is aware of the progress of the diesel generators and the sun farm.

With respect to the distribution network, selection of a licensed operator for electrical distribution was finalised and endorsed by the three landholding authorities. The tender process and selection was approved by the State Supply Board. The contractual conditions and terms are currently the subject of negotiations between the Department of Aboriginal Affairs and Reconciliation and the preferred tenderer, ETSA Utilities. A tender released to the market seeking a licensed operator for electrical generation did not attract a viable and value for money response.

In view of this, the Essential Services Commission of South Australia granted a licence exemption and arrangements are in place to secure licensed operators in time for completion of the APY power station at Umuwa. Finalised contract negotiations with the preferred tenderer for licences should be issued to operators to enable the contract to be let and implemented by ETSA Utilities. So that again is work in progress. There have been delays in the tendering process by the failure of a value for money response, and I expect that has been overcome and negotiations have been finalised and work is progressing.

The Hon. D.C. KOTZ: I have a supplementary question. In terms of the amount that is allocated within this budget year, which is only \$1.138 million and the minister's statement in which I believe he said that the completion date has now moved to 2005 (I thought the budget papers showed 2006), is that the final amount to be spent? Will this allocation of \$1.138 million bring the whole project to completion?

The Hon. T.G. ROBERTS: The reply that has been provided to me is that the powerhouse is in its final stage of completion (which is what I read from the brief), and the distribution lines will be funded with the \$1.138 million, and that will be finalised in February 2005. The lines will be the final link of the distribution network.

The Hon. D.C. KOTZ: They will be up and running.

The Hon. T.G. ROBERTS: That is the intention, but as we all know, especially those who have visited the lands, the

roads are probably impassable at the moment. They were almost impassable when we were there a week or 10 days ago. Subject to favourable conditions, the first part of 2005.

The Hon. D.C. KOTZ: I would not dare to suggest, minister, that part of the road problems might be the fact that you cut the budget something horribly last year, so I am not terribly surprised. In terms of this year's budget papers—and I am referring to the same page as before—this year's target for the registration of Aboriginal heritage sites is 40. However, the expected result is only three sites. The actual result for last year was 20 sites. In this year's budget papers it says that in 2003-04 there would be an increase of focus on heritage sites, and the DAARE annual report for the year ending June 2003 records that 6 000 sites are currently protected under the act and that 2 600 of them require further investigation for cultural significance.

Minister, I know that you addressed a portion of your opening statement to the heritage problems which have now been detected in terms of cost, resource intensity, complexity and a whole series of other areas, but can you advise whether the 10 sites now being looked at as a target for this year will be part of a determination and registration process? I also note that the budget papers show a rather diminished amount of cost in this year's target for each site to be processed, as opposed to some 8 000 odd that were shown in last year's papers. As the minister would know, previous governments have been lambasted for not managing to register sites on numerous occasions, and the minister now seems to be in a very similar position with a huge number of sites still to be even looked at. Can the minister advise exactly what the protocols and processes will now be about, or are we to forget the fact that we are looking towards registration of sites?

The Hon. T.G. ROBERTS: No, we will still be targeting the registration of sites, which is part of policy, but we do have an increased number of applications due to levels of activity particularly along our coast for housing development, marinas, wind farms, etc. There has been an acceleration of applications, which is a good thing for the state, but it does put pressure on the departmental resources when we are asked to make determinations of such a broad nature. We will continue to work through those issues. Where funding is required to provide a process, we will ensure that adequate funding is provided. Currently a review of the process is under way. A special team has been established to look at the matters which we are trying to process and how we will do it. The final process will be subject to a cabinet submission, and that will be put together in the next four weeks.

We are aware that the current system needs some change, but we will continue to consult with traditional owners and communities in relation to the protection of heritage and culture. We also want to send signals, particularly to the people involved in renewable energy projects, that we will be going through the processes in the best possible way, and we hope to speed up the number of applications we have, given the process we go through now. We can shorten the time frames while maintaining the consultation processes, but the way in which we have dealt with the issues thus far can show improvement.

Mr WILLIAMS: I refer to Budget Paper 4, Volume 2, page 6.11. Last year's budget for the Aboriginal affairs and reconciliation agency was \$16.284 million to the year ended 30 June 2004, but the budget papers show the estimated result to be a mere \$9.991 million—an underspend of over \$6 million. What is the reason for the apparent failure to fully expend the budget? Bearing in mind that fewer than 3 000

people live on the APY lands and that another 20 000 indigenous people are spread across the rest of South Australia, are you able to indicate what proportion of the DAARE budget is spent on programs in the APY lands?

The Hon. T.G. ROBERTS: The budget shows approximately a \$7 million reduction in the cost of services between 2003-04 and 2004-05. This reduction is the result of funding differences. The 2003-04 outcomes, cost of services, was approximately \$16 million; funding provided to DAARE for the cost of services in 2003-04, including the funding for a central power station and distribution system, amounted to \$6.65 million. These funds were not fully utilised in 2003-04. An amount of \$115 000 for once-off funding for several minor projects has been underspent. The 2004-05 target expenditure for the program 2004-05 is targeted to return to normal levels of around \$9.7 million. Carryover has been sought for the unspent portion of the central powerhouse distribution network. Savings included in the 2004-05 budget amount to \$180 000 for the wages parity vacancy adjustment. Running light within DAARE has brought about some savings which, when those vacancies are filled, will be taken up. It is mainly capital funding associated with those powerhouse delays in the distribution network, so human services have not suffered.

Dr McFETRIDGE: I have some omnibus questions as follows:

1. Did all departments and agencies reporting to the minister meet all required budget savings 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 expenditure on consultants and contractors in 2003-04 for all departments and agencies reporting to the minister, listing the name of the consultant or contractor, cost, work undertaken and 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 entitlement and classification of the employee and the total employment costs 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 for 2004-05?

6. (1) What was the total number of employees with a total employment cost of \$100 000 or more per employee, and also a sub-category of 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 of June 2003?

(2) What is the estimate for 30 June 2004?

(3) Between 30 June 2003 and 30 June 2004 will the minister list job title and total employment costs for each position (with a total estimated cost of \$100 000 or more)—

(a) which has been abolished; and

(b) which has been created?

7. (1) What is the difference between consultants and contractors, and how many people or services that were previously classed as consultants are now shown as contractors?

(2) What is the value of their contracts and what are the services they provide?

The Hon. T.G. ROBERTS: I will take those questions on notice and bring back a reply.

The Hon. D.C. KOTZ: On the last question asked by the member for MacKillop you talked about the \$16 million shown in this year's budget papers that represents last year's budgeted amount. Last year's budget papers do not show \$16 million but \$10 million. From where did \$6 million appear between what was printed up in last year's budget papers for that year and this year's budget papers?

The Hon. T.G. ROBERTS: I will seek advice. We will supply that information when we get a report from Treasury.

The CHAIR: The time for examination of this line having expired, I declare the examination suspended until later today.

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

Department of Primary Industries and Resources
(including appropriation borrowings), \$113 809 000
Administered Items for the Department of Primary
Industries and Resources, \$92 335 000

Witness:

The Hon. P.F. Conlon, Minister for Energy.

Departmental Advisers:

Mr J. Hallion, Chief Executive, Primary Industries and Resources SA.

Mr G. Knight, Executive Director, Corporate.

Mr B. Goldstein, Acting Executive Director, Minerals and Energy.

Mr R. Faunt, Technical Regulator.

Mr S. Archer, Director, Finance and Business Services.

Membership:

The Hon. W.A. Matthew substituted for Dr McFetridge.

Mr Venning substituted for the Hon. D.C. Kotz.

The CHAIR: I declare the proposed payments open for examination and refer members to the Budget Statement, Appendix C, page C2, and Portfolio Statements, Volume 2, Part 5, in particular pages 5.1 to 5.8 and 5.18 to 5.25. The estimates committee is 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 changeover of departmental advisers. I ask the minister and the lead speaker for the opposition if they could indicate whether they have agreed on a timetable for today's proceedings, and if so to provide a copy to the chair. Minister, is it Energy SA first?

The Hon. P.F. CONLON: Yes.

The Hon. W.A. MATTHEW: We have not set down a time, but we will negotiate.

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 by no later than Friday 23 July. I propose to allow both the minister and the lead speaker for the opposition to make opening statements of about 10 minutes each.

There will be a flexible approach to giving the call for asking questions, based on about three questions per member alternating each side. Supplementary questions will be the exception rather than the rule. A member who is not part of the committee may, at the discretion of the chair, ask a question. Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the *Assembly Notice Paper*. There is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted on the same basis as applies in the house, that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the minister, not the minister's advisers. The minister may refer questions to advisers for response. I also advise that, for the purpose of the committee, there may be filming for television. Do you wish to make an opening statement?

The Hon. P.F. CONLON: No.

The CHAIR: If the member for Bright does not have an opening statement, he may proceed with questions.

The Hon. W.A. MATTHEW: My first question relates to SENRAC funding, and I refer to Budget Paper 4, Volume 2, page 5.19. Subprogram 2 shows that the funding for SENRAC has been cut by \$87 000 or 24 per cent in 2003-04. This expenditure was cut by 54 per cent against the 2002-03 budget. As I understand it, the allocation of SENRAC funds is still determined by a committee, and I realise that the Premier has made some changes that require that the committee that makes recommendations be a committee within his department. However, the payments are made by the minister's agency. I understand also that the committee has not met at all in 2003-04. Has any of the \$272 000 that is claimed to have been spent in 2003-04 actually been spent, or is it money that is intended for allocation when the committee finally meets?

The Hon. P.F. CONLON: I will attempt to answer the question even though we indicated some considerable time ago that ministerial responsibility for SENRAC has changed. It is now part of the responsibilities of the Minister for Science and Information Economy. It is going through a substantial restructuring and a refocus because it is going to be part of the sustainability round table. I will try to give the honourable member what information we have, but the question is probably more appropriately addressed to the minister for science. There is no doubt that there have been changes, and what has been going on for the last year is the substantial expenditure of carryover funds from uncompleted projects. Can you ask your question again about specific funds?

The Hon. W.A. MATTHEW: I understand that an amount of \$272 000 will be spent in 2003-04. I am trying to ascertain whether that money has been spent or, given that the committee has not met this year, is it anticipated that it will be spent after the committee has endorsed it?

The Hon. P.F. CONLON: No, that money has been spent. I understand that is a carryover of programs from the previous year, which may well be why they have not been meeting to allocate funds, because they are carrying over earlier funding. The other detail you probably need to ask the minister for science.

The Hon. W.A. MATTHEW: In part, you have answered my concern in that it appears that no decisions have been

made by the committee for any further funding in 2003-04. I will take that up with your colleague.

The Hon. P.F. CONLON: That is a matter for the committee. It would need to explain why it has chosen to do that. As far as I am concerned, that is a matter for the committee. It has a funding line, and it is up to the committee to give it out. I would be disturbed if it never gave it out, but I am sure it has its reasons for the way it is doing things.

The Hon. W.A. MATTHEW: In fact, that becomes the issue. University academics have complained to me that they have endeavoured to find out what is going on. They fully understand that there has been this transfer of decision-making but, because the paying authority is your agency, they made contact initially with Energy SA and were told that the Premier's Science and Research Council makes the decisions. However, when they ring the Premier's staff, they are told that Energy SA administers the funds and they should call them. So, there is a lot of confusion amongst the organisations that receive these research funds. They tell me that they have had research projects ready to be set up, with students allocated, but the projects have had to be either abandoned or put on hold because there is no certainty on funding.

The Hon. P.F. CONLON: I make it clear that they are there now for paying only victuals in our agency. They are there only for administrative purposes. We no longer have any role in the decision-making in relation to the allocation of funds. They may have very good reasons for running down the carryover funding on existing projects. I will take on board what you say and I will give you the information we can provide. Obviously, information needs to be provided by the Minister for Science and Information Economy as well.

There is a funding allocation for those purposes. As you well know, as the previous minister, it was always a hands-off approach for SENRAC to allocate those funds, and I understand that continues to be the case. We will try to obtain an explanation for why the committee has elected not to allocate funds, if that is the case.

The Hon. W.A. MATTHEW: To assist you, minister, even committee members to whom I have spoken do not know what is going on, and that is of enormous concern. I accept that it is not your direct ministerial responsibility but, as energy minister, I would expect you to be as concerned as I am about this issue.

The Hon. P.F. CONLON: The budget allocation is there. I do not think it would be enormously difficult to ensure that allocation is expended, although, in my experience in government, giving people money and getting it spent is not always the same thing. We will try to bring back whatever detail we can. As I say, it may be more appropriate for someone else to provide that detail now. I have a note that the priority now for the SENRAC subcommittee is the evaluation of funding guidelines to allow for an early call in 2004-05. Hopefully, if there is an issue, it will be resolved very quickly.

The Hon. W.A. MATTHEW: My next question refers to page 5.7 of the same budget document, line reference 5, information services energy. I note that the expected 30 per cent cut, or saving, to this funding in 2003-04 is now not expected to be achieved and that an overspend of \$100 000 has occurred. Will the minister explain to the committee why that overspend of almost \$100 000 has occurred against projections?

The Hon. P.F. CONLON: I can indicate that that was an allocation in response to the Moomba crisis at the start of the year. I do not understand that that would be all of it. We are

talking about \$100 000. An additional allocation of \$50 000 was to Moomba. It does show you what Energy SA does with the size of its budget. In other estimates, they talk about what they have done with their \$100 million; you talk about what we have done with our \$100 000. That is part of the answer. We will have to get you the detail for the rest of it.

The Hon. W.A. MATTHEW: My next question relates to page 5.6 of the program estimates, in particular the energy audits and retrofit kits mentioned under the 2004-05 targets. I note that 6 500 audits are targeted for 2004-05, and I am aware that retrofit kits have been purchased for 10 000 audits and that, in fact, due to delays in getting people to start those audits, very few were done in 2003-04.

The Hon. P.F. CONLON: They were not aimed for 2003-04: they were aimed for 2004-05 and 2005-06.

The Hon. W.A. MATTHEW: As the minister has just indicated, as 10 000 audits are not expected to be completed in 2004-05, will they be completed by the end of 2005?

The Hon. P.F. CONLON: You have to understand that the bulk of the contracts with welfare agencies commenced in about January this year, when they commenced training. The program was always designed to run for two years from its commencement, and our advice is that all six welfare agencies expect to deliver next year's share of the program within that time frame. Our early indications of 574 audits delivered to 31 May put that right on track to complete the contract in the specified time over the two-year period. Another thing which will be added to it very soon (and which has been a lot harder to put together) will be the no-interest loan scheme, which complements the outcomes of the audit. That is a loan of up to \$1 000 for low income households to make changes or purchase items that they might not otherwise make. I think that is also very much—

The Hon. W.A. MATTHEW: Is refrigeration among the items?

The Hon. P.F. CONLON: Refrigeration is among the items. It is a very complex list of goods. We are asking not only retailers to participate but also the retailers of goods to participate with discounts, and that has involved a lot of complex relations. We expect that to be off the ground and operating very shortly. So, it is better that the audits are actually running at the time that we get the no-interest loan scheme put together, because it will maximise the benefit. We are looking forward to seeing what the uptake of the no-interest loan scheme is.

The Hon. W.A. MATTHEW: My next question relates to the same item. Have deliveries of all of the components of the retrofit kit been delivered to government? Which companies won the tender for the supply of each of the components?

The Hon. P.F. CONLON: I do not know and I do not really care. We are talking about door snakes and light bulbs; it is a tiny part of the overall cost of the program. We will get you that detail, but I assume it was an ordinary procurement by an ordinary tendering process. The State Supply Board did it.

The Hon. W.A. MATTHEW: Have all of those components been received?

The Hon. P.F. CONLON: I assume so. They are doing them, so I assume they have them. Everyone has had their retrofit kit. I am not as concerned about it as some others are.

The Hon. W.A. MATTHEW: I appreciate that the minister may not be as concerned about it as he alludes that members here are, but I am genuinely interested to know, and

he said he would take on notice which companies won all the tenders.

The Hon. P.F. CONLON: Honestly, that is not something that I have anything to do with; nor would I. I am not the minister responsible for procurement. There is a State Supply Board and a procurement agency to do those sorts of things. We will get you the details, but I am confident that they have done it according to the proper standards that we all sign up for as a government.

The Hon. W.A. MATTHEW: That is not the suggestion, minister. There is no intended implication on my part that they have not. I am well aware that a proper tender was advertised and that it went through that process, so that is not the inference. My concern is—

The Hon. P.F. CONLON: You should know that we are all tied to agreements that go beyond this state anyway. That is how we procure these days.

The Hon. W.A. MATTHEW: That is right. My concern is simply to ensure that, if the components have been delivered, where they are stored, whether they have gone out to the six community organisations or whether they are stored somewhere in government, and also whether or not the components were manufactured in Australia.

