

HOUSE OF ASSEMBLY

Wednesday 22 June 2005

ESTIMATES COMMITTEE B**Chair:**

Ms M.G. Thompson

Members:

The Hon. M.R. Buckley
 Mr P. Caica
 The Hon. G.M. Gunn
 Mr T. Koutsantonis
 The Hon. P.L. White
 Mr M.R. Williams

The Committee met at 11 a.m.

Department of Primary Industries and
 Resources, \$116 141 000
 Administered Items for the Department of Primary
 Industries and Resources, \$202 287 000

Witness:

The Hon. R.J. McEwen, Minister for Agriculture, Food
 and Fisheries, Minister for State/Local Government Rela-
 tions, Minister for Forests.

Departmental Advisers:

Mr. J. Hallion, Chief Executive Officer, PIRSA.
 Mr G. Knight, Deputy Chief Executive Officer.
 Mr. D. Plowman, Executive Director, Agriculture and
 Wine.
 Mr S. Archer, Director, Finance and Shared Business
 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 the consideration of proposed payments to facilitate the changeover of departmental advisers. Have the minister and the lead speaker for the opposition agreed on today's timetable?

The Hon. R.J. McEWEN: Yes.

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 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 House of Assembly *Notice Paper*.

There is no formal facility for the tabling of documents before the committee. However, documents can be supplied to the chair for distribution to the committee. The incorporation of material in *Hansard* is permitted on the same basis as applies in the house; that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the minister, not the minister's advisers. The minister may refer questions to advisers for a response.

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 Statements, Volume 2, Part 5. Minister, do you have an opening statement?

The Hon. R.J. McEWEN: I think that primary producers in South Australia know that it is mother nature that has a much bigger impact on their future than anything we do at a state level, and I have made available an updated rainfall chart as at 9 p.m. yesterday. I could get a further update on both rain and snow from the member for Stuart. Certainly, what has been a very difficult autumn for livestock producers and a nail-biting one for people in our cropping country has turned around, and that now means, of course, that we have to rely on a later, very good spring. Equally, the pressure in terms of fodder will be on our livestock producers for another couple of weeks, but at least there is some optimism. There are a couple of patches that are looking for significant opening rain, although planting has started across most of the cropping country.

From a departmental point of view, you will see that the budget is very much a 'steady as she goes' one. There are not many significant changes, but there are a couple of new initiatives—and certainly new initiatives in wine, as we continue to focus our energies, in a shared way, at the Waite Institute. However, the department is tending to move beyond the farm gate and become more significant in the whole market chain.

It is appropriate that we do move to focus more anywhere between paddock, port and plate, or water and waiter, as our fishing people say. Quite often, the rate limit to growth in Primary Industries is not inside the farm gate. Sometimes it is well beyond the farm gate. Sometimes it is not even a direct responsibility of state government. For example, we had difficulties at the start of the rock lobster season with access to markets. That was an issue to do with a tariff or trade barrier, which needed to be dealt with by the federal minister and, in turn, with the appropriate ministerial and bureaucratic people in Beijing. Here is an example where the best thing we could do in Primary Industries was to work to clear a blockage well beyond the farm gate. Also, we have tended to focus on working with industry around the economic environment and the marketing environment that sits underneath their production of commodities. We demonstrated that recently, where at a state level we put together a significant report around wine grapes. At the moment we are doing a similar exercise—although, I might add, a more complex exercise—in the citrus industry. Again, we are focusing our resources on that part of the value chain where our primary producers are looking for an input from us.

Many of our plans are on track. There have been a number of discussions over the past 12 months around the triple bottom line for the bush and what SAFF was looking for in terms of support from government. SAFF has acknowledged that we have moved beyond its initial request and is very comfortable with the broader architecture we have in place,

sitting under South Australia's strategic plan, our plans around infrastructure and our commodity-based plans. Equally, SAFF has asked us to support its holding of a summit. I am not familiar with the exact time lines. I have not discussed that with Carol Vincent in the last few days. Carol is keen to do that within the facilities of parliament. I have indicated to her that the matter would need to be discussed with the Speaker or the President, or both. She has also talked about a task force. I have suggested that, as one of the consequences of a summit, extra work might need to be done; and I am happy to help resource a task force. I might add that both the summit and the task force would be totally bipartisan. It is not a political issue but, rather, an issue working between government generally and Primary Industries through its peak body.

There may be questions about animal health and bio-security. Certainly, we have moved in that regard. There have been some challenges nationally, which we need to be part of. Equally, marine pests have become a responsibility. We have had to sign a deed and some funding has been required for that. NLLS is now well established; even the Northern Territory is beginning to comply. The next challenge will be with sheep, rather than beef. We have been lucky as a state over the last few years to escape the level of impact that drought has had on our neighbours to the east. Notwithstanding that, we have had four EC declared areas and have had to work with the commonwealth government in each of those areas. We have had one significant natural disaster in the past 12 months—obviously, the EP bushfire. We are now in the recovery phase of that and members will see money in the budget in terms of the re-establishment program. Equally, as part of that program, members will see the commonwealth government's coming online, in terms of supporting some of those re-establishment projects; and, certainly, Don Plowman will give more detail of that, if there are specific questions.

More recently, at Karoonda we needed to do a little work. I did that more as the Minister for State/Local Government Relations, rather than Minister for Agriculture, Food and Fisheries, because the impact was mainly in the town. A couple of challenges continue to be debated at large and in the media. Obviously, one of the them is the single desk. We are reluctantly accepting that the national competition payments will now be very close to \$9 million on top of the \$2.94 million; then three and another three. Equally, we acknowledge that without the support of the Liberal opposition in this house we will not be able to make satisfactory changes to the legislation to satisfy NCP requirements. One of the skills I do have is that I can count; so that remains unresolved.

I will touch on one other matter; that is, the buy-back of commercial licences. We first made \$3.5 million available, then we went to \$6 million and, with a good deal of arm twisting, I got Treasury to go to \$12 million. We have made a generous offer to buy back nets, unamalgamated licences or full licences to reduce some effort. The point of reducing effort is to have a long-term view of the sustainability of a number of the marine scale fishery species. At the moment fishermen have until Friday to sign the deeds. Originally, there were 68 applications, which means we have made full offers to 68 fishermen. A significant number have been returned, but we will not know until Friday night exactly how many have been returned. It is particularly encouraging. It means that the other management tools, which will need to be put in place as we continue to monitor the spawning biomass of each of those stocks, will be less than otherwise

would have been. We now look forward to the scrutiny of the house.

The CHAIR: Member for MacKillop, do you have an opening statement?

Mr WILLIAMS: I will make several comments. The rainfall map, which the minister has kindly made available, is interesting. I do not think it accurately reflects what has happened in my rain gauge at home. In relation to the minister's comment about the livestock industries' having a tough autumn, notwithstanding the rainfall, the livestock industries across South Australia will have an extremely tough winter. The rainfall will ease the problem, but it will not start to ease until we come out of winter; and I suggest livestock across the state will be suffering well into August, if not into early September, in the southern portions of the state. I tend to agree with the minister's comments that the weather has a large impact on the fortunes of regional South Australia and the agriculture therein.

It has a large influence on the fortunes of all South Australia. Over 50 per cent of exports out of this state—which is our ability to bring in dollars from the rest of the world—are generated outside metropolitan Adelaide. A large proportion of those is from farming activities; and, of course, the recent rainfall event has turned what was potentially a disastrous season for the farmers and for the state into what could be at least an average season. I question the minister when he comments that SAFF is in total agreement with the government's response to its triple bottom line document that was published about 12 months ago.

My understanding is that SAFF still wants to pursue the issues. I notice in the national media that the federal farmers federation is pursuing similar goals on a national basis to SAFF, that is, that the farming sector, being responsible for the management of large parcels of the Australian landscape, should receive some sort of compensation for doing that in a manner that they are obliged to by people remote from them and remote from their businesses.

I comment on the minister's remarks regarding the single desk and the national competition payments. It is a bit rich for the minister to suggest that it is the Liberal Party's problem. We are waiting for the minister to come up with some clever ideas. If he comes up with some ideas and discusses them with the Liberal Party and the barley industry, I am sure that we can move forward. Our problem has been the intransigence of the government to make the case for the single desk in South Australia to the National Competition Council.

Might I say that there are people in the grains industry who have a wider agenda than just the single desk with regard to barley marketing in South Australia. The Australian wheat crop, as no doubt everyone is aware, is marketed through a single desk operation; and, for the benefit of the member for West Torrens, the operation of that particular single desk operation does not fall foul of the National Competition Council.

The CHAIR: Thank you. Does the member for MacKillop want to start with questions now?

Mr WILLIAMS: I would be delighted to. The portfolio area of primary industries and resources covers quite a gambit of various functions. Can the minister, specific to the area of his functionality (that is, agriculture, food and fisheries), tell the committee how many people are employed within those areas of the department, and how that compares with those numbers from the previous financial year? How many people will be employed in the ensuing year (according to the budget), and how does that compare with the actual result?

The Hon. R.J. McEWEN: I will get some details. I make the point, of course, that one must be careful when one looks at numbers because, obviously, a lot of the things that we do are part funded by the state and then other moneys come in through industry funds and CRCs; and in the case of FarmBis there are a number of revenue streams. The numbers will rise and fall depending upon the level of activity and where we are in terms of the stage of those activities around projects that are more than one year in duration. That notwithstanding, we will provide those details.

Mr WILLIAMS: Can the minister provide a complete breakdown of those activities and how they are funded? I am sure that the committee would enjoy that information.

The Hon. R.J. McEWEN: We will package that up in a way that indicates what the project is, how much of that funding is state and what the mix of other funding is, and then next to that the total number of persons employed in that. We will have to take that on notice, obviously.

