

HOUSE OF ASSEMBLY

Wednesday 15 June 2005

ESTIMATES COMMITTEE B**Chair:**

Ms M.G. Thompson

Members:

The Hon. I.F. Evans
 Mr R.M. Goldsworthy
 Mrs J. Hall
 Mr T. Koutsantonis
 Mr J.R. Rau
 The Hon. P.L. White

The Committee met at 11 a.m.

Department of Treasury and Finance, \$40 751 000
 Administered Items for the Department of Treasury
 and Finance, \$1 029 798 000

Witness:

The Hon. K.O. Foley, Deputy Premier, Treasurer.

Departmental Advisers:

Mr J. Wright, Under Treasurer, Department of Treasury
 and Finance.
 Mr B. Rowse, Deputy Under Treasurer.
 Mr R. Schwarz, Acting Deputy Under Treasurer.
 Mr D. Imber, General Manager, Finance.
 Mr A. Blaskett, General Manager, Government Account-
 ing and Reporting.
 Mr T. Brumfield, Director, Financial Services.
 Mr C. Moore, Manager, Communication 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 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, provide the chair with a copy. Treasurer, do you have an agreed timetable?

The Hon. K.O. FOLEY: I understand that we do.

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 29 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 Treasurer, not the Treasurer's advisers. The minister may refer questions to advisers for a response. I also advise that, for the purposes of the committee, some freedom will be allowed for television coverage by allowing a short period of filming from the northern gallery.

I declare the proposed payments open for examination, and refer members to the Budget Statement, in particular appendix C, page C.2, and the Portfolio Statement, Volume 1, part 3. Treasurer, do you wish to make a short opening statement?

The Hon. K.O. FOLEY: I do not wish to make an opening statement.

The CHAIR: Member for Davenport, do you wish to make a short statement?

The Hon. I.F. EVANS: No.

The CHAIR: So we will now proceed with questions.

The Hon. I.F. EVANS: Treasurer, in relation to Budget Paper 4, Volume 1, page 3.15, consultancy expenses, in recent years you as Treasurer have been publicly critical of the work of John Spoehr, who is a local researcher and consultant. For example, in relation to work that Mr Spoehr did on Mitsubishi, you said, and I quote from the ABC:

I don't know where John Spoehr got that number from, to be quite frank. Lots of numbers John Spoehr comes out with, that I wonder where he gets them from.

And then also, when criticising an opposition member in parliament, you went on to say:

... that is, that you will spend more, tax less and balance the budget. It is voodoo economics. It is up there with John Spoehr's economic analysis of the world. It is, as I say, voodoo economics.

Mr Koutsantonis interjecting:

The Hon. I.F. EVANS: That was the Treasurer's word 'voodoo' economics. Given the Treasurer's criticism of Mr Spoehr and the quality of his work as 'voodoo economics', how does the Treasurer justify the Rann government's spending some \$566 000 in cash and kind on three separate consultancies which involve Mr Spoehr as the principal researcher and consultant?

The Hon. K.O. FOLEY: I will take the question on notice. I do recall seeing that one and questioning why such expenditure occurred. My views on John Spoehr are well-known. I do not have high regard for Mr Spoehr's economic analysis—never have and never will. But that's fine. Other ministers and other areas of government may consider Mr Spoehr's work of higher quality than I do. I do not control the abilities of other ministers to seek advice where they see fit. In this instance, I do not know why or how or whether or not Mr Spoehr was a small component of that expenditure. You may be right, but I will get it checked as to whether the full consultancy went to Mr Spoehr. I recall asking that question and, I think, being told that it was not that full amount that Mr Spoehr was engaged in. He is considered by many to be a good quality economist: I just do not happen to think that he is.

The Hon. I.F. EVANS: Madam Chair, I have a supplementary question. Given that the Treasurer sought advice on

the consultancies, does he think that it was a waste of money spending \$566 000 on the consultancies led by Mr Spoehr?

The Hon. K.O. FOLEY: I cannot recall what that consultancy was for. As I said, I do not think (but I will have it checked; the member may be right) that Mr Spoehr was engaged at that amount of money at all. I am sure that we will obtain an answer before we break for lunch as to exactly what consultancy was Mr Spoehr's. At the end of the day, other people have different views about Mr Spoehr. I know that the PSA thinks he is good. I know that some of my colleagues have a higher regard for his abilities than do I. That is the way of the world. We all have differing views on economists. I have just never been a fan of John Spoehr, and he knows that; we often have fun debating each other.

The Hon. I.F. EVANS: My second question relates to the Capital Investment Statement, page 22. In last year's estimates committee the Treasurer said that the total estimated cost for the Port River expressway project, with all associated roadworks, was some \$136 million, and that included the additional cost figure for the opening bridges of \$30 million. Given that the latest government estimate for the project is now \$178 million—or a blow-out of \$42 million on last year's estimate—what is the Treasurer's explanation for the blow-out, and is it true that virtually all the estimated blow-out is due to a blow-out in the estimated additional cost of having opening bridges?

The Hon. K.O. FOLEY: The initial costing for the opening component was \$30 million. The member will probably need to ask the Minister for Infrastructure for the exact figures now. We will obtain the information as to what was the increase. But, honestly, talk about cheap political opportunism by an opposition. First, the opening bridges was its idea. Then it decided it would build a rail bridge and that it would be an opening bridge. It wanted to toll the bridge, and we supported it in opposition. When we came into government and, because of issues such as cost and other factors, we openly said that we were considering our position.

As Treasurer and the local member for Port Adelaide, in particular, I received an absolute bollocking and belting by the Liberals (as best as they can bollock and belt). I do not have the words in front of me, but Rob Kerin used words to the effect that 'Labor promised and Labor must deliver on opening bridges.' And we did. We said publicly in Port Adelaide that we would open the bridges. Then, as we went through the exhaustive process of tendering, opposition members tried to have two bob each way. They said, 'Well, we're not saying whether or not they should be open. Just make a decision.' They were choosing their position very carefully politically. In the end, when the government said that they were opening, this mob started belly-aching. It is no good when in opposition to try to walk both sides of the street and take some high and mighty position, as they are attempting to do today, because, on my advice, the Public Works Committee met this morning to discuss this matter—

Mr KOUTSANTONIS: To vote on it.

The Hon. K.O. FOLEY: —to vote on it. And guess what? The member for Unley, who was an outspoken critic on radio last week and who is a prominent member of the Liberal Party, did not even turn up for the committee meeting today to vote against this project. So, it is a bit rich for the member to come in here and criticise this project when one of his party's lazy members could not even bother to attend the committee meeting today to argue his case to vote against it and, as an opposition, oppose the project. The member comes in here trying to walk both sides of the street when one

of his own lazy members could not even bother to attend a committee meeting this morning.

The Hon. I.F. EVANS: The Treasurer still has not explained to the committee why there is a cost blow-out of \$42 million. He can play his politics in front of the cameras if he wants to, but what South Australians want to know is why a project in his backyard has blown out by \$42 million.

The Hon. K.O. FOLEY: I am happy to take that question on notice. I am happy to give the member the—

The Hon. I.F. EVANS: Don't you know?

The Hon. K.O. FOLEY: Does the member want me to answer the question, or does he want to be an aggressive opposition member shouting me down all day? Because I will just sit here and listen to it. I really do not have the energy to spar all day long with the member. Does the member want an answer or not?

The Hon. I.F. EVANS: Yes, we do. South Australians deserve an answer.

The Hon. K.O. FOLEY: Good. Then one of the member's lazy members should have turned up for the committee this morning and asked all of this. We have a committee process in this house. It is up to the opposition to use the processes of this parliament to ferret out opposition interests in terms of taxpayer scrutiny, and one of its members did not even bother to turn up to a meeting.

Regarding the cost differential, clearly, construction costs have increased substantially during the construction boom that we have experienced over the past two or three years; that is an absolutely correct point. If people want to be critical of the fact that the time it took government to evaluate this project has led to an increased cost, that is probably a fair criticism. The cost of the opening component by the Department of Transport and Urban Planning (DTUP)—estimates that were undertaken when the opposition was in government as well as when we were in government—was clearly on the low side. Clearly, inaccurate estimates were made by DTUP back when the member was a minister, or was in cabinet, as well as our government making errors. We have both presided over a department of transport that did not give the government of the day as accurate an assessment of the cost of the opening as the tender process has proven those costs to be. We will accept that criticism. But, again, it is a bit rich for the member, given that he was in the cabinet that put the original cost estimates together.

The Hon. I.F. EVANS: I do not think we put them together. I think we received them from the department. But, no doubt, the Treasurer, knowing everything, will correct that. Can the Treasurer confirm that the opposition leader wrote to the government approximately a year ago and said that—

Mr KOUTSANTONIS: What line is this?

The Hon. I.F. EVANS: The same budget line, which deals with the port bridge.

Mr Koutsantonis interjecting:

The Hon. I.F. EVANS: It has to do with the same budget line. Can the Treasurer confirm that the Leader of the Opposition wrote to the government approximately a year ago suggesting that, if the cost of the opening component of the bridge blows out, it reconsiders the opening component of the bridge?

The Hon. K.O. FOLEY: I understand that the Leader of the Opposition did write a letter to the Minister for Infrastructure. I think the Minister for Infrastructure has said that publicly on numerous occasions, if he has not already released the letter. The member will have to ask the Minister

for Infrastructure about the specifics of that. However, I can confirm that that did occur. As I said, it has never been a secret. But what also has never been a secret is that the opposition leader throughout this debate failed to make a stand on his position regarding opening or closing. He walked both sides of the street—that is politics, I understand that.

Crikey, I am not going to be churlish about that, it is what you do in opposition, but the honourable member cannot now come in here and, with any integrity, berate the government for the decision we took given that he was incapable of making a decision and—unless I owe the member for Unley an apology as to why he did not turn up to the committee meeting this morning—it would appear that the opposition's interest in this project is very limited, given that one of its most senior members, whom you are saying government is almost reliant upon, did not even bother to turn up to a meeting. Now, if he had a good reason for that then I apologise to him humbly, but come on.

The Hon. I.F. EVANS: Can you guarantee that there will be no further blow-out in the cost of project?

The Hon. K.O. FOLEY: One thing I have learnt in government—as you well know after your eight years as a minister—is that you cannot give iron-clad guarantees about the cost of capital projects. I would have thought the member for Morialta, sitting there, would know that all too well, given the cost blow-outs in her little baby, the Hindmarsh Soccer Stadium.

Mrs HALL: It came in under budget.

The Hon. K.O. FOLEY: Under budget!

Mr KOUTSANTONIS: I refer to Budget Paper 4 Volume 1, page 2.11. Can you inform the committee of the effect on the South Australian economy of the federal government's air warfare destroyer contract?

The Hon. K.O. FOLEY: I can, and from the outset I would like to commend Prime Minister John Howard, defence minister Robert Hill and the Security Committee of the federal cabinet for endorsing and supporting what was clearly the overwhelming recommendation of senior advisers to the Howard government on who should get the air warfare destroyer contract. This is one for which the federal Liberal Party in government, together with the state Labor government, can take shared honour and pride in actually seeing this particular project delivered here into South Australia.

Ever since coming into office we have been a government that has embraced a bipartisan relationship when it has come to state interests—particularly in working with the federal government. A lot has been said about the air warfare destroyer contract and about how the likes of Ian McLachlan, former head of the Navy David Shackleton, former head of defence procurement Admiral Kevin Scarce, former head of Halliburton John Fletcher, noted business leader in the nation Malcolm Kinnaird, former head of Transfield John White, who built a number of warships for the government, and others came together to work with this government over the past 2½ years and, importantly, to work with the ASC. Tenix had a very aggressive business case, it had a very strong position in naval ship construction, and there is no doubt in my mind that our partnership with business and national leaders was absolutely crucial to winning this contract—not to mention the \$140 million-plus that we, as a state, are investing in this project.

I should not say project; unlike the submarine project, this is an industry. We are now locking into place construction and through-life support for this project alone of some 30 plus years. This will enable Osborne to become, over a

very short space of time, the centre for naval ship construction in the nation, and I think you will see activities winding back elsewhere around the nation as consolidation occurs in Port Adelaide. As a local member and as a resident I am very proud that we as a Labor government, working with the federal Liberal government, have been able to deliver this project.

As we know, it is a \$6 billion project—a boost to gross state product of almost \$1.2 billion in today's dollars over a 10-year period. Over 10 years this increased production activity comprises a direct gross state product impact from the project itself of \$574 million, plus flow-on impacts to other sectors of the economy totalling some \$609 million. Once fully operational, the annual boost to gross state product is estimated to be \$250 million or, I understand, around 0.3 per cent per annum. Once fully operational, the project is also estimated to support some 3 000 additional jobs in South Australia, with around 1 700 directly employed in the project and the remainder sourced from the flow-on effects to other sectors of the state economy. That will give us a critical mass.

I had dinner with the head of a major US electronics defence company just in the last two weeks along with Robert Champion de Crespigny. I will not mention the company particularly, but it will now bring critical mass to Adelaide as part of this project—and it will not just be for this project, this is a company that will now concentrate its efforts on the ever-growing Australian defence and civil needs for its particular field out of Adelaide. It will mean hundreds upon hundreds of jobs. We have copped a lot of taunting from the opposition over the last three years along the lines of, 'What project have you delivered, what have you done that we did not have some role in,' blah, blah, blah. I reckon this will go down as the single biggest achievement of any government in this state's recent history, in excess of the Submarine Corporation project for South Australia. I think it is a damn good project for South Australia and a great example of where a state Labor government, working with a federal conservative government, has proven that we can put politics aside to achieve greatness for our state.

The Hon. P.L. WHITE: I refer to Budget Paper 3, page 3.5, and ask the Treasurer to inform the committee which taxes the government has committed to abolish in the 2005-06 budget, and to provide details on how much South Australian taxpayers will benefit.

The Hon. K.O. FOLEY: I thank the member for Taylor for her question. This was a significant decision for the government, and it is on the record that when Peter Costello first advised treasurers at the treasurers' conference in March that he wanted an acceleration of intergovernmental agreement (or IGA) tax cuts to occur, we all baulked at that because under the intergovernmental agreement signed by the former treasurer Rob Lucas (and I acknowledge that), the taxes we have now slated for abolishing were not written in as being a requirement of that IGA agreement. The words were to the effect (and I do not have the exact words in front of me) that we would review these taxes in 2005. Under the original GST agreement they were slated to be cut, but that was when food was included in the envelope for the GST to be applied.

Peter Costello took the position that, given there has been an increase beyond estimates of GST, the way he read the agreement was that we should cut these taxes. Well, the states had a different view. I think history will show that, like any legal document, both could argue right from where they sat. I think the states were well within their rights to argue that

the agreement did not specifically state that these taxes should be cut. Peter Costello said, from memory, words to the effect that the spirit of the agreement as he read it was that these taxes should be cut when we had the capacity.

Some states wanted to fight this, and some of them are doing so. New South Wales is fighting it, as is WA. South Australia and the other states, particularly Victoria and Queensland, took a view that we should cut these taxes when we have the capacity to cut them. That was a hard one for the government because it meant that it could not commit to a lot of other taxes it may have wanted to cut or to a lot of other expenditure that it may have wanted to plan. The tax cuts are obviously significant. Debits tax will be abolished from 1 July this year. I acknowledge that former treasurer Lucas signed up to this as one of the mandated taxes, but it was this government that had to budget and ensure that it had sufficient provisioning for it. However, I accept that the former treasurer did provision for it, I think, in his last budget.

We have committed to abolishing mortgage duties on loan refinancing as well as residential loans for owner occupation and mortgage discharges. I was very pleased to see over the weekend one of the TV stations run a good story on the fact that mortgage brokers are now out in the marketplace strongly encouraging people to shop around for their home loans, because on a \$250 000 loan there is probably an \$800 or \$900 tax; we have taken that off. There is now real incentive for South Australian families and individuals to shop around when it comes to their mortgage loans.

We are abolishing rental duties. We are abolishing mortgage duty on other secured loans commencing 1 July 2007 with full adoption by July 2009. We are abolishing stamp duty on various documents that currently attract a \$10 stamp duty fee. These are documents such as deeds, caveats and changes to trustee appointments. There is the phased abolition of stamp duty on non-realty property transfers such as the transfer of business goodwill and a fishing tax in water licences, and stamp duty on unlisted shares will commence on 1 July 2009 with full abolition by 1 July 2010. The revenue cost of these measures is \$79.4 million in 2005-06 with a cumulative revenue cost of \$836 million over the period 2005-06 to 2010-11. As I said, it will deliver significant tax relief for the business community in South Australia.

We have been criticised by some for not cutting payroll tax in this budget, although we acknowledge that we did in the previous budget. One of the points I have made to a number of business lunches since the budget is that we should do more to cut payroll tax over time. We have to remain competitive with Victoria, in particular, given our like manufacturing base. However, budgets have to deliver benefits to as many as possible. The last budget we brought down delivered significant tax savings to businesses paying payroll tax, but I admit and acknowledge that more will need to be done in the future. The breadth and depth of this tax package offers great benefit to small and medium-sized enterprises, and they deserve to get a break out of that relief as much large businesses do. I think that, for the small to medium-sized end of the business sector, these nuisance taxes and the burden relieved from them of these tax cuts will, if not supercharge the economy going forward, it will certainly provide a stimulus to the economy at a time when I think it would be most needed.

Mr RAU: What growth in expenditure has occurred in the government's priority areas of health, education and police since 2001-02?

The Hon. K.O. FOLEY: I thank the member for Enfield for that question, because we have obviously presided over what we consider to be a good set of accounts over the past four budgets. It is the first government for many years, if not for decades, to actually consistently balance budgets. Four Labor budgets have been four balanced budgets; four Rob Lucas budgets were four budgets heavily in the red. Over the four-year period between 2001-02 and 2005-06, hospital expenditure, I am advised, will have grown from \$1.912 billion to \$2.45 billion—an increase of 28.1 per cent in nominal terms. Total health expenditure will be \$2.71 billion in 2005-06. Expenditure for health, families and communities has grown from \$2.847 billion in 2001-02 to \$3.819 billion in 2005-06, an increase of \$972 million or 34.1 per cent in nominal terms. Since coming to office, the government has also spent \$912 million on our hospitals, and committed over \$500 million in capital works.

In education, I can advise that over the four years of 2001-02 to 2005-06, spending in education and children's services has grown from \$1.466 billion to \$1.75 billion, excluding expenditure by schools of their own source revenue, which is an increase of 19.4 per cent in nominal terms. Since 2001-02, spending per student has increased on average by \$2 016, or 26.5 per cent. This measure takes into account the changes in spending in the context of declining school enrolments.

Growth in expenditure in police since 2001 02 has been as follows. Over the four years between 2001-02 and 2005-06, police expenditure will have grown from \$402.9 million to \$511.7 million, an increase of 27 per cent in nominal terms. Since coming to office, funding for our police equates to an additional \$57 million per year in real terms. Of course, we are on track to have 4 000 police officers in the near future, which will give us the largest police force in this state's history. All of this has been achieved whilst balancing the budgets.

Mrs HALL: In the 2002 estimates committee, I asked the following question:

Will the Treasurer investigate whether any ministers have allowed prepayments of the total costs of some consultancies in June 2002 even though the work was to be substantially completed in 2002-03? Will he provide a report on this issue and state whether or not any ministers have breached the Treasurer's Instructions?

You responded, Treasurer:

I am happy to take that on notice. I am not aware off-hand. I cannot recall that. I am happy to take that on notice, and come back to you with an answer.

That was from *Hansard*, 30 July 2002. Will the Treasurer explain why now, three years later, he has not provided an answer to that question? Is it, in fact, because Treasury actually advised the Treasurer that there was evidence of some prepayments by portfolios?

The CHAIR: Do you have a reference to the current budget for that question?

Mrs HALL: Yes, Budget Paper 3.