The Hon. P.F. CONLON: We will have to get you that detail. I cannot give it to you now. Frankly, I can tell you that, while it might be a matter of great moment to you, unless someone is stealing them or rats are eating them or something, I am enormously indifferent to where they are stored.

The Hon. W.A. MATTHEW: I will not dwell on this for long, but I have some final questions in relation to this. One of the components of the retrofit kit is a water saving shower head with arm. I have had people contacting my office (I have referred them to the community groups doing the deliveries) who are concerned to know whether the community groups undertaking the audits do the shower head installations themselves. Obviously, a lot of pensioners are recipients, as the minister would appreciate, and it is not an easy installation to undertake.

The Hon. P.F. CONLON: We will get that information. One of the reasons why there is a delay between the commencement of the contract and the commencement of audits is that there is substantial training to be done with volunteer groups. My understanding is that they fit the thing. I would assume that they are well trained in recognising whether they are appropriate, because there are certain types of hot water system that are not suited to the use of the triple O nozzle—very few, but some are. So, I would assume that these people are aware of it. What is being done is not entirely new. It has been done before and people have learned from experience about doing it, but we certainly would not be requiring anyone infirm to fit their own shower nozzle. I am not sure that all pensioners would actually own a monkey wrench, anyway.

The Hon. W.A. MATTHEW: I would not want them to have to incur the cost of a plumber for goods that are given because, as you know, they can be pretty expensive. We would probably all like to be paid the same amount as a plumber for a callout. The last question in relation to the same item is another component of the retrofit kit, a draft stopper, which is a favourite of the minister. That was referred to in the government tender documents as a door snake. I know that there has been a fair bit of media mirth over it, minister, and you may find it hard to believe that that media mirth was not of our engineering—it simply happened that way because that was in the tender document.

The Hon. P.F. CONLON: I kept the door snake quiet for six months while somebody else talked about it.

The Hon. W.A. MATTHEW: The issue is that this was once a very popular item many years ago for being used as a draft stopper, but I am aware that in more modern housing there is actually a move away from using draft stoppers. In fact, the devices that are fitted to the bottom of the door provide a better seal and, importantly, they are safer. Obviously if a draft stopper is placed across the bottom of the door on a non-carpeted floor, there is a risk there. If someone slipped on the draft stopper, they could injure themselves. In view of the fact that the government is allocating these gifts to people with the energy audit, has the minister or his department taken legal advice to determine who would actually be liable if a retrofit kit recipient was injured by slipping on the government-provided door snake?

The Hon. P.F. CONLON: We will immediately get the Solicitor-General to give us advice on that! I advise the member for Bright that a lot of people in the community do use these without us giving them to them. I do not think that we have seen any consumer cases against the retailers, and I think that they are available in most of the hardware and K-Mart-type stores, and there has never been any suggestion of anyone suing them. I do not think they will be suing us. Given the focus on these things, it would have been easier to leave it out.

As I understand it, the argument put to me from the people who put it together was that the educational demonstration of the need to make your house less draughty in terms of energy efficiency was the purpose of it, not in itself to cure anything. You are absolutely right: it may well be that a low-interest loan would achieve some things as well. Part of what the audit does is to identify—you would be surprised—such things as air conditioners that have been cheaply fitted and which have sizeable gaps around them. A great deal of its benefit is to actually instruct people that they should be cooling or heating the air inside the house, not the air inside and outside their house. I am very confident that nobody has been suing the retailers about the draught stoppers. I think we will go all right.

The Hon. W.A. MATTHEW: My concern was to protect the government's interest.

The Hon. P.F. CONLON: I am fairly confident that we are not in any imminent danger of going under on that one.

Mr VENNING: I want to continue on the same line as the shadow minister referred to, namely, Portfolio Statements 2004-05, Budget Paper 4, Volume 2, page 5.6, concerning energy. The shadow minister was discussing with you the water saving shower head with arm. I am curious to know why we have not addressed a bigger water waster, that is, toilets. I understand that fewer than 50 per cent of the toilets currently in use in South Australia have the dual flush toilet system. It is an energy efficient thing, isn't it?

The Hon. P.F. CONLON: It is not: it is sustainability. The government is committed to moving five and six star ratings for energy efficiency and sustainability ratings on dwellings in new houses.

Mr VENNING: Is the government aware of what percentage of homes in South Australia are fitted with dual flush toilet systems? Do we know that?

The Hon. P.F. CONLON: I used to be the minister for water, but it has been some time and I could not tell you.

Mr VENNING: If you do not know, will the government consider doing a survey to find out how many there are?

The Hon. P.F. CONLON: I will refer your question to the Minister for Administrative Services, who now looks after SA Water, or John Hill. I agree with you. One of the benefits that we are providing for free for John Hill is the shower rose. The largest energy demand in homes is water heating and we have therefore done it from that perspective, but there is no doubt that it is a much more efficient way of using water. I am sure that my friend the minister for water resources can tell you about those other things. Certainly, we are moving to ratings for new houses which will require a level of efficiency of that nature.

Mr VENNING: I believe a survey would reveal that a large percentage, particularly older people, still have the old single flushes. The amount of times a day that you go to that little room in the house and the amount of water that goes down would be fairly staggering if you actually calculated it.

The Hon. P.F. CONLON: One of the things that disturbs me is that—I do not know which manufacturer—I have noticed that the half flush of a lot of the dual flush toilets stays open after you have flushed it, and it keeps running until you come back. I think it is an important issue and I will raise it with John Hill as well.

Mr VENNING: I am being serious.

The Hon. P.F. CONLON: You are right.

Mr VENNING: I know the audience thinks it is funny, but I think it is very concerning, because of a lot of our older people do not want it; it is very expensive to call a plumber and fit one of these. A system can be purchased for about \$40 to \$50 and, if there could be help to help them fit it by a subsidised service, I am sure we could go a long way to saving a lot of water, particularly when it is just water going down after water most of the time. It is not like in the country where we can go out into the open space; in the city you do not.

The Hon. P.F. CONLON: I will ask the appropriate minister to provide some information.

Mr VENNING: My second question to the minister relates to 'Energy initiatives', and I refer to Budget Paper 4, Volume 2, page 5.6. I note that the government intends to commence the implementation of energy efficiency initiatives in line with the government response to the demand side measures task force. This task force was established by the previous government in October 2001 and reported on 12 June 2002. Why has it taken the government two years to allocate funding for the task force recommended energy efficiency initiatives? Specifically, which initiatives will be funded, and how much has been allocated for this purpose?

The Hon. P.F. CONLON: You will understand that a number of demand side management responses are not responses directly run by this agency. You will find that government services, procurement, DAIS and all of them do it.

Mr Venning interjecting:

The Hon. P.F. CONLON: I know. I have a list of people who do it. We have the Grey Street eco-traders, baseline programs, participation in and development of a national framework for energy efficiency, a build and tune-up program, ten CBD office buildings and a government energy efficient action plan. We have actually had a real reduction in the use of energy by government. Of course, there is also the Energy SA advisory service, the doubling of the solar hot water rebate scheme, a mandatory four-star energy performance for new homes, and five-star in 2006. There are some substantial responses to the Jura Day recommendations will relate to those of the demand side management group. We

spoke about the energy efficiency program for low income households and ASCOSA continues to review the benefits of interval metering, which is one of the matters raised. I stress that I am not going to support interval metering until it has a cost benefit for people.

Mr VENNING: Even if you ask the consumer to pay half or part of it?

The Hon. P.F. CONLON: As long as it has a cost benefit to the consumer. There is continuing work on retailer demand side management scheme. In addition, we recently announced the Lochiel Park development, which will be a model energy efficiency and sustainability village. A great deal of work is going on there. I meet every few months, if I can, with Tim Flannery and Andrew Stock, the people at the round table. I think they are a fantastic group. I should also have indicated the establishment of the energy opportunities committee of the Premier's round table for sustainability. A range of things are happening out of that, and there are things that have to happen out of other agencies. Just in our own government efficiency plan I think we took something like 2.4 per cent down on the baseline over the last year. So, things are happening.

Mr VENNING: My next question relates to my favourite subject, the photovoltaic rebate program, which is referred to in Budget Paper 4, Volume 2, page 5.49, in relation to grants. I note that \$2.5 million is expected to be received in 2003-04 and only \$960 000 in 2004-05, and no amount is shown in 2002-03. I realise that the amount of the rebate dropped from \$7 500 to \$4 000 from 2003-04 and, therefore, 2002-03 moneys received should be significant. How much was received in 2002-03?

The Hon. P.F. CONLON: This has been the subject of much discussion and debate. As the member is aware, the commonwealth originally cut the rebate program very substantially and, through a series of negotiations, we were able to have it reinstated but not to the extent that we would have liked. As the member said, there was a cut from the maximum rebate to \$4 000. However, these are essentially issues of commonwealth funding. There was a higher one-off amount in 2002-03 because of the Parachilna power station. I know the member is very fond of travelling up north, and he will know that there is a very substantial photovoltaic mixed diesel station at Parachilna, which is one of the things that caused it to bump in that year.

Mr VENNING: We were advised by the Feds that they paid \$2.9 million in 2002-03.

The Hon. P.F. CONLON: We have not been hiding any federal money.

Mr VENNING: No; for the record I just ask: where is it and what is happening? We regret the cut too.

The Hon. P.F. CONLON: Which number is the member looking at?

The Hon. W.A. MATTHEW: We understand that was \$2.9 million. There is nothing showing in the budget for 2003-04. We now know that that is \$2 million, although that seems to be at variance with what the federal government claims it has paid. We are just trying to get a gauge for—

The Hon. P.F. CONLON: We will obtain the answer for the member. It does not go to us: we only administer the funds.

The Hon. W.A. MATTHEW: I understand that. We are just a little concerned about the accuracy of the figures. There is some suggestion that they may not be accurate, and we wanted to ensure that it was accurately reflected.

The Hon. P.F. CONLON: We might be able to put the figures together from the individual programs. Where is the member getting his figure from with respect to what the commonwealth says it has paid? That seems to us to be higher than it has ever paid—\$2.9 million.

Mr VENNING: It was \$2.9 million in 2002-03.

The Hon. P.F. CONLON: To South Australia?

The Hon. W.A. MATTHEW: Yes. Perhaps I can assist. The commonwealth advised us that it paid \$2.9 million in 2002-03 and \$826 000 in 2003-04, which is significantly less than we have in the budget here. I just want to be sure that we have not transposed the financial figures here.

The Hon. P.F. CONLON: I think the difference may be that we administer the payments for all states. That is what I am told. What would have been paid here would only be a proportion of the entire funding. If members go to page 5.49 they will see it as an administered item, I believe. We will nail down that detail for the member. It is quite possibly funds administered for someone else. It is way above anything we believe we pay here.

The Hon. W.A. MATTHEW: My next question relates to the renewable remote power generation programs (RRPGP). I note that on page 5.49 of the budget estimates, again under 'Grants', it is expected that \$2 million will be received in 2003-04, but at this stage no details are given for 2004-05. Why are no details shown for 2004-05, and are any figures available at this stage of which the committee could be advised?

The Hon. P.F. CONLON: It is reliant on commonwealth funds. We did not have the figures at the time of the budget. We understand that it has only just been announced by the commonwealth. We will obtain the numbers for the member. It has only been finalised for the commonwealth since the printing of the budget. As the member well knows, a lot of these schemes are administering commonwealth funds.

The Hon. W.A. MATTHEW: I understand that. My next question relates to page 5.7 of the same budget volume, in particular, line reference No. 6, 'State Resource Regulation Services (Energy)'. I note that this line is to be cut by about 29 per cent (or \$137 000) in 2004-05. What are the reasons for this reduction in expenditure and what are the consequences of it?

The Hon. P.F. CONLON: That is the first full year effect of the merger of Energy SA with the mining division to create more efficient government. We are able to do it more cheaply by that merger. We do things like that sometimes. It is always nice when they work, too!

The Hon. W.A. MATTHEW: My next question again relates to page 5.7, line 8, 'Facilitation Services (Energy)'. I note that in this case the budget is effectively over-expended by \$903 000 (or 9 per cent). What are the reasons for this greater than anticipated expenditure?

The Hon. P.F. CONLON: That is again the estimated results. It should really be called a revised budget. That is the extra \$1 million provided for low income households out of the budget, subsequent to the budget and the implementation of that scheme. It is really only a revised budget: it is not an overrun but the introduction of a new funded program. That is what happens when you bring them in mid-budget. That is why treasurers do not like them.

The Hon. W.A. MATTHEW: My next question relates to page 5.25, subprogram 8.1, and particularly the energy efficiency action plan. I note that the energy efficiency action plan (which I might add was another good Liberal government initiative and which we are pleased to see being

followed) targets a reduction in energy use in government buildings by 25 per cent over 10 years, with an interim target of a 15 per cent reduction before 2010. The papers show that in 2002-03 there was a 2.4 per cent reduction against the base year, which has been defined as the year 2000-01. Does the minister have figures to show what the reduction is that has been achieved as at the present time against that 2000-01 base year?

The Hon. P.F. CONLON: No, that is the latest number that we have. I will get the honourable member a new number at the end of the financial year; I cannot do it before then.

The Hon. W.A. MATTHEW: As a supplementary question; does the minister expect that that reduction will be an improved reduction?

The Hon. P.F. CONLON: I would hope so, but one of the risks I take as the Minister for Energy saying that is that, while the initiative and the thought is driven out of our office, the delivery happens out of a whole range of other government agencies. It is probably best that I am cautious until we get the information back from them.

The Hon. W.A. MATTHEW: It seems to be a problem for you, minister. Perhaps they should give you more of these agencies under your control so that you can drive it.

The Hon. P.F. CONLON: No, I do not think that is necessary.

Mr VENNING: The solar hot water rebate program, which is a favourite and which is a program that has worked for years, is referred to on page 5.25 of Budget Paper 4, Volume 2. I note that 2 550 rebates have been given in 2003-04 as part of the solar hot water rebate program, which is another good Liberal government initiative.

The Hon. P.F. CONLON: We have had to double it.

Mr VENNING: How much has been allocated for rebates in 2004-05 and for how many intended rebates?

The Hon. P.F. CONLON: We have had 2 340 approved for rebates until the end of May, which was \$1.6 million. It is a program for which the demand has been high and seems to be staying high for some time, to the extent that, I think it was about the middle of last year's budget, we not only extended the life of the project but actually doubled the funding available because of demand. The short answer to the member's question is that until the end of May we are looking at 2 340 this year, which probably puts us on track to pretty much spend what we thought we would, I think. There is no doubt that the demand for it remains high. There is a very high uptake. I know there are issues about it. People would like it to be more available for replacements or for replacing gas boosters, but the demand is so high that it is doing its job already.

Mr VENNING: That is the 2004-05 figure—\$1.8 million; thank you very much. I refer to the same line, page 5.25 under the energy program. Minister, in our recent trip up north, which you referred to a few moments ago, we observed the hot rock technology. I have not seen this in the budget papers: it is probably there but I did not look hard enough. How much are you spending in relation to this research into hot rock technology?

The Hon. P.F. CONLON: That is private sector. There are about three different—

Mr VENNING: Nothing from the government?

Mr GOLDSTEIN: I guess the part that the government has played is setting the legislative framework, which has attracted more geothermal explorers to this state than anywhere else in the country. We are on track to have in the order of—

Mr VENNING: In the world, possibly.

The Hon. P.F. CONLON: Let us not talk the bill up until the legislation.

Mr VENNING: It was very good legislation—keep talking it up.

The Hon. P.F. CONLON: We are very interested in it. We think it is fantastic.

Mr VENNING: I think it is fantastic. It is very expensive technology and I think that the government has to have an input because much of it is research technology.

Mr GOLDSTEIN: The commonwealth has funded, I believe, \$5 million through a start grant to Geodynamics and I believe that Petrotherm—the float that is being put out by Minotaur—is also seeking a similar start grant. Those are commonwealth research funds.

Mr VENNING: Are you happy with that progress? Is that enough? When do you see there being a first trial?

Mr GOLDSTEIN: The trial is in progress and it is very promising.

The Hon. P.F. CONLON: We have a fundamental approach: if no-one asks us for money, we do not press it upon them. We have enough farmers asking us for money all the time.

Mr VENNING: We are lucky enough to have some of the world's leading technology in this state and we need to maximise it not only for our consumers but also for the scientists and the people who live here because we can sell this technology to the rest of the world, if we are quick. If we dillydally, I think we will lose.

The Hon. P.F. CONLON: Jim can add some dearth, but can I say that I recently hosted the Philippines ambassador for lunch. He is also interested in this technology, and I think it is obvious that we could become a centre for that, and in fact we may well take some people from South Australia to the Philippines for a short visit to discuss energy matters. I think it is absolutely right. I think it is a great opportunity for us and we could well become a world leader in it—we certainly have the natural resource.