Mr WILLIAMS: What we are trying to get to is how many teachers and nurses you employ in food, fisheries and agriculture.

The Hon. R.J. McEWEN: The question is the number of public servants. One must be very careful of that definition, because quite often the assumption then is that that is totally funded by a state appropriation and, in many cases, it is not. We are asked to do many things using employees where, obviously, the source of the funding is not state public dollars. Changing numbers either up or down is not a true reflection of the state's resources that have been put into the portfolio areas. I do not want anyone extrapolating back saying, 'More numbers means more dollars or less numbers means less dollars.' It is not a fair extrapolation. It is a fair question, and we can indicate, in percentage terms, the sources of the money and how that has changed and, sitting aside that, the numbers of employees.

Mr WILLIAMS: I refer to Budget Paper 4, Volume 2, page 5.18. The government has stated in the budget that it provided leadership to the national drought policy debate. Can the minister explain exactly what role he and his department played in this debate?

The Hon. R.J. McEWEN: I will hand over to Jim Hallion, who is recognised on the national stage as one of the keys to debating a changing focus in drought policy around the nation. That notwithstanding, I make the point that this is federal policy. We have had some difficulty over recent times sorting out who leads in terms of natural disaster and who leads in terms of EC. Quite often I have needed to correct the record when the shadow minister struggled to understand the role of the states. I think that it is a good opportunity to put that on the record at the same time.

As much as we have now indicated that it seems most unlikely that there will be any further EC declarations sought in the next 12 months, it is important that our primary producers understand the process of seeking such a declaration and how the states can work with them on that. But, to make the important point, the states do not initiate EC declarations, and this tended to be the confusion that was created in the industry when there was a debate about this time last year regarding the possibility of an EC declaration on the eastern side of Eyre Peninsula. But the question is more general, about what contribution we have made on the national stage. Certainly, Warren Truss on a number of occasions has complimented the state team led by Jim Hallion, and I will hand over to him to describe where that process is up to.

Mr HALLION: My role is in two parts in terms of the national policy agenda. First, I am a member of the Primary Industries Standing Committee and, through that committee, I report to the Prime Minister's Ministerial Council, so, as a member of that committee, obviously, I have an input. But, more specifically, I chair the Industries Development Committee, which is a national subcommittee of the Prime Minister's Ministerial Council, and it is that committee which has responsibility for shaping drought policy which then is accepted, if it is accepted by the ministers, at ministerial council level. Not only do I chair that committee but also at the state level we provide the secretariat for it. The committee concentrates on two main areas of policy reform.

The first reform is the national monitoring system, and the intention is to develop a way of quickly identifying areas that meet the criteria of a 1 in 20 and 1 in 25 year exceptional event. At the moment, the system requires states to draw a boundary around areas where the majority of farmers suffer a significant income loss over more than one year. The difficulty with that process is that it takes some time for that to occur, so it tends to be well after the drought has commenced and the farmers are suffering hardship.

The proposed reforms will allow us to identify through reductions in production yield and on-field crops and in pastures on standing dry matter where there is a 1 in 20 year event much earlier than waiting for that to turn up as an income loss to farmers at the end of the process. So the very significant reform is to develop a national monitoring system that will, by shire or council area, determine yield losses and, where they are significant, EC can be nearly automatically triggered at that point. There will still be an advisory committee, because all of us would not want to rely on just a computer system to make those decisions, but the national monitoring system will be a substantial aid in the decision-making process and speed up the application and approval for EC, which has been a criticism in the past. That is the first plank, I guess.

The second plank is looking fundamentally at how governments direct assistance to farmers both during and prior to drought. A shift in policy is likely towards preparedness for drought events so that farmers are better prepared rather than necessarily given business assistance during a drought. So, they are the twin areas of administrative reform: the national monitoring system and a change in the policy elements of the package. We have made great strides in the national monitoring system, and we expect that to be up and running for field crops and for pastures—for the broad acre industries, if you like, the extensive industries—by 1 July next year; and we are investigating and are hopeful that it will be up and running by 1 July the following year for the more intensive industries. So, certainly I think it is fair to say that South Australia is playing quite a substantial role in those reforms—clearly, with assistance and support from the commonwealth and other jurisdictions.

The Hon. R.J. McEWEN: Of course, once an EC declaration has been made, that triggers a number of support mechanisms. One of them is obviously the Centrelink payments. At this stage the needs of the family are treated differently from the needs of the business, and so they should be. It is interesting that in this state we run well above the national average in terms of the number of families that gain Centrelink support—I think I read recently that it is as high as 17 per cent. But, in the scheme of things, it is a second hurdle that you have to get over. Once an area is declared, that does not mean it automatically triggers Centrelink

payments in the area. In fact, many people are then disappointed to see that they do not satisfy the next level of requirements. Having said that, though, I am delighted to see that the federal minister has, on a number of fronts, increased the off-farm investment and a number of other hurdles you need to get over, and it has made it easier for families to trigger Centrelink payments.

Obviously, another component of EC is business support and, again, the traditional level of support, which has been a combination of mainly federal but some state support, has been interest rate subsidies of up to 50 per cent. Again, the federal minister has indicated that that has now been lifted. So, there have been improvements made at a federal level for business support, and I think that was received well in the eastern states, which are under enormous pressure in terms of drought. We are looking more confidently at the season here, but that is not the case through significant areas of New South Wales and southern Queensland still.

The Hon. M.R. BUCKBY: I have a supplementary question. The minister raised the issue of exceptional circumstances. My advice is that the dairy industry has currently made an application for exceptional circumstances. Has the department been approached?

The Hon. R.J. McEWEN: Not to my knowledge; certainly not the dairy industry in this state. The only one I saw recently was the honey bee industry. I will check with my senior staff. They all make the point, as did both the member for MacKillop and I, that the intensive animal industries and grazing animal industries have obviously been under enormous pressure during autumn and, as the member for MacKillop says, well into the winter, because well after the rain you still have to get growth, and with cold soils that will take some time. But, no, I am not privy to any EC declaration request from dairying, and I am not sure where it would come from.

Mr WILLIAMS: This question relates to Budget Paper 6, page 28 and bushfire expenditure. In the budget it is stated:

On 12 January 2005 the Premier announced the creation of the Lower Eyre Peninsula relief fund. This \$6 million fund was established to provide for the immediate relief needs of the Lower Eyre Peninsula community. Resources were also committed over and above these amounts from agency budgets in the order of \$4.3 million.

There is a series of questions relating to this. How much of the \$6 million fund has been expended and what has it been spent on? Will the minister also detail how much of the \$4.3 million allocated to resources over and above, resulting in the total package of \$10.3 million, has been expended and on what has it been expended? Resources are assumed to be administrative and human resources. Will the minister tell us what were the resources and how they were used? Will the minister please detail to us what agencies account for the \$10.3 million total package, given that the 2005-06 budget is for \$2.655 million (I assume that is farm re-establishment money)? How much money has been applied for from the federal Disaster Relief Fund? Has any other federal funding been committed to Eyre Peninsula bushfire relief and, if so, how much, and through which agency?

The Hon. R.J. McEWEN: I will need to get some further detail as it is a complex question in two parts, the first being the early emergency relief of \$6 million. The ongoing part, as I indicated in my opening statement, is the ongoing business support—part of that recovery, which is where we now have funds from the federal government as well. I think

it is matching funds of \$2.7 million, so that component will be ongoing support. That early money was tied up in a number of areas: the emergency farm business support grants of up to \$10 000, paid out immediately upon application; and the transport subsidy for donated fodder, which will run through until the end of this month. The difficulty is that it is donated fodder. Many people who generously gave found themselves in some difficulties late in autumn. They were hoping for a normal season. Those people who generously donated fodder created a problem for themselves as a consequence.

With local government support, a lot of early work needed to be done there and we simply made \$300 000 available to both councils—Tumby Bay and Lower Eyre Peninsula—to support that work. The emergency small business support grants were to people whose businesses had been impacted as a result of their customers being under stress. There was extra money for the Rural Counselling Service. I also gave some support to SAFF, which itself was doing quite a bit of work. There was special technical assistance and some personal and family counselling required. That is where the first \$6 million went, but I will get a more detailed breakdown line by line around that.

The Rural Financial Counselling Service money is over three years, so there is still more to be spent. Cabinet has approved \$2.27 million, with an in-kind contribution of \$410 000, which will be matched by the \$2.68 million from commonwealth funding. It has now come in in terms of phase 2—the long-term restructuring of the businesses.

Mr WILLIAMS: Is the \$2.68 million from the commonwealth the total amount applied for?

Mr PLOWMAN: There are two components of the commonwealth contribution, the first being the national relief arrangements funding, which is still not determined, but there are elements of the package that the state government has supplied to the relief measures that will be recoverable from the commonwealth. It is probably around \$3 million, but the details are still being looked at. The second part, the longer term re-establishment program, where the \$2.68 million comes from, is separate to the emergency relief grants.

The Hon. R.J. McEWEN: It is after the event that you negotiate with the feds to determine the amount. There were difficulties around the first \$10 000 because it was available on request. The idea was to let people dust themselves off quickly, and they knew there was a bit of money with no conditions attached. The feds said, 'Tell us the rules before you give that money away'. The rules were very simple. It was being seen to be behind a community that was suffering enormous shock and grieving because of extreme losses, and we wanted them to think positively and focus on their future. That is how broad the criteria was.

In such situations, if you do not have rules it can sometimes be a little difficult. There were a few discussions about who was eligible for what and whether you were eligible more than once if you had two businesses on your property, and so on. Equally, some farmers who were not genuinely farmers in terms of how the tax department saw them—no ABN—argued that they had suffered loss. There were a few tensions in the margin, but generally it was well received, and that is part of the discussion we are having with the feds about what can come back.