The Hon. K.O. FOLEY: I do not know why and I apologise if we have not come back to the house with an answer. I would not pretend to say that that is acceptable. If we have not given you an answer from the previous estimates committee I need to find out why. I need to give you a reason for that. I would not subscribe to the view that it was done for any political reason for fear of being exposed for something having occurred. I think if a prepayment was made in a consultancy in breach of a Treasurer's Instruction, that would be something that would concern me. The level of concern

I do not know without knowing specifics, but it is hardly a political bombshell that I would be wanting to keep such information from the committee. I guess it is an oversight. I do not know. I will have it followed up.

Mrs HALL: I refer to Budget Paper 5, Capital Investment Statement. Answers tabled in parliament on 4 April show that, in the Attorney-General's Department, 67.4 or around \$800 000 of the 2003-04 total capital works spending was spent in June 2004. In transport it was 28.9 or \$39.5 million. In the CFS it was 45.7 or \$4.9 million. The education department it was 28.4 of \$10.58 million, and the Treasurer's own portfolio of police it was 39.5 per cent or \$3.84 million. Does the Treasurer agree that these figures confirm that the departments continue to undertake an end-of-year spend-up, and that departmental capital works spending is out of control?

The Hon. K.O. FOLEY: No, I do not accept that at all. What was the reference in the budget paper again?

Mrs HALL: Budget Paper 5, Capital Investment Statement.

The Hon. K.O. FOLEY: Former treasurer Rob Lucas never balanced a budget, from memory, although he might have fluked one—not a great letter writer either, I read on the weekend—and I do not accept that argument by Mr Lucas or the member for Morialta that our budget is out of control and that we are somehow having a last-minute capital spend-up to spend money. I will see if my officers can shed any more light on that question. I acknowledge that your government started us down the road of accrual accounting, but you still like to play around with the old cash system for political benefit. I remember those string of \$2 million nominal surpluses you used to have. Under accrual accounting, you cannot hide this sort of stuff. In accrual accounting, you account for the expenditure when it occurs, and the transparency now available to the budget papers is well in excess of whatever has been the case previously, and it is a cheap political comment to suggest there is some sort of huge spend-up by agencies.

Mrs HALL: Can the minister advise the committee then whether his office or the department has been involved in the monitoring of capital works spending, and is it the Treasurer's opinion that these spend-ups are evidence that the government's carry-over policy is thus far a failure?

The Hon. K.O. FOLEY: No, the government's carry-over policy is a success. It is a disciplined and a prudent budget management initiative of this government that Mr Lucas was incapable of doing. Mr Lucas was a treasurer who had no ability to discipline or manage agency expenditure under his control, and he has continued the same lax and slack budget policy as an opposition shadow treasurer who has not once ever been able to discipline any shadow minister from promising to fix every ill in this state by spending more money. A day does not go by when I do not have Robert Brokenshire, member for Mawson, deputy leader Dean Brown, Martin Hamilton-Smith, the would-be, could-be leader, and others, out there saying we should spend more money to fix the ills of this state or we should cut taxes. You never see the non-existent shadow treasurer applying discipline over any of his colleagues. So, no, I do not agree with those comments and I happy to stand the record of this government's budget management against that of the former Liberal government any day of the week.

Mrs HALL: Given that similar figures were available for June 2003, what action did you, as Treasurer, take to correct these measures? Would the Treasurer be able to give an

assurance that all these payments were proper and in accordance with all Treasurer's Instructions and government guidelines and that none were prepayments?

The Hon. K.O. FOLEY: We have very strong monitoring processes in government. We have quarterly reports. We have much greater monitoring of agencies. I recall when coming to office that I was advised that formerly Treasury barely communicated with the health department other than a yearly catch-up around the bilateral process. I may be wrong there. There was very limited agency supervision when I came to office. We have greatly improved that. Again, I would stand the record of this government's supervision of the budget process and agency expenditure against that of the former treasurer any day of the week. That is not to say there are no errors and that we cannot be confident that fault does not occur, but I am confident that the monitoring regime we have in place is a robust one. It can always be better. It would always have to be better. That is the reality of modern management but I am confident we have a very good system in place.

Mrs HALL: So that is an assurance, Treasurer?

The Hon. K.O. FOLEY: To the best of an assurance. Nothing is absolute or guaranteed in this business. It is not to say there could not be identified areas where fault lies but I am confident that the systems we have in place are sufficiently robust to minimise any negative outcomes.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1. Following on from the last questions from the member from Morialta, can the Treasurer explain why, of the \$2.391 million of capital works for the department in the 2003-04 year, 22 per cent—

The Hon. K.O. FOLEY: Which department were you referring to?

Mr GOLDSWORTHY: Budget Paper 4, regarding the investment in capital works.

The Hon. K.O. FOLEY: For whom? For all of government or an agency?

Mr GOLDSWORTHY: Your agency. Some 22 per cent (or more than \$500 000) was spent in June 2004. Following on from the previous question, will the Treasurer explain why, of the \$2.391 million capital works in 2003-04 from his department, 22 per cent (or more than \$500 000) was spent in June 2004?

The Hon. K.O. FOLEY: We will take that question on notice. My advice from officers here is that we think it may have been the payment of a licence for the document management system. We will get that checked for you. There is nothing untoward about it, but we will get that answer for you.

Mr GOLDSWORTHY: Can the Treasurer guarantee that his department is not engaging in another binge spend of a large percentage of the \$7 million in capital works estimated to be spent in 2004-05?

The Hon. K.O. FOLEY: That is a silly question; I would have thought that in the first hour of an estimates committee you could do better than that. I am confident that the Department of Treasury and Finance is a well managed agency and manages its moneys in accordance with the wishes of me as Treasurer and of the government.

Mr GOLDSWORTHY: I refer to Budget Paper 3, chapter 2 under the heading of 'Expenditure', table 2.10. Will the Treasurer detail which agencies and programs comprise the increase of 469 full time employee numbers estimated between 30 June 2005 and 30 June 2006, as outlined in table 2.10 of the budget papers?

The Hon. K.O. FOLEY: I will get a specific answer for the honourable member, because with a lot of these figures we want to make sure we have your question correctly understood before we give you the answer. The opposition has made much of 1 800 extra public servants within government, and I have asked where those public servant increases have come from. I am advised that, of the 1 842 extra public servants outlined in the budget papers, the majority of increases occurs in the priority areas of health, education and transport. In total, these three areas account for an increase of 1 776 full-time equivalents.

The Health and Families and Communities departments reported a total increase of 917 full time equivalents. I am advised that this is primarily attributable to an increase in carers and social workers in children's, youth and family services; the implementation of the government's Keeping Them Safe initiatives, which resulted in the employment of 193 full time equivalents; plus a further 162 full-time equivalents in response to increased demand. I do not think opposition members are saying that we should not have those carers and social workers looking after the kids in our community, but maybe they are.

I am advised that staff increases in health units include approximately 63 FTEs in our metropolitan hospitals to deal with demand, and a further 197 FTEs in country health units. Again, I do not think the opposition is saying that we should get rid of those extra FTEs dealing with pressures in our hospitals. The Education and Children's Services and Further Education, Employment and Science and Technology departments are reported to have an increase of 530 FTEs. I am advised that 325 full time equivalents relate to the Education and Children's Services portfolio. I am advised that this increase in their work force of 1.65 per cent primarily relates to increases in teaching staff, in part due to higher enrolment numbers than originally predicted.

A number of initiatives introduced by this government have resulted in more teachers in our schools and more people supporting the work of our teachers through administration, support and one-on-one help for children struggling in the class room. Since 2002-03, these initiatives have included 160 extra junior primary teachers to reduce class sizes, 140 extra full time positions for leadership and administration time in primary schools, 125 extra teachers through the early years literacy program and 55 extra school counsellors employed for primary schools. I am advised that 225 full time equivalents relate to the Department of Further Education, Employment, Science and Technology. I am advised that the increase is due to a more accurate collection of work force data in relation to part-time TAFE lecturers, so to an extent that is really more a work force data correction than real staff.

Transport, Energy and Infrastructure reported an increase of 329 full time equivalents. I am advised that about 150 increases relate to changes in the classification of the Office of Public Transport from the public non-financial sector to the general government sector, with a further 25 related to the transfer of staff from the Office of Local Government into the portfolio. These are jobs that already exist, but we are classifying them as part of the general government sector as against being part of the non-financial corporations. These are not new positions: they are simply being registered in the general government sector. Again, I do not think the opposition is arguing (but maybe it is) that we should be sacking these people.

The remaining 154 full time equivalents are attributed to staffing required to enable the delivery of key infrastructure projects, including rail safety, improved customer service, delivery and operational support for intelligent transport systems and for transport security. I am also advised that additional planners were also recruited to address staff turnover issues and higher demand levels. Again, I do not think the opposition is saying that we should make our trains and public transport less safe by getting rid of these workers. It is a very easy political line to say there have been 1 800 extra staff but, as I have explained, many of those already existed and were reclassified in the general government sector.

We make no apology for putting more teachers into our schools, more nurses into our hospitals and more support staff into our hospitals and into our schools. Hardly a day goes by when an opposition member does not tell me that we should be doing more in health and in schools—and when we do we are criticised and told that we should not have these people. The opposition cannot keep walking on both sides of the street. At some point between now and the March election it will have to make a stand.

The Hon. I.F. EVANS: Following on from the member for Kavel's question (and that was quite a detailed answer), I could not pick up the exact breakdown on the four employment categories. The minister can take this question on notice and come back to us, but I am particularly interested in the breakdown of the extra number of teachers, doctors, nurses and police. In relation to the whole breakdown that he gave us, the whole answer, can the minister give us an indication of the extra employment in service delivery on the ground as distinct from administrative functions?

The Hon. K.O. FOLEY: I will give you the best breakdown that we can on that. As I said, some are teachers, some are support staff, some are nurses and some are support staff in our hospitals. I caution the opposition (as I would caution my own interpretation of these numbers) in that I have come to learn in government that administrative support staff in hospitals and country health units can be just as important as the nursing staff in a hospital. The nursing staff cannot properly undertake their job without support staff behind them; teachers cannot sufficiently undertake their work as teachers without the support staff behind them.

It would be an easy political line to say that you should not be putting clerical workers into hospitals and that you should be putting in just nurses. As I have learned through experience, one does not go without the other. The support of our system requires a balance between the actual service provider and those supporting the service provider. I will get the details for the opposition.

The Hon. I.F. EVANS: Can you explain why your figures are \$1 770 out? You have a budget, you have spent some time telling us what great monitoring processes the government has put in place and how you have all these controls in place, you produce a budget document, and then the government is \$1 770 out this year. I think the minister's figure was \$1 840. Over a period of three or four years the figure is more like \$5 000 or \$6 000, I understand. How is it, if you have all these monitoring processes in place, that the budget figure for employment is so wrong?

The Hon. K.O. FOLEY: That is obvious. I do not know whether the member recalls what framing a budget really is. Framing a budget is a snapshot in time: it is where you are at the time you consolidate your expenditure and revenue measures and produce your forward estimates. But the figures

are subject to parameter variations and policy decisions of government. One thing we have done throughout the course of the past budget year—and we have made no secret of it; we have been out there telling everyone about it—is that, as the increase in revenues has been stronger than we had anticipated, we have put a lot of policy initiatives into the system since we brought our last budget down, which has resulted in extra resources—extra money for health demands and extra money for school literacy programs, from memory.

A number of initiatives were undertaken since we brought down our last budget that were policy responses to issues as they arose and were policy responses that were affordable given the continued increase in revenue. It is not a question of a blow-out of our budget or of our budget numbers in terms of employment. I would think that it is, to a large extent, the response to policy initiatives that we have taken since budget time.

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 3, pages 2.23, 2.24 and 2.25. These pages show that the Treasurer's contingency provisions under employee entitlements, supplies and services, other payments and purchase of property, plant and equipment are budgeted in 2005-06 to total some \$229.802 million, a slight increase over the \$225.9 million budgeted for 2004-05. However, it is a massive increase over the equivalent 2003-04 actual of some \$127 million. What are the equivalent total contingency provisions for each of the forward estimate years?

The Hon. K.O. FOLEY: We do not disclose the forward estimate contingencies at all—the member for Morialta has a little smirk on her face—and nor did the opposition when in government. I make this offer to the opposition today—as I did last year, but it did not take it up: I am prepared to give the opposition a confidential briefing on the contingencies so that it knows what they are. In fact, the closer we get to the election I am happy to give the opposition access to whatever information it wants to help it formulate its policies. I will even cost them, if it wants, or get Treasury to cost them. But the contingencies that we have—

Mr GOLDSWORTHY: As if.

The Hon. K.O. FOLEY: The member for Kavel says, 'As if'. Of course the opposition would not want to put its policies under any scrutiny. The 2005-06 budget contains a prudent level of contingency provisions that are consistent with past levels of provisioning. I will go through it again for members. The provisions include head room to allow for urgent and unexpected expenditure requirements over the budget and forward years consistent with what has been the practice in previous budgets.

Mrs HALL: Doubling them.

The Hon. K.O. FOLEY: That is just nonsense. That is just a silly, silly statement by the member for Morialta. You do not know what you are talking about. Also included are capital contingency provisions to cover the normal level of new capital investment projects that will emerge over the forward estimates period, and wage contingencies to cover reasonable outcomes for enterprise bargaining negotiations over the forward estimates.

In our contingencies for 2005-06—and the officers will correct me if I am wrong—we have contingency provisioning for a decision of the Industrial Relations Commission which is pending in relation to wages parity for the salaried group which covers approximately 35 per cent of the general government work force. We are in the middle of an EB negotiation with the PSA which has not yet been settled and that is in there: hardly unexpected or surprising. At present,

negotiations are under way with four work force groups covering a further 35 per cent of the work force. We are in wage negotiations with teachers and lecturers, salaried medical officers, the South Australian Ambulance Service and the South Australian Metropolitan Fire Service. So we have a significant contingency in the forward estimates for those numbers. Again, we are not going to publicise what they are because it will compromise our negotiations.

Other undisclosed commitments were subject to commercial-in-confidence provisions: if disclosed, they could disadvantage the government's negotiating position. This matter has since resolved itself, but there was a contingency for Carnegie Mellon which has been advised publicly now. Of course, we also had a significant contingency for the air warfare destroyer ship lift project and, for commercial reasons, we did not want to tip our hand to the Victorians. So, the huge amount—a trebling, or whatever the opposition says it is—is explained as wages provisioning because we have a whole stack of EBs coming through the system and a large component for the air warfare destroyer.

As I said last year and I am prepared to do this year, I can provide a confidential briefing on these contingencies to make the opposition fully aware of what we have. The opposition may want to increase the contingencies if it does not think there are enough, given that it could be coming into government, or it may wish to decrease the contingencies if it thinks we are being a little bit too generous. But it cannot, with any legitimacy, say that we are squirrelling away money, hiding money or have a war chest for an election year, because we do not. If ever we were going to increase new spending, it would have been in this budget.

I am sure we will get more questions on this topic, but Moody's and Standard and Poor's have made it very clear (and they look at our numbers forensically and are the independent umpires in all of this) that we have pushed the envelope about as far as we can and, if the opposition wants to be reckless and go out there and promise \$200 million or \$300 million a year of spending, it will cost this state a AAA credit rating and will have damaged this economy beyond repair in the short term.

That is the challenge I put to a reckless opposition and former treasurer Rob Lucas, who was probably one of the worst treasurers this state has ever seen. He was incapable of managing the budget. He will have to come up with a set of policies within our forward estimates. I will make available Treasury and the numbers for him and he can work to the same set of numbers that I will be working to for the next state election. But you just cannot make good comments about contingencies being some pool of money available for some weird and wacky spending spree, which I know the opposition is preparing for.

The Hon. I.F. EVANS: I have a supplementary question. Does the Treasurer deny that the contingency provisions over four years are actually greater than \$1 000 million?

The Hon. K.O. FOLEY: Again, we do not publish our forward estimate contingency provisioning but, as I have said, on advice from Treasury, these are consistent with what has been previous practice. I am advised that beyond 2005-06 (and this is Treasury advice), in line with the practice of previous years, salaries and wages contingencies grow across the forward estimates reflecting the cumulative impact of expected wage increases. Capital contingencies grow across the forward estimates reflecting provisions for projects and annual programs that will be approved in future budgets. Headroom grows reflecting the cumulative effect of each

annual allocation to meet the cost of urgent and unexpected events.

If you did not have growing contingencies, you would have no capacity to approve new capital in future budgets or to properly fund wage increases and, more importantly, you would have absolutely no capacity to meet the urgent and unexpected events that hit governments year in and year out. It is absurd to suggest that a growing contingency across the forward estimates is some slush fund to spend on programs in the lead-up to the next election. That is silly. That a former treasurer makes those claims startles me and shows me one of two things: either he is incompetent, which is always on the cards; or he is being politically mischievous and attempting to misrepresent the true state of the state's accounts so that he can do the lazy stuff and just promise a couple of hundred million dollars of new spending every year without actually doing the hard work to work out how he is going to pay for it.

Well, I challenge Mr Lucas, because the next election will be about the economy and financial management. We will go to that election with a proud track record of outstanding financial, economic and budget management against the slackness and lax budget policy of the former government and inviting us to go back to the past. That is the challenge for the next election.

Mrs HALL: Can the Treasurer confirm that this budget will mean that for three out of the next four state budgets there will actually be a deficit in cash terms in the general government budget sector as high as \$70 million projected for 2006-07; and can the Treasurer explain how we have moved from a position of cash surplus to cash deficit?

The Hon. K.O. FOLEY: I stand to be corrected, but this is coming from a bloke none of whose budgets were, that I recall, in a cash surplus let alone an accrual surplus. He had his dodgy string of twos. Rob Lucas loved the old cash accounting because he could shift stuff around.

The Hon. I.F. EVANS: Is he going to answer the question, Madam Chair?

The Hon. K.O. FOLEY: I am getting an answer. As I said—

Members interjecting:

The Hon. K.O. FOLEY: Do you want an answer? As I said when I released the budget, we do have the net lending deficits because we have agreed to the arguments that we needed to borrow money for important capital expenditure. Even the opposition had been arguing for that. That has given us some modest net lending deficits but, importantly, we have solid and growing net operating balances, and that is the critical measure that the rating agencies and other observers concentrate on. Again, it is misleading and politically mischievous for Rob Lucas to suggest that we have a \$70 million, and growing, cash deficit. Because of the net lending deficits, we have a cash deficit in the 2005-06 year scheduled at \$11 million. We have a 2006-07 cash deficit of \$70 million. Hello!

The next year the cash deficit is back to minus \$4 million and back into a cash surplus in 2008-09 of \$16 million and a net operating surplus of \$75 million. This comes from a former treasurer, a former government, that I do not think (unless they fluked one year) brought down balanced budgets on any measure—cash, net operating or accrual. If I am wrong, correct me. One can doctor cash surpluses by shifting dividends around, and all sorts of things like that, but getting the budget structurally sound has been a measure of this government's determination to do what successive Labor and

Liberal governments could not do, that is, get the structural shape of the budget right to give us net operating surpluses going forward, and I am pretty happy with that.

Mrs HALL: Can the Treasurer confirm that Treasury advised the government against spending \$7 million to subsidise government tenancies in the proposed green building project, which is called City Central, and that Treasury advised that, in its view, the project would proceed without the need for any government subsidy?

The Hon. K.O. FOLEY: That is absolutely correct. Treasury did not think it was the right decision for government to take floor space in that building. But a day barely goes by when Treasury does not give me advice that we should not do something. Fancy having a Treasury that said, 'Yes, just do this, or do that; spend this, or spend that.' Treasury is a conservative, measured agency that provides conservative advice to government. And, hello, Treasury does not think that governments should be in the business of providing some of the subsidies that we do in development. That is why we have elected politicians: to make judgments broader than just the pure financial judgments one may make.