Mr VENNING: I was just wondering whether people in the area feel that the government is not taking enough interest in what they are doing.

The Hon. P.F. CONLON: No, I do not think the people running it would say that.

Mr HALLION: No, that is right. If I can add to the minister's comments. We have done a fairly substantial base of work in research in relation to the geoscientific data that has been used. That has resulted in some very accurate estimates of the depth needed to drill and the temperatures. We have some of the hottest rocks closer to the surface of anywhere in the world. The base of geoscience data that the South Australian government over a number of years has supported has been instrumental in making sure they have the best chance of delivering on the technology.

The molling work was very accurate. We were predicting around 250°C to 260°C and, when they drilled to that depth, they got 260°C to 270°C, so they are slightly ahead in temperature. There has been quite a lot of support through the geoscientific work, and that is the area in which they really need our support. They have also been able to access commonwealth funds for their work. They are also very successful in capital raising.

Mr VENNING: Do they need a mining licence to do this?

Mr HALLION: Yes. We were the first jurisdiction to introduce a special class of licence that allowed them to get

that licence. I notice now that Queensland recently announced theirs.

Members interjecting:

The CHAIR: Order!

Mr WILLIAMS: By way of supplementary question, I note the Geodynamics project at Innamincka. Minotaur is looking at an area further south, but still in the far north of the state. Do we have any information that suggests this technology could be used much closer to the more populated areas of South Australia and to where our electricity grid already exists?

Mr GOLDSTEIN: There is a heat flow anomaly which extends down the eastern side of South Australia and, wherever there is a sedimentary cover on top of that, those hot rocks act as a thermal blanket. Minotaur has actually staked its claim to the portion of the trend nearest to the markets. Having said that, they will be tapping into temperatures somewhat less, probably, but at a shallower depth than Geodynamics would be in the Cooper Basin. We are happy for them all to win but, in relation to providing the cheapest energy, it breaks down to either drilling to the hottest place and having a very efficient system further from market, or something less hot nearer to market.

Mr VENNING: Are any officers doing any work or any surveillance on a nuclear option for South Australia?

The Hon. P.F. CONLON: If they are they are keeping it a secret from me. Not to anyone's knowledge.

Mr VENNING: That is a shame, because you ought to be at least watching it, even if you do not move on it.

The Hon. P.F. CONLON: Ivan, all the nuclear generators in England are going broke.

Mr VENNING: Your officers are accommodated in the CBD in Grenfell Street. Do you support the argument that there is no real reason for your officers to be ensconced in this very expensive real estate, or should they be decentralised into the suburbs or near country?

The Hon. P.F. CONLON: I will not let the officers say where they want their offices, because we would all be at the beach! It is horses for courses. Some officers should be in the CBD and some do not need to be. Energy SA comprises a small number of people running programs, and it is probably appropriate in the CBD. We are always looking at improving the way we do things, and we may come back and tell you more about the agencies in that regard in a few months. You probably need to talk to somebody with a lot more officers than me. It is cheap for me to put them anywhere as there are not a lot of them.

The Hon. W.A. MATTHEW: I refer to page 525, sub-program 8.2. I refer in particular to the allocation of \$6.59 million for 2004-05 for this subprogram and ask the minister whether this amount in its entirety is for the remote areas energy scheme and, if not, how much is?

The Hon. P.F. CONLON: I am more interested in working out the latest white paper from the commonwealth and what it will mean for diesel costs—we will work that out in due course. That amount also contains the \$1 million for low energy. The program money is parked there as well for the low income energy efficiency program. It is the net cost of revenue associated with the RAES scheme. Total expenditure is \$7.822 million: \$5.3 million net of the revenue and with the revenue included it is \$6.4 million.

The Hon. W.A. MATTHEW: So RAES is \$5.3 million net of revenue?

The Hon. P.F. CONLON: Yes, \$6.4 million total expenditure.

The Hon. W.A. MATTHEW: To enable me to further clarify that, how does that compare with 2003-04?

The Hon. P.F. CONLON: It is probably very similar. The factors that have applied over the last few years, from memory, are diesel costs on the one hand and move in grid prices on the other. If there was a move in the grid-connected price, which lowered the cost of rebate and then increased for diesel—as I say we may find that we are paying less in the future. I have not analysed this properly, but the rebate for diesel for generation that will come in in 2006 will seriously affect the cost of the scheme. You know how it works: it keeps it within a percentage of the grid price, and that is the way it will keep working.

The Hon. W.A. MATTHEW: My question relates to page 2.19 of Budget Paper 3 and the State Energy Plan. I note that mention is made that the state's energy needs will be reviewed with funding allocated for the development of the State Energy Plan. How much funding has been allocated for this purpose in 2004-05 and what is the schedule for the completion of that plan?

The Hon. P.F. CONLON: The total funds are \$1.45 million over four years, with something like \$250 000 in 2004-05 going out to \$600 000. As to why they need to spend the money that way is probably best known to them. That is the way the funding is allocated over that period of time. I think it is essentially an extra person and some consultancies.

The Hon. W.A. MATTHEW: So it is an extra person and some consultancies?

The Hon. P.F. CONLON: Probably extra people and some consultancies. We can get the details of how it will be broken up. We are doing it, as usual, on the smell of an oily rag. We are used to that in our agency.

Mr VENNING: The minister would be aware that many public buildings in South Australia have large generators, mainly for emergencies, particularly in our hospitals, schools and other places. Is there any contingency plan to consider harnessing these in time of emergency and putting them on the grid? There are two reasons. Firstly, it creates power, and, secondly and most importantly, it enables these engines to be run under load and prolong their life.

The Hon. P.F. CONLON: I think I gave some money to the consumer council to look at some of these issues. We have certainly looked at it before. There are issues about EPA licensing of some of the generators. In short, I do not think that their emissions are at acceptable standards required from someone running things like peaking plants, but there is some new control technology. I will bring you back some details on that. From memory I have someone looking at that. I might have given it to the Energy Consumers Council to look at using those things, to match peak demand.

Mr VENNING: The life of these diesel motors is affected because they are not run under load. If they were to run for six to eight hours under load, it would prolong their life.

The Hon. P.F. CONLON: There are complexities of dispatching into the pool system. It is not simple.

Mr VENNING: It was brought to my attention by a company that converts these motors for the pollution reasons so they will become non-polluters and acceptable.

The Hon. P.F. CONLON: There are a couple of impediments. One is that they have to meet EPA standards. The other is that it is different for an emergency generator, but it would not be a simple matter of dispatching into the grid. Unfortunately, the marketing system we have set up requires a good understanding of market knowledge.

Mr VENNING: When there is low power I am sure they will be looking to you.

The Hon. P.F. CONLON: They will. It is something that we have had people looking at from time to time. We would like to see, incidentally, more cogeneration plants, and we have been looking at whether we cannot do more pilot cogeneration plants ourselves. We have been looking at the Adelaide hospital, for example. We are working at a national level on removing some of the impediments to distributed generation within the market because we think it is a good type of generation.

Mr VENNING: I think it would be good business for some people to install generators if they knew they could sell some power to the grid in emergencies or peak times. It would be worth buying their own and, secondly, it would provide a public service. My next question is on wind farms. We have heard in the last day or so of a new development, which is the biggest wind farm in the southern hemisphere. What is the latest on the planning problem and can it be overcome?

The Hon. P.F. CONLON: Other than one project about which it would be better to address questions to the Minister for Aboriginal Affairs and Reconciliation, there have been very few planning issues in regard to wind farms. I can say that the federal government's white paper has sent a considerable shock through the industry, and I have been advised that a couple of proponents are now rethinking that. In South Australia we have seen very few planning issues by comparison with other states. For that reason, something like 40 per cent of the wind farms announced for Australia are in South Australia. To put that in context, what is the key with a wind farm is getting to an uptake agreement and financial close.

Before the commonwealth's white paper and its announcement on MRET, it looked very realistically that there would be 400 megawatts of wind likely to reach financial close in South Australia. I have to say, as I told the Ministerial Council on Energy some time ago, that that is becoming a level where we would want to make sure that we are managing such a high level of entry of wind. A number like 400 megawatts in an average demand of about 1 480 and a minimum demand of 1 000 starts to reach a level where you wonder how comfortable you feel with it.

I commenced work some months ago with a Ministerial Council of Energy working group looking at issues of open access entry to non-scheduled generation (which is the proper way of putting it). Under the logic of the national electricity market, it is an open access scheme, and people get on if they can get on commercially. As minister, I should not interfere in that: it should be up to them.

As a jurisdiction, we need to start rethinking whether we can continue to do that, when there may well be issues with non-scheduled generation affecting the balance of the system or investment in base load or mid-merit generation, and we are addressing those issues. One way to resolve it would be through the planning system, but I think that would be wrong, because you would be ignoring the logic of one system and interfering with the internal logic of the planning system to bring about a result artificially.

In short, I think the planning system in South Australia shows that there are very few impediments to achieving wind farms. We have the highest rate of uptake around the country. Lake Bonney is near completion, and International Power has financial closure and is on its way next to it. I was at the Kanunda wind farm with the member for MacKillop, and I can tell you why they are building one there: the wind really

blows—keeping your feet on the ground is the hard part. Cathedral Rocks over at Port Lincoln is another likely site. The number of sites with planning approval is astonishing. We have planning approval for about 750 megawatts, but I do not think they will all be built.

There is a planning issue involving the Minister for Aboriginal Affairs and Reconciliation's area, but planning has not generally been an impediment. There has been a shock through the industry after the white paper on energy released a day or two ago by the federal government, and I think that will cause some people to rethink their plans (and that is certainly what has been said to us). If nothing changes at present, my concern is that we manage a high level of entry of wind power in South Australia. Quite frankly, we certainly have a great likelihood of as much wind entering the system as we would want (as I say, about 400 megawatts), and there are 324 megawatts for financial closure at present. I have said this to the industry.

The Hon. W.A. MATTHEW: I share the minister's concern about the potential problem of the volume of power generated through wind energy. As the minister is aware, it will bring about a very changed way of operation when it is online for our existing base load generators in that they will bring up their load and take it down again, depending upon the fluctuation in the wind energy entering the grid. Clearly, that brings with it extra costs. As the minister is aware, currently there are requirements that generators generate a minimum of their energy from sustainable energy. Because of the take-up in South Australia, it could well be that the sustainable energy generated through wind actually offsets the lack of such energy generated in other states. Through the committee of which the minister is a member, with other ministers, is he also raising the issue of offsetting any extra costs that may be incurred so that they are not passed on to South Australian electricity consumers?

The Hon. P.F. CONLON: In a sense, it has an internal logic of its own in that the requirement is on the retailer who is purchasing that amount (and this is one of the mind-boggling things about electricity) for sale in the eastern states. That is not actually that electricity but, in this system, that does not matter.

Mr WILLIAMS: The interconnect.

The Hon. P.F. CONLON: That bloody MurrayLink is operating at 15 per cent capacity, but do not get me started on that issue. At the moment, an internal logic imposes the cost on the place where the demand needs to be met for clean energy. However, a couple of issues remain outstanding, and I have said this time and again. In terms of system management issues, as long as the wind proponents are prepared to take the risk of being constrained off to balance the system, that is their risk. It is no secret that I am concerned about the effect on investment in base and mid-merit generation of high level non-scheduled generation. One of the advantages of South Australia is that we have a very long coastline and so many of the projects are a long way apart, which means that the unreliability is evened out, because wind tends to be blowing in one place if it is not blowing in another. The figures from overseas show that the greater the distance between windmills, the greater the overall reliability of capacity. I do not know whether I have explained that very well.

The important issue in a national electricity market is that it is an open access regime: if you can get on, you get on. The deliberate logic of the market is that it is not in a planned fashion: it comes from the marketplace, which is why we

have set up a select committee of the MCE to deal with the issue of open access entry of non-scheduled generation and what it means for the system. While wind makes a very valuable contribution to the reduction in emissions, we have to ensure that we manage the national electricity market properly. In the past, making changes in the national electricity market has relied on the consent of every single jurisdiction, which is an infuriating way of getting things done. So, the changes we are proposing to the management of the system (with some majority decision-making) are an enormous step forward in that regard, because it takes a very long time to change anything. We are very alert to all those issues.

Mr VENNING: In future, do you see an area of conflict between the contracted power suppliers, with their own infrastructure, and these new developers wishing to set up wind farms? At the moment it is okay, but do you see a problem in the future?

The Hon. P.F. CONLON: No—as long as the system manages it properly. In terms of system management, as long as every new entrant takes the risk of being constrained off, that is their risk, not ours. There is no doubt that non-scheduled generation rates as issued are about system management. Places around the world have dealt with it; it is just a matter of making sure that your national system of regulatory and market control is able to deal with it. There are places in Europe that have 20 per cent of their load delivered by wind. You can manage it, but you just have to be aware of the issues before they arise.

Mr VENNING: My last question is—and I presume that one of your officers is a bean counter—what is the budget allocation for your accommodation, and what percentage is it of your total budget?

The Hon. P.F. CONLON: Mine or my ministerial office?

Mr VENNING: No; of this department.

The Hon. P.F. CONLON: I do not know whether we can give you that today; we might have to bring that back for you.

The Hon. W.A. MATTHEW: It would probably be the same as we did, because it is the same building.

Mr VENNING: That does not make it right.

The Hon. P.F. CONLON: There is a rare insight. We will let you know how much. Believe me, we are not one of the expensive agencies.

The CHAIR: The member for Bright, I understand you wish to change the topic now.

The Hon. W.A. MATTHEW: That is my desire, unless any other member has further questions on this line.

The CHAIR: There being no further questions, I declare the examination of the proposed payments closed.

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

Witness:

The Hon. P.F. Conlon, Minister for Energy and Minister for Infrastructure.

Departmental Advisers:

Mr G. Goddard, Executive Director, Microeconomic Reform and Infrastructure, Treasury and Finance.

Mr V. Duffy, Director, Electricity.

Mr K. Jervois, Director, Gas.

Mr K. Della-Torre, Project Manager.

The CHAIR: I declare the proposed payments reopened for examination and refer members to the Budget Statement, appendix C, page C.2, and Portfolio Statements, Volume 1, Part 3, in particular pages 3.1 to 3.5 and pages 3.13 and 3.14. Minister, do you propose to make an opening statement?

The Hon. P.F. CONLON: No, Madam Chair.

The CHAIR: So, the member for Bright I presume will lead with questions.

The Hon. W.A. MATTHEW: My first question relates to Budget Paper 4, Volume 1, page 3.3. I note from the second to last dot point on the 2003-04 highlights that the Essential Services Commission is mentioned. I watched with interest as the minister made his recent changes to the number of commissioners, swelling from one to three and now to four. Now that four commissioners have been appointed, has the first meeting of four commissioners yet occurred? If so, when did that meeting occur but, if not, when does he expect the four commissioners to first meet together?

The Hon. P.F. CONLON: That is not information that I have; it is up to ESCOSA how it organises its business. You have to understand that the last one was appointed a few months after the first, and I think that Professor Blandy was overseas for a short period of time, so, whether they were all together, I do not know. Certainly, they have all commenced working on their responsibilities. I think that Professor Blandy has found himself an office at ESCOSA, and the former deputy premier has been in there pursuing a number of very robust views with a number of people. They are all going about their business. With Dick Blandy quite possibly having been overseas, whether they have all been in the one place at the one time, I do not know. What I can say is that they have all been part of the work of the current ground up review. They have all had views on developing the terms of reference for the review, so they are all there and they are all involved in what they are doing. Whether they choose to meet to do their business, that is for them.

The Hon. W.A. MATTHEW: To further clarify my question, I pose this as a supplementary question. I have been contacted by a number of concerned industry participants who may be incorrect in this view but who hold the view that, if all four commissioners are not available to meet, hold regular meetings and make decisions, decisions cannot be made in the absence of one or two of the four. I seek the minister's assurance that, if all four commissioners are not available when decision timelines are reached, the lesser number do have the authority to make those decisions without unduly holding things up. As the minister knows we have gas contestability starting from 28 July, and there a series of decisions needs to be made for retailers. We have the electricity price review for 2005, the review of the ETSA Utilities charges is underway and we also have the possibility of the appointment of a new energy regulator. Therefore, people in the industry are concerned that there are a lot of things happening, but they do not want to see it held up if a commissioner is not available.