The Hon. M.R. BUCKBY: I refer to Budget Paper 4, Volume 2, page 5.7, under the subject of controlling European carp. In the 2004-05 budget, Budget Paper 4, Volume 2, page 5.6, a target was set for 'Review of non-native fishing

activity to measure its impact on controlling European carp in the River Murray. However, this target has not been highlighted as an achievement. Has any progress been made in relation to controlling European carp? If so, where is the scheme at and what is the next step planned?

The Hon. R.J. McEWEN: I will get Jim Hallion to follow up on that. I might add, ahead of that, that obviously there is significant restructuring generally of what happens on the river. The last of the river fishers signed their deed late last week. So, that phase of removing commercial fishing from the river has concluded. Obviously, there is an ongoing carp management program. A number of those fishers had the option to take one of those eradication licences, but there are other activities as well beyond that on which Jim will now expand.

Mr HALLION: In addition to those programs, the Murray-Darling Basin Commission also has a significant program, to which we contribute, to produce daughterless carp. The research and that program are still ongoing, and we are looking at continuing our contribution to that substantial research. If that program is successful, obviously it will be a major control mechanism for carp. In addition, there is a fish passage capital program which is a significant part of the Murray-Darling Commission works and measures program, and that is ensuring that there are fish passages right through the river system. That program is ongoing and is showing substantial benefits. The first of those fish passages was recently opened, and it was quite successful in encouraging the movement of native fish. I think the combination of those measures ultimately will see a significant impact on European carp numbers.

The Hon. R.J. McEWEN: The only reason it is not in here is that it is just a matter of space. We had to prune the number of highlights we might have included. It is not trying to reflect the fact that nothing has been done. It is just a matter of expediency. I am happy to get a more fulsome briefing on exactly the carp eradication activities and whatever in the river, but we are certainly serious about it.

The Hon. M.R. BUCKBY: Minister, I question that because, under your highlights for 2004-05, about a quarter of the column is blank. Is any research being done in terms of other uses for the carp, for example, cat food or dog food, or that sort of area? What area of research is being attacked?

Mr HALLION: The main area of research is in daughterless carp, which, obviously, if successful, will result in a major reduction. From time to time, we also look at what commercial opportunities there can be in harvesting carp, and there are some opportunities in those areas. However, the main thrust of our research is on using a control mechanism, which, if the research is successful, will see a major reduction in carp numbers.

The Hon. R.J. McEWEN: Equally, Henry Jones, who is a constituent of Mich's—

Mr WILLIAMS: No, he's not.

The Hon. R.J. McEWEN: Isn't he—Meningie?

Mr WILLIAMS: Not Meningie. He's on the other side of the lake.

The Hon. R.J. McEWEN: Henry, who is not a constituent of the member for McKillop, has been working with a number of the other fishers in terms of not only supplying bait but also developing a range of products for human consumption. He was telling me earlier in the year that they were putting carp into the Sydney market and that there was a little window there where it was doing quite well. The point is that, over time, we can develop markets for carp. It is

considered a very acceptable table fish in Europe: it is just a matter of developing it further here. I think we are just spoilt in that we have so many better seafoods available locally.

Mr WILLIAMS: For the benefit of the committee, Henry Jones lives at Clayton on the western side of Lake Alexandrina, and I recommend that people visit him to buy his product.

The CHAIR: Buy his wonderful yabbies.

The Hon. R.J. McEWEN: But his carp is really good.

The Hon. M.R. BUCKBY: I refer to the subject of fisheries licences on page 5.19. My colleague the member for Mawson has received a complaint from a constituent regarding the inordinate delays in granting a licence to export koi carp. He believes that he has been given some misleading information and advises that the department has been evasive and unhelpful in supporting him with his application. He claims that the delay in granting his licence has cost in the vicinity of \$3 million and has jeopardised his good name with his United Kingdom customers. Can the minister shed any light on this?

The Hon. R.J. McEWEN: What I can say is that it is unfortunate that a question such as this should be asked in estimates. It does not reflect what estimates is about. Equally, it shows that I have not been approached directly by the member. As we all know, the way in which you deal with an issue such as this is to give me the courtesy (which I give to every local member) of discussing it with the constituent. I am not only disappointed with the question, but I am also disappointed with the actions to date of a member who has not bothered to talk to me about it. Certainly, if I am given that courtesy, I will take it seriously. Equally, I am concerned about some of the allegations that were implied in that question. I do not think that is particularly constructive and useful.

The Hon. M.R. BUCKBY: Are you aware of the situation, minister?

The Hon. R.J. McEWEN: I have just indicated that I have not been approached by the member or the constituent. I am not sure what my officers can tell me. Equally, I do not see that it is an estimates question.

The Hon. M.R. BUCKBY: I again refer to page 5.19 on proposed net closures. The government has recently announced a \$12 million buy-back of the commercial netting licences from those who applied for one of the three options of the buy-back. It has also announced its intention to roll out a closure of the traditional bays and netting areas. Will the minister detail when those closures will commence; which areas will be closed first; and over what period does the minister intend those closures to take place?

The Hon. R.J. McEWEN: Obviously, it is contingent upon the acceptance now, and as I indicated in my opening remarks, we are very encouraged about the level of acceptance. The deeds have to be signed. They have until Friday to do that, which means that, as early as next week, I will have some consultation with industry stakeholders around reflecting the effort with purchasing back with the closure of areas. Obviously that is part of the strategy. You cannot do that ahead of knowing exactly what you have purchased and where they are active, but that is really what we will be doing early next week. From the outset, we have said that we intend to close all or significant portions of a whole lot of areas.

That is not saying that there will not be significant areas available to fish. We are not going to spread the effort remaining over the total area. All you would do then is increase the effort amongst the net fishers that are left.

Obviously, this is about removing effort as one of the strategies towards a long-term plan of sustainable biomass. Spawning biomass is the thing which has been under threat, and that in turn puts the sustainability of fisheries under threat. So, that is a discussion we will be having as from early next week. I cannot indicate what the timeline will be. I am hoping we can do all this in a timely manner. Once we remove the effort, we will then, obviously, be closing areas.

The Hon. M.R. BUCKBY: I have a supplementary question. If, by the end of this week you have received the reduction of licences you are seeking, can you give us some indication whether you would close those areas within the next month, three months, six months or 12 months? There must be some sort of thinking.

The Hon. R.J. McEWEN: I have said it will be in a timely manner, because I am not going to pre-empt the discussions I will have with the industry, starting as early as next Monday. Again, until I see what I have in front of me in terms of where the present activities have been occurring for each of the nets or unamalgamated licences or full licences which have been redeemed as part of the buy-back, I cannot answer that. Right up front, we made it very clear. We have said quite clearly that the areas include Venus Bay, Tumbay Bay, Moonta Bay to Corny Point, Coobowie Bay, Edithburg, Stansbury to Rogues Point, and Metropolitan Adelaide. So, right from the start, in all the correspondence we have indicated which of the areas we are targeting. We will tidy all that up in the next week. It is certainly not something I would see dragging out beyond the spring. I do not know that it needs a large amount of consultation, but I am going to be very respectful of the commitment I gave to the industry to go back now and look with them at what this means.

The Hon. M.R. BUCKBY: Have there been any thoughts in terms of the translocation of effort into the areas that are left and what impact that might have on the fisheries?

The Hon. R.J. McEWEN: The mathematical equation, of course, will be that the areas you close will reflect the effort you have bought back, so you cannot then suggest that as a consequence you will be concentrating effort. There will be some movement. Keeping in mind that in many cases the change may be not to netting elsewhere but to emphasis on other fishing techniques. For example, the debate about the King George whiting fishery was long and tortuous, but I think towards the end everybody got to understand the nature of that resource and the participation in that fishery, where 58 per cent of it was recreational and 42 per cent commercial and, of the commercial effort, about 27 per cent was netting. So, netting in that fishery was therefore about 12 per cent of the effort.

What might happen with whiting is that there is some more effort in the hooking side. We are not sure of all the consequences. That is why we have left our options open and said that this is certainly not the beginning and the end of needing to put implicit and explicit management tools in place. Public policy around fishing is particularly difficult unless, of course, you have a fishery that has a quota. The reason why the rock lobster fishery in the South-East is considered to be one of the best-managed fisheries in the world is that, after a lot of pain—about which the member for MacKillop and I know a fair bit—they got to the point where they accepted that the best way to manage that fishery is through some very specific tools around TACCs, so 95 per cent of that fishery is commercial, and there is a total available commercial catch, and the fishermen know they have to manage around that catch. So, that makes it a much

easier fishery to manage. When we are trying to manage a fishery, where all we can do is to put controls on the other end, it is particularly difficult.

You have a whole range of tools around weekend closures, day closures, area closures, gear restrictions, bag limits, boat limits and, hopefully, under the new legislation, possession limits, etc. Around the world this is considered to be one of the most difficult areas of public policy, so I am not giving any indication here. Although I am delighted with the response of the industry in terms of this voluntary phase of redeeming nets and licences, I am not indicating to anybody that this is the end of it. I have one interest only, and that is saving the fish.

Mr WILLIAMS: Minister, I refer to page 5.19, subprogram 4.2—Aquaculture. The government has recently announced its strategic plan for the expansion of aquaculture in South Australia, whilst conversely considering large exclusion areas in marine protected areas. Bearing in mind the comment that I have just made, will the minister explain the predicted decrease in expenditure of nearly half a million dollars in what is only a \$2.25 million budget in the first place?