If governments accepted all the Treasury's orthodoxy, there would be a hell of a lot of things one would not do in government. Equally, I would not want a Treasury that was not an orthodox Treasury giving me conservative advice, because you get yourself in trouble. As I have said previously, if Treasury had been giving some more conservative advice back in the 1980s, we might not have been in the position in which we are today, and have been in previous years. I have said that publicly. For goodness sake, that is no earth-shattering surprise, and I will try to think up a couple of other things that we have agreed to that Treasury reckons we should not be doing—about every cabinet. And I do not always get my way in cabinet, contrary to what others may think.

Mrs HALL: Did Treasury raise concerns with the Treasurer about his major change to the government's fiscal strategy target from a net lending target to net operating balances and, in particular, did Treasury indicate that rating agencies might view this change as a major weakening in the government's fiscal strategy?

The Hon. K.O. FOLEY: Absolutely. Treasury made very clear to me the likely reaction to various measurement changes. I think that, if I crafted the budget exactly how my Treasury officers would want me to craft it, we would have net lending surpluses going forward. We would not be in net lending deficit. Having said that, the sound advice I have been provided with is that we do have the capacity to take net lending deficits of a moderate level to fund infrastructure, and we should be aware that rating agencies will view that as a loosening of our fiscal strategy. I said that in the budget.

Treasury gave me sound advice that what we were doing was well within parameters to maintain a AAA credit rating but, of course, rating agencies (and if people think Treasury is orthodox they should see rating agencies; they are super orthodox) would have preferred us to maintain net lending surpluses. But that is my point: we have pushed the envelope. If the opposition wants to push it further, it will cost us a AAA credit rating, and I will campaign every single day on the campaign trail during the March election that the opposition's policies will cost us a AAA credit rating—a financial downgrade—and will put this state at great risk. I am glad the member has asked me the question because it just shows me that behind the opposition's political spin is a concern about the fragility of the finances in this state. Any

decent shadow treasurer should be concerned, as am I, as the Treasurer. It is a fine balancing act, and we do not have much capacity to go beyond the parameters that we have currently laid out.

Mrs HALL: Will the Treasurer outline what advice, if any, the government sought from outside of government before deciding to change its fiscal target?

The Hon. K.O. FOLEY: I have been pretty up front there with the advice. Robert Champion de Crespigny, John Bastian, Andrew Fletcher and other sound business leaders on the Economic Development Board were strongly of the view that we should be prepared to borrow for infrastructure. I think I read in the paper that one of this state's most outstanding business leaders, Barry Fitzpatrick, is on the public record saying that government should not be afraid to borrow for infrastructure. A lot of commentators, both publicly and privately, have urged me and the government from time to time to look at our willingness to borrow, and I have agreed with that.

Treasury has a very orthodox view: it would rather have net lending surpluses all the way. However, government is not about orthodox Treasury policy; it is about a balancing of priorities. We have it right, we keep our AAA credit rating, but the Labor Party and the Liberal Party are on notice that there is not a lot of capacity to fund new expenditure unless one can identify an ability to pay for it.

Mr GOLDSWORTHY: I refer to Budget Paper 3, chapter 6. The government has decided to significantly increase the dividend and tax equivalent payment made by SA Water in 2005-06 to almost \$300 million and, as part of this decision, it will increase the debt position of SA Water. What is the Treasurer's justification for increasing the debt levels of SA Water and what impact, if any, will there be on capital investment levels by SA Water?

The Hon. K.O. FOLEY: I thank the member for that question: I anticipated it. With respect to PNFCs (public non-financial corporations) and the net lending result and net operating result of the general government sector by way of distributions to government in the form of dividends and tax equivalent payments offset by CSO receipts from government, a comparison of distributions from these businesses over the past three years can be provided. Madam Chair, can I table this information?

The CHAIR: The Treasurer can circulate the information and provide a copy to the chair.

The Hon. K.O. FOLEY: We will circulate it. It is an extract from the budget papers. The table can be found at page 6.5 in Budget Paper 3. To support the goal of improving PNFC financial performance, the government approved the new ownership framework for PNFCs during 2004-05, with the first staged implementation of the framework to SA Water and ForestrySA to be effective 1 July 2005. The ownership arrangements cover capital structure, dividend payments and community service obligations and will improve financial management, transparency and accountability. Dividend policy and dividend pay-out ratios for SA Water and ForestrySA have been set to maintain an appropriate capital structure. The pay-out ratios are based on actual business performance and will be paid based on a specified percentage of after-tax profit. This more closely reflects commercial reality. The PNFC ownership framework will be formally extended to the Land Management Corporation in 2005-06.

Under the new ownership framework, dividends from the SA Water Corporation are payable at 95 per cent of post-tax profits in 2005-06. Previously, dividends were based on

55 per cent of free cash flow. The estimated total distribution—that is, dividend plus tax equivalent payment—in 2005-06 of some \$292.2 million compares to a distribution of \$245.4 million in 2004-05. The new ownership framework will result in an increase in CSO payments to SA Water from \$104.1 million in 2004-05 to \$139.5 million in 2005-06 due to the revision of the value of non-commercial assets under the new ownership framework. This new ownership framework also establishes a target gearing ratio of 15 per cent to 25 per cent over the forward estimates. A simple explanation of that is that you increase the dividend—not equally; there is some benefit in it—but there is also an increase in the CSO payment back to SA Water. It is not exact, but it is a much more transparent and appropriate framework. Would you like me to go on to some of the other agencies?

The Hon. I.F. EVANS: I would love you to.

The Hon. K.O. FOLEY: In relation to ForestrySA, under the new ownership framework, dividends will be payable at 90 per cent of post-tax profit from 2005-06; previously, dividends were based on 85 per cent of free cash flow. The estimated total distribution, dividend plus tax equivalent payments, in 2005-06 of \$31.1 million compares with the distribution of \$33.6 million in 2004-05. This reduction is a result of a softening in sales as building sector demand slows. The new ownership framework will result in an increase of CSO payments to ForestrySA from \$4 million in 2004-05 to \$5.1 million in 2005-06 due to an increase in the scope of non-commercial activities. The new ownership framework also establishes a target gearing ratio of 3 per cent to 7 per cent over the forward estimates. Is that enough information?

The Hon. I.F. EVANS: Just a supplementary question to the one asked by the member for Kavel. I notice in the budget paper referred to by the Treasurer in his answer that SA Water's profits are expected to rise by roughly 10 per cent a year for each year. Is that based on a water price increase greater than CPI in any of those forward estimates?

The Hon. K.O. FOLEY: No; it is not. I would direct that question to the Minister for Administrative Services, who could give you an explanation for that during his estimates committee meeting. It is not subject to above-inflation price increases in water, I am advised.

Mr GOLDSWORTHY: I refer to Budget Paper 4 Volume 1, page 3.9, and the \$40.5 million of revenue expected to be collected during the 2005-06 year as a result of compliance initiatives as well as *The Advertiser* article of 11 June 2005, which stated that the compliance branch had been given an extra 16 full-time equivalent positions in the 2003-04 budget, bringing the total to 53 FTE staff. My question is: given that the revenue to be collected is expected to decline by \$4 million compared to 2003-04, how does the Treasurer justify the significant increase in staffing levels?

The Hon. K.O. FOLEY: I am advised that compliance and lodgment enforcement average FTEs (that acronym is AFTEs, for 'average FTEs') vary from year to year depending on the number and complexity of programs approved by the Commissioner of Taxation and the level of staff turnover during the relevant year. Programs are developed based on a risk assessment methodology and will contain elements of education, monitoring, compliance levels, voluntary declarations and enforced compliance measures.

I am advised that the revenue collected was unusually high during 2003-04, and that is the year that you are saying we had that decline. In 2002-03, we had 41.6 AFTEs that collected \$43.8 million; in 2003-04, we had 44.9 AFTEs that

collected the \$44.3 million you mentioned; and then we estimated, in 2004-05, 50.9 AFTEs to collect \$40.5 million. As I said, my advice is that there was an unusually high collection in 2003-04 which reflected new lodgment enforcement programs which resulted in some taxpayers moving from non-compliant tax status to being part of the ongoing tax base in the subsequent year.

I can understand why you asked the question, and I am not critical of that, but 2003-04 was an abnormally high year. A better reflection would be to look at the 2002-03 year. I would like to say—and this is the important number; I reckon this is a very good story—that the average revenue collected from a compliance and lodgment enforcement officer (if that is the correct title), a tax collector, is estimated in 2004-05 to be \$796 000 per year. So for one salaried compliance and lodgment enforcement officer we collect nearly \$800 000 additional revenue for the state. So, it is not a bad investment. You can be critical of me for doing a lot of things in government, but I reckon it is a bit hard to be critical of the fact that, if we put on another enforcement officer, that officer per year probably pays for himself or herself tenfold or more.

Mr GOLDSWORTHY: I refer the Treasurer to Budget Paper 3, page 5.12 and Budget Paper 4, Volume 1, page 3.22. The last paragraph on page 5.12 under 'Treasury consolidated items: statement of cash flows' states:

\$331.8 million of surplus cash has been transferred from agency deposit accounts to the Surplus Cash Working account during 2004-05. It is expected that these funds will be transferred to the Consolidated Account in June 2005, which in turn will reduce the Treasurer's borrowings from SAFA.

At the top of page 5.13, it states:

It is estimated that a further \$68.7 million of surplus cash will be transferred from agencies in 2005-06.

Budget Paper 4, Volume 1, shows a 2005-06 budget figure of \$40.935 million as a return of cash to the Consolidated Account, and \$157.55 million as the estimated result for 2004-05 for the return of cash to the Consolidated Account. Can the Treasurer explain why \$157.5 million is shown in Budget Paper 4, and yet Budget Paper 3 shows that \$331.8 million will be returned in June 2005?

The Hon. K.O. FOLEY: We will get a detailed answer for you. I think it is about the most complex question that I have been asked. I am sure the member for Kavel would be hard pressed to know what he just asked me. We have a cash alignment policy that I have put in place since becoming Treasurer, and it deals with the cash surplus build-up in agencies. There is no magic to this. There can be no suggestion that this is some sort of hollow log; it is a cash alignment policy. I will get you a detailed answer, but there is nothing sinister in it; it is just the movement of cash around government.

Mrs HALL: I refer the Treasurer to Budget Paper 4, Volume 1, page 3.6, Policy analysis and advice. The Treasurer previously advised the parliament (on 19 February last year) that the budget for the PPP Unit was \$4.03 million in 2002-03, and the additional \$3.3 million was for the following:

... ensure that the department was adequately resourced to take the lead role across government in the management of all PPPs evaluation and procurement initiatives.

Given that the PPP unit, now renamed the Project Analysis Branch, has continued for another two years at a further cost of millions of dollars, what outcomes have been achieved in terms of PPPs other than the small PPP involving regional police stations and courthouses?

The Hon. K.O. FOLEY: The courthouse project is a good project. What we have done with the PPP Unit is to broaden its skill base and role in government. Initially, we sought to purely look after PPPs. But, what has become obvious to me and the government is that the set of skills that we have in that agency is broader than just trying to manage PPPs, given that we have very few PPPs, and that is largely as a result of the lack of scale that a small jurisdiction like ours can generate with PPPs.

The Project Analysis Branch analyses a whole raft of other projects that are non-PPP projects. An example would be the complex work that we are doing with the Entertainment Centre where we are looking, as you would know as a former minister, at how to maximise the opportunities for the Entertainment Centre. How do we cater for the ever increasing demands and needs for that entity? The Project Analysis Branch is giving a lot of good solid advice to government on that. The pool at Marion is an example. We have already said publicly that, unlike our initial thoughts, it could be a PPP. It will not fly as a PPP, but that does not stop us doing detailed analysis. That is the sort of work that it is doing. I am trying to think of a couple of other examples. It did work on the Port River bridge. It did work on the trams. For almost any capital works project that has complexity and often interaction with the private sector, we have Steven Page and his Project Analysis Branch take a role.

I refer to an earlier question from the member for Davenport about water. I am advised that the 2005-06 water increase is 3 per cent. We are forecasting CPI at 2.75 per cent, so it is marginally above CPI for 2005-06. I will get you a consolidated answer on the forward projections in terms of water rates. There is no increase that I am aware of that should alarm people.

Mrs HALL: Following on from the PPP issue, will the Treasurer provide information to the committee about how much is being spent on the PPP unit, or Project Analysis Branch, in 2003-04 and 2004-05?

The Hon. K.O. FOLEY: We have the Project Analysis Branch coming down later in the day, so can we hold that question until then? We will wait until the people are here.

Mrs HALL: I refer to Budget Paper 3, page 7.19. Can the Treasurer explain why the Department of Education and Children's Services has not been able to quantify the liability to provide for long service leave for temporary relieving teachers, hourly-paid instructors and bus drivers as identified on this page; is there a ballpark estimate of the liability; and what measures is the department undertaking to estimate this liability?

The Hon. K.O. FOLEY: I will take that question on notice. I assume that, if we have had trouble getting that information from the education department, so did the former treasurer. It is a valid question, a fair question, and I will take it on notice and get back to the committee.

Mrs HALL: I refer the Treasurer again to Budget Paper 3, page 3.4 under the heading Specific Land Tax Exemptions. I refer to the third paragraph of this section which relates to the sliding scale for exemptions for home business activity, as follows:

A full exemption will be available if the home business activity occupies less than 25 per cent of all the buildings on that land that have a predominantly residential character, and a part exemption will apply to home business activities that occupy between 25 per cent and 75 per cent of that area.

Will the Treasurer advise how the Commissioner intends to confirm the relevant percentage?

The Hon. K.O. FOLEY: I will be requiring the Commissioner to get a very long tape measure, and he will go to all premises and he will get that tape measure out and he will physically measure it himself.

Mrs HALL: Can you answer the question?

The Hon. K.O. FOLEY: Sorry; I was trying to be funny. Maybe he will just step it out. I have no idea how he will do it. Would you like me to get the Commissioner to respond?

Mrs HALL: Yes.

Additional Departmental Adviser:

Mr M. Walker, Commissioner of State Taxation.

Mr WALKER: We are going to write to all people who our records indicate may be eligible for either an exemption or partial exemption. We will invite them to give us a percentage break-up and, unless there is anything quite extraordinary happening, we would accept their break-up in the first instance; and later we may do random audits, based on risk analysis, just to check that they are correct. The basis on which we would be writing to people in the first place would be upon land-use codes and information supplied to us by DAIS.

The Hon. K.O. FOLEY: That is the principle of our tax system. We work on an honesty system, but obviously we then have auditing and checks on compliance. There is nothing new in that.

Mrs HALL: I refer to the words that were used by the Treasurer in the quote I used. He talked about the residential character and said that a part exemption would apply to home business, etc. Can the Treasurer, or perhaps the Commissioner, provide more information about the definition of 'residential character'? Will it include B&Bs, etc.?

Mr WALKER: It would still have to be consistent with a house, which will initially be determined by its land use code. If something is a house or is of residential character, the Valuer-General places a particular land use code on that, signifying it. We have to go through the same process now to determine whether a place has a principal place of residence exemption.

Mrs HALL: I have another supplementary question. Specifically referring to B&Bs, the percentages that you have agreed to and announced, how will that be resolved by the operators of B&Bs as it relates to the shared facilities, and some of the examples we could use would be a shared breakfast and eating area, shared living facilities and shared bathrooms? How will that breakdown occur?

Mr WALKER: Revenue SA would be accepting that that is all residential use so, if it is used for both income-producing purposes and residential use, the kitchen in the example you mentioned would be considered to be part of the residential use. So to that extent that would work in favour of the taxpayer.

The Hon. I.F. EVANS: Just to clarify that—so that my constituents are not unfairly charged by the department—if someone is running a home office that doubles as a child's study after hours and on weekends, the way I understand your answer is that that is deemed to be part of the domestic activity.

The Hon. K.O. FOLEY: It would have to be a pretty big office. It would have to be, I assume, in excess of 25 per cent.

Mr WALKER: That is right, and at the moment, if that office was under 28 square metres under the current rules as they apply until the end of this financial year, they will have been receiving a full residential exemption.

The Hon. I.F. EVANS: Just so I am clear, because I am a bit simple in these matters, if any part of the building that has a predominantly residential character is jointly used for business activity and domestic activity, as long as that is listed, then that is not included in the 25 per cent calculation. It is only if it is 100 per cent used for business activity that the 25 per cent calculation comes into play.

The Hon. K.O. FOLEY: Just before the Commissioner answers this question, I have no problem whatsoever in the Commissioner providing a briefing and being questioned in depth about these issues, but these are hardly issues for this committee, given what we are examining. I am happy for the Commissioner to answer this but, in fairness to the Commissioner, because these matters are complex, detailed and can be problematic if the advice we give is not absolute, I would prefer it if the Commissioner were to brief your shadow cabinet, your caucus or you, as shadow minister for Finance, or even before the Economic and Finance Committee. I think we need to be a little careful in grilling the Commissioner here today, given that that is not the role of this committee. It is a little unfair to put the Commissioner in that position.

Mr WALKER: The legislation is before the parliament, but it has not yet been passed.

The Hon. K.O. FOLEY: I am happy—

The Hon. I.F. EVANS: It is part of your budget; of course you can.

The Hon. K.O. FOLEY: Hang on; we are being very cooperative. I am happy for the Commissioner to keep answering these questions, but, if you want a decent session with the revenue office and the Commissioner's advisers, why don't you ask for a full briefing? You can have the Commissioner and his staff for a couple of hours, grill them and get a full understanding. I am making that offer to you. I am suggesting that we be a bit fair to the Commissioner today, because he is here to answer questions about the operation of his agency, and I as Treasurer will take questions about tax policy. I am happy to keep going where we can, but I am trying to be fair to all parties.

The Hon. I.F. EVANS: I am just trying to clarify this. I have had a part briefing from the Treasurer's officers. I have raised some of these questions with your officers and I am still asking them, because I want to make sure I am clear that, as long as any part of a building of residential character is used for a domestic purpose, it is not used for the calculation of the 25 per cent. That is the way I understand the answer; is that your understanding of the legislation, Commissioner?

Mr WALKER: If it has a shared use. As we get into it, undoubtedly there will be parts that are grey. If something has been set up and used as a home study and then someone incidentally on the weekend or some other stage decided to put the kids in there, it may be that it is not really a shared use. It has not been designed as such; it has been designed as a home study. Inevitably there will be some issues in some cases. It is not possible for the legislation to dot every i and cross every t on those issues.

The Hon. K.O. FOLEY: I will make a point, if I can. This is not an issue for this government. These exemptions did not exist under the honourable member's government. He is not necessarily being critical here at all; he is just asking questions, but we have moved the policy on. We are giving exemptions and a relief that was not previously available.

Mr GOLDSWORTHY: Going on from that, I have a simpler scenario to put. I have written to the minister about this and have not received an answer. Say I have one title, with a residential dwelling on that title and also a shed that

is used for business purposes. How does this policy relate to that scenario?

The Hon. K.O. FOLEY: You have written to me and I assume we are considering a reply. It is hard to expect the Commissioner of State Taxation to be giving you case by case advice, bearing in mind, of course, that tax commissioners do not give advice, as such.

Mr GOLDSWORTHY: He gives advice to you.

The Hon. K.O. FOLEY: He does give advice to me but, on a case by case basis, I accept the judgment of an office in which I have the utmost trust and confidence, as former treasurers have had. The Commissioner has advised me that we are looking at the legislation as we speak to see how that impacts on that example, and we will give you a considered reply, if we can. I am not trying to avoid the question, but I do not want to give verbal advice here that is not as well considered as it should be, because I do not want people making decisions on what they should or should not be paying in tax from their interpretation of public advice given by the Commissioner of State Taxation. I am very loath to put the Commissioner of State Taxation in a further position where he is giving what could be considered public advice on tax matters. That is not his role, and it is a dangerous step to move down. I am happy to provide all the private briefings from the Commissioner of State Taxation that you deem appropriate.