The Hon. P.F. CONLON: The act governs the decision making process. In truth, the bulk of work does not require ongoing decision making; it requires decision making at the end of a substantial bulk of work. If industry is saying that, it is not saying it to me; there has been no indication of that being the case. I will refer you to section 20 of the Essential Services Commission Act. You would be aware that in the

original act we always contemplated that there may be more than one commissioner of the service. It states that a quorum of the commission consists of a majority of the commissioners and officers for the time being. My understanding of how they work on an ongoing basis is that, if something needs to be decided upon, the views are canvassed and there is usually a consensus without the need to sit down and vote formally. That is my understanding of what they have been doing so far and, certainly, there has been no indication of any delay or concern because of that. In fact, the only issues I have ever had raised with me about the appointment of these commissioners by industry is that—not peculiarly—they think that probably more of them should come from the industry. That is a view they are entitled to hold, and it is something I will take on board and think about in the future. I have never had any other concerns raised with me.

The Hon. W.A. MATTHEW: My next question relates to the same area of budget questioning and the way the four commissioners will conduct themselves. I appreciate that certain things are set out in the act; however, they are not in such specific detail that they do not require—for want of a better expression—rules of governance. Is the minister aware of any rules of governance actually being drawn up to combat a number of situations? For example, with four commissioners, if there is a tied vote, who has the casting vote if one is to be exercised, or is there some other mechanism for solving such deadlocks?

The Hon. P.F. CONLON: My recollection is that the act provides that the chairman has a casting vote. We will check that for you. If it is not the case we may need to deal with that, but that is my understanding and memory of it. I would be disappointed if it came to the point where there were two commissioners on one side and two commissioners on the other. I would have more concerns than who has the casting vote: I would be concerned about how they could arrive at such different conclusions equally; that would be a worry for me.

The Hon. W.A. MATTHEW: You have some pretty diverse personalities there, minister.

The Hon. P.F. CONLON: We have, but at the end of the day they all have access to the same information and advice. That is the benefit of having a bulked up essential services commission. The chairman has a casting vote. If it gets to a situation where the Essential Services Commission has to be decided on a casting vote I would be concerned, because that is not the degree of disagreement that you would like. I do not think anyone would feel comfortable about that, and I am very confident that it will not come to that.

The Hon. W.A. MATTHEW: As a supplementary question: is it likely that, if there was a decision on a casting vote, it would be made public, or does government request that it remain the province of the commission and that only a decision be disseminated?

The Hon. P.F. CONLON: Honestly, Mr Matthew, I have not turned my mind to that. It seems such an unlikely event to me. I think Victoria has operation by majority, and I think it is unusual for them to publicise how they voted upon something. I will take that away and give you a settled view on it, as it is not something that I have turned my mind to.

The Hon. W.A. MATTHEW: My concern is that you have diverse viewpoints from the first Commissioner, Lew Owens, and then Dick Blandey publicly espousing from different positions. As their positions were so diverse, if that continues, the chance of a split decision is there.

The Hon. P.F. CONLON: The act provides that they are in charge of their own procedure. It underpins the approach that they have a degree of independence from government. I know that the Democrats in another place do not agree with that, but I certainly do not believe that the regulator should be dragged into the orbit of government. I will get back to you. I will talk to Lew and the other people there and see what they think about it. I put on record that I would personally be concerned if the vote was two-all. I think it is very unlikely that that would come about, because they will all be seeing the same information.

The Hon. W.A. MATTHEW: So would I, but you and I would know that often votes in cabinet are very interesting in ties and, while we do not divulge those publicly as cabinets, you need a way of breaking that.

The Hon. P.F. CONLON: It has ensured everything in our cabinet. It is amazing.

The Hon. W.A. MATTHEW: It would be the first cabinet in the nation's history, I would suggest.

The Hon. P.F. CONLON: I should not tell stories. To digress a little, I am very disturbed—and I have raised this with the commonwealth—about the approach of the Australian Energy Regulator, and that is not before the parliament but is a parcel of the current reform.

The package is brought about by the consensus of all states and the commonwealth, which makes it a very difficult process. One of the things that the commonwealth insisted upon for final agreement was that, with three commissioners on the Australian Energy Regulator, all decision making should be unanimous. I find that an astonishing proposition, because it means that someone like a transmission company could go there with a reset application and wait six months, and if there is not unanimous agreement it does not get a decision. I have said on the record that, while we are the last state protesting and have agreed because we need to process things, we need to revisit that, because I think it is just a nonsense. I will just put on the record here, for when the opposition looks at the federal bill and asks, 'What is this?', that it is not something with which I agree. I think common-sense will dictate to the commonwealth that it is something about which it needs to change its position in the future.

The Hon. W.A. MATTHEW: My next question relates to the same issue. Mr Owens has clearly been named as the commissioner who chairs the meetings of the Essential Services Commission. He also has other rather unique responsibilities such as, I assume, managing the staff. Are all the commissioners paid the same amount of money, and how is their remuneration determined? I am assuming that Mr Owens is paid a separate amount because he has a different set of responsibilities.

The Hon. P.F. CONLON: I can guarantee that the other three do not receive as much as Lew. I will obtain the details for the member. All of this, of course, is paid for by the industry (as is ESCOSA). I think the commissioners receive about \$50 000 a year, because they are not full-time commissioners, whereas I am pretty sure that Lew receives substantially more than that. That is not set by us. I cannot remember who did it. It is whatever people thought was the right amount for committees of that sort.

The Hon. W.A. MATTHEW: So, it is set by the body, and Premier and Cabinet recommends fees for different committees?

The Hon. P.F. CONLON: Yes. I think the Office for the Commissioner for Public Employment provides advice on things like that.

The Hon. W.A. MATTHEW: My last question in relation to this line of budget questioning relates to the responsibility for the staffing and budget of the Essential Services Commission. Are guidelines, regulations or some other form of agreement in place to ensure that only Lew Owens has responsibility for the management of staff, or is there the potential for the other three commissioners, for example, to overrule Mr Owens in terms of staff appointments, staff management and staff direction?

The Hon. P.F. CONLON: I will find out how that is set out. The ordinary process is that the chairman brings to the Treasurer, in fact—not to me—the annual budget for approval of the Essential Services Commission. Certainly, he is responsible for the day-to-day operation. The act provides that the commissioners could do that, but I do not imagine that the other three commissioners would want to engage in the minute detail of running the commission.

The Hon. W.A. MATTHEW: That would have been my hope, too. That is why I came back to that point of rules of governance. There is the potential for problems if people are silly.

The Hon. P.F. CONLON: There are, but it is a law of the state. The laws of government are passed by the parliament and supported by both sides. I would hope that Lew was left to organise those things. If it came to that and there was some sort of dispute we would deal with it then, but I do not anticipate it. Certainly, having run staff myself (and I hasten to point out that I have first-rate staff), why anyone would want to get into that area if they did not have to is beyond me.

Mr VENNING: My question relates to gas for retail competition, and I refer to Budget Paper 4, Volume 1, page 3.4, 'Highlights'. Reference is made to the setting aside of \$64.5 million to help shield gas customers from the costs associated with the implementation of gas for retail competition. How was that \$64.5 million calculated as being necessary, and to which organisations was each component to be paid?

The Hon. P.F. CONLON: I cannot give the details at present because we are concluding arrangements with the organisations. One of the organisations involved is REMCo. That is a market company that had to be set up (like NEMMCO for the electricity market) from scratch between ourselves and Western Australia to run the gas market. The second company has substantial capital costs—and we are talking about capital costs for retail competition. That company is Envestra, the gas distribution company, which has to incur significant capitalisation of complex costs arising from FRC. Those are the two companies that have to expend substantial money to introduce full retail competition.

Some parts of those costs are pretty clear. Capital costs are a lot easier to discern, for example, than what should be the returns to a retailer operating prudently in the market, which is always a measure of analysis. What we do know is the cost of setting up REMCo—frankly, that is a cost from scratch—and the verifiable costs of Envestra. Our estimate would be that they were around that mark. Of course, it is up to the Essential Services Commission to undertake the program of analysing those, and I understand that that is virtually done. We are progressing, and I would expect by the end of this week to finalise those costs with the companies concerned.

I can indicate at this point that it may well be that, for reasons that I can give perhaps next week, the cost for REMCo will be paid through Envestra for reasons of mutuality associated with the REMCo organisation. I can give all that detail next week, but it is about the actual capital

and additional capitalisation of FRC operational costs. Very simply put, gas competition was something that had to be done after going to electricity competition, and it was our view that it was an obligation imposed on us that we would have to impose on South Australians, but, while we believe we had to meet our obligation and move to gas FRC, we believed that it was not appropriate and that we should shoulder the burden of the cost of FRC rather than impose it on gas customers. That was a decision that we were able to make and one that I am very happy having made.

Mr VENNING: Minister, are you able to tell us how much money has been spent?

The Hon. P.F. CONLON: No. I do not think it will be much short of 64.5. I mean—

Mr VENNING: Already?

The Hon. P.F. CONLON: It is not already. I can tell the parliament next week, in fact, because we will be able to finalise the final figures, but it is a lump of money for the cost of introducing full retail competition. I point out that, because it is capitalisation of costs, we spent a substantial proportion this financial year, although the vast bulk of it should be finalised this week. What I cannot talk about is just where we are at in finalising particularly with the gas distribution company.

Mr VENNING: Minister, are you saying that, of the 64.5, most will be appropriated in 2003-04?

The Hon. P.F. CONLON: That is right. I think it appears that way in the budget figures.

Mr VENNING: Does the minister think that the whole of the money will be required?

The Hon. P.F. CONLON: I think the vast majority of it will be, if not all. I will not say too much about that, but, at the end of the day, these things are clearly verifiable. I mean, capital costs, as I say, are a little simpler to verify. You have to understand what would have happened if we did not do this. By law, the Essential Services Commission would have identified the cost of FRC to the gas distribution company and the cost of REMCo, and it would have passed them on in the retail price of gas. They would have analysed them and then passed them on. What occurs in this process is that ESCOSA analyses them, then we pay the companies for them instead of allowing them to recover it over a five or 10-year period, or whatever ESCOSA thought was the appropriate period. It is natural that the bulk of it will be spent in this financial year.

Mr VENNING: What are the implementation effects of the FRC on cylinder gas users, and is any assistance possible for them?

The Hon. P.F. CONLON: There is none because cylinder gasses are marketed already. The honourable member has to understand that it is the moving from a protected and regulated market to market competition with a safety net default price. The truth is that bottle gas has always been a market and so really it has no effect.

Mr VENNING: It is expensive to buy.

The Hon. P.F. CONLON: It is, and we hear that from people from time to time. It will make absolutely no difference to the price: it will still be set in the marketplace, as it has always been.

Mr VENNING: I refer to retail gas prices, Budget Paper 3, page 8.12, electricity and gas. The budget papers state that gas retail prices will be subject to intense scrutiny. The government is confident that with this scrutiny and with the government's direct intervention retail gas prices will

remain reasonable. Minister, what is your definition of 'reasonable' in this context?

The Hon. P.F. CONLON: What we definitely will not see are the horrible things that happened with electricity prices. I must say at the outset that gas is already much more affordable: it is much more lower priced for people than electricity. It would be very unwise for me to indicate what I thought an outcome would be at present because, for the last time, I am in the process of being with the regulator before that is transferred to the commission to go through the same sort of ground up review and price pathing that we are introducing for electricity. If I were to indicate what the outcome might be at present, I am sure the retailer would be suggesting that I have a closed mind as to the outcome, but I would be quite hopeful that we will see an increase with which people can live.

The honourable member has to understand that gas prices have been increasing annually with indexation and other effects for a number of years. There will be an increase—that is one thing I can guarantee—and no-one will like it, but it will not be the end of the world for anyone.

The Hon. W.A. MATTHEW: I have a supplementary question. Is the minister able to at least put a line in the sand as to where he believes it would be unreasonable? Is he saying that anything over 10 per cent would be unreasonable, and even 5 per cent would be unreasonable?

The Hon. P.F. CONLON: I have to be very careful. What I have indicated before is that I believe it will come in under 10 per cent on the advice that we get. I say that the advice of the retailers will be very different, I would assume, because, in recent years, they have been suggesting that what movements have occurred in gas prices have not been enough. I have no doubt that what I think is a reasonable price and what the retailer thinks is a reasonable price is a different thing.

The Hon. W.A. MATTHEW: Minister, that was certainly our experience, too, but they have had increases in the past two years that were greater in total than the increases in the previous four years.

The Hon. P.F. CONLON: One of the things to which the honourable member will not allude is that last year the price for small businesses decreased by 5.5 per cent. I am not a fan of competition policy, as I have put on the record before, but being driven to competition means the removal of cross-subsidy. From memory, the increase for small customers last year was about the same price as the decrease for business customers. One of the great joys in being responsible for price setting is that I do not have a pile of letters from the business community thanking me for the reduction of 5.5 or 6 per cent last year; in fact, I do not have a single one.

The truth is that in recent years competition policy has prevented the cross-subsidy that has occurred in the past. That is a simple matter of truth. You cannot go into a competitive market and leave cross subsidy or people only competing for the profitable customers. Whenever people see those sorts of increases they should write a big letter of thank you to John Rau's favourite people over at the National Competition Council, because there is absolutely nothing you can do to prevent it.

Mr RAU: Part of the great benefit of national competition policy is the fact that we have this bizarre retail competition, so-called. The other day I picked up the telephone and decided to wend my way through the process of getting information. I was met with a very courteous response over the phone and the young woman who answered the phone gave me her name and was very polite, and she assured me

that in the post I would shortly receive a number of options. I have not been to the post box yet, so I do not know what that important information will tell me but, subject to the information being at all relevant, it is a worthwhile service. I am wondering what the longevity of that service is likely to be, given the fact that people will be confronted continuously with this problem.

The Hon. P.F. CONLON: The logic of the market is suppose to be that, if you cannot give a convincing argument to customers, you will lose them to someone who can. Unfortunately, the logic of the market simply has not been abundantly apparent anywhere they have done competition in either telecommunications or electricity. Fortunately, gas will be a much simpler matter, because it is a commodity that is storable and does not fluctuate in demand and hence spot price like electricity does. It is a constant struggle for a regulator to try to find a way of making retailers provide understandable information. It is a struggle that has occurred not just here but also in Victoria. I know it is a keen interest of the honourable member, but trying to devise a standard form for the provision of information has proved almost impossible in Victoria and is proving difficult here, but if the market cannot supply the information in an understandable fashion we need as a government to have a regulator that can make them provide useful information.

The provision of the service by the Essential Services Commission on advice from market contracts has had enormous demand running. Fortunately, we are seeing a high level of changes to market contract in recent months. I agree that it is a difficult thing for people. Had we to do it from scratch, the Queensland option would be very attractive. They introduced FRC when they could see the benefit of it, but we do not have that option. We can only continue to attempt to make the information better and more understandable. The problem is that we fight from the position that the whole logic of the market should be that the market drives itself to do that. I have said enough about competition policy for people to understand my position.

The Hon. W.A. MATTHEW: I refer to the ownership of gas and electricity infrastructure. The minister has put on the record many times that he is not a fan of private sector ownership or operation of this infrastructure and has also put on the record many times, including today, his view about the way in which competition works. In view of the fact that on 26 April this year Singapore Power reached agreement with TXU to purchase its Australian operations, and in view of the fact that South Australian TXU operates the Torrens Island power station and has a one-third ownership of that very good gas pipeline that the minister and I both like, the SEA Gas pipeline, did the minister or his government consider bidding for TXU business, either in part or in its entirety, to give the cheaper power prices the minister claims would be possible?

The Hon. P.F. CONLON: This is just too delicious. The people who told us we needed to sell all the South Australian assets are suggesting that maybe we should have been buying back a little bit of ours and a bit of Victoria's as well. They own a distribution system and some assets in Victoria and here, so we will sell all of ours and buy a bit back and a bit of Victoria's.

The Hon. W.A. MATTHEW: Did you ask to buy some back?

The Hon. P.F. CONLON: To explain my strong view about the best way electricity utilities work in the interests of all South Australians, it is when the government owns the generators, the distribution system, the transmission system

and the retailers—all of it. One of the effects of disaggregating the entire industry and breaking it up into little pieces—except for a monopoly retailer, as we wanted to get as much as we could for the retail business—is that you create a risk profile for every bit of the industry. One of the things that affect prices out there is the fact that everyone buying a big asset out in the electricity industry is paying a risk profile.

In Queensland and New South Wales, which have the lowest prices, the government owns everything. To remove the risk factor in New South Wales the government operates an ETEF rebalancing scheme between the generators and the retailers and manages the risk factor and the price. One thing is absolutely clear: you would not want to be buying a bit of it but rather you would buy it all back, which is an option that they made impossible for a few other reasons that I will explain in a moment. What you would not do, what no-one would do, is decide that it is good to get rid of all of it and then buy a little bit back and buy a bit from Victoria, as well.

The Hon. W.A. MATTHEW: I did say all or in part.