The Hon. R.J. McEWEN: I am told you are looking at net cost rather than expenditure. I think that needs a more fulsome explanation.

Mr KNIGHT: Two things are driving the reduction in net cost in the 2005-06 budget estimates.

The Hon. R.J. McEWEN: It is not the sort of net we were talking about a minute ago, either.

Mr KNIGHT: First, there were some one-off expenditures in the year 2004-05 and, secondly, revenue is up by about \$200 000 in 2005-06, and that has the effect of reducing the net cost of those services to government. So, those two effects together mean reduced net cost in 2005-06.

Mr HALLION: It might be useful to inform the committee of what some of those one-off expenditures were because I am particularly pleased that we were able to make those. One was a communications officer for the Aquaculture Council, so they came to me and asked for support in that area, and we were able to provide that. That was a one-off nature of \$100 000. Also we provided some support for the export market development project for the SA Marine Fin Fish Farmers Association, and there was some support also to commence our planning for the 2006 Australasian Aquaculture Conference, which will be held in Adelaide, and I think that is a tremendous focus in Adelaide in 2006 for aquaculture. There are a number of one-offs in that figure.

Mr WILLIAMS: Under the same reference, aquaculture, in the performance commentaries it is stated that there have been increased market exports and farm gate value for the aquaculture industry which has contributed to the state's export goals. By how much has the government increased market exports and farm gate value for the aquaculture industry?

The Hon. R.J. McEWEN: The government does not export anything, and people argue that the government should keep out of the way of people doing business. Having said that, though, what the government can do, as I indicated in my opening remarks, is use its contacts and its ability to bring together industry interests to go and promote products. I was talking to Michael Angelakis this morning about a recent trip to Japan. He is one of our living legends in terms of being able to work with government to promote the industry as a whole. That is where we can help create the access, but from

that point of on we have to stand back because industry needs to do business with industry.

The example that I will give you happens to be wild fishing rather than aquaculture, but I think the point is still worth making. Where we see a commodity like pilchards, the main use for which is feed stocks for aquaculture and the tuna industry, and where we see a human consumption market, meaning that more wealth can be created for the individual and the state, we work with the industry at the front end in terms of trying to develop products and markets, so you will see that that is part of one of our initiatives to take what is now by weight, by mass, Australia's biggest fishery and add some elements to it.

Mr WILLIAMS: What are the tuna going to eat?

The Hon. R.J. McEWEN: Because it is Australia's biggest fishery at 51 000 tonnes, I think if we took a couple of hundred tonnes out of that and put it into the human consumption market there would not be too many hungry tuna left.

Mr HALLION: I can add a few more details. The Seafood Plan has a target for aquaculture rising to about \$1.5 billion over 10 years so we see it as a significant industry and a growing one. The figures that we actually have in our briefing are a bit out of date. This morning I asked for updated figures and they are not available, so these are the latest available to us. In 2002-03, the state's aquaculture industry had a farm gate value of \$302 million, with associated direct business turnover impacts of \$53 million in the processing, transport, retail and food services sector.

This business activity generated a turnover of \$286 million in other South Australian industries. It has quite a flow-on impact, as well. One should not just look at the farm gate value or even just the processing, transport and storage but also the related and supporting businesses which nearly equal the value generated at farm gate. The reason why those figures are somewhat aged now is because it takes quite a lot of modelling to develop those related and supported industry figures. When we do get further information, we will make it available. That is the 2002-03 figures which show a substantial and healthy industry.

The Hon. R.J. McEWEN: Aquaculture is already worth more than the wild fishery, and it is where the growth opportunities are. We are uniquely positioned in many ways, including our whole approval process for aquaculture, which is considered to be best practice, certainly within Australia and respected around the world. Through Ian Nightingale's leadership, we have developed some very good processes.

Mr WILLIAMS: I move to page 5.21. It is stated that the Food Plan plays a large part in promoting the South Australian food industry, and that industry's value to the state's economy. The aim is to reach a target of \$15 billion by 2010. Since the food industry is below this target, why has the government allocated almost half a million dollars less than the estimated result in 2004-05 in the 2005-06 budget? Why is the government not putting more effort into the Food Plan?

The Hon. R.J. McEWEN: They are very ambitious targets that were set in the 2004-07 State Food Plan, and they obviously suffered from a number of things beyond our control. That notwithstanding, we are working very closely with industry and we are very optimistic about the long-term growth of our Food Plan, adding value to our basic products, if you like, our raw materials, and also finding boutique markets where there is a premium. We are certainly committed to working with industry. We understand that the numbers that the member for MacKillop has given us are key to our

overall export targets and particularly our wealth generation. We are not resiling from the fact that it is a team effort between the government and industry in terms of where we are up to with a number of those initiatives.

Mr HALLION: The reduction in expenditure is in two parts. There is a \$200 000 direct reduction to what would be considered to be the State Food Plan funding line. That was in line with allocations made for the industry to pick up a greater share of that expenditure over time (the food plan was always set up as a program in which industry would take a greater role over time). The second component of that reduction relates to the allocation of agency overheads, and that reflects efficiency improvements in the agency. So there are two components to that expenditure and, in fact, the slightly larger portion of that reduction is not directly related to the program expenditure.

The other issue, of course, is that we now have a new three year program that was launched by the Premier in September last year, and it has four key service delivery strategies. The South Australian Food Centre was launched at the same time, and that centre is really about consolidating all the effort under one banner. That has been quite successful, and part of the consolidation has been the establishment of regional food offices in all the regional development boards. I think it would be fair to say that, in the past, the State Food Plan was very Adelaide-centric. We wanted to ensure that it had a much greater regional focus, and it now does under the new program.

The second element was the development of a cold chain centre which was launched in November last year, and that is about ensuring the integrity of the whole value chain. This is where you can get competitive advantage by having a truly competitive and efficient whole of chain element to the food centre. We are also currently working with the R&D community and the food industry on developing a greater innovation focus for the food industry. Ultimately, success will come from those things I talked about—the cold chain centre and stimulating food developments in the regions—but also from developing innovative new products, and so we are working very closely with the food industry to ensure that South Australia is a more innovative place in terms of its food industry area. The last focus point looks at impediments to industry, in particular in export, and we are also working with industry at the moment on how we can improve or streamline export processes.

Mr WILLIAMS: I have a supplementary question. In the light of information just given by Mr Hallion, I assume that those are within the budget that is in subprogram 4.5.

The Hon. R.J. McEWEN: Correct.

Mr WILLIAMS: If that is the case, how does the minister reconcile his comments on ABC Radio that there is an extra \$600 000 for food in this budget?

The Hon. R.J. McEWEN: I would like to find out where that quote came from, because I do not believe I commented on the food plan at all. I certainly did not indicate to anyone that there was a \$600 000 increase—if I did, I have sadly misled someone. A number of people have asked me this and they need to source it, because I think it may be an urban myth. If the member actually has a transcript there or something that says I said that, I would love to see it.

Mr WILLIAMS: I will see whether I can locate the transcript.

The Hon. R.J. McEWEN: I wish you luck.

The Hon. M.R. BUCKBY: Minister, I picked up on the fact that you said that the targets in the 2004-07 food plan

were very optimistic—I may be incorrect as to your exact words, but that was the intimation. Are you now saying that those targets cannot be achieved, or do you still have confidence that they will be?

The Hon. R.J. McEWEN: The industry also uses language such as ‘stretch targets’. Yes; they are very challenging targets but I think that is the whole point of setting targets. It gives a real focus to galvanise the energies, and that is what the food industry leadership team is about. They admit that these are not easy targets, but why would you set a target that you can just step over? They are very challenging targets, so we have to be very focused right through the chain, and that is why, in my opening remarks, I talked about clearly identifying where the rate limiters are, because if you do not do that you are not going to achieve these targets. They are challenging and they are difficult, but they are achievable if we all work together and focus on them.

The Hon. M.R. BUCKBY: I refer to the overview on page 4 of Budget Paper 6, and Eyre Peninsula’s water supply. In that overview the government stated:

The Eyre Peninsula water supply project within South Australian Water Corporation’s capital program has been increased from \$25.2 million to \$48.5 million, of which \$31 million is now expected to be spent in 2005-06.

Could the minister explain why the pipeline has not been detailed in the 2005-06 budget measures as a new initiative?

The Hon. R.J. McEWEN: The honourable member appreciates that that is not a question for this particular estimates committee, and he should ensure that one of his colleagues asks that question of the right minister. He is stretching the limits well beyond food and agriculture on this one.

The Hon. M.R. BUCKBY: That is strange, minister, because you have taken a particular role in the Eyre Peninsula bushfires which I would say is, perhaps, outside of primary industries and—

The Hon. R.J. McEWEN: Sadly, the member is getting it very wrong. The single biggest impact on Eyre Peninsula is farming businesses, families and communities. It is totally appropriate that the ongoing recovery program, of which we are part, is led by our agency. It is the recovery of farms and farming families, so that is a ridiculous comment to make.

The Hon. M.R. BUCKBY: The minister has misinterpreted me. I fully support him when he says that it is his role; however, comments have been made outside of the minister’s department in terms of the role that primary industries has taken on, that it has gone outside the traditional area of primary industries. That is fine, and I am not disagreeing with that, but I am saying that as Eyre Peninsula is predominantly an area of primary industries, and as water is such an important industry, I would have thought that the minister would have an opinion on it.

The Hon. R.J. McEWEN: An opinion on it is one thing; whether it is a legitimate question to ask in an estimates committee is another. I will make sure that the Minister for Infrastructure is made aware of the question.

The Hon. M.R. BUCKBY: I move on to page 5.18, under ‘Performance Commentary and Export Plan’. Minister, on what basis has the estimation of agricultural industries contributing \$10.5 billion to the state export target of \$25 billion by 2013 been made, and what strategies will Agriculture, Food and Fisheries be introducing to assist them to meet this target?