Mrs HALL: Again, I refer to the land tax issue. Treasurer, I have carefully listened to what the Commissioner has said about how the measurements will be taken and how it will be based on a trust response from the individuals involved. If there is a dispute, for whatever reason, who would have the responsibility, or would the owner need the option to pay for a professional surveyor or similar person to provide a formal report on behalf of the owner? What is the dispute mechanism, if indeed there is any?

The Hon. K.O. FOLEY: I am advised that what would occur there is what is the normal case. The onus is on the individual to make an assessment as to their meeting or not meeting the requirements of the act. If they feel they need some expert advice brought in to give them surety of that, that is a decision for them. If they are not happy with the decision taken by the tax commissioner, they have a right of appeal. Those appeals come to me as Treasurer and are referred to crown law to give me advice as to whether or not in its opinion the determination taken by the Commissioner of State Taxation is or is not correct. I as Treasurer then have the ultimate say as to whether or not I agree or disagree.

I will have crown law advice and the original determination before me, and I will make the call. If the person is not happy with the judgment that is made, they have the right of appeal to the Supreme Court. My experience would tell me—and I guess former treasurers' experience would be very similar—that, from time to time, the determination by Revenue SA is found to be open to a different interpretation, but that is minimal and not unexpected. These are judgments, and some are very fine judgments; and, from time to time, after poring over these from a legalistic perspective, crown law will suggest to me that I should agree to the objection. That is minimal, but it does happen, and that is the robust and transparent system that we have in these areas.

The Hon. I.F. EVANS: In relation to Budget Paper 3, Chapter 2, Expenditure, specifically the Commonwealth Grants Commission expenditure assessments, page 2.18 states:

Actual expenditures exceed standardised expenditures for most functions. . . There are three possible explanations for the above-average expenditures:

- the CGC methodology or data is incorrect;
- South Australia delivers a sufficiently higher standard of service than the national average to justify this higher expenditure; or
- South Australia is inefficient in its delivery of services.

In last year's budget the percentage difference in education was some 3.7 per cent and it is now 9.8 per cent; in health it was 1.3 per cent and it is now 13.7 per cent. In light of the statements made above—which were the same comments made in last year's budget—in which you provide three explanations but no answer, what is your view as to which of the three possible explanations is correct?

The Hon. K.O. FOLEY: I bet if I went back and had a look at a whole lot of similar tables when you were last in government I would find similar sorts of issues on which to ask the same type of question. I am advised that some of this is to do with methodology changes by the Commonwealth Grants Commission itself, and that it is also to do with data changes coming in from other jurisdictions.

If the implication politically from the member is that we are spending more on education and wasting money on education and spending more on health and wasting money on health, he should feel free to come out with a policy that tells me how he is going to cut health and education spending. I would applaud him for having the honesty to put a policy out there. If we now have a policy from the opposition that says that the government is spending too much on health and education, I am prepared to fight you on those grounds: I do not think that we are.

The Hon. I.F. EVANS: What does the Treasurer mean by the statement in the third target of Budget Paper 4, Volume 1, where it states:

- support increased efficiency in the South Australian public sector with a view to leading the nation in the cost effective delivery of services.

Does that not by definition mean that the government is going to drag the 9.8 per cent and the 13.7 per cent back towards the national average?

The Hon. K.O. FOLEY: Here we go, the opposition is walking on both sides of the street. In one question the clear implication is that the government is wasting money in health and education; the second question is whether the government is going to draw the state back to the national average. The opposition has to make a decision and get off the fence. The opposition is going to have to stop walking on both sides of the street and pick one side or the other. I made it very clear in the first two budgets of this government that driving efficiency through government is good public policy.

From memory, we cut \$900 million-plus out of the first budget and some \$750 million or thereabouts out of the second budget. That was about reprioritising, it was about stripping away at waste, and it was about efficiencies within government service delivery. You can never spend more money in government without having a corresponding drive to maintain efficiency, and we do that. We are not perfect, but in my view we are doing it a hell of a lot better than it was done by previous governments.

Again, my challenge to the opposition is that it will have to show us and the community how it will pay for its spending promises. The opposition will have to identify savings beyond the glib comments of where there is waste or a couple of hundred million dollars sloshing around in the system, because that will not bear up to any decent scrutiny.

At some point a lazy opposition will have to become a productive opposition and provide some basis for its glib statements and for its policies going forward.

Mr GOLDSWORTHY: This matter relates to the preparation of the Government Consolidated Financial Report, which is published along with the report of the Auditor-General and which this year is dated 15 March on the department's web page. The Auditor-General continues to raise concerns in relation to:

1. The timeliness of the preparation of the financial report which the Auditor-General in his report states 'continues to be considered by audit to be unsatisfactory', and all other interstate jurisdictions were able to finalise their reports by September to November 2004.

2. Delays of up to a week before information requested by audit was provided by the department to audit.

3. Eight revised drafts of the financial report between the period 17 November 2004 and 3 February 2005 was submitted to audit, requiring a thorough review on each. Audit has recommended that Treasury review its change management procedures.

What is the Treasurer's response to these matters given that last year he stated:

We have been conducting a large program to try to improve financial management within agencies and, importantly, our ability to get access to that data in a timely fashion.

The Hon. K.O. FOLEY: There is a limit to how much I can fix the problems and mistakes of previous administrations. Give me a break, I am working as hard as I can to clean up the mess I inherited. The reality is that this area of government can be done better and should be done better. One of the things that struck me when I came into office was that one of the great weaknesses in our system—and I am sure it was there under the last Labor government, too—was the quality of financial reporting from within agencies and from agencies to Treasury. The lack of good information flow and the lack of compatibility in our systems is alarming in the extreme.

You cannot keep going forward with the complex business of government with in excess of a \$10 billion budget and with the lack of fiscal controls and information flows that we have had historically in this state. We should not be where we are in these reporting functions and we accept that, and in fact we are now putting a body of work together which is addressing this issue about how we can get better data and information flow from agencies and how we can report in a more timely fashion. We accept in Treasury that we have to do it better, but in fairness to Treasury, Treasury can only be as good as the information it is receiving from agencies and Treasury cannot be the brunt of criticism for what has been a lack of diligence and effort by all Treasurers—myself included—in the early years in making sure that we improve the information flow coming from agencies so that Treasury can compile the work it needs to compile.

So, I will put my hand up as being someone who should be criticised for this, but so should the person who wrote that question—Rob Lucas—and so should Stephen Baker, Frank Blevins and John Bannon. It is an area in which all Treasurers over the past 15 years in this state have allowed a system to limp along; and this is the result, and we are now moving to improve it.

The Hon. I.F. EVANS: In relation to page 3.25 of Budget Paper 4 Volume 1, can the Treasurer explain the \$84.26 million borrowing to fund consolidated account?

The Hon. K.O. FOLEY: I cannot, but I am hopeful that an officer can. I am advised that we cannot give you that answer straightaway. We will get an answer as soon as we can, either during the committee or in follow-up to the answers.

The Hon. I.F. EVANS: Madam Chair, it is a pretty simple question. The government is borrowing \$84.26 million for consolidated account. One would assume that someone within Treasury at senior levels would know—

The Hon. K.O. FOLEY: And I am getting the answer. The officers just said to me that they do not have an answer at their fingertips but they will get one. Give them a break.

The Hon. I.F. EVANS: What are the forward estimates for future borrowings beyond 2005-06?

The Hon. K.O. FOLEY: The initial advice I have in answer to the earlier question is that it is a borrowing from SAFA to cover a deficit in the consolidated account for that year. Is that satisfactory, or does the member want more information?

The Hon. I.F. EVANS: Is it for a particular project or just straight to the consolidated account? Is it just, 'We have got a deficit and we have to borrow it from somewhere'?

The Hon. K.O. FOLEY: We will get a detailed answer because it is complex. It is about the cash movements from within government. As I said, the initial advice I have is that consolidated account has a deficit that needs to be funded and we borrow money to fund that deficit. Those deficits are repaid when you have surpluses. To give more detail, I would appreciate it if the member would allow us to give a written response explaining how that works. But I assume it is something that happens all the time, over every year, from moment to moment. That was the last question. Can I have the next question again?

The Hon. I.F. EVANS: What are the forward estimates for future borrowings beyond 2005-06?

The Hon. K.O. FOLEY: I am advised we do not do forward estimates of the consolidated account detailing our borrowings going forward. We do not have forward estimates, nor have we done so in the past, of our borrowing requirements going forward for consolidated account.

The Hon. I.F. EVANS: If you do not have details for the future, can you detail over the last three years, each year, the amount borrowed to fund consolidated account?

The Hon. K.O. FOLEY: I will do even better than that. I will do it for the past seven years. We will do three years of our budgets and four years of Rob Lucas's budgets. How is that? Is that a fair call? You have to draw the distinction between a consolidated account and the overall government sector. The net lending data details published in Budget Paper 3 page 1.9 at table 1.5 of course give us our net lending deficits, but that is not the consolidated account.

Mrs HALL: Madam Chair, this is a particularly serious question, and I hope the Treasurer will take it seriously.

The Hon. K.O. FOLEY: I take every question from the member seriously.

Mrs HALL: Last year, during estimates, a policy change was made over the lunch break, and I was a little interested this year to see whether there would be any policy changes on anything else.

The Hon. K.O. FOLEY: What was it last year? It was controversial. What was it again? Remind me.

Mrs HALL: Consultancies, as I recall. However, I pose this question to the Treasurer today, given the government's adherence to and support of equity and gender issues. During the morning I have been variously counting the number of

advisers assisting you with Treasury, and they have ranged from 15 to 17 males and two women. I seriously ask the minister why there is such an extraordinary gender imbalance within Treasury?

The Hon. K.O. FOLEY: I guess that the type of career opportunities and jobs that are on offer in Treasury have not offered the excitement that perhaps some people of either gender have wanted. I do not know why. I guess it is no different, or very little different, from when the opposition was in office. But we want to promote more women into government. That is why we have a proactive policy of putting more women on government boards, and the Premier is driven to achieving that beyond what any leader or government has done in this state. But why we do not have more women in senior executive levels in Treasury is a good question. I cannot be critical of the question and I do not have the answer. But what I know is that we have very good senior executive in Treasury, both male and female. In saying what I did I was not wanting to appear to be sexist, but maybe Treasury is a bit of a blokey job: I do not know. I do not why women have not achieved the most senior ranks. I guess it is the same in most treasuries across Australia.

Ms White interjecting:

The Hon. K.O. FOLEY: That could be it. I do not know.

Mrs HALL: Madam Chair, I would like to pursue the question in two regards. First, it is a question that I asked when I was a member of government. I have asked it of various ministers, much to their chagrin, in regard to areas such as the police department, emergency services, and mines and energy. I extend and supplement my questioning on this basis: does Treasury have any programs or activities that specifically promote and assist in the promotion of women inside Treasury? I am not supporting quota systems—our party does not support quota systems—but—

The Hon. K.O. FOLEY: It sounds like it to me.

Mrs HALL:—we did support the government's legislation on gender equity and the promotion of more women on boards and committees. However, I think the example here today has at least surpassed previous examples of the police department, mines and energy, in particular, and many of the emergency services. Emergency services, in particular, has some fantastic programs with respect to support, assistance and the promotion of women.

The Hon. K.O. FOLEY: I do not want to be too flippant here—I do not know whether or not the member is running out of questions. This is an interesting debating point.

Mrs HALL: Just turn around and look.

The Hon. K.O. FOLEY: Hello! That is an earth-shattering revelation, with which I concur. We have an overwhelming number of males in relation to females in senior executive levels in Treasury. I am sorry about that. However, as Treasurer, one thing I do not do is hire people. There are laws that prohibit a body politic from intervening in appointments. Appointments are based on merit and—

Mrs Hall interjecting:

The Hon. K.O. FOLEY: Good. I am glad the member does not. But let us be fair to Treasury and Jim Wright, as Under Treasurer. We have an active program in Treasury called Women in Treasury, which is funded by the agency.

Mrs Hall interjecting:

The Hon. K.O. FOLEY: I am trying to do that. A member of our executive management group is a female. I addressed post budget the Women in Treasury group, and I meet with them regularly throughout the year; I talk to them and attend seminars (I think they run seminars throughout the

course of the year). We have an active Women in Treasury group. The Under Treasurer and his senior officers have acknowledged that we do not have sufficient female representation in senior management. Traditionally, it has been an area in which males have dominated, and that needs to change. That is why we have proactive policies in place. We are not perfect, but—

Mr Koutsantonis interjecting:

The Hon. K.O. FOLEY: My chief of staff looks a bit nervous. It is an important issue and it is one that the government is striving to address. If I am guilty of having the most blokey of institutions, I am sorry about that. I will try to change it—within the ability of a politician to do so.

The Hon. I.F. EVANS: What is the figure used by DTF in this budget as the average cost, including the on costs, for each additional full-time equivalent public servant?

The Hon. K.O. FOLEY: I will take that question on notice, because we work on actual people employed. We will provide a considered answer. The short answer is that it varies.

The Hon. I.F. EVANS: With respect to that last point, does Treasury use a different figure from agency to agency and, if so, can we have the figure for each agency?

The Hon. K.O. FOLEY: We work on, I assume, the advice of OCPE. We will provide an answer for the member, I have no problem with that, but I just cannot give it now.

The Hon. I.F. EVANS: I refer to Budget Paper 4, Volume 1, page 3.3. Last year's budget listed as a target for 2004-05 'analyse the results of the Department of Human Services' financial consultancy and work with the relevant agencies to establish sound financial management practices and high levels of accountability'. Where is that listed in the 2004-05 highlights in this year's budget?

The Hon. K.O. FOLEY: We have before government now a report that I am looking forward to releasing as soon as I am able to do so. It is a body of work that I commissioned as Treasurer (Ernst & Young won the contract) to look at the Department of Human Services, because I have been extremely concerned ever since coming into this office (as was, I assume, the former treasurer) that human services was all but a law unto itself with respect to how it managed its portfolio (I notice the member for Morialta nodding in agreement).

I think it would be fair to say (she is now trying to keep a straight face) that the former minister for health was, in my view (not the member for Morialta's view; I cannot attest to that), complicit in some pretty ordinary management of that agency during the last term of his government. We saw health shifting money from commonwealth housing programs into health functions. We saw virtually non-existent budgets in areas of Family and Community Services being funded by shifting cash around the agency, from memory, by reference to what were called virtual budgets that were appearing in that agency. It was a bloody mess, quite frankly, Madam Chair—excuse the language.

We had to do something, and we brought in Ernst & Young. It has wrestled with this problem, because we have to get a better basis upon which we understand the health costs and the cost of delivery and the pressures and we have to get better regimes. Jim Birch and his officers are doing a very good job in sorting out this agency. However, Ernst & Young has uncovered some very disturbing aspects with respect to the former administration of that agency, and we look forward to bringing that report to the attention of the public in the near future.

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

The Hon. I.F. EVANS: Before the luncheon adjournment we were speaking about the Ernst and Young report. Can the Treasurer give the committee an indication of what that cost?

The Hon. K.O. FOLEY: That was a consultancy paid for by the health department, the Department of Human Services. We will get you that answer (I am not sure when the health department estimates committee is sitting). We do not know what the final cost was—it could have been in the order of \$500 000 or something like that. It may be more or less than that, but we will get an answer for the committee.

The important point is that we took a decision. I remember discussing this matter with, I think, the Auditor-General, who had expressed concerns over many years of Auditor-General's reports about the particular issue of shifting commonwealth money. I will be quite open in saying that the maladministration of the agency was such that it required a lot of surgery, and we felt that we neither had the ability internally nor the resources to be taken off-line to do the job properly, so we went for external consultants. The Under Treasurer has just advised me that it was an open tender call—I think there were at least four tenderers—and the selection panel was the former CEO of the Department for Families and Communities Kate Lennon, who supported this measure, the Under Treasurer Jim Wright, and the current CEO of Health, Jim Birch.

My initial advice from the Under Treasurer is that the work was far more detailed and complex than the successful tenderer envisaged. So, whilst it could appear to be a large headline number, it was a very detailed and valuable piece of work. As I said, once we have digested it and made some decisions based on it I will be more than happy to share its findings with the parliament, because I do not think it reflects well on the former minister or his department management at that stage.

The Hon. I.F. EVANS: Do you have any idea of the time frame for releasing it? Is it one month away, or is it three months away?

The Hon. K.O. FOLEY: From memory, it has not gone to cabinet yet. The submission is currently with myself and the health minister; we are digesting it. I cannot say when it will go to cabinet—I have to finish reading the thing; I have had only a quick look at it myself—but I hope it would be over the next month or so. Not very long—certainly before the election.

While the member for Morialta is here, I would like to make a couple of points. I was advised over lunch that in the Department of Treasury and Finance we have what is called a 'family room' which is available for mothers working in DTF who, for various reasons, may need to bring their children in on a given day—so, we are very family friendly.

Mrs HALL: On that very question, during the lunch break I was informed that during the time of the previous government Kate Spargo Consultancy was employed to make some recommendations as to how to advance the cause of women within Treasury. Specifically, are some of the initiatives you outlined part of that consultancy; were most of them accepted; and, are they being implemented and continued?

The Hon. K.O. FOLEY: My advice from the Under Treasurer is that there was a body of work undertaken just prior to his arrival. The report was considered and the 'Women in Treasury' initiative—under former treasurer Rob Lucas, obviously—was a result of that report. That does not necessarily mean that all of that report has been implemented,

but the member is probably better off asking the former treasurer, who was on watch at that time, regarding what he implemented of that report.

Mrs HALL: So you will be totally prepared for that question next year, and you will have a much better gender balance sitting in here as your advisers?

The Hon. K.O. FOLEY: Absolutely; and may I just say that I am pleased that the member for Morialta has been the first senior Liberal front bench to acknowledge that Labor will be re-elected at the next election and that it will be me sitting here answering questions and not Rob Lucas. The first faux pas of the day goes to the member for Morialta, and I am sure that my staff who are with me will ensure that the media is advised that one of the most prominent and senior front benchers of the Liberal Party—a power-broker in her own right, a maker and breaker of Liberal leaders—has acknowledged that she will yet again be sitting in opposition this time next year and the Labor government will be returned. To be honest, I do not share her confidence about our re-election; I do not think it is a foregone conclusion at all. However, I do note that the member for Morialta has clearly given up and has already thrown in the towel.

The other point I would like to make is that we are tracking down the consultancy that involved Mr John Spoehr who, as we know, is executive director of labour studies at Adelaide university. My initial advice is that consultancy returns to the Department of Treasury and Finance by agencies do not readily identify expenditure on Mr Spoehr. We will check that with agencies. We have identified expenditure by the Department of Further Education, Science and Technology on Mr Spoehr where the department of further education paid Mr Spoehr a sum of \$30 800. That, of course, is a very small part of that larger consultancy. I think that is important, but we are getting this clarified.

Importantly for the member for Morialta, Mr Spoehr went to Adelaide Research and Innovation Pty Ltd, which employed his services. The topic of the work was—and the member for Morialta will appreciate this—'The examination of trends in women's employment'. It made me chuckle anyway, given the topic of earlier discussion. We are not aware of any other payments to Mr Spoehr, but we are checking it out after a more comprehensive whole of government search. We will probably end up spending more money searching than he was paid, but that is the price of democracy.

Membership:

Ms Breuer substituted for Mr Rau.

Additional Departmental Adviser:

Mr S. Page, Executive Director, Policy Analysis Branch, Department of Treasury and Finance.

The Hon. K.O. FOLEY: The Executive Director of the Project Analysis Branch of the Department of Treasury and Finance, as I said, has a bit of a roving brief across government.

Mrs HALL: I think we left it that the supplementary question I asked was to be answered during this section. That is, exactly how much money was spent on the PPP unit, or Project Analysis Branch, in 2003-04 and 2004-05?