The Hon. P.F. CONLON: You would sell it all and buy it back in bits. One of the fundamental problems that we have in pricing was that they upgraded the value of the assets before they sold them, so they could get more money. If we were to buy the businesses back at the sort of prices demanded, we would have to take a loss on them or run them at a loss because of the way the privatisation was structured. They put a five-year deal in for the distributor to get a bigger return on capital than anyone else in the country for five years. We would be smart to buy them back after they have already scalped all that money out in the first five years. The privatisation of the assets by the previous government has left us in a very difficult position but one that is not cured by some shallow stunt by the people who sold it suggesting that we should buy a bit back here and a bit back in Victoria. I hope they have substantially better ideas than that coming up to the next election.

The Hon. W.A. MATTHEW: I stress that it is not an idea, it is simply questioning the minister in view of his stated opinion. As a supplementary, I find the minister's answer curious. Perhaps his recollection of history is not as good as I thought it would be. The minister is aware that I asked him a question about TXU. TXU has operation of the Torrens Island Power Station. The minister's recollection of history and that of the member for West Torrens ought to be that it was not a Liberal government that gave control of the TXU station to the private sector. It was the Bannon Labor government.

The Hon. P.F. CONLON: How did it do that?

The Hon. W.A. MATTHEW: Deviously.

The Hon. P.F. CONLON: A cross-border lease for taxation purposes!

The Hon. W.A. MATTHEW: The minister may well recall that in 1987 the Bannon Labor government gave control of that particular power station to the private sector, and it was shrouded in secrecy. The media headlines at the time screamed that the operation of our state's main power station had been given to unidentified Japanese interests. That has now changed and TXU operates it. Is the minister saying that the decision of the Bannon Labor government was wrong and or is he saying that it is correct and he is happy to keep it going?

The Hon. P.F. CONLON: If the member for Bright seriously believes that a cross-border lease is handing control of an asset to a foreign agency he probably needs to get away from the *X Files*. What is that newspaper? 'I saw Elvis!' I

know that the member for Bright knows that a cross-border lease is not that. He could hardly keep a straight face. As to whether I disagree with cross-border leases, I do. We do not do them. I do not like them. I think they are fundamentally a way of exploiting tax differences between nations. The notion that they are privatisation of an asset is just nonsense. You will have to do better than that.

The CHAIR: Does the honourable member have any more questions relating to this budget?

The Hon. W.A. MATTHEW: With respect, Madam Chair, to assist you, the page reference is 8.12 of Budget Paper 3. The line reference is 'Electricity prices for small customers increased by 23.7 per cent on 1 January 2003.' In view of that statement and the expressed views of the minister and other of his colleagues in relation to prices and their claim that non-operation of these assets by government employees rather than the private sector would result in cheaper prices, I am interested to determine the minister's view on behalf of his government.

The Hon. P.F. CONLON: Let me answer it for you then. Where are the cheapest prices in Australia? They are in New South Wales and Queensland.

Mr WILLIAMS: Why?

The Hon. P.F. CONLON: What happens up there is that everything is owned by the government. Where are they more expensive? Victoria and South Australia, where they are privatised. You cannot build up the value of the asset, give a sweetheart deal to ETSA to overstate its returns and not expect prices to go up. If you want a utility to run prices at a reasonable rate of return and provide customers with a reasonable service at a reasonable price, they should be owned by the state. We cannot undo that by buying a bit of a Victorian asset, a bit of a South Australian asset and a third of a pipeline. That is just Loony Tunes stuff.

The Hon. W.A. MATTHEW: In relation to the same line of budget questioning, as the Bannon government, the instigator of the great privatisation of energy resources, also sold off the South Australian Gas Company, is the minister telling this committee that there would be no need for a \$64.5 million taxpayer subsidy for gas deregulation in 2003-04 if the Bannon Labor government had not privatised the South Australian Gas Company? Is that what he is telling the committee?

The Hon. P.F. CONLON: I think the honourable member is delving into ancient history. It was a change in share ownership, as I recall, at the time.

The Hon. W.A. MATTHEW: It is no more ancient history than what the minister keeps referring to. You are the one who believes that prices have gone up because of privatisation. If it has happened for electricity, it has to be the case for gas.

The Hon. P.F. CONLON: I challenge the member for Bright's notion that I am the only one who believes that prices have gone up through privatisation. He should turn on the radio or read the newspaper, or he should read the report of the Energy Consumers Council, or he should read the learned opinions of academic observers interstate. There may be some people in South Australia who believe that privatisation did not drive up electricity prices, but most of them would be sitting on the opposition benches. At least they should return to the more honest debate that John Olsen himself, coming from Los Angeles, debated, that it has caused higher prices but it was overall a good thing. I do not agree with that, but at least it is a more honest debate than

contesting the notion that privatisation has not driven up the prices.

Let us talk about what happened to what should be the mates of the Liberal Party in the private sector, the large users of electricity. Remember what happened in the second last tranche of contestability after privatisation and after telling them that the prices would go down—there was an average 45 per cent increase in the price of electricity. That occurred after privatisation. That occurred after they sold the assets.

Are they seriously suggesting that the government would have behaved like AGL, a monopoly retailer, and run around saying to OneSteel, 'Here it is: 65 per cent more; take it or leave it'? It is an absolute nonsense. They sold it to the private sector, and they sold it to a monopoly retailer. They provided no protection for large businesses. What you see now in South Australia is some businesses that were able to escape those early contracts getting much cheaper power, because the system of privatisation and deregulation exposed them to the naked market power of a private sector company without any protection. That is why OneSteel got a 65 per cent wage increase and why they averaged 45 per cent. I could waste a lot of this committee's time explaining this over and over, but let me say this: the only people who do not believe that privatisation has wrecked pricing in South Australia are sitting on the opposition benches, because no-one else believes it.

The Hon. W.A. MATTHEW: The minister tells us that electricity prices have gone up through privatisation but that, from 28 July this year when gas deregulation occurs, if prices go up further that will have nothing to do with privatisation by the Bannon Labor government: it will be because of market deregulation. Because the Bannon Labor government privatised gas, we will have a very different reason from that of electricity price increases, when the Liberal Party privatised part but not all of that utility.

The Hon. P.F. CONLON: Let me explain this. Full retail competition was always going to drive cost increases because of the wash-out of cross subsidies and so on, and I did not agree with it. However, when an additional premium is put on for privatisation, that is when you suffer massive harm. But what we will not see with gas is a 23.7 per cent clobbering of the customer in South Australia; that will not happen. As much as the member for Bright might be disappointed, that will not happen, because we have managed the entry into the market better. Let me explain the difference. We do not have to deal with a newly privatised company, privatised in a completely reckless fashion and with one simple objective: to maximise costs. I will explain what I mean by that. What we had was a mob who, after they saw Jeff Kennett in Victoria getting a big swag of dough for utilities, decided they would do the same. Circumstances changed, and some of the utility purchasers in Victoria realised they had paid too much. However, they were still determined to get a big swag of dough, so they inflated prices and returns to the private sector artificially.

Originally, they had a plan (and I can show it to you) to sell retail to a number of people but, because they could not get all the money they wanted, they decided to maximise the sale price. The absolute objectives were to sell to a monopoly retailer and increase the value of transmission distribution assets. ETSA distribution was given a bigger return on capital, and that was locked in for five years and was bigger than any other distribution company in Australia. That is the reason—not just privatisation, but really bad privatisation. It was one with no regard for the interests of the consumer. It

was an attempt to pass the maximum amount of state debt they could get away with onto electricity consumers.

There is a natural outcome when you do that. I do not know why I am arguing about whether or not it occurred with the architects of that natural outcome. When you sell to a monopoly retailer and you write high your return, someone has to pay for it. There is no such thing as a free lunch or a free retirement of debt: somebody pays for it. You chose to make the electricity consumer pay for it. We all know that, so what are we arguing about?

The CHAIR: Does the member for Bright have a further question?

The Hon. W.A. MATTHEW: I do, Madam Chair. The minister has assured this committee (and I hope sincerely that his assurances turn out to be correct) that we will not see an increase in gas prices in the vicinity of 23 per cent. However, on 11 July 2002 the price of gas went up 6 per cent; on 1 July it went up 5.6 per cent; and, if the price goes up just under 10 per cent, effectively we will end up with gas prices for South Australian consumers of the order of the same price increase that occurred in one hit with electricity. That is what will happen.

The Hon. P.F. CONLON: The member for Bright has probably forgotten a little thing called the CPI and real price movements. If that is the case, we will wait five years and say that water prices went up the same way because of CPI adjustments. It is a nonsense. The member is casting forward into Wayne's World, from one of those strange papers he reads, about something that will happen in the future. Will the shadow minister ask me a question about something real, rather than telling us his frenetic imaginings?

The Hon. W.A. MATTHEW: I refer to Budget Paper 4, Volume 1, page 3.13, Program 3, Supplies and Services. I note that the estimated expenditure for 2003-04 is detailed as \$1 222 000. That is an increase of about 36 per cent or \$322 000 over the amount originally anticipated. Why did this adjustment occur to the moneys needed in the financial year? There is an anticipated result of \$1 222 000 in expenditure in 2003-04. The budget was initially for \$903 000. Why did this increase occur?

The Hon. P.F. CONLON: I have to take that on notice. I indicate that in the past four months we have had considerably accelerated demands on workload through the MCE process and through gas FRC, so I would assume that it is the consultancy or something of that nature. We will have to get the details for you. It is not surprising given the suddenly accelerated workload of the ministerial council on energy. They do not spend a lot of money on anything, anyway.

The Hon. W.A. MATTHEW: As a supplementary to that, in view of the fact that South Australia is the lead legislator in relation to bills before that ministerial council, is any assistance provided by the commonwealth through that council or separately to defray the extra costs that South Australia incurs?

The Hon. P.F. CONLON: At the end of the day other agencies and states have provided assistance in drafting, as I understand it. There is a formula that probably has not changed since the previous government for distributing costs that should be shared. Legal costs associated with the MCE work or the drafting of legislation was shared among the jurisdictions according to that formula. There may well be some differences in the flow of funds from them; I am not sure about that. The costs of setting up the AER are being borne, in the first instance, by the commonwealth and, ultimately, there will be a levy on industry. The Australian

energy market commission is being borne by New South Wales in total until such time as those funds are recovered from a levy. Those works that are directly attributable to the drawing up of legislation will be shared according to the standard formula. I think our share is 3.9 per cent. There are some additional costs to us, but there are also additional costs to other states, and they tend to be fair at the end of the day.

The Hon. W.A. MATTHEW: My next question again relates to aspects of the work of the Essential Services Commission and its work on full retail gas competition. Following responsibility for the pricing of gas being put with the commission, what increases in financial and staffing resources became necessary for the commission if, in fact, any were necessary?

The Hon. P.F. CONLON: First, the assessment of the need for resources is done by the commission itself through Lew Owens and is signed off by the Treasurer each year. One of the things that I have not done is to transfer the full responsibility for gas pricing to the present regulator because of what we see as a sufficient workload on the ground up review on electricity. That will transfer later this year. Those requirements are assessed by the commission, and the budget is approved by the Treasurer. I personally have little role in that side of it. Of course, the missing links are paid by industry.

The Hon. W.A. MATTHEW: It may be that my next question has the same result in that it may more properly be a question for the Treasurer if he approves the resources of the commission. In view of the fact that the new energy regulator appointment is associated with legislation that goes through not only the commonwealth, but changes here, and will be handled by this minister, is he aware of any reduction in resources for the Essential Services Commission that will be necessary financially in staffing terms through the appointment of the national regulator?

The Hon. P.F. CONLON: We do not foresee that at present. My position on the national regulator is that the insistence of the transfer of distribution in retail has been the commonwealth's contribution to the restructuring. It is an agreement in principle, and outside the house I have signalled, and I will say inside the house, that we will not be taking that beyond an agreement in principle unless the commonwealth proposes to continue regulation locally. It is my very strong view that, if the people who currently regulate distribution in retail are going to do it as part of the national regulator, it must still be local people doing the regulation. I will continue to hold that view, and I believe it is entirely futile to think that you can regulate distribution retail from Melbourne.

The next step of the agreement will not be progressed unless that is part of the arrangements. I do not anticipate there being a significant requirement for a reduction in staff or resources. Of course, the names of people can change over time, as people are entitled to pursue new job opportunities if they want, so I do not know whether it will be the same people. However, my very strong view is that, unless the commonwealth is prepared to consider that regulation at a local level, it will not be going to the commonwealth.

The Hon. W.A. MATTHEW: As a supplementary question to clarify that, is the minister flagging that, if legislation that is before the house passes, as he intends, it will not be proclaimed if he is not satisfied with the commonwealth's response?

The Hon. P.F. CONLON: I do not think it is dealt with in our state legislation: it is dealt with in the commonwealth

legislation. I have just had confirmed that the commonwealth bill does not go into that degree of detail as to the timing or the transfer of distribution and retail. It is a matter agreed in principle between the states and the commonwealth. The framework is still to be agreed, and a lot of things are to be agreed in principle. I have flagged that, while I have the concerns that I have set out here and I will not be accepting a transfer except in those circumstances, I think the concerns of New South Wales and Queensland would probably be even greater than any that I have. A lot more work needs to be done on the details of a decision to transfer those functions to the commonwealth. I have to say that some mornings I wake up and I think that perhaps the commonwealth could have all of it right now and Macfarlane could come down and answer questions on electricity prices—but that is only some mornings.

The Hon. W.A. MATTHEW: You don't enjoy it, minister?

The Hon. P.F. CONLON: No, it's a great life.

The Hon. W.A. MATTHEW: At the last state election the now Premier promised to provide the now Essential Services Commission with a series of powers. The now Premier promised strong new powers to investigate and, if necessary, prosecute transmission, retail or generation companies that fail to meet acceptable standards of reliability and maintenance. It is a very fair and reasonable undertaking. As the minister is aware, on 8 June this year ETSA Utilities announced its proposed \$1.6 billion maintenance and capital investment program over the next five years. Quite rightly, that must undergo close scrutiny, and I agree with the minister that it is vital that any such claim be scrutinised to the nth degree to ensure that it is a fair and reasonable ask, that it has not been over-costed, and a whole range of things. However, will the minister assure the committee that, if ETSA's maintenance program is cut back from what it has asked (and by that I mean the amount is cut back to the extent that what it has asked for is not achievable where it is determined desirable), it will not be in a situation where it does not meet acceptable standards of reliability and maintenance because of something imposed upon it?

The Hon. P.F. CONLON: That is really just a question of the standard balance and regulating natural monopolies. I think ETSA is pretty cute. On the one hand, it asks for \$1.6 billion, and that will give it a very considerable increase in its revenues over the five years of the reset, which means that if someone were foolish enough to give it to ETSA without rigorous checking and analysis it has got a big increase. On the other hand, of course, it will try to blame someone else in the future if it does not get everything it wants. That is the way that monopolies play the regulatory game. Our figures, along with ETSA's claims, show it to be one of the most reliable distribution systems in Australia. We expect it to keep up an acceptable level of reliability but, as always, reliability and cost are a regulatory balance and need to be achieved properly. We will continue to achieve the regulatory balance. But that is nothing new: it happens with regulated monopolies all around the world. You just do the job right, that is all. I am still struggling to understand how ETSA can tell us that it has the most reliable distribution system in the world but it needs to double the capital expenditure and double its maintenance costs. I think there is a fair degree of ambit in it. That is only my opinion: it will be for the regulator to determine that. But there is no doubt that we expect modern, civilised standards of reliability, and we expect them to be at an affordable price.

The Hon. W.A. MATTHEW: My next question relates to the same line of budget questioning. I put on the record that the opposition shares the minister's concern and, certainly, we also view it as the good old ambit claim that has been put forward by ETSA, and we are pleased that the closest of scrutiny will follow. However, we are also mindful that, regardless of the strength of its infrastructure, good infrastructure has to be maintained, and that requires spending. If we are to expand and develop industrial opportunities in our state, that also requires spending. The minister has spoken about acceptable standards and that fine balance and has also highlighted that it is perhaps a cute act by a company to put up an ask and, if they do not receive it, to blame someone else if their infrastructure fails. Has the government, either separately or through the commission, defined a level of acceptable standard that ETSA must perform to that will not give it that out?

The Hon. P.F. CONLON: The commission imposes those standards. The commission also recently undertook an extensive survey running up to the reset, asking customers whether they felt that they should pay more for increased reliability. About 83 per cent said no. So, they have had a pretty clear message from the public about that. The standards are imposed by the commission. I assume that standards will be set for the reset period. Again, as I said, it is a pretty unremarkable fact of a regulating and distribution system. That is the regulatory balance (I think that is the term they use in the textbooks), and that is what happens all around Australia. It is the reason why you want a commission that is well informed and gets it right.