The Hon. R.J. McEWEN: I will get the officers to comment on where this sits with the Export Council, as well. You might remember, when I responded to the challenge that SAFF has set around the future direction, I indicated that a whole lot of commodity plans sit within that. I actually tabled this in parliament as a consequence of an earlier question from the member for MacKillop or the member for Schubert. We have that set in each of the commodity plans; so, if you wanted to go to chicken, pork, beef, sheep meats or dairying, at that level we have got where our production is, where it can grow to and what the rate limiters are. Obviously, the challenge is very different, depending on the commodity, because the rate limiters can be different. In terms of the broader target, Jim will comment.

Mr HALLION: Our contribution in exports to meet the targets will be \$10.5 billion. That is based on the Export Council’s looking at all the sectors across the economy and their potential contribution to that \$25 billion export target for the state. That was done in conjunction with our department, so it was not done in isolation by the Export Council. Of course, we looked at all industry sectors for which we are responsible, and we used the estimates from those at cross-food revenue level and converted them to exports where they were; or, in some cases, the plans already had export target numbers. The \$10.5 billion is the summation, if you like, of the industry plans the minister mentioned before.

We have industry plans in goat, pork, sheep, beef in most sectors, dairy, aquaculture, wines and seafood. It excludes minerals, which is dealt with elsewhere. The \$10.5 billion is the target our industries are aiming to achieve as a contribution to the \$15.5 billion. All those plans are available, and, certainly, I urge members to look at those plans, because there are substantial contributions by both industry and government to achieve the export targets; and also to grow those sectors for the wealth of South Australians.

The Hon. M.R. BUCKBY: I have a supplementary question. Given the change in the exchange rate and the increased value of the Australian dollar over the past 12 to 18 months, have any adjustments been made; or is there any view on that, particularly in relation to the wine industry and those sorts of areas?

The Hon. R.J. McEWEN: Obviously, this is totally beyond our control. Predictions are made about future exchange rates in different markets, whether the Euro or the US dollar. There is robust debate at industry level around this and different people have different views. At the last Premier’s Wine Council meeting there was significant debate around the impact exchange rates have had, and can potentially have. I might add that predictions about where it will be 12 and 18 months out were varied across the different majors. In fact, one of them quoted a figure from one of the banks, which, I might add, was enormously optimistic and which I would not like to put on the record, because it would add significant extra value to our commodities. Obviously, industries have to have an eye on exchange rates when selling in international markets.

Equally, people do forget that there was a day not long ago when the Australian dollar was worth more than the American dollar. I remember exporting cut flowers into Japan at 112¥ to the dollar. I would love to have had today’s exchange rates at that time. Exchange rates are something that must be managed. It is totally beyond our control. Estimates have to be made about exchange rates, as you predict future values. Obviously, this is not about margin, and the indus-

tries, particularly the wine industry, are very sensitive to the impact that exchange rates have had and can have.

Mr HALLION: For example, in relation to the wine industry plan, which is the latest of our plans, we looked closely at the exchange rates going forward. The other impact is the unit commodity price. It is a combination of the US dollar and the trade weighted index—which, I note, is at an all time high at present—and unit prices for commodities going forward. The combination of those things has certainly moderated the growth forecast in that plan.

I think the export growth rate is about 4.8 per cent in the wine plan now, and a number of major wine producers are still expecting double digit growth. We have been very conscious, both the industry as a whole and the government, about developing those targets. They are very much industry targets: they are not targets developed by the government. They are very much driven by industry, and they have taken account of those. The key issue is forecasting what will happen to exchange rates in the future—and that is difficult to do. They have been assessed on the basis of the best information available at the time. At present, the dairy plan is also being looked at closely in terms of its targets.

The Hon. G.M. GUNN: Recently, the Deputy Prime Minister (John Anderson) focused on the need to encourage and assist the next generation of farmers. I wonder whether the government has any policy objectives in relation to ensuring that the next generation of young people want to be farmers and are encouraged to stay on the land, whether in the pastoral industry or whatever area of agriculture. It is frustrating to see the difficulties some of them are facing. I give one example. If we want to ensure that young people stay, they must have some security over land title. In relation to some of the hassles currently taking place in relation to the freeholding of agriculture land, and that land which is used on the fringes of pastoral areas, it seems that bureaucracy is out of control.

The recent appointments to the national resource management boards have not given a lot of young farmers a chance to participate when you see that less than half the people on these boards are directly making a living from agriculture. I would hope that most sensible people would want to see productive, informed and responsible young people coming on. Education facilities are important. You have all these other difficulties, including more government regulations. People have to spend more time in the office than on the tractor or on animal husbandry. It is becoming difficult. I raise this issue because I believe that it is in the long-term interests of the people of South Australia that we take a very positive role in ensuring that the next generation is wanted and encouraged.

The CHAIR: Member for Stuart, that seemed a long way from a specific reference.

The Hon. G.M. GUNN: I can go through it.

The Hon. R.J. McEWEN: I am happy with the question. It is a good question. What is more, it was not quite as robust as a similar debate I had with the senior executive team from the department (the CE group) a week or so ago. We must invest more in our young people. They are the future of agriculture. I have been very supportive of a group that has come together; it is comprised of young South Australians who have an interest in farming and the value adding of farming. In fact, I have hosted them at a dinner in Parliament House. They then had a two-day workshop on their own at which, I might add, the member for MacKillop was a guest speaker. Just a fortnight or so ago I asked them to come back.

Again, over a meal, we talked about what the two days meant to them and where they can go as a team. They asked me for some support. I indicated to them that I was very keen to support the technology transfer and all the work we needed to do with them in terms of advancing industry, but I told them that they would have to find a way to separate agri-politics from the other things that they wanted to advance.

As I said, I then talked to my senior team about the work that is being done under FarmBis at the moment. I might add that South Australia is the leading state in terms of FarmBis. I told them that I did not accept, though, that it was the total answer. I have asked the department to do some more work as to how we can support that young group at the moment and find ways that they can add to their network. We must do something to support young people. The member for MacKillop cannot make any claim to this, but his son is one of the team. He won the Garth Pokinghorne Award last year as an outstanding student in the certificate in farm practice programs.

As a consequence, he finds himself as one of these young leaders. I can tell everyone that, when you sit around the table with them, you do become excited about their vision. They understand the challenges, the broader implications and the social implications, as well as the financial implications of staying on the land and staying in our rural communities. Yes, I will continue to work with the department to work out ways in which we can support and encourage that group in particular but young future leaders in general.

The Hon. G.M. GUNN: Do regional ministerial officers come under the minister's supervision and involvement in any way?

The Hon. R.J. McEWEN: The short answer is no. The long answer is also no.

The Hon. G.M. Gunn interjecting:

The Hon. R.J. McEWEN: Yes, but the question was: do they come under your jurisdiction? The answer is no.

The Hon. G.M. GUNN: Obviously, minister, you do not want to be involved.

The Hon. R.J. McEWEN: Whether or not I want to be involved, I am not involved.

The Hon. M.R. BUCKBY: I refer to Budget Paper 4, Volume 2, page 5.33, under the heading 'Administered Items' and the subject is 'statement of cash flows'. I understand the restructure of the department, and it will be nice when governments of either persuasion keep the same groups in the same departments from one year to another. It will make it much easier for all of us to read a budget. Can the minister explain the reduction from capital supplies and services payments of \$135.684 million to a budgeted figure of \$4.6 million?

The Hon. R.J. McEWEN: Mr Knight is getting very excited. 'At last', he says.

Mr KNIGHT: In 2004-05, this line represented the sale of gas by the Natural Gas Authority of South Australia (the gas retailers) under contractual arrangements with SA Cooper Basin Gas Producers; expenditure of agricultural administered funds, for example, funds relating to sheep, cattle, grains, pig and other agricultural funds; and also the Ministerial Council on Energy. However, in the 2005-06 budget, as the honourable member intimated, the Natural Gas Authority of South Australia and the Ministerial Council on Energy payments have been transferred to the Department of Transport (energy and infrastructure), leading to reductions of \$129.9 million and \$1.527 million respectively. Expenditure in the agricultural administered funds, which I listed

previously, have increased in line with increased revenue, but that results in the large perceived reduction against that line.

The Hon. M.R. BUCKBY: Similarly, can the minister explain an increase in grants and subsidies payments from \$218 million to \$107 million—a change of \$111 million?

The Hon. R.J. McEWEN: Is the honourable member reading those columns the other way around? We understand your numbers; you just have the wrong years.

The Hon. M.R. BUCKBY: Yes.

Mr HALLION: There is a large increase there. If I am correct, it is the CSOs for SA Water. It resulted in just two payments falling into that year. There is not a substantive increase in that number: it is just that the methodology of calculation has changed. Two CSO payments fall during that one year.

The Hon. M.R. BUCKBY: Can the minister explain the fact that the 2003-04 actuals, the 2004-05 budget and the 2004-05 actuals are all over \$135 million for supplies and services payments, and that the budgeted amount for 2005-06 is a reduction of \$131 million in one year?

The Hon. R.J. McEWEN: We have just dealt with that; it is the gas one.

Mr WILLIAMS: Will the minister take it that the omnibus questions relate to all areas in which he is being examined today?

The Hon. R.J. McEWEN: Yes.

Mr WILLIAMS: I will read into *Hansard* some omnibus questions which I suggest the minister take on notice. The questions are as follows:

1. Did all departments and agencies reporting to the minister meet all required budget savings 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 programs 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, the cost, the work undertaken and the method of appointment?