The Hon. K.O. FOLEY: The advice that I now have been provided by officers is that the 2003-04 actual result was an expenditure of some \$2.351 million or thereabouts. The 2004-05 estimated result (we have a few weeks to go) is

about \$1.564 million. An indicative budget for 2005-06, in fact, is \$1 084 000. In fact, the budget is reducing substantially. It will be substantially lower. We are just finalising the 2005-06 budget for that particular branch at present, but it indicates that we have a lean unit that is providing very good value to government.

Mrs HALL: Given those figures, will the Treasurer confirm that the Morialta Youth Training Centre has been removed from a PPP consideration?

The Hon. K.O. FOLEY: I appreciate the member for Morialta's concern about this. She has an ongoing concern, obviously, as local member. This problem is a vexed one, and I acknowledge that we have not moved as fast as we would have wanted or liked. It is the result of priorities and shifting priorities. The Project Analysis Branch is doing a base business case on it as we speak. The agency has put in bids to me for some extra resources to further prove the business case, but we have not done a detailed analysis yet as to the funding options available for us.

With PPPs, we have found that one of the limits to South Australia being as aggressive or being able to adopt this policy as it is in other jurisdictions is that we simply do not have the scale of these projects—they need to be of reasonable bulk. Nor do we have the same appetite or ability to transfer the risk. For prisons—and Mr Page will correct me if I am wrong—to be an off-budget public finance initiative, you really have to transfer pretty well most of the risk. We have been loath to come up with a model as aggressive as the market might want because we believe in maintaining custodial services, and I appreciate that the opposition shares a different view. Whether or not this particular project will get off as a PPP, it is too early for us to tell at this stage.

Mrs HALL: Given the response that the Treasurer made in the earlier section this morning—and he gave us some indication of some of the projects that are being looked at and some of the scoping work that is being done—is there in an established criteria for the removal of the project from the unit's consideration? Would you outline to us what some of those criteria might be? Is it the size of the project, or is it the potential return, or is it the risk?

The Hon. K.O. FOLEY: I think initially, when we were trying to establish purely a unit under Mr Page's leadership that would evaluate and execute PPPs, there would have been much stricter criteria. Is it a PPP, or is it not? If it is not—bang! If it is, go forward. We have realised two things. One is the issue to which I alluded before, namely, that we are having trouble in South Australia in bulking up these projects to be sufficiently attractive to the market. That goes without the risk transfer issue. Secondly, we have discovered very quickly that we have unique set of skills that we are developing within that unit that is far more valuable to government than simply concentrating on PPPs.

It seemed to me and my colleague, Pat Conlon, fairly early in the piece, including the Under Treasurer, that if we got people like Steven Page and his officers who are very good at evaluating projects, and what works and what does not, it would be pretty silly to limit them to just sitting there waiting for a PPP to come through the door. In terms of what projects are on their list and what projects get off their list, it is a fairly fluid and dynamic process. I do not think we have a list, as such. If you ask me specifically, 'What is under consideration as a PPP?', I can tell you, and I can tell you what is not. There will be things coming in and out of Stephen's area with which agencies would want assistance and which do not appear on a list.

Mrs HALL: I will pursue that and come back to the Magill Youth Training Centre as an individual project. Does the government still have under consideration a combination of the Magill Youth Training Centre and perhaps a women's prison, or are they two separate entities? Is there a combination of both or are they two separate entities?

The Hon. K.O. FOLEY: At this stage they are separate. The women's prison has bedevilled this government, as it bedevilled the former government. There is no question that we need a new women's prison: it is a question of how and when. Initially, we were looking at a women's prison with a youth training facility. I noticed the member for Torrens was in here before, but it was a mistake of our government, to be honest, because the other thing you have to do in all this is a bit of political due diligence, as well as financial due diligence.

An attraction for the private market to finance a prison is a residual value in that entity when it finally finishes the concession of a prison, so building one in suburbia has great attraction to the market. Let us say, for example, if we were building this facility in your electorate of Morialta on Stewart Road, that would be attractive to the market because in 25 years that will be a valuable piece of real estate for housing. Equally, we may make a decision politically. You may not want a youth detention centre in your suburb. Therefore, you look for a site that is a little away from where people live, and the minute you do that it loses commercial value. All of a sudden there is not the interest in the private sector, and, throw in the fact we are not prepared to pass over custodial services to the private sector, bang, it is no longer of interest to the PPP market. They are the things we are going through. What we may find is that we can identify a location where a youth detention centre and a women's prison will work. We may yet get to that point.

While I am opening up a little, one of the things with the youth detention centre is that we have the facility at Cavan. Under the original model, when we first came to government, the thought of the department was that we should close Cavan, Northfield and Magill and consolidate it all into one. I can recall the cabinet meeting; I remember the Premier saying, 'Why are we talking about closing a facility that we opened only 10 years ago?' That triggered an appropriate reassessment of the facility at Dry Creek, which is a good facility and which was opened under your government by Dean Brown, I think. These things are changing. I am waffling a bit, but we are ruling nothing in or out. I acknowledge that we are slower in the process than we otherwise would have liked.

Mrs HALL: This year's budget line has a couple of million dollars for the maintenance and ongoing upkeep of Magill Youth Training Centre. The Treasurer would know that there was a land purchase at Cavan under the previous government. In the considerations that are still taking place for a relocation of the Magill Youth Training Centre, and possibly a combination or collocation of the women's prison, is that land still under consideration as a location?

The Hon. K.O. FOLEY: We think so, but I will have to refer that question to the appropriate minister—the Minister for Families and Communities—to answer. We understand that it is still available.

Mrs HALL: Is it inappropriate then for the minister to provide the committee with the criteria that would put a project into consideration by the Project Analysis Branch, or that would give the criteria to take it out and leave it up to government or a political decision.

The Hon. K.O. FOLEY: The decision making is not one of politics, or whatever. The infrastructure committee of cabinet in the main refers matters to this particular body. There would be projects about which the Minister for Infrastructure is made aware and which he refers to it, just as I refer projects to it. It is not a secret entity: it is a body of skills available to government if we want to use them. In relation to most major capital works projects, particularly those that involve more complex arrangements and interaction with the private sector, we use Stephen's skills and his staff who are very good at what they do.

Mrs HALL: Is this government still committed to the use of PPPs where appropriate?

The Hon. K.O. FOLEY: Absolutely. I am a convert to PPPs. I want to find more things we can do with PPPs. There is no lack of will; it is just the projects. One of the projects we have been looking at is the court building. The judges want a new Supreme Court building. We are looking at some locations and doing a bit of work. One of the most successful PPPs, which has been held up as a benchmark for many years, is the County Court in Melbourne undertaken by ABN Amro. A court building was built with a lot of capacity. A lot of offices were let out to private lawyers and there are cafeterias—and goodness knows whatever else. There was capacity for that court to expand over time as demand dictated.

I think I am right in saying that the accounting treatment of that day, which gave that project the PPP tick, has changed; or the project would not necessarily meet the same standards that are required for these things to be PPPs. It was a bit marginal at the time. Ultimately, these things come down to fine judgment. The Auditor-General will decide whether he accepts that these are legitimate off balance sheet transactions; or fiddles, in a sense, to make them look as though they are off balance sheet, but really impacting on the general government sector. We have to be very careful.

In a small state such as South Australia, where we do not have the capital spend of other larger states, it is difficult to identify projects of sufficient scale to warrant the investment in these things. Let us say, for example, if we were doing a hospital build program today, which your government started and which we have accelerated, and it is worth hundreds of millions of dollars, one option would be for government—and I am not saying we would have done it—to consider whether those hospitals should have been put out as PPPs.

If we were building new schools every month in South Australia, would we bundle up a bunch of schools? We do not build schools every month in South Australia, so we do not have quite the same characteristics of the larger states which make these things more attractive, but where we can do them we will. The courts and police station, albeit a boutique project, is a good one for us to cut our teeth on.

Mrs HALL: Given the issue of the Magill Youth Training Centre and a potential new women's prison, where is the government heading on the issue of conflict between custodial responsibility and potential return on a PPP project? Obviously, the time lines on the Magill Youth Training Centre and a women's prison are getting to be quite a serious issue, and I am interested about the weighting of custodial responsibility issues and the return on a PPP project.

The Hon. K.O. FOLEY: I would look at it another way—and I have taken some water on this in the past two budget announcements when we have not funded the women's prison. Ultimately it gets down to dollars. Whether we finance this through PFIs or PPPs or whether we do it on

budget, it comes down to dollars. A PFI or PPP if done correctly is more attractive off balance sheet; the rental payments we make can fit into our budget strategy better than perhaps a lumpy piece of capital. But, at the end of the day, whether it is payments or lumps of capital, first, you must have the money and the capacity and, secondly, it must have sufficient priority that it is more important than a whole lot of other things you want to do.

I will be perfectly frank: the women's prison and Magill have not been of sufficient priority to this government as other things that we have funded. As a political party you have every right to take a different view on that, and you may well make a different judgment. We know we have to do it, and we are all getting to the same point, but it is a question of how quickly we get to that point. I would hope that in particular we would be closer to resolving Magill than we were a year ago. We will have to make a decision very soon.

The Hon. I.F. EVANS: Still on PPPs, you mentioned before lunch that the Marion pool has been ruled out as a PPP. On what basis was it ruled out?

The Hon. K.O. FOLEY: It was ruled out because it does not work. That is not a criticism of your government, because I think it was right to put it up as a PPP. In opposition I was always sceptical about that. I took a fair bit of interest in the policy of PPPs and could not quite see how a pool would work. The initial estimation under your government (and I am not critical of that, because it was an embryonic policy at that time) was that this thing would work, that there would be enough private sector interest to build the pool and that there would be enough interest from it, with enough rented space and so on to do it at if not zero cost to government at least at a small cost.

When I came in, I think we were saying that \$500 000 would be the state contribution for making the PPP tick. The market came back to government and said that this pool could not work with a \$500 000 subsidy from government. For the project to work, it probably needed upwards of \$2.5 million as an annual subsidy from government. That represents the difference between what they thought they could get as income from the pool and the letting of commercial space and Westfield putting a big sign on top of the pool, etc. There was about a \$2 million to \$2.5 million gap. PPPs can work if you are prepared to put enough money into them, but you then have to ask whether it is value for money. Clearly, as a PPP it was not value for money, so we then started to scope the project in terms of what would be its capital cost if we took it all on budget. The total cost on budget is about \$50 million. That is what we are grappling with.

We have publicly indicated that we are prepared to put a slab of \$15 million into it. We are asking the commonwealth to put a contribution of \$15 million into it. We would make a contribution of either up to the value of \$15 million or a recurrent amount equivalent in net present value to \$15 million, and I assume the council would contribute land and \$5 million and that the balance would be privately funded through the revenue stream. We engaged Stephen Young's group, Equity and Advisory, to do this work for us. It was about how much subsidy you want to put into it. We have argued to the commonwealth government that this is a significant piece of public infrastructure for a large section of Adelaide. It had set a precedent when it funded the Western Bulldogs oval in Melbourne. Federal governments do these sorts of things, and we think a federal contribution is appropriate. The council has agreed with us; it has been lobbying the feds. I think the local federal members are keen

to get something out of minister Kemp, and we are still negotiating with the federal government.

The Hon. I.F. EVANS: I just clarify that the \$2 million to \$2.5 million subsidy that was required under a PPP is the only subsidy required under a PPP from the government. The \$15 million you are talking about and the other funding arrangements are not a PPP, I assume. Where there is a PPP, the only contribution the government had to make was \$2 million to \$2.5 million a year.

The Hon. K.O. FOLEY: As I said, the \$2.5 million was prior to the commonwealth's making any contribution. We will get this clarified for the honourable member, but either we offer \$15 million up front ourselves or the same amount in net present values, which is about \$1.2 million a year. We think that a state subsidy of \$2.5 million is too large.

The Hon. I.F. EVANS: Has any work been done through this section of the agency in relation to the trans-project (light rail), and can we have an update?

The Hon. K.O. FOLEY: Initially, the Glenelg tram under the previous government was to be a PPP. We looked at it as a PPP but, again, we were not prepared to privatise all the service functions of the rail, for example, drivers, which then meant it would not work as a PPP. We transferred it back to TransAdelaide, or whatever department it is, to run the project.

Mr GOLDSWORTHY: I understand that the construction of the new police station at Mount Barker was due for completion in the first half of 2006. I am advised that the completion date has been delayed. Will the Treasurer give reasons for that delay?

The Hon. K.O. FOLEY: There are some commercial matters about which I cannot be open with the committee today, but they will be obvious very soon. It is nothing to worry about—quite the opposite. We are probably about two months delayed in the process, and we acknowledge that. This is our first PPP. We are crossing t's and dotting i's. The project has slipped by about two months, and we apologise to the community of Mount Barker. I would like to say that this Labor government committed to the police station in Mount Barker. It might be two months late, but it is a commitment that we gave which the former government did not. I might be wrong. It might have been the former government, but I am pretty certain that it was this government.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.3. The second highlight on that page states:

Expenditure Reviews continue to be progressed in departments of health, families and communities, administrative and information services and justice.

Will the Treasurer advise for how long these expenditure reviews will continue? For example, human services has been reviewed since 2001-02.

The Hon. K.O. FOLEY: We are going through agencies sequentially. Something like human services, as I outlined previously, necessitated bringing in a consultancy to undertake some of the work. That work is largely done, but it is never ending. What I would like to do, if I ever get the chance to serve again (and I do not share the confidence of the member for Morialta about our re-election chances)—

An honourable member interjecting:

The Hon. K.O. FOLEY: Well, it is on the public record now. I am not quite sure whether it will lead the newspaper tomorrow, but I am sure that there will be some interest in it. The review process of agencies is ongoing. It should never stop. It is something which I do not think the former treasurer

did. Certainly, I do not recall any detailed work similar to what we have undertaken. We want constantly to maintain reviews and pressures on agencies to spend dollars efficiently.

Mr GOLDSWORTHY: Will the Treasurer inform the committee of the results of those reviews so far?

The Hon. K.O. FOLEY: They are reviews of cabinet for consideration in budget formation. They are internal cabinet working documents, and it is not something that I will reveal publicly. Decisions which we take and which we announce, obviously, will be public. But, like any of these reviews, they are internal to government, and that is how they should stay. I might add that reviews were undertaken by your government that were not made public, and I have no intention of making them public. Some things which governments look at, review and consider are kept for its own interest. I am aware of some that the previous government did which, of course, we would not make public.

Mr GOLDSWORTHY: What concerns did the Economic Development Board express about 'the guidelines for the evaluation of public sector initiatives', and what changes will be implemented as a result of that review?

The Hon. K.O. FOLEY: My advice is that the EDB expressed some issues relating to the bundling of projects, such as we have done with the PPP—whether you are better off having these projects as stand-alone one-offs or bundling them together. The committee's view was—and you would not be surprised by this—that it wanted to make sure that a lot of market testing was being done for government projects, along the lines of the questions asked by the member for Morialta. We wanted to exhaust all possible opportunities for the private sector to engage in these projects.

Mr GOLDSWORTHY: I refer to Budget Paper 3, page 7.11 and table 7.1 under the heading Contingent Liabilities. Will the Treasurer table at a later date a list that comprises the \$1.219 billion as at 30 June 2003 and the \$1.292 billion as at 30 June 2004 of the total contingent liabilities of the government?

The Hon. K.O. FOLEY: I am very glad that question has been asked because we actually go through that in some detail. I do not know whether this is a set-up question by the shadow treasurer, but following on from that table we start to list some of the contingent liabilities, and some of these have been around for quite a while, while some of them are more recent. For example, \$400 million is the total value of loans and liabilities to the Local Government Finance Authority, which obviously is a contingent liability. NRG Energy we have listed as \$150 million to \$200 million. That is obviously the contingent liability which the state has which has been much talked about as being a deal entered into by your former government on the Osborne Co-Generation Project and the subsequent chapter 11 bankruptcy of NRG in the United States. The Under Treasurer, Kevin Cantley from SAFA and I had to do a lot of work, including meeting with NRG officials in Brisbane, overseas and in Adelaide, to make sure we secured the state's interest, because we would have lost a lot of that money had it not been for fairly decisive action by this government.

We have some put options relating to the former State Bank. We have issues to do with guarantees of the Housing Trust and indemnities arising from joint venture land development initiatives. Then, of course, we have some contingent liabilities on the privatisation of ETSA through the leasing of distribution and transmission assets. Again, I would have thought you would be aware of that. There is also

the Alice Springs to Darwin railway line. There is also the ever-emerging threat for government of asbestos in government buildings, and I think we have announced in this budget that we are starting to do some scoping work on the extent of asbestos in government buildings. That is a very real and present danger for government. There are also various industry assistance grants and the staging of the Le Mans event in Adelaide.

We have to be careful about what we say, because there is currently a matter before the courts. However, one of the contingent liabilities that the shadow treasurer is so keen for us to put on the public record is at page 7.20 of Budget Paper 3, as follows:

Staging of Le Mans event in Adelaide. The South Australian Tourism Commission is currently contesting a claim concerning the staging of the LeMans event in Adelaide in 2000-2001. It is not possible to estimate the amount, if any, of eventual payments that may be required in relation to this claim.

Above that of course is the corresponding liability of the SA Motorsport Board, as follows:

The board is currently contesting a claim concerning the staging of 'The Race of 1 000 years'. It is not possible to estimate the amounts payable, if any, with respect to this claim.

So Mr Panos and the LeMans Group are suing the state government for significant damages as a result of what they consider to be a breach of contract by the former government and of course the then minister for tourism, but we cannot comment because it is before the courts. They are the sorts of contingent liabilities that the shadow treasurer is clearly keen for us to put on the public record. I am not quite sure why, but having put it on the record I have to answer the question.

Mr GOLDSWORTHY: Thank you for that. As a supplementary question: would this list encompass the total number of matters relating to that figure of \$1.292 billion because, as you have stated correctly, there is a dollar amount put next to these liabilities under the respective headings, but in others there is not?

The Hon. K.O. FOLEY: We will break it up, but I am glad that you are persisting with this, because it is in the form of quantifiable contingent liabilities and unquantifiable contingent liabilities. So, under the quantifiable contingent liabilities we also make an assessment which is, under accounting rules, extremely unlikely to occur. We do not actually put them in the table. We list them as a quantifiable contingent liability, as we should. So things like the distribution lease and the transmission lease are considered quantifiable but unlikely to be a risk. So we do not actually put them in the table.

However, things such as NRG, which is a very present risk, is on the list as an unquantifiable contingent liability and would be something such as the claim by Panos Motor Sport against the former government, and I assume the then premier and/or the then minister for tourism for what it considers to be a breach of contract. It is a significant multi-million dollar claim against the state—which we are defending I might add, as we should—but we do not know where that will go. I am sure that I will be keeping the house informed of that court case as it proceeds. Any more questions on contingent liability?

Mr GOLDSWORTHY: Not at the moment.

Mrs HALL: I refer the Treasurer to the Gamblers Rehabilitation Fund, Budget Paper 4.1 at page 3.2. It shows a budget of \$1.85 million for 2004-05. Will the Treasurer

explain to the committee why there has been a \$350 000 under-spend in that administered item?

The Hon. K.O. FOLEY: I do not have the details. I will get an answer for that.

Mrs HALL: The Treasurer may need to do the same with the next question. Will he explain to the committee why funding in this budget line for the GRF has been reduced to \$1.5 million for 2005-06 from \$1.85 million for 2004-05?

The Hon. K.O. FOLEY: I do not know, unless there was a carryover or something in there. I would not have thought we would reduce money on gamblers' rehabilitation, given the way the debate is going on that issue. I will get an answer in regard to that.

Mrs HALL: I refer the Treasurer to Budget Paper 4, Volume 1, page 3.4, investing payments. The sum of \$8 million is listed in the 2005-06 budget for the state tax revenue replacement system, and the capital investment statement lists the estimated total cost of \$21.083 million. Will the Treasurer detail now, or perhaps at a later time and take it on notice, a summary of the budget and actual costs spent on this project each year since it commenced and provide forward projections of the remaining costs? Has there been a blow-out in the total cost of the project?