The Hon. W.A. MATTHEW: My next question again relates to the Essential Services Commission and, in particular, the powers available to the commission. At the last state election the now Premier, in promising to create the Essential Services Commission, defined in part some of the powers that he wished it to have. He stated, 'strong new powers to investigate electricity companies by law to justify their prices. This will include the generators'. As the minister would be aware, certainly, the commission has powers to investigate electricity companies, but those powers do not extend to generators. Why has the commission not been given the power to require generators to justify their prices as promised or, if the minister determines that it is more a role for the federal government, what representation has he made to ensure that that occurs?

The Hon. P.F. CONLON: ESCOSA does have power to investigate electricity companies, including generators, and the fact is that, on at least one occasion I can recall, it looked at generator rebidding and gave a report, along with NEMMCO and NECA. The member for Bright would be aware that the rudiments of the system are that it is a real-time spot priced system, in which the real concern, if you are to maintain that system (and that is a decision for national bodies such as the new AEMC), is to have an eye to people not exploiting or gaming the market. The honourable member would be aware that, while the powers are in ESCOSA, we also convinced what used to be the National Electricity Market Ministers' Forum to agree to change the law to increase the penalties for gaming the spot price.

Our approach has been to take both approaches; that is, to have a watchdog at a state level and appropriate enforcement at federal level. I think the real secret to ensuring the market works better in the interests of participants lies in the current institutional reform we are doing, that is, creating an Australian Energy Market Commission which puts some policy

direction back into operating the NEM and puts in a system for making speedier change as it is required. I have said in the past that the current system for making changes to the code or the national laws is brutally slow and that the new regulatory system will be a third piece that helps us address controlling the wholesale price, as well as the retail price. I think that we need to be working on a whole range of other things, including managing risk in contracting in a spot market for retailers.

In the past, I have signalled that we need to be working on firmer trading over interconnectors, and I am very keen on the thoughts of the current chair of NEMMCO regarding creating a single clearing house for electricity contracts. I do not understand the markets, but it is similar to a futures market, which would give a great deal more transparency to the system and which would reduce the amount of money needed to be deposited by retailers with NEMMCO. I think what we need to do is create a system where we can continue to improve the market. We have a powerful watchdog, we have increased penalties for gaming the market and we have a new system so that we can make the changes that are necessary in the operation of the market to achieve the range of things I have talked about. What I have learnt after two and a bit years of being minister is that, whether or not you are patient, the system demands patience of you in making improvements because it is a very slow system to reform.

The Hon. W.A. MATTHEW: At the last state election, the now Premier in announcing his Essential Services Commission also promised to give the commission 'emergency reserve powers to, if necessary in the state's interest, cap retail prices if it finds tariffs are excessive and totally unjustifiable'. Does the minister believe that today he has the necessary powers available to the Essential Services Commission to do that, and how would he define tariffs that are excessive and totally unjustifiable?

The Hon. P.F. CONLON: I think we have wandered a long way from budget estimates but, if it engages the shadow minister, I am happy to chat along. The commission has the power to cap retail prices. What we have suffered from in the past two years, or certainly since 1 January 2003, has not been an inadequacy of power to cap prices but the impossibility of removing price increases that have been put in there by an ill-guided privatisation and entry to an open market, in particular the very high network costs. It would be impossible for any retailer to cap those prices below the actual network costs being passed on to consumers. The problem has not been the power to cap the price: the problem has been that the privatisation deal wrote into the system large components of price increases that were unavoidable.

I wish that was not the case, but the truth is that it would be an extremely unwise idea for the commissioner to cap a retail price below the actual price that the retailers are paying for electricity. They did that in California—they probably did everything you could do wrong in California—and the retailers went broke and the government had to step in at a massive cost to the government and to the Californian economy. I am absolutely confident that the commissioner has the powers necessary to cap prices. What he cannot make go away are those price burdens imposed by privatisation. We are working on that and we are working on controlling those elements. We have the reset for ETSA next year, even though it is asking for more money. What we can do is get at the sweetheart deal that the previous government did to give it a higher return on its capital than any other distribution company.

I want to be clear: that was the privatisation deal—five years of a higher return than anyone else. That is an impact on price you cannot make go away unless you repudiate the previous government's deal and, of course, governments do not do that—the elements of sovereign risk in that are not right. The powers are there but we cannot make disappear the dreadful outcomes of a very bad privatisation.

The Hon. W.A. MATTHEW: I ask the minister, if that is the case, why did his now Premier promise to cap prices if he believes it would be irresponsible to do so? He had no—

The Hon. P.F. CONLON: No, the shadow minister does not understand what I said. A price cap was put in place, but fortunately that price cap had to take into account very real price pressures created by privatisation. There was a price cap but, unfortunately, as I said, no regulator could ignore the price that a retailer has to pay for electricity. Those things were all real, so the power exists: it was exercised. I have to say that there is an old slogan that power exists only where it is exercised. Well, it exists and it was exercised. The truth is that what we cannot make go away is the previous government's dreadful privatisation.

The Hon. W.A. MATTHEW: If I have the minister's analogy correctly, he is telling us that ETSA Utilities made an ambit claim in its most recent submission—and the opposition is not disagreeing with him, so let us get that straight—but the ask from AGL of an increase of up to 32 per cent in electricity prices for summer peak was not ambit claim but was justifiable, and that is why it was allowed to get away with it. There seems to be a difference in logic today from two years ago under the same government.

The Hon. P.F. CONLON: He is just wrong. The explanation of the question is wrong, and I do not know whether I can be bothered explaining why it is wrong to him, except to say that the justifiable price is set by the retailer at that cap. The same bill the shadow minister voted for and supported in parliament made those powers for the regulator. The regulator examines the prudent cost and that is what he found. I have offered my opinion on ETSA and am reinforced in my opinion that the regulator holds a very similar view, at least from what I have seen reported. The shadow minister is wrong.

The Hon. W.A. MATTHEW: I put to the minister that certainly AGL believes that it put in an ambit claim and was surprised that it was approved without any endeavour to reduce it; that, further, that is why AGL did not for this year put in a review for its electricity price; and that, because that has occurred, the government has now had no choice but to react by ensuring there will be a review of AGL's price each year. I support the move to ensure there will be a review each year, but surely the minister is now prepared to admit that AGL put in an ambit claim and got away with it.

The Hon. P.F. CONLON: It is like being cross-examined by one of the first year law students in one of those competitions at law school: 'I put it to you that you are a murderer.' The notion is that it was an ambit claim that AGL got away with—and of course he has insider information, but it would be nice if he could quote a source for it, as it is pretty cheap stuff. If the 23.7 per cent was not justifiable—he always mucks up the numbers—perhaps the shadow minister could explain why under his administration they allowed an average 45 per cent increase for the previous tranche of contestability for the large customers, while he allowed AGL to wander around the country saying, 'Here's your new contract—five years at a 35 per cent increase or you don't get electricity now.' I understand our logic; it is based on a regulatory

system which is rigorous and which brings an informed analysis but, if the shadow minister truly believes that 23.7 per cent was an unjustifiable price rise, how on earth does he justify the average 45 per cent increase for those businesses? Perhaps he should be apologising to them for his time in government and giving them back all the money they lost.

The Hon. W.A. MATTHEW: Is the minister in a position to advise the committee what proportion of South Australian businesses have received a reduction in their electricity price over the past two years?

The Hon. P.F. CONLON: It depends on the size of the business, but they are all there in the market. It is not something we regulate or have information on. There have been some cheaper deals for those not locked in to the dreadful price increases in the last tranche of contestability. We have anecdotal evidence that there is cheaper electricity about for some of those contracts, but the market position in which you left AGL gave them a price on a 'take it or leave it' basis, which you did nothing to regulate but let them charge it, so it required people to sign up for three and five-year deals. A lot of those people are not finding any benefit in the market, because they are tied up in a contract. I am interested in explaining why a 23.7 increase is not justifiable but that 45 per cent was, with no protection whatsoever.

The Hon. W.A. MATTHEW: The Essential Services Commissioner, Lew Owens, has regularly espoused his view in Adelaide's media that businesses are doing far better out of the private market than they were previously and that a large proportion of businesses have received significant reductions in their electricity. It has been suggested in some quarters that many businesses are paying less for their electricity today than they were three years ago. Will the minister provide any figures used by the Essential Services Commissioner and, if not, will he undertake to get them?

The Hon. P.F. CONLON: If you want to ask him questions you could write him a letter and, if you want to ask me questions, ask questions within my ambit. If you want to know that, write to Lew.

The Hon. W.A. MATTHEW: This is budget estimates. I am always happy to make contact with the Essential Services Commissioner if the minister prefers that I do that.

The Hon. P.F. CONLON: This is budget estimates, so he is entitled to that information! Isn't that an ironic statement? Here is the mob that made sure the entire electricity system was removed from government ownership and control. He goes out with his mob, sells the whole lot and we have to put in a regulator and then he comes in here and demands answers from me about what is happening in the electricity market. He has more front than John Martin's had before they closed that, too! Crikey! You sold it. If you want to know what is happening out there in the private market, why don't you ask the private industry?

The Hon. W.A. MATTHEW: I take a point of order. The minister has just accused the opposition of closing John Martin's. That is a bizarre accusation and I ask the minister to correct it.

The Hon. P.F. CONLON: The State Bank was on our watch but John Martin's was not on theirs.

The Hon. W.A. MATTHEW: The minister knows full well that it was a private company that was not in government ownership or control.

The CHAIR: The minister used the word 'they', which can be interpreted broadly. I am not sure who the member thinks 'they' means.

The Hon. P.F. CONLON: Let me rephrase it. He has more front than John Martin's used to have before it closed during the term of the previous Liberal government.

The Hon. W.A. MATTHEW: That is acceptable. I am amazed at the gall of the minister accusing the opposition of having front. We did not lose \$3.3 billion on the State Bank: the Labor government did. The Labor government's \$3.3 billion loss is what drove to a great extent the lease of the electricity assets, as indeed did the \$9.4 billion total debt that they left, but we do not need to keep revisiting that. My next question relates to the energy rebates that are provided to electricity customers, to pension recipients, to encourage them to change retailer. It has come to my attention that one category of pension recipient appears not to be entitled to receive this rebate, and that is a widow without any child dependants. I know that this is an issue that the member for West Torrens is also concerned about, and I ask the minister if there has been any endeavour to ensure that this category of pensioner who misses out—it is by way of Centrelink entitlements—can be covered. It would appear to me that they are an unintended omission.

The Hon. P.F. CONLON: You may well be right. I am not responsible for that. You will need to ask that question of the Minister for Families and Communities. The eligibility for pension entitlements comes from that office. In terms of the electricity transfer rebate for a standing contract, as far as I understand it, it operates on the basis of those who are entitled to the electricity concession. If the person is not entitled to the electricity concession, you may or may not have a valid case, but I have no responsibility for determining who is entitled to a concession.

The Hon. W.A. MATTHEW: That is part of the difficulty, as I understand it. A person who is in receipt of a widow's allowance is not entitled to an electricity concession, either. It appears to be an unintended consequence. It is something that could be of a long-standing nature, perhaps even more than 12 or 15 years.

The Hon. P.F. CONLON: I have no knowledge of those things.

The Hon. W.A. MATTHEW: Having now made the minister aware of it, can he pursue it so that this category of pensioner can get a concession?

The Hon. P.F. CONLON: There is no use my pursuing it. I have no ministerial responsibility for eligibility for concessions. It needs to be pursued with the Minister for Families and Communities when he returns from his short paternity leave.

The Hon. W.A. MATTHEW: My next question relates to the concessions that have been paid to people on transferring their electricity to a market contract. Is the minister in a position at this stage to advise the committee how many pensioners have applied for and how many have received their \$50 rebate and transferred to contracts under this program?

The Hon. P.F. CONLON: I preface this by saying that the number of people who receive cheques is going to be misleading because there is an automatic three or four month lag in the process. As at 15 June, the best estimate is a total of 12 000 or 13 000 either receiving it or in the process of receiving it. That does not take into account the very high level of transfers in April, May and June. Our information from transfers is that activity is at its highest on record in those three months and we understand a high proportion of them to be pensioners. That will be a much understated figure.

The information lags. At a very conservative estimate, we would say that something like 37 000 will be receiving the ETR by the end of June. We believe that is a very conservative estimate and it may well be that there were that many in a month during that period. We are not going to know until we can nail down the information. There has been a high demand and a very high level of turnover in recent months. For all those who are entitled to receive it in the first six months of this year, we will not know the exact figure until as far as away as September, because of the lag in the system, but there is a high level of interest and a lot of people will be receiving it.

The Hon. W.A. MATTHEW: Can the minister advise the committee whether the figures that are being kept on market contract transfers include detail as to whether the consumer has stayed with AGL or has gone to a different retailer?

The Hon. P.F. CONLON: Those figures will become available but, as I say, there is a lag. I understand that AGL has had a lot of people go to market transfers, but I also understand that TXU and Origin have had some very successful months recently in market transfers. I would be surprised if there are not at least 100 000 or more market transfers in the first part of this year. We are seeing very high rates out there, and I would say that there were probably 150 000 in the first half of the year, but we will see about that. There will be separate figures for AGL customers going to market contracts, too. The truth is that some people like to stay with the name they know.

The Hon. W.A. MATTHEW: It is certainly up to the minister whether he wishes to volunteer this information to the committee, but will he advise whether he has undertaken a transfer of his contract? I volunteer upfront that I have not because I am waiting for a dual fuel deal.

The Hon. P.F. CONLON: I will be doing a dual fuel deal. That is my decision. That is why we had to bring gas competition in—because it drives competition more. However, I am astonished at people who do not have a market deal or are not thinking of one. Having recently moved, and I will be moving again once I find a bigger house with another room in it—

Mr Koutsantonis interjecting:

The Hon. P.F. CONLON: Yes—all that. I was thinking of a bigger room for the wine cellar, but apparently my days of that are over. I am quite happy to say that I made a conscious decision to look for a dual fuel deal.

The Hon. W.A. MATTHEW: I know that the member for West Torrens was offended by my question—

Mr KOUTSANTONIS: I certainly was—outraged.

The Hon. W.A. MATTHEW:—but I have done exactly the same thing. My next question relates to some interesting advertising—

The Hon. P.F. CONLON: I indicate that they have not been beating down my door either, because apparently no-one wants the Minister for Energy as a customer.

The Hon. W.A. MATTHEW: Ditto—although AGL has not been trying to get rid of me; it has been trying to get rid of you! My next question relates to some rather interesting advertising that appeared in the press in relation to the opening of the SEA Gas pipeline. Some further information appeared in the press after my colleague, the Hon. Angus Redford, obtained information from the minister's office about the rather lengthy process worked through to ensure that the advertising was just right. Will the minister advise the committee of the cost of placing the full-page advertisement

in *The Advertiser*, which read in its final form: 'New pipeline boosts gas supply into South Australia' ?

The Hon. P.F. CONLON: No; I cannot. Again, you will have to forgive me, but I do not think it was paid out of any of my agencies. I am enormously indifferent to it, but it seems to be a matter that has agitated many minds. I think it is very nice to congratulate a company when it did such an excellent job with such good timing after the Moomba crisis. However, if the member really needs to know, he will have to get that information from whomever paid for it, but it was not us.

The Hon. W.A. MATTHEW: Is the minister able to advise which agency did pay for it? Was it the Premier's agency?

The Hon. P.F. CONLON: I do not know, but we will find out for you.

Mr KOUTSANTONIS: Put the question on notice.

The Hon. W.A. MATTHEW: I think I have. In taking that question on notice, will the minister advise whether the architect of the advertisement was himself, or the Premier, or was the task allocated to one of his staff?

The Hon. P.F. CONLON: As interested as the honourable member is in this issue, I think he probably needs to put the question on notice. I cannot understand how it has any bearing on budget estimates whatsoever. If you are really fascinated by it, come back next week and put the question on notice. I do not think it is a matter for which I am responsible, and I do not think it is a matter associated with the budget.

The Hon. W.A. MATTHEW: With respect, I put that it indeed it is: it is expenditure from the taxpayers' purse.

The Hon. P.F. CONLON: The honourable member has to think back to the question he has just asked: he wanted to know who wrote the advertisement. I am enormously indifferent to it, and I cannot see how it has any bearing on the budget at all. Come back next week, put a question on notice and I am sure that your odd interest will be satisfied.

The Hon. W.A. MATTHEW: If the minister is prepared to take it on notice, it will save me—

The Hon. P.F. CONLON: No; I have just told you to come back next week and put it on notice. This issue has nothing to do with budget estimates. It is an interesting diversion, although it is not particularly interesting, is it? One thing we can guarantee is that we did not spend any money on it—we do not spend money on anything.

The Hon. W.A. MATTHEW: I am intrigued that, despite the fact that the minister's staff, through FOI, appeared to have a very heavy hand in drafting this advertisement, it was not his agency that paid for it.