The Hon. R.J. McEWEN: The member will be pleased to know that the total cost was \$51 000. We have the list here and we are ready to provide it.

Mr WILLIAMS: The questions continue:

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 the total employment cost of the employee?

4. In the financial year 2003-04, for all departments and agencies 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 under expenditure for 2004-05, and has cabinet already approved any carryover expenditure into 2005-06 and, if so, how much?

The Hon. R.J. McEWEN: The member would like to know that all our carryovers were approved, and I have the list in front of me.

Mr WILLIAMS: The questions continue:

6 (i) What was the total number of employees with a total employment cost of \$100 000 or more per employee, and also as a subcategory the total number of employees with a total employment cost of \$200 000 or more per employee, for all

departments and agencies reporting to the minister as at 30 June 2004; and

(ii) What is the estimate for 30 June 2005?

(iii) 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)

(a) which has been abolished: and

(b) 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. R.J. McEWEN: I have all those answers. I will not go through them now. I will put them on the record. I can say, though, that the honourable member will be well pleased with the answers.

Mr HANNA: As the minister would be aware, Adelaide is hosting the 15th International Federation of Organic Agriculture Movement Organic World Congress at the Convention Centre in September 2005. There is also a 'Go Organic' fair and festival for the general public in Botanic Park during the event. Can the government assist with the funding of these events?

The Hon. R.J. McEWEN: The short answer is that we will be working very closely with the organisers. It is a very significant event. I have already asked for a whole of government approach and, although it is being coordinated out of our office, all the other agencies have been asked about how they wish to participate, and a number to date already have given a positive early response to that. Yes, we are very aware of the significance of it and we intend to play a role, and we want it to be badged as a cross-government event rather than agency by agency.

The Hon. M.R. BUCKBY: I refer to page 5.22 of Budget Paper 4, Volume 2 and the heading of Rural Services. Can the minister explain the decrease in money budgeted for 2005-06, which is \$84 000 less than the estimated result for 2004-05, and is this a result of a scaling down in the area of Rural Solutions?

The Hon. R.J. McEWEN: It is probably better to look at the table for the year before that as well. This might be about bringing some money into 2004-05 rather than reducing money in 2005-06, because some EC money was brought forward from 2005-06 to 2004-05. So that is just an accounting matter. Geoff, do you want to say something about that, or take the rest of that on notice?

Mr KNIGHT: I can comment. Obviously the member would see that the figure in the budget for 2004-05 was a much lower number. A few things happened during 2004-05 that were not anticipated in the budget. Some of those flow into 2005-06 but not all of them. So, there is a perception of a reduction but that just relates to some events that occurred during 2004-05, including the bushfire season.

The Hon. M.R. BUCKBY: As a supplementary question, I am very well aware that we have a shortage of agronomists in South Australia. Do you have any figures on how many agronomists there are in South Australia at the moment and how this compares to the same time last year?

The Hon. R.J. McEWEN: I assume you mean practising agronomists, because I am an agronomist and I am not adding to the economy.

The Hon. M.R. BUCKBY: Do you keep figures for practising agronomists?

The Hon. R.J. McEWEN: No, but the question is where the pressures are coming from for professional services over a whole range of industries, and agriculture in particular.

Department of Treasury and Finance, \$45 050 000
Administered Items for the Department of Treasury and Finance, \$1 029 798 000

Additional Departmental Adviser:

Mr B. Farmer, Director, Forestry SA.

The CHAIR: I declare the proposed payments reopened for examination and refer members to the Budget Statement, in particular appendix C, page C.2 and the Portfolio Statements, Volume 1, part 3.

The Hon. R.J. McEWEN: Again the dividend paid to the shareholder was greater than anticipated in the past 12 months. The downturn in activity we have been predicting for the past two years has not come, but we still know it is coming and you will see a prediction in the next 12 months that the market will tighten. Our products are into a domestic market, so it is sensitive to new home starts, but to some degree it has been offset by the renovations market. There have been a couple of changes in the product mix. That notwithstanding, we predict a 12 per cent downturn in activity in the next 12 months.

The other most significant thing you will see in the budget is extra money to purchase land. We must continue to not only replant as we clear fell the final harvest but also to expand our forest stocks. To do that we obviously have to purchase land. Sometimes, unfortunately, that means purchasing land on the Victorian side of the border. I would prefer that all our forest estate was in South Australia, but obviously we need to expand, and opportunities sometimes present themselves on the other side of the border. Other than that, the next biggest thing that has now been budgeted for and is well into the planning phase is providing appropriate new accommodation for the South-East team. That has been through public works. The whole process now needs to get going.

Finally, there has been a small change in the way we do business around scaling logs. Modern technology means that logs can be scanned when they are delivered to the mill rather than having them physically measured at a weighing station. So, one of the key customers is agreeing with us in terms of a process and there has been a change around the activities of the scaling station. Voluntary separation packages have been offered to a small number of our staff. Brian Farmer may be able to give us an update on the acceptance level of those packages.

Obviously planting is now under way because we have had the rain. You cannot start your planting season until you have sufficient soil moisture. There is the ongoing delivery of our lovely fire kings, the yellow ones. The one we saw originally was red, but our corporate colour is yellow and we are seeing in the South-East leading edge technology in terms of the way we protect ourselves from the scourge that worries us above all others—fire.

Mr WILLIAMS: I refer to Budget Paper 3, pages 6.1 to 6.6 where we see Forestry SA mentioned. Page 6.1 of the budget states:

To support the government in improving public non-financial corporations financial performance the government approved a new ownership framework for the PNFCs during 2004-05.

I also note that Forestry SA will be affected by the changes from 1 July this year. Will the minister explain the specifics of these changes with regard to Forestry SA and detail the expected impacts on the organisation and the revenue stream provided to government from Forestry SA? I have downloaded and read the document alluded to in the budget papers, and it is still quite confusing.

Mr FARMER: The previous position of Forestry SA was that we settled our dividend of payments with Treasury as a function of the corporatisation model, which is about five years old. The new arrangements we have negotiated, discussed and developed with Treasury, and subsequently approved by cabinet, provide for us to pay 95 per cent of profit after revaluation. They also provide for a number of other matters, including the amount of debt we would have—in the range of 3 to 7 per cent from recollection. That then provides us with an on-going position for how we do business.

It is administratively more simple. It is just a straightforward calculation which we will pay on a six monthly basis and which is consistent with what we do with our dividend now. The other factor is that, under the current arrangement, the dividend was fixed. Within the corporatisation model, if we had to make a special dividend, there was administrative detail to go through to make special payments. This is an improved model from our perspective and it generates some stability and some clear directions in our overall business prospects.

Mr WILLIAMS: Are there any expected impacts on the organisation? What are the expected impacts on the revenue stream to the government from Forestry SA?

The Hon. R.J. McEWEN: I think the answer is neither.

Mr ARCHER: The answer is that it has no impact. In fact, the impact it does have in 2005-06 is to increase the amount of CSO payment that is provided to Forestry SA. Subsequently, that is returned to the budget via the dividend. So, it virtually has no impact.

Mr WILLIAMS: Would be it fair to say that it has formalised what was previously a negotiated position?

Mr FARMER: I understood that the previous position was formalised through the corporatisation model, and this is going forward. The corporatisation model had run its course.

Mr WILLIAMS: I refer to the investment statement and the new works carried forward in Budget Paper 5. The minister mentioned in his opening remarks the corporate office replacement. The expected cost has gone from \$7.5 million to \$8.8 million. What is the explanation for the increase in cost?

The Hon. R.J. McEWEN: The short answer will be: the longer you leave these things, the more they cost. There has been a couple of challenges around the environmental requirements of the new building. We still need to resolve a couple of challenges, but, yes, it will cost slightly more than was originally anticipated.

Mr WILLIAMS: The minister does not wish to expand on the environmental requirements?

The Hon. R.J. McEWEN: I am quite happy for Brian Farmer to indicate where there are some challenges around the five-star rating.

Mr FARMER: As the minister correctly points out, the challenges are in terms of meeting the policy objective of

trying to achieve a five-star rating, and these are adding costs to the building. The time line issue is a problem in terms of delivering that. Recent figures in the press indicate that the demand and the cost of contractor supplies for these sorts of arrangements are of concern. The other thing is that you might argue that, if there is a significant softening in the contractor and building demand over the next 12 to 18 months, then we might get a cheaper building, but these things go round the merry-go-round and we will see what comes.

Mr WILLIAMS: I have a series of questions on the increase in the budget for land acquisition from \$3 million to \$6 million, which, it is stated, is to meet the long-term strategy of increasing land holdings by 1 500 hectares a year. Has Forestry SA been achieving this target in recent years; and what has been the net gain in land holdings, say, over each of the last three or four years?

The Hon. R.J. McEWEN: Of course, we have now put \$6 million in the forward estimates. We have not been achieving that over recent years.

Mr WILLIAMS: The target of 1 500 hectares is what I am asking about and whether that is what you have been achieving.

The Hon. R.J. McEWEN: Brian Farmer will give you a quick indication of where we have been and why we are now trying to step up that.

Mr FARMER: The bottom line is: no, we have not achieved the 1 500 hectares. The key reasons are that not only do we expect to purchase the land but also we expect to purchase it at a reasonable return on investment. We have not been able to achieve both of those with the nature of the land that has been offered and also the very strong competition from other growers of forest products, graziers, or similar.

Mr WILLIAMS: I have a supplementary question. The money that has been listed in the budget in previous years: has that been carried forward into this budget?

Mr FARMER: The answer is: no, it does not roll forward.

Mr WILLIAMS: If you do not spend the money buying land this year, you have to go through the bilaterals process to get it for next year?