The Hon. K.O. FOLEY: I do not know, there might have been some cost overruns, but I remember that on coming into office I was confronted with this. I think one of the perennial problems for government is the considerable pressures on it, either real or perceived, to spend on and upgrade computer IT. I think back to the amount of money we wasted on the Y2K bug—hundreds of millions of dollars, I think, \$150 million—which was one of the greatest cons of the 20th century, and what we could have spent that money on.

When I came into government, the office of state revenue (Revenue SA), was very strong on saying it needed to update its IT system, and I was not necessarily of a mind to accede to that request. Then it was reasonably well documented for me that we were probably looking at a leakage—and this is purely from memory so I might be wrong on the numbers—of tax revenue at least in the vicinity of \$5 million per year if we did not make improvements, and that number would get worse over time. At some point these things run out and, if you have a less than adequate system and you start to see leakage of available revenue, you have to replace it, and that is what we are doing. I am advised that there has not been a change in the total cost but there has been some slippage in the project.

Mrs HALL: In Budget Paper 5, page 3, in regard to the capital investment statement, table 1 shows that the 2005-06 budget for the capital investment program is \$1.04 billion. In an article in *The Advertiser* of 27 May, Jemma Chapman quoted the Treasurer as saying 'major infrastructure spending' would total \$2.9 billion over four years. Will the Treasurer advise the committee where the \$2.9 billion is reflected in the budget papers, and will he confirm that, if the \$2.9 billion is a correct figure, the annual infrastructure spending for each of the three years from 2005-06 will be approximately \$600 million per annum, which is a significant drop from current levels?

The Hon. K.O. FOLEY: I am not here to answer questions about my press release: I am here to answer questions about the budget papers. But, between now and afternoon tea, I will reconcile that statement with the budget and come back with an answer. I do not have that in front of me.

I can also come back to an earlier question on the GRF. The GRF was established during 1994 to provide programs and services, which we know. This line reflects the payment of the industry contribution to the GRF. It is received in the consolidated account and then paid to the GRF. The hotels and clubs paid a \$1.5 million contribution through the Independent Gambling Corporation in 2004-05. An additional amount of \$350 000 was allocated in 2004-05 for a joint funded initiative with the gaming industry for counsellors in gaming venues. That joint initiative did not proceed and the industry simply paid its \$1.5 million annual contribution. I do not know why that program did not proceed, but that is why there was that \$350 000 blip. That was a contribution the industry was going to provide in a joint funded project. I do not know what has happened there because I know we have counsellors in the casino and hotels. That would be a question to be put to the Minister for Families and Communities.

The Hon. I.F. EVANS: At page 3.1 of Budget Paper 4, Volume 1, I refer to the expected increase of 24 times equivalent staff for the department between 2004-05 to 2005-06. I understand that some staff from the Micro Economic Reform and Infrastructure Branch have been transferred out of DTF into Mr Conlon's new department. How many staff have been transferred out, and does this mean that the net increase in DTF staff is actually greater than 20 and, if so, what is the actual increase?

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

The Hon. I.F. Evans interjecting:

The Hon. K.O. FOLEY: Well, I do not think we have the answer. That is why I said I will take it on notice. I will give you the answer that I have but I do not know whether it fully answers it. The comparison of the 2003-04 actual to the 2005-06 budget is misleading, as the Department of Treasury and Finance has been experiencing significant vacancy rates as a result of difficulties in recruiting appropriately skilled staff. In relation to the 2005-06 budget estimate compared to the 2004-05 estimate, a comparison of budget figures for 2004-05 and 2005-06 shows that the DTF budgeted FTEs has not increased but has decreased from 607 to 595. This is due to several factors, including: a decrease of 15 FTEs for the transfer of the majority of the MERI branch to the Department of Transport, Energy and Infrastructure; a decrease of five FTEs in the policy analysis branch due to expenditure review staff finishing in 2004-05; and various other reductions in branches amounting to two FTEs.

These decreases have been offset by increases of six FTEs in the GAR branch (Government Accounting and Reporting) due to additional staff for the financial management improvement initiative, and four FTEs in Corporate Services due to one additional FTE each for a risk management graduate, the ICT transition manager, the project officer working on the electorate office security project and an additional administration support officer for electorate offices.

The Hon. I.F. EVANS: Will the Treasurer detail which branches will have increases in staff during the next 12 months (I assume the increases that he just mentioned were for the past 12 months)?

The Hon. K.O. FOLEY: With respect to the 2005-06 budget compared to the 2004-05 estimated result, the total estimated work force as at 30 June 2006 of 595 FTEs is an expected increase of 20 FTEs from the revised estimate work force as at 30 June 2005 of 575 FTEs. This is mainly due to an increase in SAFA (the SA Government Financing Authority) for four additional employees to the Industry

Investment Attraction Fund (we have transferred from the old department of trade and economic development the management of the IIAF fund, which is now done in SAFA, so FTEs came with it) and an increase of 13 FTEs within Super SA, eight to fill vacancies and five for the provision of additional services and products to members. I assume that is because I agreed to a policy change where Super SA would offer post-retirement products for retiring members. That involved an additional suite of products—allocated pensions and so on—being made available, so some extra resources were needed (that is paid for from within the fund itself; the members pick that up, so I assume it is non-budget impacting). There are net increases across other branches of 18 due to anticipated filling of staff vacancies. These increases are partly offset by a reduction of 15 FTEs within the MERI branch due to the transfer of the energy staff to the Department of Transport, Energy and Infrastructure.

The Hon. I.F. EVANS: I refer to page 3.12, ministerial office resources, sub-program 2.5. Given that the 2005-06 budget net cost figure in this table of \$1.812 million is different from the \$1.257 million figure listed on page 3.1 under 'Ministerial office resources', can the Treasurer detail the additional costs and, in particular, how much of the department's corporate overhead has been included in the costs?

The Hon. K.O. FOLEY: I will consider that question and provide an answer accordingly.

The Hon. I.F. EVANS: Page 48 of the Capital Investment Statement states the following in relation to Treasury:

The increase between the 2004-05 budget and the estimated result is primarily due to offset by the reclassification of budgeted expenditure of \$1.1 million for various initiatives from investing to operating in accordance with accounting principles.

Can the Treasurer explain what was reclassified, and why?

The Hon. K.O. FOLEY: I think that is a job for Andrew Blaskett to do, and we will provide an answer to the member as soon as we can. I think it is a little too detailed to provide an answer here.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.15, 'DTF employee expenses'. Can the Treasurer advise of the progress in relation to the appointment of a Deputy Under Treasurer to replace Dr Paul Grimes?

The Hon. K.O. FOLEY: Contrary to the quite scurrilous views of the shadow treasurer, this is a matter for the Under Treasurer to manage. I have no involvement other than being kept up to date as to progress. My advice is that we have a headhunter who is looking at that. We have some applications, and that is a matter for the Under Treasurer to consider under his own steam. I do not have a role in appointing people other than the Under Treasurer, and the former treasurer knows that, notwithstanding quite scurrilous and defamatory remarks which have been made which are only ever said in the hallowed halls of this place.

Mr GOLDSWORTHY: Is the Treasurer able to tell us how many applications have been made?

The Hon. K.O. FOLEY: No, I cannot, and I do not think that is a matter for this committee. If the shadow treasurer or members opposite are particularly interested in this matter, I am sure that they could make a telephone call and talk to the Under Treasurer about it. I am relaxed about that.

Mr GOLDSWORTHY: I again refer to Budget Paper 4, Volume 1, page 3.15 under the heading 'Other supplies and services'. Can the Treasurer outline, with respect to his department and all portfolio agencies reporting to him, what

were the total costs spent on conferences in 2004-05 and what is estimated for 2005-06?

The Hon. K.O. FOLEY: I do not know the answer to that.

Mr GOLDSWORTHY: When that answer is being prepared, can the Treasurer break it down into the following categories: conference registration costs; accommodation costs; travel costs and any others; the purpose of the conference; who attended; where the conference was held; and where the accommodation costs were incurred?

The Hon. K.O. FOLEY: I am happy to do that.

Mr GOLDSWORTHY: I refer to Budget Paper 4, Volume 1, page 3.7. In response to questions from the opposition, on 11 April this year the Treasurer said, 'The salaries expense for finance branch in 2002-03 was \$3.42 million and in government accounting and reporting branch \$2.873 million.' The 2004-05 salary budget for the finance branch was \$4.58 million, and for the government accounting and reporting branch it was \$3.005 million. Can the Treasurer provide an update on the 2004-05 figures and an estimate of the 2005-06 salary expenses for the finance branch and the government accounting and reporting branch?

The Hon. K.O. FOLEY: We will dig those numbers out for the honourable member. In answer to the earlier question about my press release, the \$2.98 million is easily explained. Page 2.11 of Budget Paper 3 shows the four year running total of purchases of property, plant and equipment. On page 3 of the Capital Investment Statement, Budget Paper 5, the figure of \$1.04 billion is, of course, the total investing payments of the general government sector of \$634 million added to the total investing payments of the non-financial corporations. So, when we talk about a total government capital spend for the year, we have to combine both the general government sector—that is, government department spending—with our public instrumentalities such as ForestrySA and SA Water. That is where we get the \$1.04 billion. The figure of \$2.98 million referred to in the press release was simply the general government expenditure that we announced in the budget. That is the reconciliation.

Mr GOLDSWORTHY: Continuing from the previous question in respect of page 3.7, you have also stated that in February 2003 the number of full-time equivalent staff in the finance branch was 41.9 and in the government accounting and reporting branch it was 34.9. In September 2004, these figures were 50.1 and 41.2 respectively. Can you provide an update of these figures with the estimated FTE as at 30 June this year and at 30 June next year? Continuing in that vein, do you consider that these branches are adequately resourced?

The Hon. K.O. FOLEY: No; I do not. I would like to have more public servants, more highly skilled financial officers doing more good work in supervising a \$10 billion-plus state budget, but I am like every other minister—we would all like more resources but we cannot have them. I think we are adequately resourced but quite frankly, as a minister purely responsible for an administrative agency of government, I would like to have more resources to be able to do what Treasury does in a more timely context.

We had a question earlier today about the timeliness of some of our reporting, and that is a direct function of the resources we have available. I think that for the enormity and complexity of the state budget, and for the rigour we have had to put into reporting, supervision, accounting practices and procedures over the past three or four years, the officers sitting behind me and the many now back in the administration building do an outstanding job. I wish I could give them

a break sometimes and they could have more resources—I know that they want it, and in a perfect world they would get it—but Treasury is no more immune to the realities of limited dollars than any other agency.

To be perfectly honest, they are more a victim of the fact that we are in the business of telling people that they cannot have resources. If I am being brutally honest with you (which I always am, of course), Treasury suffers a lack of resourcing because of exactly who it is and what it does. It would be pretty hard for me to waltz into a budget process or a cabinet meeting and say, 'You have to take a cut in transport or administrative services; and, by the way, I need another 20 FTEs.'

Mr GOLDSWORTHY: I return to Budget Paper 3, page 5.12, and the cash alignment policy. During 2004-05, did Treasury conduct a review of the operation of the accrual appropriation excess fund account? If so, what were the results of that review and what actions are being taken?

The Hon. K.O. FOLEY: What is your understanding of that particular account?

Mr GOLDSWORTHY: I am actually the person asking the questions; you are meant to answer them.

The Hon. K.O. FOLEY: My advice is that we are looking at the operations of the account. There are some issues of interest to us, but at this stage some of those matters are unresolved.

Mrs HALL: I refer to Budget Paper 4, Volume 1, page 3.3. What did the review of HomeStart find and what changes will be actioned by the Rann government as a result of the review? This comes under 'Highlights 2004-05'.

The Hon. K.O. FOLEY: The review has been undertaken and I have a cabinet submission before me now which has not yet gone to cabinet. I can say that, as has been, I would hope, a feature of my time as Treasurer—and you would probably appreciate why—I want to be certain that government agencies that are in the business of lending money are well managed prudentially, that they have a limited scope in their involvement in the marketplace, and are watched like a hawk. I do not think that would be a surprising response from a Labor treasurer, given the disasters of the Bannon years when it came to the State Bank. What concerned me is what I saw, and I cannot but be critical of the former government. I am not sure you had the eye on the ball with HomeStart to the extent that was necessary.

One of the early policy reversals that I made—and I accept that you had every right to do it, but I think it broadened the scope of HomeStart—concerned HomeStart's ability to start lending to build houses in rural South Australia, which was a policy response to what you saw as the housing need. I am a bit more orthodox and much drier financially than perhaps your government was. If you want to build country housing to fix a policy failure in a country town, you build it out of the budget; you make a budget appropriation. If you get into the business of lending through marginal quality transactions to marginal businesses and also aged-care facilities, I think you get into a bit of trouble. I am right on the rural issue. I am told that the rural housing one is not totally dead yet. You can assume that it will be totally dead.

The other one is the issue of aged-care homes. Dean Brown, who had HomeStart under his jurisdiction, I think, wanted to meet a policy failure in aged-care facilities, and got this idea that HomeStart could start lending to them. Well, I think we had a problem with the accounting treatment of that. I think we decided that it would be budget impacting in many cases. Why on earth would state governments be in the

business of lending money to, effectively, commonwealth government responsibilities? If you are going to do this sort of stuff, instead of financing it, you just do it, and make that policy decision.

What I am getting to in a roundabout way—and I stand to be corrected if I do not have all of my facts right; I am going on memory from a few years back—is that there were some ideas that were being floated that I did not feel comfortable with. Anyway, I ordered a review, and the review is currently with us. It is much broader than that. It looks at some other issues to do with capital adequacy and the entity. It is something that must be watched very closely.

Having said that, HomeStart does an outstanding job, and has always done a very, very good job, but it is important that we keep the business focused, defined and narrow and, in my view, not let it grow beyond where the market failure may be if there is such a failure.

Mrs HALL: Again, on page 3.3 under 2004-05 highlights, the second last dot point states:

Review of Funds Management Model finalised and forwarded to the Treasurer for his consideration.

Treasurer, what did the report arising from this review recommend, and what actions are being taken as a result of that particular review?

The Hon. K.O. FOLEY: Again, it is no secret, because I used to ask questions from opposition to then treasurer Lucas, and I think even as far back as treasurer Stephen Baker. I have always had a view that we have a disparate number of funding entities under management in this state. We have WorkCover managing a portfolio; we have MAC managing a portfolio; we have the Public Trustee, which I still think individually stock picks, which worries me; I think the fire service has its own funds management entity; some little super funds around government; SAICORP, our insurance people; and Funds SA itself. We have a lot of entities within a small state managing their own business, and that is good. They all have different risks and return ratios, etc., and all of that, but as part of the prudential management that I wanted to bring into the system, we have conducted a review, and that is currently before me to look at just how these entities are being managed and whether there is a better way to do it. We have legislation that is either through the house or is about to go through the house that gives government scope in some of these areas.

Mrs HALL: Again on page 3.3 in the 2004-05 highlights, last year's budget listed as a target for 2004-05 to 'improve the quality and timeliness of information flows from agency to Treasury and Finance and onto cabinet'. Where is this listed in the 2004-05 highlights in this year's budget? Has there been any improvement? What changes in particular were introduced, and if there were no changes, why not?

The Hon. K.O. FOLEY: I do not think that the member for Morialta was listening to the answers that I gave to questions for the member for Kavel, which were on this very point, or very close to it. We have acknowledged that we are doing a body of work to review how we receive information from agencies and present our consolidated accounts. We have listed on page 3.32: 'Continue to drive and improve financial management reporting arrangements within government.' I have acknowledged that successive governments have not done well enough. We are putting a lot of resources and effort into improving it.

Another question you asked was about whether or not I think there should be more staff in Treasury. I think that there

is an argument that there should be and could be, but it is not going to happen and we are going to work within the resources that we have at this stage, at least. I do not think that I can be any more open on this issue than I have been.

Mrs HALL: Again, on the same page, can the Treasurer explain to the committee why there are only six targets listed for 2005-06, whereas 2004-05 budget papers actually listed 21? With this apparent workload reduced, how then does the Treasurer explain the need to increase FTEs by 20, the number of public servants, in the department?

The Hon. K.O. FOLEY: I am not quite sure what excites the shadow treasurer in the minutia of budget papers. My answer would probably be that last year we had far too many things listed, and I would rather list those things which are value adding and which are specific and of such quality to be included in the budget papers. I do not think long lists necessarily are adding a lot of value to what we present.

The Hon. I.F. EVANS: I have some omnibus questions that relate to all departments and agencies. Is the Treasurer happy for me to read them at the end at about 4.45 p.m. tonight?

The Hon. K.O. FOLEY: Yes.

The Hon. I.F. EVANS: I will continue with other questions. At page 3.3 under 'Capital works arrangements', last year's budget is listed and, as a target for 2004-05, a review of capital works planning approval and information management arrangements is shown. Will the Treasurer update us as to what happened with the review?

The Hon. K.O. FOLEY: The main result was the state infrastructure plan, which now has a five-stage process for major capital works projects in government.

The Hon. I.F. EVANS: Apart from having a plan, there were no other changes to the approval or information management arrangements?

The Hon. K.O. FOLEY: We now have the five-stage process for approving these projects. All those processes are set out in the plan. It is a plan which sets a vision and which contains a five-stage process for evaluating these projects. Also, it is a plan which is backed up by many hundreds of millions of dollars to start building things. The most notable is the quite significant infrastructure upgrade of the South Road corridor. Also, we have created an Office for Infrastructure, as well, so a lot of work has come under that.

The Hon. I.F. EVANS: Page 3.4, 'Investing payments', minor works and other projects shows an underspend of around \$900 000 for 2004-05. Will the Treasurer detail what the underspend will comprise?

The Hon. K.O. FOLEY: It will comprise money not spent. I will let you know what we have not spent it on. Of course, we like to set a very high standard in Treasury for all other agencies to follow. We do not just spend money because we have got it. If we have not got something useful and valuable on which to spend it, then we don't. I do not want Treasury to sound holier than thou, but I think it is appropriate that if you have nothing on which to spend it you do not spend it.

The Hon. I.F. EVANS: Well, you could spend it on the Eden Hills CFS Station or an upgrade of Old Belair Road, which, I am sure, would be in the Under Treasurer's interest.

The Hon. K.O. FOLEY: No, he can dodge the potholes as he rides his bike down the road. Those dodgy practices of shifting money are over. We are not into that business any more.

The Hon. I.F. EVANS: Page 3.7, 'Performance commentary', the fourth paragraph states that the department is part

of the transitional governance team assisting with the restructures in portfolio arrangements for health, families and communities, transport, energy and infrastructure. Will the Treasurer provide the names of the DTF officers of each of the three transitional governance teams mentioned above and the positions they hold?

The Hon. K.O. FOLEY: I am happy to do that if it is of interest. I am sure the Under Treasurer is closely involved in that. We will get those names. Also, we are looking at the funding requirements for the office of the DPP. You can catch the latest instalment and the views of the DPP as to the funding needs of his agency in *The Adelaide Review*. I think we are going to look at a project that will involve the Under Treasurer and the DPP. I do not know whether the DPP himself will be involved, but we will be looking at that agency.

Mr GOLDSWORTHY: In relation to Budget Paper 4 Volume 1, page 3.9, sub project 2.1, 'Revenue collection and management', the costs for collection per \$100 of tax collected is rising to 75¢ in 2005-06. Footnote (b) states:

The 2005-06 budget includes an increase of \$2.385 million in intra-government charges for valuation information that is provided by DAIS.

Why has the increase occurred?

The Hon. K.O. FOLEY: It is a non-budget impacting item. My advice is that we were paying a less than proper cost for this service from DAIS. In the ever-going process of trying to get both transparency and a good reflection of the true cost of providing these services, we are now paying what is considered by DAIS and Treasury to be the appropriate cost of the land title system. It is circular, because what we pay to DAIS comes back into consolidated accounts; so it is a round robin process.