The Hon. P.F. CONLON: You can say what you like, but I have told you that it is not a question I am answering. I am not sure of the answer, and I am not interested in it. If you want to find out about something that has no bearing whatever on the budget, you can come back next week, put it on notice and stop wasting your time in budget estimates. I would have thought that you would have something you want to ask about the budget.

The Hon. W.A. MATTHEW: I understand the minister's embarrassment over this issue, but the fact is that before the last—

The Hon. P.F. CONLON: I am not the least bit embarrassed—bored might be a better description.

The Hon. W.A. MATTHEW:—state election the now Premier made a public statement that, simply put, when you

see a politician in a taxpayer funded advertisement, you know it is just a cheap way of doing the party political ads.

The CHAIR: Member for Bright, that is all very interesting, but it does not seem to relate to the lines currently before the committee.

The Hon. W.A. MATTHEW: Madam Chair, indeed it does, because we have a situation where our government is prepared to spend taxpayers' money on funding advertisements for the sake of—

The CHAIR: Order, member for Bright! This is not about making speeches. Will you ask a question relating to this budget line? Otherwise, I will invite members opposite to ask questions.

The Hon. W.A. MATTHEW: Madam Chair, this question is relevant, because—

The CHAIR: Well, frame it as a question.

The Hon. W.A. MATTHEW:—this government continues to spend money—

The Hon. P.F. CONLON: The question does not need an answer, and that is why I am wandering around.

The Hon. W.A. MATTHEW: Madam Chair, quite simply I put to the minister: will he advise the committee how much money has been spent by his agency on government funded advertisements that carry photographs of himself and/or the Premier in the 2003-04 financial year?

The Hon. P.F. CONLON: I am reliably advised that the microeconomic reform and infrastructure unit of the Department of Treasury and Finance has not spent any moneys on photos of me or the Premier. If there is any change to that and someone has secretly taken a photo of the Premier, I can understand that happening. He is, after all, a man who often falls victim to his own fatal charm. However, if I do need to come back and correct whether there are any secret admirers of the Premier or me in the microeconomic reform unit, I will do that. I am confident that that is not the case and, to the best of our knowledge, we have not spent any money on photos or ads with photos of either of us.

The Hon. W.A. MATTHEW: In view of the fact that the budget line is still open for Primary Industries, will the minister ascertain the same information from Energy SA or other staff within Primary Industries?

The Hon. P.F. CONLON: We can do that and find out whether they have been secretly running photos of me somewhere.

The CHAIR: There being no further questions, I declare the examination suspended until 18 June.

Department for Administrative and Information Services
(including equity contributions), \$182 172 000

Administered items for the Department for Administrative and Information Services, \$5 680 000

Witness:

The Hon. P.F. Conlon, Minister for Infrastructure.

Departmental Advisers:

Mr S. Bignell, General Manager, Finance, Department for Administrative and Information Services.

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

Mr R. Hook, Executive Director, Office for Infrastructure Development.

The CHAIR: I declare the proposed payments reopened for examination and refer members to the Budget Statement Appendix C, page C.3, and Portfolio Statements, Volume 2, part 6, in particular pages 6.1 to 6.10.

The Hon. W.A. MATTHEW: I note from Budget Paper 4, Volume 2, page 6.10 that there have been 12 projects managed by infrastructure development in 2003-04 and that it is expected that 10 will be managed in 2004-05. Can the minister briefly identify to the committee the 12 projects that have been managed this financial year and advise which of the 10 projects for the next financial year will be new ones?

The Hon. P.F. CONLON: I will try to do that for you. I say at the outset that it is a difficult figure to nail down in any event because we will often deal with an infrastructure project for a period of time without taking full carriage of it on particular issues. That has been the case usually because we are so good at solving problems and getting things moving.

Those at the moment are Outer Harbor and all of the projects associated with it; the State Infrastructure Plan which is expected soon; Riverbank stages 1 and 2; the Torrens Parade Ground; West Lakes; we have one from another agency that is a gigantic mile square telescope; the State Aquatic Centre; Holdfast Shores; Patawalonga; the Entertainment Centre; and the strategic capital investment process. In addition to that, we have been dealing with the following programs on an 'as required' basis: Holdfast Shores, Patawalonga and, of course, the PPPs for police station support houses. I have overarching ministerial responsibility for ICT procurement, the day-to-day responsibility for which is with the Minister for Administrative Services.

We have dealt with a number of issues including facilitating the arrangements for the terminal at Cape Jervis. We are putting together the proposals for \$2 million expenditure on Kangaroo Island to upgrade the electricity supply. We can also give you a list of the other things we are involved in, but it can be a movable feast in that we can deal with them for a limited time before they go back to agencies. We often deal with other agencies' programs for limited periods for strategic reasons. That does not include the things we deal with through LMC, of course.

The Hon. W.A. MATTHEW: In relation to projects flagged for 2004-05, are there any new projects expected in that or is it a continuation of those existing ones that you have outlined?

The Hon. P.F. CONLON: They are mainly a continuation but new items of projects. For example, Outer Harbor is listed as a project, but you will find that Outer Harbor will include the land release, the deepening of the channel, the creation of the grain terminal, the bridges over the terminal and the rail upgrades required without the completion of the precinct stage 2, the relocation issues associated with the new land release and some ongoing issues with LMC, the rehabilitation of Snowdens and such like. While that might, on the face of it, seem to be the same project, different elements will come on-stream. Certainly, we expect the Port River crossings to come on-stream in a very real sense in the next financial year.

The Hon. W.A. MATTHEW: In relation to the same budget reference, of the 10 projects to be managed in 2004-05, aside from the state swimming centre project and the police station and courthouses that the minister referred to, are there any other projects that are likely to be PPP projects?

The Hon. P.F. CONLON: There are, but I am always nervous about putting it out there until business cases are absolutely finalised. I do not believe that we should go to the private sector with projects that are not going to eventuate as PPPs and raise expectations. There are others, but I will see if we can nail down what is safest to talk about and bring it back for you. I also indicate that, in terms of the projects that we deal with, we also very extensively deal with the private sector and, again, we will deal with their projects on the basis of the need for a coordinating agency. Of course, we deal with the airport redevelopment and OneSteel on a number of their issues, and there are a number of other potential private sector projects about which it would not be wise to talk but with which we deal. We will also give you a list of the private sector projects with which we have been engaged in any substantial way.

The Hon. W.A. MATTHEW: Is the minister in a position at this time—we understand if he is not—to advise how many submissions of expressions of interest have been received by the government for the new state swimming centre and when does he expect their evaluations to be finalised?

The Hon. P.F. CONLON: I cannot tell you exactly, but I can tell you that it is a lot. There is a good level of interest. It is more than five—put it that way. We still need to consider shortlisting, but there are other issues which it is not right to talk about at this juncture. There is a high level of interest. I do not know whether at the end of the day those expressions of interest will all conform to requirement. In regard to the aquatic centre, we have said throughout that, while it is listed under PPP, it is essentially a local government and private sector project with a small level of subsidy from the state. Our desire would be to achieve some FINA standards at an aquatic centre. It is very much a case that those numbers have to add up with the level of subsidy offered by the state. This is not a state sponsored project nor a project that we will make succeed if the numbers do not add up. I have tried to be honest about that with everyone throughout. It is not a state government project as such: it is something we have given a level of commitment to, and it is up to the private sector and the councils to make it work from there. I think that is not greatly different from the previous government's approach.

The Hon. W.A. MATTHEW: Has the level of that state input been determined and, if so, is it publicly sharable at this time?

The Hon. P.F. CONLON: Certainly; the \$500 000 annual subsidy has been in our budget out years since last year, I think.

The Hon. W.A. MATTHEW: Is the amount allocated likely to be greater than that, or is that fixed?

The Hon. P.F. CONLON: That is what we have available, and we would not like to lead people to believe that there is any more available, because it is not in the budget. Of course, there is a level of subsidy from the council to them. At the end of the day it is a commercial project and they have to be able to make the commercial numbers stack up. They have to be creating a revenue stream for themselves way beyond anything that we are putting in to make it work, it is fair to say.

The Hon. W.A. MATTHEW: Again, I refer to page 6.10, regarding the performance indicators for infrastructure development. This time I refer to the annual value of the projects managed. I have some concern about the value of this information, because it deals with \$7 million estimated result of the value of projects managed in 2003-04 against an

\$18 million amount. It seems to be a very small amount, particularly in view of the projects that the minister has detailed. I notice a reference stating that the money may be in other agencies, but I ask the minister if he can share with the committee the true value of projects that have been managed as distinct from those—I am assuming in the case of these amounts—that have been exclusively allocated to the office rather than an agency?

The Hon. P.F. CONLON: Every agency has its capital program over the four out years. We do not have a capital program per se as managing a broad government agenda. So, we could not put all those numbers in here without leading people to think that the capital budget was larger than it was by double counting. We deal with such things as capital spending in the Port. The land release is worth \$1.5 billion, the bridges were worth \$130 million last time I looked and the PREXY project is \$80 million. The money committed for infrastructure headworks is about \$10 million, and there is the money for the deepening of the port.

A very substantial amount of money is available. The \$7 million to which the member referred relates to those things that we directly took over, carrying on from the old major projects, such as the river bank project, the footbridge, the Torrens Parade Ground and the West Lakes clean-up. We are responsible for a substantial swag of money, and we can total it all up and provide that information. Again, it will be a moveable feast. What we are responsible for may change within three months of the member receiving that information. It may go back to the agency for its role. We are building bridges. Transport will write contracts even though we have general policy control of the process of bringing it about. I am happy to provide that information, but I just make the comment that it needs to be updated. We have established a web site, which we intend to upgrade regularly, on projects that are on the go. I am happy to provide the information, with those qualifying comments.

The Hon. W.A. MATTHEW: Is the minister able to detail specifically what the \$7 million was for—whether it was a particular project?

The Hon. P.F. CONLON: That is what I have just given you. It is the river bank project, Torrens Parade Ground and the West Lakes clean-up.

The Hon. W.A. MATTHEW: The anticipated expenditure was \$18 million, and you finished up spending \$7 million. Was that because those projects did not proceed at the rate expected, or was something else involved?

The Hon. P.F. CONLON: Some of that \$18 million included things that were originally our responsibility, which have slipped into other agencies and which appear elsewhere. I think it is sufficient to say that the LMC now has provision in its budget for some relocation work that may have appeared in the past with us. It is not an entirely satisfactory way of presenting it, but it is better than leading people to double count in the budget, because that would be a very poor thing.

The Hon. W.A. MATTHEW: The role that is being described by the minister for the Office for Infrastructure Development is clearly very much an overseeing, coordinating and in many respects perhaps even a problem solving role in, as I understand it, coordinating projects in line with the recommendation of the Economic Development Board report and getting agencies under way in a project and allocating that project back. I recognise that takes staff with particular skills, and it sometimes might involve a reasonable number

of staff. How many staff are employed within the office to undertake the varied duties of the office?

The Hon. P.F. CONLON: It has deliberately been kept a small office: it is about 16. If we are working on a particular project we will make use of people in individual agencies to work on that project with us. It has been a conscious decision to have a lean approach to it and draw on resources from other agencies when required. I think that, so far, it appears to be quite satisfactory.

The Hon. W.A. MATTHEW: So as not to leave the Land Management Corporation personnel sitting here thinking that they are here for no reason, I will briefly turn to the budget lines in relation to the Land Management Corporation. I focus my questioning initially on page 3.26 of Budget Paper 4, Volume 1, the line reference 'Investing activities, Land Management Corporation'. I note that the corporation had planned to receive \$7 270 000 from investing activities in 2003-04 but that now only \$30 000 is expected. Can the minister advise the reason for the change in the result against this expectation?

The Hon. P.F. CONLON: Mr Bignall can answer that question.

Mr BIGNELL: The reduction in borrowings was a direct result of additional cash receipts from land sales for the year, requiring less borrowings.

The Hon. W.A. MATTHEW: Can the committee be provided with details as to where the land sales were providing a greater return than expected?

The Hon. P.F. CONLON: We can do that, but the process of land sales last year was that everyone provided a greater return than expected, in the way property values went. Just about everywhere they sold land they received more than they originally forecast.

The Hon. W.A. MATTHEW: My next question relates to the special dividend that was received into the Consolidated Account (I refer to pages 3.23 and 3.32). I note that there was a one-off special dividend of \$50 million. What is the source of this dividend and for what purpose has it been allocated, or has it simply gone back to Treasury into general revenue?

The Hon. P.F. CONLON: The LMC holds cash for its investment activities. It was simply an assessment that that cash had grown to a level where a special dividend should be paid. They had more than they required for analysis of future investing activities. I do not think there is any special reason about its being paid then. It was merely an analysis made at the time. It is the sort of analysis that occurs more through interaction between Treasury and LMC than me.

The Hon. W.A. MATTHEW: Except that Treasury found out about it.

The Hon. P.F. CONLON: The truth is that, especially in an agency such as this, you accumulate a level of cash that really should not sit on the books as such. Certainly what we have noticed is they appear to have all the money they need for their investing activity, so Treasury probably got it right.

The Hon. W.A. MATTHEW: I refer to page 3.26 of the same budget papers and the statement of cash flows in respect of the Land Management Corporation. I note that the estimated result for 2003-04 is \$11 902 000 with a budgeted decrease of \$3 171 000 in 2004-05. Will the minister advise the committee of the reasons this decrease is expected for the coming financial year?

The Hon. P.F. CONLON: I will get Sean Bignell to tell the honourable member. I have never understood how he does his books.

Mr BIGNELL: The difference is predominantly related to capital funding. We have a number of projects which have specific funding allocated to them. That funding ceased as a result of completing those projects during the 2003-04 year, and accordingly the funding has reduced.

The Hon. W.A. MATTHEW: Will the minister provide the committee with the detail of what projects were completed during the financial year and which ones remain to be completed during the next? I am happy for it to be taken on notice.

The Hon. P.F. CONLON: We will bring it back for the honourable member. I do not think it will be anything that is earth-shattering. We will bring it back; it is a bit of a list.

The Hon. W.A. MATTHEW: I again refer to the same page in the budget papers and this time my question focuses on staffing. How many full-time equivalent staff are employed by the Land Management Corporation, and of these how many are Public Service employees and how many are contracted employees? I understand the corporation has both.

The Hon. P.F. CONLON: We have 71 FTEs.

Mr HARPER: There are currently 71 FTEs in the organisation. With the merger of the Industrial and Commercial Premises Corporation with the LMC, I believe it is approximately 12 or 13 public servants and one contract employee.

The Hon. W.A. MATTHEW: There are 71 staff, 12 or 13 public servants and one contract employee.

Mr HARPER: Of the 71 staff, 12 or 13 are public servants and one is a contract employee.

The Hon. W.A. MATTHEW: How are the other staff then regarded if they are neither contract nor public servant?

Mr HARPER: The contract employee is an external contractor and all the other employees are on individual contracts. I am sorry that I did not make that clear. All the remaining staff are on individual contracts ranging from one to three years.

The Hon. P.F. CONLON: It has always been an area which employs in a different way from the rest of the Public Service.

The Hon. W.A. MATTHEW: Indeed it has. Has the minister made representation to his colleague the Minister for Industrial Affairs in relation to his Fair Work Bill and the effect it could have on the Land Management Corporation?

Mr KOUTSANTONIS: Madam Chair, I have a point of order. That has absolutely nothing to do with the budget.

The Hon. W.A. MATTHEW: It has.

Mr KOUTSANTONIS: It does not.

The Hon. P.F. CONLON: I do not think it does but certainly I have not had any representations from the LMC being worried about it.

Mr HARPER: No.

The Hon. P.F. CONLON: There you go. As I say, the use of contract staff by the LMC has been longstanding. In fact, I would guess that there are more public servants now than there were when we came to government because the ICPC people were probably public servants.

The Hon. W.A. MATTHEW: I am not critical of the process. I recognise that it is an area where skilled expertise is required and difficult to obtain and it varies from time to time, so it makes good sense to contract people. The issue was to determine what was there.

The Hon. P.F. CONLON: I indicate that Bruce Harper continues to be blessedly sanguine about the effects of the Fair Work Bill.

The Hon. W.A. MATTHEW: He seems to be choking.

The Hon. P.F. CONLON: No, he is a very happy man.

The Hon. W.A. MATTHEW: I flag that earlier today I asked an omnibus question relating to the portfolios here, and I asked that, in particular, the question be seen as applying to staff who are on contract or salary packages of more than \$100 000 a year as well, because clearly the question was intended to cover all employees, regardless of the nature of their contract or other agreement with government for their employment.

The Hon. P.F. CONLON: That is no trouble; the honourable member will find that disclosed in the annual financial statement.

Mr VENNING: In relation to LMC, the subject on consultants, Budget Paper 4, Volume 1, page 3.26, I note from the LMC 2002-03 annual report that \$675 064 was spent by the LMC on consultants. How much has been spent in 2003-04?