The Hon. R.J. McEWEN: There is \$6 million allocated every year. We have to try to do the best we can from now on to purchase \$6 million worth a year. We cannot then say, 'It is really a hidden cost saving or something and we did not try.' We do have an IRA that we have to try to meet, so obviously there are some commercial imperatives, as Brian Farmer has indicated, around what we are prepared to pay. The other thing is that we have to be careful not to distort the market. There have been challenges in the past where Forestry SA has been accused of paying above the market and distorting the market. That has not been the case in recent times—someone else other than us has been distorting the market, as the honourable member knows.

The Hon. M.R. BUCKBY: I have a supplementary question. Given the competition for land that is in existence, do you think that this 1 500 hectare target is achievable, and will you be able to enter the marketplace given the rising value of land?

The Hon. R.J. McEWEN: We would not have it in there if we were not a serious participant in the market, so, yes, obviously it is important for us to continue to grow the forest estate. We are serious about, within reason, meeting our own internal and financial measures and our IRRs of achieving that objective.

Mr FARMER: Also, there is not a direct overlap in terms of the land that we want to purchase as distinct from, say, the blue gum growers. The member for MacKillop, say, might be out purchasing land in Nulook, whereas the eucalypt growers are in the Lucindale area, so there are some differences there as well.

The Hon. R.J. McEWEN: Equally, in second rotation we might find that some of the land that is to blue gums now comes back, and obviously we will be in the market for that as well. I think there will be a rethink around the species mix over time. A lot of land that has gone into forestry I believe will stay in forestry, but it does not necessarily mean it will stay with the present species that is on it.

Mr WILLIAMS: The minister knows that I totally agree with those sentiments. Minister, of the land you have purchased over recent years, what has been the mix between the locality vis-a-vis whether it has been Victoria or South Australia?

The Hon. R.J. McEWEN: Most of it has been in South Australia, but I will get you a list of the properties. In fact, we have just signed off on some land recently. I will take that on notice and get the member a list of what properties we have purchased and their locations.

Mr WILLIAMS: Moving to a different area, and this is more about the governance of Forestry SA, is the minister able to assure the committee that the current arrangement of the Forestry SA executive, the board and the minister have the confidence of Forestry SA customers and contractors?

The Hon. R.J. McEWEN: There are always challenging times around, particularly when we go into the market, and the past 12 to 18 months have been challenging times for all concerned. Certainly there were some challenges for all of us around taking 130 cubic metres of recovery log and 70 cubic metres of saw log to the market, and there are a couple of minor matters that still need to be resolved there. As much as that was robust, I think it was done in a very positive environment and the outcome was very supportive. Equally, we now need to go to market in the next little while in a very significant area, in terms of the harvesting and haulage contracts.

We are talking now about the need to harvest and haul somewhere between 1.3 million tonnes and 1.6 to 1.7 million tonnes per year, so there will be some robust discussions around the best way to go to market. Within that environment, though, there is a positive but robust relationship between, obviously, the customers and initially the senior management team, but in turn between the senior management team and the board.

From time to time I have discussions with the board. I do it rarely because I cannot give the board a direction other than through parliament, etc. I am very aware of my responsibilities under the Public Corporations Act, but in the case of needing to go to market, say, that will require a cabinet submission. That is when I do have to have significant discussions with the board because of the level of expenditure. I can see over the next little while that there will be some further discussions around the best way to go to market for all concerned. In fact, I have already had one discussion with the shadow minister around the different options that exist. I told him that he might like to make some suggestions about his views on that. We want to get this right, because obviously we are now talking about new customer relationships going forward for quite some time, and enormous investments. I believe that it is a robust, frank and vibrant

group of people, and that is best measured in the fact that we have a very successful industry.

Mr WILLIAMS: Minister, I certainly appreciate what you are saying and I appreciate that it is difficult, considering the nature and the size of Forestry SA with regard to the total industry in the region and the problem of the way that you go about going to market with various functions under Forest SA. Can you tell the committee whether you are satisfied that your customers, principally in the South-East in the Green Triangle area, and the contractors in the region, are competitive by Australian standards?

The Hon. R.J. McEWEN: I think by every measure they are very competitive. In a contested market the three small saw log operators in the South-East acquired between them all of the resources that went to market, that is, all of the recovery log that went to market in the last round. That indicates how very competitive it is. They are very competitive, which means they can actually be at the top end in terms of not only purchasing the resource but adding value to the resource to justify their own capital expenditure. Equally, it probably took the Ash Wednesday bushfires to significantly change the haulage and harvesting techniques in the region, but certainly there was a generational change then, and now our best operators would be as good as any in the nation, and that is what you would expect.

Mr WILLIAMS: Just taking a step back to the governance issue, does the minister believe that the current governance structure, which is somewhat of a hybrid structure from my understanding, best serves both Forestry SA and the taxpayers of South Australia?

The Hon. R.J. McEWEN: This is an interesting debate around the present model, because it was actually put in place by then minister Armitage, who put it in place for what I believe to be the wrong reasons. You might remember in the last government there was a move to actually sell the forests. As part of that, I took the initiative to have the Economic and Finance Committee—I might add, ably chaired by the member for Stuart—look at that. The recommendation was that the forest should remain in the hands of the government, and that was the best way to achieve all of the objectives around resource security, long-term investment, regional jobs, etc.

Minister Armitage then accepted that he would not, in that environment, be able to move to sell the forests, so he moved to a model where he would get a public corporation to manage the forests rather than a government department. I indicated to him at that time that I supported that model. He told me that that was good because he saw this as a staging post to sell the forests. He saw that corporatisation was now preparing the forests to sell them. I said to him, 'As much as I support the model, I do not support your long-term intention. Let me make it very clear to you that I will fight to my dying day for ownership of the forests to remain in public hands.'

So, back to the question, 'Is this the best model?': I say that no model is perfect. In fact, on a number of occasions I have asked my chief of staff to explore the governance arrangements around managing a public estate in a commercial environment. There is certainly no intention in my mind to bring it back in-house. That means, though, that we have to continue to work with the board in ensuring that they have the skills base to perform that task, and they have been doing that very well, and that has required some skills development of the board members. Equally over time I have been looking at the expertise mix on that board. I made two changes to the

board last year and I have indicated to the board that, on a rolling basis, I can see just making small changes to the board.

The other discussion I had, though, with the board, was about how customers can have an input to the board. This is a particularly challenging question because you do not want to open up the issue of conflict of interest. Equally, the customers can make a very good contribution to the long-term strategic direction of the asset manager, the manager of the forest estate. I am going to continue to explore that in a way that we do have a formal mechanism with both the customers that we buy services from and the customers we sell material to for them to comment on and contribute to the policy around our future direction.

That is a long answer to a question that is actually saying that I am not convinced that the model is perfect and I think we do need to continue to refine the model. I would like to refine it in a way that allows a more formal process of engagement between the board and its key customers. At the end of the day, unless our customers are doing well, we are not going to extract the best value as the owner of the resource.

Mr WILLIAMS: Supplementary to that, this goes back to one of the earlier questions that I asked. Does the change in the new formal arrangements between the state and Forestry SA with regard to the CSO/dividend taxation equivalent payments give greater opportunity for other governance arrangements to be considered?

The Hon. R.J. McEWEN: No, I cannot see that linkage there at all. I am not sure where the honourable member is coming from in that regard. All that does is give a little bit more certainty to the relationship between you and me, the shareholder, and the corporate entity that is managing it on our behalf.

Mr WILLIAMS: Where I was coming from is exactly that: giving that greater amount of certainty surely would allow the shareholder to increase their level of confidence in the board to do their job and to be able to take that extra step back.

The Hon. R.J. McEWEN: Yes, but I did indicate already that it is an arm's length relationship, and it has to be.

Mr WILLIAMS: Minister, do you believe that the current harvesting rate is sustainable in the long term? The second part of the question we have already gone into in some measure when we were talking about the money to purchase more land. However, how do you see Forestry SA catering for the requirements and long-term sustainability of the value-adding sector of the industry in the medium to long term?

The Hon. R.J. McEWEN: The present cut rate is certainly sustainable, but absolutely at the top end. You can assume, though, in further plantings that you will get genetic gains, and you have to factor that into the long-term wood flows. Yes, we have done significant wood flow modelling. The Ferguson review started that and Dale Baker also changed a number of the regimes around rotation length to free up resources and give us the genetic gains and silviculture gains sooner.

The 860 000 is sustainable with present practices. The way to grow the volume in the short term is to purchase land and add more. In the longer term it will be through ever-improving practices and genetic improvement. Equally, as our customers can recover more from our log, our practices can change. They, in turn, have to handle log in shorter rotations, smaller log and extract more value out of it. It is not some-

thing that you can do on your own. You have to do it in close consultation with your customers, because they have to make significant investment as well to maximise their recovery. A lot of technologies around reconstituted timbers, and those sort of things, is adding value. Equally, the biomass debate goes on, and again there may be an opportunity there in terms of working with that potential new customer. I do not know whether we will ever get to the stage like they do in Europe where they pull the stumps out of the ground. Given the sums I saw, you did not even get the cost of your diesel back. There are always new opportunities and, equally, as we said earlier, further opportunities will come with species mix.

The CHAIR: With regard to the line relating to Primary Industries and Resources SA, Minister for Agriculture, Food and Fisheries, I declare the examination suspended and refer to Estimates Committee A. With regard to the line relating to Treasury and Finance, Minister for Forests, I declare the examination completed.

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

Membership:

Dr McFetridge substituted for Mr Williams.

VISITORS TO PARLIAMENT

The CHAIR: Before we proceed, I welcome 18 senior finance and planning officials from district and provincial government in Indonesia. I understand that the group is in Adelaide for more than two months undergoing training in state and local government financial policy and practice under a commonwealth AusAid-funded program. Welcome to the parliament, and in particular to Pak Mr Harrey, who is the leader of the group. I hope that this is a very useful exercise for you.