Mr GOLDSWORTHY: In relation to Budget Paper 4, Volume 1, pages 3.17 and 3.31, under the heading 'Capital contributions from government', will the Treasurer explain the \$4.299 million capital contribution from the government cash inflow as shown on the statement of cash flows? We note that page 3.31 states:

This is a result of a policy to fund investing activities from equity contributions rather than operating appropriation.

What requirements have been imposed on Treasury in respect of the capital contribution?

The Hon. K.O. FOLEY: Agency expenditure is classified for accounting purposes as operating or investing expenditure. Operating expenditure includes items such as salaries and wages, and supplies and services that are recurrent expenditures supporting the operations of the agency. Operating expenditure is reflected in the operating statement or the statement of financial performance. Investing expenditures result in the creation of or addition to agency assets. Agencies require cash each financial year to fund their operating expenditures and investing payments. This cash comes from various sources, including self generated income and, in most cases, appropriation.

Agencies are provided with sufficient operating appropriation to fund their operating expenses, including, of course, depreciation. Most investing payments are funded out of the cash provided to agencies for depreciation. However, in cases where the end funding requirement for investing expenditure exceeds the appropriation provided for depreciation, it is necessary to fund the deficiency from alternative sources. In these cases funding may be provided by way of equity

contribution. This special class of appropriation is used to supplement operating appropriation.

Mr GOLDSWORTHY: I refer to Budget Paper 3, Appendix D, point 1, on the subject of SA state public sector organisations. Will the Treasurer advise or table at a later date a list of those entities which were in the non-commercial sector, as it used to be called, and which are now not part of the general government sector?

The Hon. K.O. FOLEY: By and large the answer is yes; the advice is that some of those entities may have changed their function, but we will endeavour to get that information for you.

Mrs HALL: I refer to Budget Paper 3, the chapter on intergovernmental finances. Is the current timetable for the removal of IGA stamp duties likely to change as a result of ongoing negotiations between the commonwealth and the states? Will the Treasurer provide to the committee at a later date a table that outlines how the South Australian government's timetable for the removal of the IGA stamp duties compares with other states?

The Hon. K.O. FOLEY: We have all agreed to the time frames; they have been published. I think all the states have published something that has been consolidated. We will try to dig it up, but I am sure it is somewhere in your files. We have in fact brought ours forward. Some other states have been more aggressive, but we have brought it forward. Peter Costello wanted us to start from 1 July 2006, and we are doing it from 1 July 2005. Given her continuing assertion, I am flattered by the member for Morialta's confidence that we will be the next government of South Australia; her optimism is extraordinary. I thank her for her confidence in our being returned. I have no intention of changing that schedule in my next budget—and thank you again for your confidence that I will be preparing the next budget. I am not as confident as the honourable member. It is an extraordinary development, and I do not know whether it has undertones of leadership issues.

Mrs HALL: I refer to budget and financial management on page 3.7 and sub-program 1.2. Will the Treasurer explain why the implementation of Australian international financial reporting standards government-wide was not listed as a target for the department for 2005-06, and when will their implementation be mandatory?

The Hon. K.O. FOLEY: We have been doing it through the course of this year and, again, we were one of the more aggressive states; in this instance we were in front of the pack in some elements, particularly the way we value our superannuation liabilities according to this standard.

Mrs HALL: Will the Treasurer outline to the committee what costs the department has met so far in implementing government-wide Australian international financial reporting standards and how much is factored into the forward estimates for 2005-06 and beyond?

The Hon. K.O. FOLEY: I do not know what shadow ministers do with their day, but they obviously drill down into some minutiae. Treasury plays a coordinating role. These costs are met from agencies' existing budgets, so it would be too difficult an exercise to try to sum all that up. It is something we have to do; we cannot not do it.

Mrs HALL: What specific implementation tools have been provided to agencies to assist with implementation of this program, and has Treasury actually seen AIFR's implementation plans for all the agencies and how the agencies are tracking against the plans that have been agreed?

The Hon. K.O. FOLEY: Each agency has been given a detailed implementation checklist and access to detailed information on each standard on the DTF web site, which is available only to government agencies. I tell you honestly that, if the shadow treasurer or anyone would like to be briefed on this, they are more than welcome. We have had two implementation update reports for agencies which indicate that all agencies are travelling on track for implementation on 1 July.

Additional Departmental Adviser:

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

The CHAIR: Treasurer, do you wish to make a statement?

The Hon. K.O. FOLEY: No.

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

The Hon. K.O. FOLEY: I am pretty certain that it has exceeded benchmark. Its performance has been quite good, bearing in mind that we have a very good story to tell about the Motor Accident Commission. We now have the Motor Accident Commission fully solvent, and with a prudential margin. We are about 113 per cent assets to liability. Also, we have the prudential margin built in. I think that Mr Vogt, Mr Dick McKay and the board should take full credit for this. Other institutions are the subject of much political debate and, for various reasons, are in various situations.

I think that the Motor Accident Commission (through, I think, this government's preparedness to acknowledge the need for an appropriate level of premium but with outstanding management and management of its funds invested) can take great credit for what it has delivered. Year to date performance as at 31 March 2005 for the MAC funds was 6.6 per cent, exceeding the year to date benchmark of 6.4 per cent.

The Hon. I.F. EVANS: In relation to MAC's property investments, how have the property investments of the CT fund performed this financial year?

The Hon. K.O. FOLEY: My advice is that they are performing above benchmark, but we will get that information and provide it to the committee.

The Hon. I.F. EVANS: Have there been any acquisitions or disposals?

The Hon. K.O. FOLEY: One property transaction is due to be settled on 1 July this year. I would rather not comment on that publicly at this stage because, I assume, we are finalising commercial negotiations.

The Hon. I.F. EVANS: Is it an acquisition or disposal?

The Hon. K.O. FOLEY: An acquisition in South Australia, but it will be made public once it is consummated.

The Hon. I.F. EVANS: Page 9 of the Motor Accident Commission's 2003-04 annual report claims that there was a reduction in new claims of 50 per cent reported for that year, yet there appears to be an even bigger reduction of some 38 per cent in the number of claims settled (according to page 20), some 5 036 in 2002-03 down to 3 125 in 2003-04. The net result of this is an increase of almost 3 000 in the number of claims currently being managed by the commission (as

reported in the table on page 18). What are the reasons for the increase and to what extent is this increase in that number of claims under management attributable to the change in claims manager?

The Hon. K.O. FOLEY: My advice is that that is attributable to the change in claims manager. My advice is that there was a rush to settle claims under the previous manager. I assume that a number of claims were brought forward for settlement prior to the change of manager, and therefore less to be dealt with in the subsequent financial year.

The Hon. I.F. EVANS: Can the Treasurer run that past me again?

The Hon. K.O. FOLEY: As a result of the change of claims manager (which occurred on 1 July 2003), there was a rush of claims leading up to the conclusion of that contract with SGIC. I assume that people had claims in the mix and wanted to get them resolved in that there was uncertainty of what a new manager might do. A new manager comes in and a number of new transactions are brought forward, so that there is a dip in the next financial year.

The Hon. I.F. EVANS: The same answer may be given to this question but I will ask it anyway. The financial statements of MAC's 2003-04 annual report (table 13 in 'Outstanding Claims') indicate that the expected future claims payment before discounting has increased in one year by almost \$300 million to \$1.644 billion (or around a 15 per cent increase), even though the number of new claims is down by 15 per cent. What are the reasons for the \$300 million increase in outstanding claims?

The Hon. K.O. FOLEY: I am advised that that is the increase in outstanding claims—just the number.

The Hon. I.F. EVANS: Is that the forward estimate figure? Is that what you are projecting or is that the actual?

The Hon. K.O. FOLEY: That is the actual.

The Hon. I.F. EVANS: What are the reasons for the change in the discounting policy that has been reported in the annual report? Are MAC's actions consistent with the other CTP insurers in 2003-04?

The Hon. K.O. FOLEY: During that period there was an increase in interest rates. The discount rate was increased by MAC on advice and consistent with that of other CTP funds. A peer review of that decision was undertaken by an interstate firm.

The Hon. I.F. EVANS: Do they go through that process every time there is an interest rate change?

The Hon. K.O. FOLEY: Yes. You must adjust your discount rate according to the predictions of where the market is heading.

The Hon. I.F. EVANS: The annual report shows that the weighted average expected term to settlement of the outstanding claim has increased from 3.4 to five years. What are the reasons for the increase?

The Hon. K.O. FOLEY: My advice is that that would be the result of an increase in the number of claims and the adjustment to the discount rate.

The Hon. I.F. EVANS: Sorry, I am a bit of a novice on this one. You might explain to me how the discount rate affects the weighted average of expected term to settle, which is a time measure, so I am interested in how the discount rate affects the time measure, the time to settle?

The Hon. K.O. FOLEY: I will let Geoff Vogt explain that to you. It is obvious to me.

Mr VOGT: It is in the actuarial calculations and the discount rate is used to calculate a net present value from

future cash flows. So as your future cash flows vary or as your net present value changes with the discount rate based on the same cash flows, then your average term to maturity does change, and it is based on an actuarial calculation. They use tables and again it is peer reviewed to calculate exactly what the average term to maturity is. So you get the double effect of an increased number of claims, which means that claims are being settled slower than was previously the case because you have more claims on the book, and you get the change in the discount rate, which also impacts your maturity.

The Hon. I.F. EVANS: So do more claims on the book reflect a failure on the government's capacity to reduce accident rates?

The Hon. K.O. FOLEY: No, it does not. As I said to you earlier, when we changed to Allianz on 1 July 2003 a number of settlements were brought forward. So for people who were in the midst of their actions with SGIC, there was to be a change of manager. I assume they did not want to deal with the unknown, so there was a rush to settle, which then meant there was a reduction in settlements the following year, which then increases the outstanding cases to be settled. It is a function of the change of manager and what happened in terms of the behaviour of people wanting to settle and it was fully expected.

The Hon. I.F. EVANS: Did it have any effect then on the size of the outstanding claims liability?

The Hon. K.O. FOLEY: There was an increase in the outstanding liability. We are just having a look at the number. It is in the annual report. It roughly went from approximately \$1.16 billion to \$1.27 billion.

The Hon. I.F. EVANS: Has MAC ever done any work in charging in a different way, so, rather than on vehicles, taking the charge off vehicles and applying it to the drivers themselves through a different charge on the driver's licence? The charge that is applied, compulsory third party, in essence, goes to the vehicle, so if a number of different drivers use a vehicle, the better drivers still pay the higher price. One way of driving a better safety outcome would be to make the charge based on the driver's licence rather than the vehicle, so that the person who is involved more often in accidents is penalised through a higher driver's licence fee rather than a car registration fee. I am wondering whether you have done any work within government on that principle?

The Hon. K.O. FOLEY: A little bit of work has been looked at by the agency but that really is a decision for government and, as Geoff Vogt points out, there are a lot of complexities and interstate issues with comparability with the other states and it is a very complex issue.

The Hon. I.F. EVANS: Has that work been done during the term of this government or under the previous government. How recent is the work?

The Hon. K.O. FOLEY: It would be mainly under the tenure of the previous government.

The Hon. I.F. EVANS: How often does the CEO of MAC receive updates on the outstanding claim liability?

The Hon. K.O. FOLEY: Monthly.

Additional Departmental Adviser:

Mr B. Daniels, SAICORP.

Mr GOLDSWORTHY: Budget Paper 4, Volume 1, pages 3.10 and 3.12 under the heading Insurance Services and Financing Services, questions were asked on this matter last year, and the Treasurer provided a response to us on 24 October 2004. Your response was:

Work is commencing on the legal, administrative and commercial issues associated with such an amalgamation.

Can the minister provide an update on this matter, that is, the SAICORP and SAFA amalgamation issue?

The Hon. K.O. FOLEY: The consultation has concluded and I am advised that a cabinet submission was sent to my office yesterday for decisions of government, and I have not yet read the cabinet submission.

Mr GOLDSWORTHY: We note that the SAICORP 2003-04 annual report states:

The views of the SAICORP board regarding the proposal have been advised to the Treasurer.

What were the views of the SAICORP board and did the board express concerns about the proposal?

The Hon. K.O. FOLEY: I cannot recall. I do not think the SAICORP board's first preference would be to agree to this proposal, but these are decisions for the government. I think the preference of the board would be that it did not occur but, if it did, it would want sufficient representation on the SAFA board to look after the insurance requirements of government. I do not think that that would be an unnatural response from a board that may not be in full agreement with the view—not that we have even determined a view yet—that we should consolidate some of our boards. It is not an unexpected response.

Mr GOLDSWORTHY: In the same budget paper at the same page (page 3.12) concerning the exemption of agencies from insurance and risk management arrangements, have there been any exemptions from the insurance and risk management arrangements in 2004-05?

The Hon. K.O. FOLEY: No, there have not.

Mr GOLDSWORTHY: At page 3.3 under the heading 2005-06 targets, the fifth target states:

Further investigate options for potential long-term care scheme for catastrophically injured persons.

What does this mean, what is the role of Treasury in this, and what outcomes are expected?

The Hon. K.O. FOLEY: Work has been undertaken—which really started some years ago in the middle of this insurance crisis—on the issue of whether a national scheme could be developed for long-term care. At present, the data shows that a large proportion of people who are catastrophically injured in motor vehicle accidents, in particular, but in all categories, do not receive adequate compensation; and, if they do, I think the average time line for that compensation to be spent is about seven to nine years. So you have this problem that people who are catastrophically injured who do not have adequate insurance or are inadequately covered because of the circumstances are in trouble and fall back onto the public health system; or, if they are adequately insured, there is a propensity to misallocate those dollars. So, if you get a large lump sum payout, that evidence shows that that money is spent within seven to nine years, I am advised.

John DellaBosca as assistant treasurer in New South Wales first raised the issue whether or not a comprehensive national scheme would work. I understand that the Victorian Transport Accident Commission has a no fault scheme, whereas we have a third party scheme. Price Waterhouse Coopers I think was the agency contracted by all ministers, including the federal minister, to look at this. We are not committed to it as a government and have not signed up to it, but we have agreed for work to continue.

I think the mathematics are something like this: you could have a catastrophic cover in the first instance for motor

vehicle accidents for, I think, probably \$25 to \$30 per year, which would allow an insurance scheme so that anyone injured catastrophically in an automobile accident in South Australia would have life-long care of a very high standard. You would then expand that premium if you wanted to cover other catastrophic insurance, and we do not know exactly what that would cost. But I do not think there is an appetite at a national level to look at a grandiose scheme.

There is discussion about whether or not it is something that we could look at, but there is no commitment—just work being done—and it has been under way for some time. To a large extent, I think it is right to say that it has been modelled on the Victorian process. Apparently New South Wales has announced that it will have a catastrophic insurance scheme; Victoria already has one; but we have not committed ourselves to one here.

The Hon. I.F. EVANS: I might have misunderstood the answer, so I want to double check. What the Treasurer is saying is that the agency advice is that the payout received for catastrophic accidents is normally spent within seven to nine years. So, why does the government not move to simply an annual payment rather than a gross one-off payment? Would that not prevent what some might call the poor spending of the payout?

The Hon. K.O. FOLEY: You are a braver man than am I to take on the lawyers. That is not the advice I am getting from the agency. They are the findings of some research work undertaken by Price Waterhouse Coopers at a national level. That was the anecdotal evidence—I do not know how well they drilled into the data of insurance companies. I am trying to think of the comparison with WorkCover. Geoff Vogt is gone, but he probably would have been the one to answer that. That is an interesting point about whether you provide lump sum numbers in compensation, often settled through the courts.

Under our tort law reform we put in structured settlements, but there is an option for structured settlements or a lump sum. Experience tends to show that people still prefer lump sums. The advice I have is that there is a tax advantage in a lump sum. However, I think it is a very good point that the member raised.

The Hon. I.F. EVANS: Are we taking up with the feds the issue of the tax advantage to see whether there is a better social dividend through a change in tax arrangements so that settled or structured payments become the preferred option, or at least are considered on an equal basis?

The Hon. K.O. FOLEY: At the time of the tort law reform issues I wrote to Helen Coonan, the then minister, urging the commonwealth to resolve this issue, so that we can take away the tax incentive for one over the other. My advice is that we have not yet received an answer. I followed it up again earlier this year, and I will keep hammering away at it.

The Hon. I.F. EVANS: I do not quite understand, if we introduce a new scheme that costs \$25 (or whatever it is), how that will change the base data—that when they receive a payout they will spend it within seven to nine years. How does it resolve that problem?

The Hon. K.O. FOLEY: It is very embryonic, and I certainly have not committed this state to it at all (future governments may, but I have not). The scheme option would be along the lines of what the member said: we would not have a lump sum, it would be universal cover, mandated, and it would be a support scheme. It would be a scheme of payments, as the member has outlined. So, we would take away the lump sum. It would involve the provision of long-

term care. Someone's insurance policy would cover them if they were catastrophically injured; they would be picked up and cared for through proper medical care, rehabilitation, comfort and whatever else is needed through a properly funded process. They just do the actuarial numbers as to what is the likely number of catastrophically injured each year, if there was a 100 per cent insurance cover as against 60 per cent now (or whatever it might be), the life expectancy and all of that and come up with a number. As I said, it is embryonic and I think it would need a lot of robust work before we would be in a position to move much further forward.

The Hon. I.F. EVANS: Does the work that is being done in this embryonic study involve not only motor vehicle accidents but, essentially, catastrophic injury across the spectrum, whether it be sport or the workplace?

The Hon. K.O. FOLEY: Yes. Potentially, it could be whatever you wanted it to be. It was a response from the insurance companies initially. This is a difficult area for them to provide product, and a consequence of that is that a lot of people do not have it. For argument's sake, if the member went water-skiing with me and I did not have my boat properly insured and he had no cover and he became a paraplegic or a quadriplegic—

The Hon. I.F. EVANS: You would need a very good boat—

The Hon. K.O. FOLEY: To pull the member out of the water? No, we would get the member up. I can assure him that we have pulled some bigger blokes than him out of the water. It is all in the driving: a bit of grunt with a V8 engine would get him up. Therefore, he would fall entirely back on to the public health system and would have a terrible quality of life. It is a bit of public policy that is worth looking at. If it goes anywhere, it will evolve over time and it might reach a point where it can be implemented, but a lot more work would need to be done. I am not confident that the work is robust enough to move forward at this stage. All state treasurers were keen for us to keep doing this work, particularly Mal Brough, the federal Assistant Treasurer, so we are doing it.

The Hon. I.F. EVANS: I assume the cost to our scheme, which still offers the choice of structured settlements or lump sum payments, must be more than \$25 per unit (I am not sure whether the Treasurer is saying per vehicle or per driver), otherwise I assume that you would not be looking at it, if it will cost more. Are you looking at it to try to reduce the cost or to try to provide a better social outcome for those who, unfortunately, find themselves in that circumstance?

The Hon. K.O. FOLEY: The reason for the cost, if a scheme was to be implemented, is that you are turning it into a no fault scheme—there is no issue with fault. Insurance ministers were looking at it, to be honest; I remember Helen Coonan being keen to push us to look at this. It was really from a social justice point of view; a benefit to society point of view. When you look at some of this data, you will see that there are a lot of people who do not have adequate cover. How do you get cover, what is the cost of it and what are the ramifications? It is just like any policy evolution. The feds were keen for us to do it. As I said, Victoria does it to an extent, and it is worth looking at. But no more than that.

Mr GOLDSWORTHY: What is the latest estimate of the year to date earnings performance of SAICORP, and how does it compare against its benchmarks?

The Hon. K.O. FOLEY: We will obtain that information for the member. Most of SAICORP's investments are very conservatively invested and are index linked.

The CHAIR: We will move to questions relating to the SA Motorsport Board.

Additional Departmental Advisers:

Mr G. Stanniford, Accountant.

Ms C. Francis, Marketing Manager.