The Hon. P.F. CONLON: I will obtain the information for the honourable member. LMC is an area that deals with it very differently from most other areas of government and it deals with consultants on a more regular basis: it is the nature of their work. We will obtain that figure for the honourable member.

Mr VENNING: Also in relation to the same page, the subject of Lonsdale Industrial Estate, I understand that 38 serviced industrial allotments have been offered for sale in four stages, with the fourth stage of eight blocks closing for expressions of interest on 28 May 2004. Have all the allotments in this estate now been sold; and what has been the net return to the taxpayer from the sale of the land?

The Hon. P.F. CONLON: Yes, they are all contracted for sale. The only concern we have is that, instead of getting \$40 per square metre which we expected, we got \$60.

Mr VENNING: So you have plenty of money and can pay for these contracts?

The Hon. P.F. CONLON: No, you have seen what happens every time we make money: Jim Wright finds it.

Mr VENNING: I refer to SA Water land. Under page 3.26, the Land Management Corporation, I refer to the South Australian Water land at Mannum that is now surplus to requirements. Has it come under LMC control now and, if so, what is being done about it?

The Hon. P.F. CONLON: It does not come to us. It is a public non-financial corporation.

The Hon. W.A. MATTHEW: My next question refers to page 3.26 in relation to payments to the Infrastructure Corporation. I focus on the Port River Expressway. I appreciate in advance of asking the question that there have been changed circumstances since the printing of the budget papers, which the minister may wish to share with the committee. Will the minister provide the latest total estimate for the project, including all associated roadworks?

The Hon. P.F. CONLON: We have tenders out there at present and I am concerned about putting a number on it when there is a tender process on in case it is a number higher than they were thinking of. We would steer away from that. We are including numbers for land acquisition and transport costs, which will make it higher than the bids, so bidders do not think it is available. Our numbers at present are around \$85 million for stage 1 and \$836 million for stages 2 and 3. We are still talking to the commonwealth about its contribution.

The Hon. W.A. MATTHEW: By way of supplementary question in relation to the commonwealth contribution, will the minister advise the committee—and I appreciate that

discussions are still going on about the final level of its contribution—of the level of commonwealth contribution that has been taken into account in relation to the project costed for the purposes of these budget papers?

The Hon. P.F. CONLON: Essentially Treasury has done that. It is less than we believe may be available from the commonwealth. While we believe there may be a larger contribution from the commonwealth, these figures are based on tolls and there are discussions with the commonwealth about tolls and contributions, so it is hard to put an accurate figure on what might come out of the commonwealth except to say that there is a mixture of toll revenue and commonwealth contribution that may be different from that which we see at the end, but that is what happens when you deal with the commonwealth on a share of funding. You can understand what I mean.

The Hon. W.A. MATTHEW: I refer to page 6.9 of the same Budget Paper and the statement of financial performance, in particular the lines referring to employee expenses and supplies and services. I note that there seems to have been a significant increase in expenditure for these two items in 2003-04 than that originally anticipated. Employee expenses appear to have gone \$441 000 (or 38 per cent) above the expected expenditure, and supplies and services are \$831 000 up (in fact 163 per cent)—a fairly significant blow out from expected in percentage terms. What were the main contributing factors to these unexpected cost increases?

The Hon. P.F. CONLON: The difference is not in the number of employees but in transfers from the former DIT, the transfer of some employees and vacancies over to this office and the basis on which that was done and a change during the period, including a transfer of some vacancies. I will get the detail. The only difference is that expenses that may have been allocated to a different agency for that period have been allocated directly to OFIT. It is the same number of people, but expenses that would have been allocated to the old DBMT have been allocated against this budget, with no material change in overall government expenditure.

The Hon. W.A. MATTHEW: Did these transfers result in surplus staff to requirements in 2004 who need to be moved out of the Public Service?

The Hon. P.F. CONLON: Not with us; we took only what we required. The whole issue was about how certain vacancies, unfilled positions that DBMT had, were described in the budget papers. They were going to be described one way and ended up being described another. There was no material difference in the overall expense to the government.

The Hon. W.A. MATTHEW: In relation to the same budget area, can the minister advise me, given the very tight staffing in the office, how many of those staff are public servants and how many are contracted in perhaps a similar way to staff at the Land Management Corporation?

The Hon. P.F. CONLON: They are all public servants. Some are contracted and some are tenured but they are all public servants and they are not on the arrangements that seem peculiar to the Land Management Corporation.

The Hon. W.A. MATTHEW: I hope the Land Management Corporation is not starting to sweat over any of this.

Mr HARPER: I am very happy with the arrangements that we have.

The Hon. W.A. MATTHEW: The opposition is not at this stage criticising them, to help put minds at rest. My next question relates to page 6.7 of the same budget paper, particularly program 1, infrastructure development. I want to focus on collaboration with local government in infrastructure

projects. As the minister is aware, the LGA put out a very extensive document recently, Key State Budget Issues, and it called for government assistance to councils to enhance their infrastructure plans having regard to the state infrastructure plan. Are there any projects under way to ensure a more collaborative approach with local government and, if so, what funding has been allocated especially for that purpose?

The Hon. P.F. CONLON: I do not think that we have allocated funding to it but we see a central role in the development of the infrastructure plan for local government. Last week I addressed minister McEwen's Local Government Forum on those issues, and Rod Hook from the Office for Infrastructure Development is working with local government and regional councils and on the state infrastructure plan. We see an important role for local government in the provision of infrastructure.

One of the very good things that minister McEwen is pursuing is the notion of using subsidiaries to create corporations so that local government can get together and do larger infrastructure projects or do projects between them that they all require, and we are very keen to provide any assistance we can to facilitate that. One thing that has grown from the aquatic centre experience is that we have a team attached to the Financial Analysis Unit in Treasury that can provide some of the assistance that is not available to local government on those things. We are very keen on working with local government across a full range of infrastructure development.

Rod is about to set off on another one of his road trips around the state, too, dealing with local government on a regional basis and with regional development boards, most of which have strong connections with local government, and we will continue to do that. We will be working hard to make sure that the state infrastructure plan incorporates and assists in their target of infrastructure plans for regional government. We believe that we all have the same interest. If you set aside the arguments about who is going to pay for it, we all have a similar interest at the end of the day, and that is providing the infrastructure that taxpayers and ratepayers need.

The Hon. W.A. MATTHEW: As a supplementary to that, the key budget issues document of the LGA appeared to me to be an appeal for assistance from government in putting the plans together.

The Hon. P.F. CONLON: They are always asking for money.

The Hon. W.A. MATTHEW: All levels of government have their wish list; that is always going to be a fact. Clearly some of the larger, better funded metropolitan councils are going to be in a better position to be self-serving in that respect and have greater expertise than some of the smaller regional councils that do not have big staff numbers. My supplementary question is: are there plans in place, at the very least, to assist some of the smaller regional councils with some of their infrastructure planning, bearing in mind the huge areas they cover and therefore in many cases the extensive infrastructure that they are required to provide?

The Hon. P.F. CONLON: We provide assistance. In terms of budget assistance, the Office for Infrastructure Development does not really have a budget, as you can see from the papers, for providing programs, grants or assistance. There are agencies that deal with those issues, whether it be through regional development or the Office of Local Government. There is no doubt that we would be keen on coordinating government assistance to those bodies, but we do not have a funding line for that to provide financial assistance. We have a budget line for 16 employees and whatever is

allocated for capital. There is nothing else there. I quite like that, too, because people cannot ask you for what you have not got.

The Hon. W.A. MATTHEW: My next question relates to page 6.7 of Budget Paper 4, Volume 2, in particular program 1, infrastructure development. I refer to the land that was purchased by the previous government on the corner of Sturt and South Roads at Bedford Park. It was known as the old Sizzler or the Texas Steakhouse site. The land, as the minister would be aware because the location is close to his electorate as well as mine, is close to the Southern Expressway, to South Road, to the Tonsley Railway Station and to Westfield Marion Shopping Centre. The intent of the purchase was to use the land for a bus and O-Bahn interchange. Has the management of the project at this site been given to the minister's infrastructure office for management and, if so, what are the current plans for the site?

The Hon. P.F. CONLON: The land in question is not directly our responsibility at present. Because it was purchased for the reasons that you outlined, it is held by Transport SA. A decision will be made about the future of that land very soon. A decision on whether it is transferred to the LMC, otherwise disposed of, or held for transport purposes will be made very soon. I will let you know as soon as a decision is made about the future use of the land, but I expect that it may be made within even a month or so. My feeling is that the land is unlikely to be needed for transport use, but that decision is yet to be made.

The Hon. W.A. MATTHEW: In my view, it will be particularly disappointing, but I appreciate that that is not a decision that you or I have made. I thank the minister for his frankness. My next question relates to the same budget lines but under the topic of the Glenelg flooding. What action has been taken by the minister's government to mitigate any likely occurrence of damage arising from coinciding high tides and heavy rains to ensure that the Patawalonga Lake will not flood the Glenelg North area again in the future? Further, have the key actions and recommendations set out in section 7 of the GHD report been implemented?

The Hon. P.F. CONLON: Our officers' responsibility has been confined to handling the fallout from the flooding and the claims for damages and dealing with the private sector in terms of its responsibility. Many of the issues to which you refer are the responsibility of the Minister for Environment and Conservation. I will obtain a report for you on the aspects for which we are responsible, but I understand that primarily it is the responsibility of the Minister for Environment and Conservation.

The Hon. W.A. MATTHEW: Referring to the same page reference and a similar topic, will the minister advise the committee how many claims have been received, and how many of those paid, for losses claimed to have been caused by the Glenelg flooding, and what is the total value of the claims paid to date?

The Hon. P.F. CONLON: There are more payments than claimants because there are different heads of payment.

The CHAIR: I recall that the Treasurer answered this question.

The Hon. P.F. CONLON: In short, there are 222 payments, totalling \$1 365 678.98, I think. I will check that my figures are the same as the Treasurer's, but I can say that it is a lot of bloody money.

The Hon. W.A. MATTHEW: Indeed. My next question relates to the same page and program reference but to the Patawalonga clean-up, for which I believe the minister's

office has responsibility; if not, I will furnish the question to the appropriate minister. Is the minister able to advise the committee of the cost of storing the silt from the clean-up of the lake on the Adelaide Airport land? Is there any time at this stage for the removal of the silt from that site?

The Hon. P.F. CONLON: I inherited this from the major projects unit, and I do not have a lot of ongoing responsibility because our responsibilities were largely concluded. I understand that the moving of the silt was part of the \$5 million dredging contract. It has been put where it is with the permission of the Airports Corporation, and it has first call on its use because it has stored it, but I am told that a number of parties are interested in the use of it. Is that right?

Mr HOOK: That is right. The corporation is considering using it for a golf course, but that has not yet happened.

The Hon. P.F. CONLON: What I have told you is correct. It was part of the original \$5 million cost of dredging, which happened long before I had responsibility for it, and I think it happened long before we were in government. The silt is sitting on airport land, and the Airports Corporation has first call on its use; however, a number of parties are interested if it is not. I am told that it has value.

Mr KOUTSANTONIS: I move:

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

Motion carried.

Mr KOUTSANTONIS: The former government promised to have the silt, moved from the Patawalonga at West Beach, removed within two years of its being put there. I think it has now been for three or four years. When will it be used?

The Hon. P.F. CONLON: We have to get over the problems of the previous government, but we will sort it out over the next year.

The Hon. W.A. MATTHEW: I think the member for West Torrens may well hold the minister to that promise, too. My next question again refers to page 6.7 and the same line reference, Program 1, infrastructure development. I am aware that, before the establishment of the Office for Infrastructure, there was a cabinet infrastructure committee. Is that committee still in existence? I understand that the minister chairs it. Will the minister advise which of his cabinet colleagues are also members of that committee and how regularly it finds it necessary to meet?

The Hon. P.F. CONLON: It meets probably every two months. It has some regular members, but it will often have a large number. The cabinet comes on an 'as required' basis, because that is the nature of infrastructure and major projects: they overlap and involve many different agencies.

Off the top of my head, the standing membership would consist of the Treasurer, the Premier is probably on it, the Minister for Transport would certainly be on it, the Minister for Tourism, and I think the housing and planning people. Frankly, many more attend regularly when something concerning their particular agency comes up. It is a very active committee. We often entertain submissions from the private sector on projects or issues of concern. It is a very good committee, in fact.

The Hon. W.A. MATTHEW: My next question relates to page 3.26, and I return briefly to some of the Land Management Corporation issues. I refer to Seaford Industry Park, and I am aware that the Land Management Corporation has responsibility for a development at that location. Is the

minister able to share with the committee the progress of land subdivision and sales at that park? When does he expect that process to be completed?

Mr HARPER: The Land Management Corporation is about to embark on the second stage of the Lonsdale industrial subdivision. There has been very good demand for industrial land in the southern region and we are bringing forward the second stage of that land release shortly. We are negotiating with the South Australian Housing Trust, which is 50 per cent owner of the broad hectare land. We will shortly be subdividing the next stage of it and offering it to the market. The first stage has sold very well and returned profits above the feasibility.

The Hon. W.A. MATTHEW: As a supplementary question, is the minister able to advise the committee the profit return from stage 1 and the likely return to government from stage 2?

Mr HARPER: We can provide the staging, but the entire project is expected to produce a profit of \$3.24 million.

The Hon. W.A. MATTHEW: My next question relates to the same item of budget expenditure. It relates to yet another project being managed by the Land Management Corporation—the Davis Street precinct at Largs North. It is a sixteen allotment industrial subdivision. Is the minister able to advise the committee at what stage that subdivision is in its readiness for sale? What will be the expected return to the government from that?

The Hon. P.F. CONLON: The development application is currently before the Port Adelaide Enfield council. The return will be just under \$0.25 million.

The Hon. W.A. MATTHEW: My next question relates to the same budget line, and to another project where the Land Management Corporation is responsible for the development of the cast metals precinct at Regency Park. Of course, that is in part to assist with the relocation of foundries from other parts of suburban Adelaide where there has been some difficulty. Is the minister able to advise the progress of that particular project and the relocation timetable for those foundries that will be relocated to that park?

The Hon. P.F. CONLON: The earthworks are underway. A lot of the stuff is handled by DBMT, and I understand that DBMT has an agreement with one foundry but, for the rest of it, I would have to get a report from them. I do not know what their progress is.

The Hon. W.A. MATTHEW: My next question relates to the same line of the budget and, on this occasion, land at both Gillman East and Gillman West. I understand that the Land Management Corporation has been undertaking activities to target land for particular business users. Of course, this is essentially a shipbuilding and engineering area. Is there still any land within the control of the Land Management Corporation that is not as yet utilised?

The Hon. P.F. CONLON: At Gillman?

The Hon. W.A. MATTHEW: At Gillman, yes.

The Hon. P.F. CONLON: We have had a couple of sales there recently, but I will bring back the details, because there is a lot of land there, a lot of which is almost below the water mark. Some will require work before it can be utilised, so we will get you that information unless you have a pressing need in relation to any particular area down there.

The Hon. W.A. MATTHEW: In addition to the information that he is bringing back, could the minister also advise, unless he is able to do so now, whether any of those sales have gone to companies that are intending to use the land for shipbreaking? I know that that was an activity in the past that was focused on that site.

The Hon. P.F. CONLON: If companies wanted to buy the land for that, they would still have a few issues after they had got it—a few issues with the EPA, for example. The answer is no. There is no shipbreaking at Gillman.

The Hon. W.A. MATTHEW: My final question relates to another project that is being undertaken by the Land Management Corporation; on this occasion, it is the Elizabeth West industrial park development. I understand that the Land Management Corporation has been investigating a site in an endeavour to focus industrial development in Elizabeth. Has a site been found and procured (or about to be procured) and, if so, can the minister advise the committee of details in relation to that?

The Hon. P.F. CONLON: No, we are not. Our focus is on the staging of Edinburgh Parks in that area. There is an awful lot of land at Edinburgh Parks.

Mr WILLIAMS: How much land does the government still own at Gilman?

The Hon. P.F. CONLON: Over 200 hectares is worked, but more is owned by the Department of Recreation and Sport; and some is co-owned by the Adelaide City Council, I think.

Mr WILLIAMS: Does the government have a published policy on what it intends to do with that land in terms of industry or how people can access it?

The Hon. P.F. CONLON: A policy is being developed on some of it presently. I know that there is an intention, if possible, to create a waste management precinct. Resourceco is a company that is already doing a very good job on some of the land down there. If you wait a month or so we will draw up a policy on the use of some other parts of the land there. It is a piece of land which we have in the forefront of our minds given that we are building the expressway through there. We want to make sure that the land is handled strategically to give us a good return in the future.

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

ADJOURNMENT

At 6.10 p.m. the committee adjourned until Friday 18 June at 9.30 a.m.