The Hon. K.O. FOLEY: I think the committee has been advised that Andrew Daniels is overseas, as is the Chairman, Roger Cook, but we have from the board Graham Stanniford, the accountant, and Caroline Francis, the marketing manager. I was very impressed with AVESCO's running of the V8 super cars in Shanghai on the weekend. I was in Shanghai about six weeks ago, and both here in Adelaide and in Shanghai I met with the Chinese government officials responsible for that race. They hoped to get 50 000 to the race, and I understand up to 70 000 attended. I was going to be in Shanghai but could not make it; we had Paul Holloway represent the government, as did Terry Mackenroth, the Deputy Premier of Queensland, and as did Senator Robert Hill. It was an outstanding event and I am just sorry that I could not be there.

Mr GOLDSWORTHY: But you watched it on television.

The Hon. K.O. FOLEY: Yes, I watched it on telly: V8s go international.

Mrs HALL: I must say that I have no doubt that every member of this state parliament is incredibly proud of the job that the Motorsport Board does and the results that have come from the enormous success of the Clipsal 500. I want to raise the issue of the clash with the Commonwealth Games and how that may or may not affect the 500. Could the Treasurer, or one of his advisers, outline any marketing strategies that are going to be employed by the board to combat this clash, and is the additional \$50 000 that is referred to on page 2.2 to be dedicated to this additional promotional activity?

The Hon. K.O. FOLEY: We had to put a fair amount of work into trying to schedule events around next year. As you know, we have the Magic Millions Adelaide Cup race day now occurring in March and we have the international Adelaide Festival of Arts—and I will be spending sleepless night after sleepless night, as I am sure we all will during our election campaign, going along to watch the ballet and whatever else. No; we will all be out doorknocking.

We have a huge number of events and then we have the Commonwealth Games in Victoria. Where do we slot in the V8 supercars? This government took a very courageous decision—that is, that we would be prepared to see the V8 supercar race run after the state election. Contemporary political thought would be that you might want to have that event in the middle of an election campaign to distract the electors, but we are a government that wants to be judged on its record, so the car race is now occurring the week after the election.

The other day I attended a meeting of a group chaired by Bill Spurr where people from the SAJC, thoroughbred racing, Arts SA and all that (I should not really say that, because it is Sensational Adelaide) were all in a room to work out how we are actually going to market what will be an incredibly congested six or seven weeks in Adelaide. At some point in the not too distant future the government will be announcing a program of promotion for all those events so that we can get into the international and, in particular, the interstate markets

before the end of this year to sell the product we have on offer. Each of the organisations—be it Clipsal, the arts festival, thoroughbred racing or whomever—will be doing their own thing supported by an umbrella promotion by the government. I might add that part of it will be about getting a campaign together to bring Victorians out of the Commonwealth Games to come to Adelaide to watch the car race, but I do not know what I can say publicly yet because they are working on some specific campaigns; however, I am sure they would be more than happy to brief you, confidentially at this stage, as shadow minister for tourism.

Mrs HALL: The Treasurer may need to take this on notice, but on the issue of tickets and people who had made bookings for the Commonwealth Games and hoped to combine Commonwealth Games attendance and attendance at the Clipsal 500, there are a number of specific cases that have been brought to my attention that have, thus far, been unresolved. I understand that there is a telephone number that people with difficulties are encouraged to ring. One person, in particular, originally made contact with the South Australian Tourism Commission who then referred this individual to the Clipsal 500; however, because this woman has regular annual preference tickets to the 500, she is up for all sorts of cancellation fees and difficulties as she tries to put the two together.

First, how are some of these issues being addressed and, secondly, does the 500 have some flexibility with some of the booking agencies—both interstate and some of the international operators—to accommodate this change of date and the flow-on?

The Hon. K.O. FOLEY: I will ask Caroline to say a few words on this. To be honest, it is the first I have heard of it but I am sure we will be flexible if we can. The issue of the dates was problematic, as the shadow minister would recall. Trying to stop these things is difficult: we had a date slotted in in our heads, and then that had to shift and we announced a date, and then I got a phone call. From memory, I was in Shanghai and Tony Cochrane rang to say that we had to change it again because Victoria came out and was running their Grand Prix a week after the Commonwealth Games. Talk about event fatigue—you have two weeks of Commonwealth Games and then you are trying to sell the Grand Prix over there. So that necessitated another shift in our date. It has been chopped around a bit, but it was unavoidable. Caroline, are you aware of this issue at all?

Ms FRANCIS: I am not aware of the specific issue you are referring to; however, we do have what is known as our price cap campaign where we are promoting tickets to next year's event at this year's listed prices. That campaign closes on 30 June. Because we were promoting that in conjunction with the March 2005 event, there have been a few people who have contacted Bass specifically, and we have directed that Bass is to refund their tickets if they are not able to attend the 2006 Clipsal 500 because they have committed to the Commonwealth Games. Bass has actually accepted booking forms but is yet to process its actual applications and their money, so their money will be refunded.

Mrs HALL: Do you have any idea at this stage of how many people are involved?

Ms FRANCIS: I am aware of possibly three cases. There was also a gentleman who contacted me from New Zealand who had actually booked his flights for the previous dates. He had to subsequently re-book his flights and incurred a \$30 cancellation fee on his international flights. Rather than offering a discount, we offered him a valued gift as some

form of compensation. I would say that it would be fewer than half a dozen people.

Mrs HALL: There are a couple of issues in relation to next year's event. During last year's estimates, we talked about the \$7 million, or thereabouts, that was required for construction and deconstruction costs. I ventured questions about whether the government was going to support that as an ongoing expense, or whether it was in fact looking at more permanent structures in Victoria Park. I understand that there is a Victoria Park redevelopment proposal in place, which has been studied and reviewed by the Motorsport Board. Can the Treasurer give us a timetable for the progress of that proposal? Am I correct in my assumption that the Motorsport Board, or a special Treasury line, spent the dollars to enable the draft design to proceed?

The Hon. K.O. FOLEY: There is no secret. It has been quite open and public that the Motorsport Board has been working with Adelaide City Council and the SAJC on the potential future of Victoria Park Racecourse. The lease between the SAJC and Adelaide City Council for the Victoria Park Racecourse expired in August 2004. It is understood that negotiations are taking place for the renewal of that lease. These negotiations have included potential upgrade improvement and replacement facilities for horseracing in Victoria Park. The board will continue to advise and assist the SAJC and the ACC on a proposed redevelopment to ensure that any proposal which may be forthcoming will be suitable for all uses of Victoria Park Racecourse. I have not been presented with any business case from the Motorsport Board that I can recall.

Specifically, I have had discussions with Roger Cook about what the board would like to see there, and I do not think that that would be any secret to the member, given her time in government. We as a government have certainly not embarked on any detailed planning for the redevelopment. I would like to see Adelaide City Council take the lead, to be honest. I think it has to make some decision itself about what is acceptable to the council. The SAJC has to be confident that it can renew its lease at Victoria Park, and that is also caught up with what occurs down at Cheltenham, which we are looking at.

Clearly, the Motorsport Board has always argued that it would like fixed structures, but we have to see how that fits with the blueprint and the parklands. This is one issue that I expect Adelaide City Council to show leadership on, and not just leave it to the state government. I would rather be a participant than the catalyst for this, quite frankly. I think Adelaide City Council needs to do it, and I am sure it is doing that in terms of putting it together.

Mrs HALL: Given that last year the estimate of the construct and deconstruct bill was around \$7 million, I understand the Motorsport Board is concerned that some of its infrastructure is getting very old and outdated. I know that we have signed a longer contract with AVESCO. Is this the sort of project where the government may be interested in looking at PPP proposals, given our previous conversation?

The Hon. K.O. FOLEY: I would not have thought that, as a PPP, it is something that would work in that context. There is no disagreement about the cost argument. We have a couple of options: we either purchase a whole lot of new infrastructure, which we can do, and may do; or, we can pull it down and suffer a cost. Or we may reach a consensus amongst all parties, including the opposition, as to a fixed structure that could be supported by the broader community. They are the options that we have. I do not think the govern-

ment has an appetite to proceed with something that would be mired in controversy and division. If a hand of cooperation is extended by the opposition on this issue, that would be well received by the government. We would be happy to bring you into the tent and make you one of the participants in the decision to resolve how we go forward. I think that, if we depoliticise this, we will have a good chance of doing something worthwhile.

Mrs HALL: Again, on the issue of the staging of next year's event, if we assume that there will be no decisions made on some sort of permanency and some investment has to be made in some of the older infrastructure, what is the position now agreed to with the board and the government over all of the material and the contracts that need to be signed for hiring and leasing, given the enormous build up in that three or four-week period, and then the staging of the Adelaide Cup several weeks later? What about the infrastructure and the building? How will that be accommodated given that the Commonwealth Games will be in progress over the border?

The Hon. K.O. FOLEY: My understanding is that access to the facilities that we need was secured well in advance, and they are all secured. I think that the Motorsport Board and the management team are as good as it gets in terms of running these events. Obviously, we were fully aware of the impact of other events well before we settled on dates, and we moved to secure those assets for the state well ahead. So, I do not envisage any issue there. We will have our toilets.

Mrs HALL: I may come to the Clipsal 500 in a moment. I will move to Rally Australia. Do you know when the board will know whether it has been successful in securing Rally Australia, following the relinquishment of rights by Tourism Western Australia?

The Hon. K.O. FOLEY: You are presupposing that I have given approval and subsequent funding to the Motorsport Board to bid for that project: I haven't.

Mrs HALL: Would you care to tell us why?

The Hon. K.O. FOLEY: Because no formal request has been put to me from the board. There have been discussions between Andrew Daniels and my office. I think it has been raised with me once or twice by Andrew and/or Roger Cook that this event could be available if we wanted it, but it comes with a very large price tag. First, I have not seen a detailed analysis for the case and, secondly, I have not determined whether or not, even with a good business case, it warrants the expenditure that would be required.

My advice is that we have not yet seen anything specific. I cannot say publicly what sorts of numbers would be required to bid for it, but I am more than happy to bring the honourable member into my confidence and tell her the sorts of numbers—but it is a large number.

Mrs HALL: Given that response and some of the issues in relation to the Coopers Pale Ale Rally here in South Australia, and the naming rights issue, is it the government's intention to continue to support the newly named rally here in South Australia?

The Hon. K.O. FOLEY: Well, I launched it three weeks ago with a new sponsor—Toyota. I think that is a year by year or one plus two contract.

Mrs HALL: You have just signed for one plus two or are we in the second stage?

Ms FRANCIS: We are in the first year. It was signed recently, so 2005 is the first year of the Toyota Rally SA. It has committed to a one year contract with an option for a further two years. The option will be reviewed after this

year's event, which will be 2005-07. The review meeting is in mid August.

The Hon. K.O. FOLEY: I have no doubt that Rally Australia would be a very good event for motoring enthusiasts in South Australia and an outstanding event for the Motorsport Board to run. The decision or analysis to be made is whether it is worth the money required to secure it. Would the money be better applied elsewhere? I have not made up my mind, because I have not yet been presented with a detailed case. Having said that, certainly as a result of representations from Andrew to my office and me, the Motorsport Board is keen to look at it, but we have to have more talks about it. Can I also point out to the member for Morialta that 50 per cent of the advisers advising me here today on the Motorsport Board are, in fact, female.

Mrs HALL: It is interesting that the Treasurer says that. I remind him that last year, when we discussed the gender issue, the Treasurer told me that I could look forward to reading that 'more women had been appointed to the Motorsport Board'. When I look at the current composition, which was changed a few months ago, I notice that we are still at the ratio of 1:9. Will the Treasurer give an update on his plans for the next few months?

The Hon. K.O. FOLEY: I am at a loss to give you a satisfactory answer, to be perfectly frank. It is not good, is it? From a gender perspective, it is not good. The Premier has made that point to me numerous times, as have one or two other people, I hasten to add.

Mrs HALL: Last year you said it was a blokey sport.

The Hon. K.O. FOLEY: We did have one position come up this year and we put Bruce Carter on the board because of the skills we felt he could bring to the Motorsport Board. Joan, we will have a chat about it later. I get the hint. If what happens is what you predict—that we win government at the next election—and a board position comes up, I make this commitment: I will not discount you as a member for the board simply because you have been a political opponent. You have been a passionate promoter of this state in tourism and motorsport, and certainly I would not in any way discount you from future membership of the Motorsport Board. As you demonstrated, we have appointed Liberals to a number of government boards. If you have the skills and you are available—and indications are that you think you will be—I will keep a spot for you, just in case.

Mrs HALL: In a very serious manner, I do believe that this gender issue on the Motorsport Board is very real. The reason I have pursued it now for several years is that attendance at the Clipsal 500 has changed very dramatically from a very blokey attendance in the first few years. It has added a better gender balance and it is now moving very much to a family-based attendance. It seems to me that the issue of women's participation on these boards, with their ideas and particular expertise and input, should be valued by the Motorsport Board and pursued as a matter of some initiative and encouragement by you as minister.

The Hon. K.O. FOLEY: I wonder why you have had as much success on this issue with me as you did with the former government, of which you were part. I do not think it is more or less blokey than when you were in office, but the point is well made. You have the high moral ground and the high policy ground on this one. I am just looking at it and seeing who we could remove. We have talked about a couple of options before.

Mrs HALL: Are you going to advance any of them?

The Hon. K.O. FOLEY: We should, shouldn't we? Joan has made herself available in March. The point is well taken. If I have Mike Rann and Joan Hall both at me over the same issue, what chance have I of avoiding the inevitable?

Mrs HALL: I am not sure we want to go down that track. I refer to the issue of accommodation of the Motorsport Board and unit. Has new accommodation for the operation of the Motorsport Board and team been approved?

The Hon. K.O. FOLEY: The Motorsport Board is in 50 Grenfell Street and, as far as I am aware, has no intention of moving, unless you know something I don't, or unless I have been told something I have forgotten and there is a piece of paper in my office saying this is happening. I do not want to be caught misleading parliament. My chief of staff has advised me that he is not aware of anything. On advice, I am saying I have seen nothing, but if there is something in my office I have forgotten I will advise the committee.

Mrs HALL: I understand that for some time now the Motorsport Board has believed that the accommodation of the team that operates the Clipsal 500 and Coopers Pale Ale rally is not adequate and they have been looking at moving for some time.

The Hon. K.O. FOLEY: How is the office?

Ms FRANCIS: It is my understanding that ideally the SA Motorsport Board is seeking a prominent shop front; however, suitable accommodation has not been identified, primarily due to the cost per metre of office space. It has been looked at in the past and my understanding is that it is on the back burner. I do not believe it is a current issue. I am happy to take that on notice and respond further.

The Hon. K.O. FOLEY: We will have a look at that. That is your old office, 50 Grenfell Street, isn't it? What do you think of the office?

Mrs HALL: If you continue to increase the numbers there for the Clipsal 500, you will definitely need better accommodation. I turn to the issue of the parklands. Have the Motorsport Board and you as its minister signed off on any implications of the new parklands legislation and the proposed changes to Britannia Corner and how that may affect the Clipsal 500 track?

The Hon. K.O. FOLEY: I have a brief on this. It is the South Australian Motorsport Board's policy to leave the parklands in better condition than it finds them. The board has undertaken the following to protect the parklands: the engagement of two horticultural specialists to advise on appropriate procedures to minimise damage to vegetation in Victoria Park; installation of bollards in high traffic areas to keep vehicles from crossing grassed areas and wearing away grass from track corners and intersections; and issue of grass passes to vehicles to prevent unauthorised parking of vehicles on the parklands. This is strictly enforced, with parking tickets issued to anyone caught parking on grassed areas without proper authority. We brief all workers and contractors on site regarding the care and protection of the natural vegetation in the parklands.

The board has also undertaken the refurbishment of the swale drain adjacent to the 500 Club to improve drainage and prevent ponding; returfing of the chicane area to replace ryegrasses, improve drainage and reduce dust; resetting of worn areas with kikuyu, fescue and rye-grass mix; repairs to the Adelaide City Council irrigation system above and beyond those defects caused by the motor racing events; irrigation of grassed areas where Adelaide City Council irrigation systems are either not present or deficient; and fertilising and top dressing of high impact grassed areas. Open communications

are maintained with the Adelaide City Council at all times and KBR (the engineering project manager) is instructed to ensure that any mistreatment of the parklands by the event is stopped immediately and any damage repaired as soon as possible. The safety of the public and care of the environment are important to the board, and it will continue to protect all concerned during the Clipsal 500.

Finally, a remediation program is undertaken at the conclusion of each event. A procedure is in place whereby, at the commencement of the Clipsal 500 build, a formal handover takes place between council management and Clipsal 500 management following a review of the relevant areas. At the conclusion of the Clipsal 500 pull-down, a similar exercise is undertaken whereby the areas are reviewed prior to hand-back to the Adelaide City Council. This procedure has been in place for a number of years and will continue in the future. Let no-one say we do not care about the parklands.

Mrs HALL: Do you have current costs involved for this year's construct and deconstruct, given what you have just said?

The Hon. K.O. FOLEY: What we do with the grass is pretty substantial, isn't it? I bet the council gets a few free sprinklers out of us.

Mrs HALL: They do—and lots of good roads and lawn.

The Hon. K.O. FOLEY: We will have those figures for you within a week or two.

Mrs HALL: And Britannia Corner?

The Hon. K.O. FOLEY: The impact?

Mrs HALL: Yes.

The Hon. K.O. FOLEY: You will have to ask the Minister for Transport.

Mrs HALL: My question to you was: have you and the board signed off on the changes to the track that will be required with the latest plans announced by the government?

The Hon. K.O. FOLEY: No. Andrew Daniels is working with Transport SA on that issue, I am advised, and we do not believe there will be any disruption to the Clipsal 500. We definitely fine lots of people for parking on grass.

Mr GOLDSWORTHY: I think that the council gets that.

The Hon. K.O. FOLEY: Does the council get that? It gets a couple of free sprinklers out of us and it gets revenue.

Mrs HALL: And good roads, as well as two representatives on the board. That will do with respect to the Motorsport Board.

The Hon. I.F. EVANS: I will put the omnibus questions on the record, as follows:

1. Did all departments and agencies reporting to the minister meet all required budget saving targets for 2003-04 and 2004-05 set for them in the 2002-03, 2003-04 and 2004-05 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 in 2004-05 for all departments and agencies reporting to the minister listing the name of the consultant, cost, work undertaken and method of appointment?

3. For each department or agency reporting to the minister, how many surplus employees are there as at 30 June 2005, and for each surplus employee what is the title or classification of the employee and total employment cost (TEC) of the employee?

4. In the financial year 2003-04 for all departments reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2004-05?

5. For all departments and agencies reporting to the minister, what is the estimated level of the under-expenditure for 2004-05, and has cabinet already approved any carryover expenditure into 2005-06, and, if so, how much?

6. What was the total number of employees with a total employment cost of \$100 000 or more per employee, and, as a subcategory, the total number of employees with a total employment cost of \$200 000 or more per employee for all departments and agencies reporting to the minister as at 30 June 2004, and what is the estimate for 30 June 2005? Between 30 June 2004 and 30 June 2005 will the minister list job title and total employment cost of each position with a total estimated cost of \$100 000 or more which, first, has been abolished and, secondly, which has been created?

7. Will the minister provide a detailed breakdown for each of the forward estimate years of the specific administration measures which will lead to a reduction in operating costs in the portfolio?

The Hon. K.O. FOLEY: I will be more than pleased to take those questions on notice and answer them appropriately. I take it that is the end of questioning. I thank members of the committee. I thank my staff and the public servants. I have answered the questions to the best of my ability today. However, if there are errors or mistakes, or if incorrect information has been provided, we will endeavour to correct it where we can. If this is my last estimates committee as the Treasurer of this state, can I say that this has been a fine four-year experience for me. I do not quite share the confidence of the member for Morialta that we will be re-elected, but I look forward to being here next year in one capacity or another.

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

ADJOURNMENT

At 4.53 p.m. the committee adjourned until Thursday 16 June at 9.30 a.m.