Office of Local Government, \$2 626 000
Administered Items for the Office of Local Government,
\$620 000
Outback Areas Community Development Trust, \$459 000
South Australian Local Government Grants
Commission, \$3 000

Additional Departmental Advisers:

Mr S. Archer, Director, Finance and Shared Business,
Department of Primary Industries and Resources.

Mr M. Petrovski, Acting Executive Director, Office of
Local Government

The CHAIR: I declare the proposed payments open for examination and refer members to the Budget Statement, Appendix C, page C2, and the Portfolio Statements, Volume 2, pages 5.1 to 5.9, and pages 5.23 and 5.24.

The Hon. R.J. McEWEN: This is very lean and mean little unit within government that has a very specific purpose: to maintain and build on relationships between two spheres of government. Administratively, it now sits within the Department of Primary Industries and Resources but, because it is an autonomous little group, it does not matter very much where it sits within the architecture of state government because it only sits there for administrative convenience.

It is a group that sets its own direction and manages itself and which, I might add, is enormously well-respected across local government in terms of the services it offers and the bridges it builds between the two spheres of government. The office has responsibility for managing the Local Government Grants Commission, offering support to the Local Government Grants Commission, the Outback Areas Community Development Trust and, equally, the Boundary Adjustment Facilitation Panel.

Over the next 12 months we will continue to build relationships with local government, and we will do that legislatively through both the Statutes Amendment (Local Government Elections) Bill that is before the house and the Local Government (Financial Management and Rating) Amendment Bill and, equally, through my ministerial forum, where six ministers of the Crown sit around the table with a leadership team from local government to explore issues of mutual concern.

I believe that we have built a relationship like no other state has, and that relationship is underpinned by the agreement signed between the Premier and the president of the Local Government Association. I might add that the schedule that sits underneath that State/Local Government Relations Agreement has now been agreed for the next 12 months, so we actually agree in advance on the issues we will be dealing with as two sectors servicing a common constituency. Over time we will firm up those schedules and put strict timetables around them so that both spheres of government are accountable to the forum and, through the forum, to cabinet and the Premier.

I do not think I need to say much more at this stage, other than put on the record my appreciation of the work the office does. I think it is very well respected within the 68 councils, within regional and state architecture, and also nationally. I recently had a discussion with the federal minister about our state/local government intergovernment agreement. He would like to build on that in terms of an agreement that encompasses the three spheres of government, and we will continue to progress discussions with him at state level. I understand that at ALGA level those discussions have not gone as well as we would have liked, but that does not mean we cannot continue to talk between local, state and federal governments and add to the relationship we have already.

I might add that we are awaiting the federal government's response to the Hawker report, and I understand that that might be as soon as tomorrow. That is the last fundamental response we are seeing in terms of the relationship between the three spheres. Finally, the independent review, which local government is doing into its own sustainability, will be an interesting document on which we will need to work with them over the next 12 months.

The CHAIR: Does the member for Morphett wish to make a statement?

Dr McFETRIDGE: No, Madam Chair, other than to say that I have enjoyed a cordial relationship with the minister and his department. I congratulate his lean and mean office. I do not say 'mean' in any way other than they try their best. We have enjoyed a relationship that, hopefully, is assisting local government in the vital role it performs. I refer to Budget Paper 4, Volume 2, page 5.25. In the 2004-05 budget, employee expenses were budgeted at \$1.878 million. The actual result shown in the budget document was \$1.639 million. This is \$239 000 less. Minister, is that part of the lean and mean office you are running?

The Hon. R.J. McEWEN: The actuals during the year will be because of some one-offs.

Mr PETROVSKI: We have not been lean and mean to the point of actually cutting staff numbers, but there has been a number of vacancies in the office which, for strategic reasons, we have not needed to fill in an immediate sense; so, there have been some savings there. A number of appointments are coming in at the end of this year.

Dr McFETRIDGE: I refer to page 5.23, 'Supplies and services'. The supplies and services for the Office of Local Government have been reduced from \$1.368 million in 2004-05 to \$914 000 in 2005-06. That is a difference of \$454 000. What services have been cut to meet this financial reduction?

The Hon. R.J. McEWEN: Again, if the honourable member looks at the two numbers, there is a budget and an estimated result, because that will be dealing with some one-offs. The \$600 000 that we made available to the two councils on Eyre Peninsula will be picked up in that. The actual budget for 2004-05, compared with the budget for 2005-06, is what we would expect to be our normal operating budget, but the one-off \$600 000 needs to be captured for accounting purposes; so that is where it is captured. It is not a reduction from last year's budget to this year's budget. It is a one-off addition, because of the two \$300 000 grants we made to those two councils as part of their costs of cleaning up after the bushfires.

Dr McFETRIDGE: I congratulate all members of the Public Service, particularly the Office of Local Government, for what they did on Eyre Peninsula, because the people did need help and it was forthcoming. I refer to page 5.25. Why has no depreciation or amortisation been allocated for the 2005-06 financial year?

The Hon. R.J. McEWEN: Steve will answer that. There was no depreciation across any of the years, in terms of the accounting practices.

Mr ARCHER: If you refer to page 5.23, which is the table for the Office of Local Government, you will see that in each of the years there is no depreciation. That means there are no assets recognised within the Office of Local Government. It carries no assets on its balance sheet. If they spent some money on computer equipment, and so on, it would be expensed straightaway, rather than actually put through to the balance sheet and later depreciated.

Dr McFETRIDGE: We ran into a similar sort of problem with volunteers. If you look at the 2005-06 budget papers and then go to last year's budget papers, the 2004-05 budget papers show \$116 000 in depreciation and amortisation, but if you look at this year's budget papers there is nothing there. I am not an economist, but I have seen this many times. Is it an accounting procedure that has come in this year?

The Hon. R.J. McEWEN: If you go back to page 5.23, in the table—

Dr McFETRIDGE: There is nothing there, but in last year's papers—

The Hon. R.J. McEWEN: If there has been a change in accounting practices from Treasury, we will come back to you on that.

Dr McFETRIDGE: It is the same with employee expenses. Back in the 2004-05 budget, 'Supplies and services', there are significant discrepancies between the figures in this year's budget papers and last year's budget papers. It is not just your portfolio. It must be an accounting procedure, but it adds to the confusion in the budget papers.

Mr ARCHER: That may differ because of the way in which the different agencies treat overheads. The host agency in the previous year was the department for transport and urban planning, and I suspect that it applied overheads for its central office to the Office of Local Government budget. We have not done that in Primary Industries and Resources SA in the current budget, because we received these figures only two weeks prior to the budget's being published. These figures came in directly as the office budget.

Dr McFETRIDGE: I refer to Budget Paper 4, Volume 2, pages 5.29 and 5.30, 'Statement of cash flows'. What are the projected cash flows from operating activities for:

1. The local government tax equivalent fund;
2. Planning fees received on behalf of local government;
3. Grants and subsidies administered through the local government tax equivalent fund;
4. Grants and subsidies administered in the Outback Areas Community Development Trust;
5. Grants and subsidies administered through the Local Government Grants Commission for the 2005-06 financial year?

The Department for Transport, Energy and Infrastructure has stated in its statement of cash flows, pages 6.53 and 6.54, the estimated expenditure for these items in 2004-05. However, no 2005-06 budget figures have been supplied by the department for transport because, as at 1 July 2005, these items will be administered by Primary Industries and Resources SA. Primary Industries has not presented any budgeted figures for these items for 2005-06 in its statement of cash flows.

The Hon. R.J. McEWEN: Steve Archer will make a comment on that, and we will get further detail for the shadow minister. The shadow minister rightly makes the point that the administrative arrangements have changed with the transfer of the unit to Primary Industries.

Mr ARCHER: I refer the opposition to page 5.36 of the same Portfolio Statement. The details are listed there and, if you look under 'Grants for receipts', you will see the local government tax equivalent fund of \$700 000 for the budget year 2005-06; another \$10 000 under interest is listed for the local government tax equivalent fund, again under 2005-06; and, similarly, under regulatory fees you will see \$430 000 for 2005-06 for the planning fees received on behalf of local government.

You will see the other figure there in relation to the Outback Community Development Trust and Local Government Grants Commission, being the appropriation provided to them and the West Beach Trust, although your question did not cover the West Beach Trust. All those figures are reflected there because they have been transferred from the Department of Transport and Urban Planning.

Dr McFETRIDGE: I refer to Budget Paper 4, Volume 2, page 5.23 and 'Grants and subsidies'. What grants and subsidies have been affected by the \$250 000 cut in grants and subsidies from the Office of Local Government? There is a cut of \$250 000, and there is nothing in this year's budget.

The Hon. R.J. McEWEN: That is not a cut at all. Again, that is an extraordinary item. That is just a one-off payment. The honourable member might remember that, as part of the redevelopment of the city hall complex, \$250 000 of state money was put towards that as part of a significant local government redevelopment. That shows up as a one-off amount of \$250 000.

Dr McFETRIDGE: Under the same reference on page 5.24, what was the cost to the government of implementing the minister's Local Government Forum?

The Hon. R.J. McEWEN: The budget for that is \$250 000.

Dr McFETRIDGE: Page 2.2 of Budget Paper 3 states that the 2005-06 budget includes savings measures totalling \$75 million in operating and investing over the next four years. This includes efficiency dividends of \$61 million from agencies. What cuts have been made by the Office of Local Government to meet the government's efficiency dividend target?

The Hon. R.J. McEWEN: The savings target for the office is \$42 000. If the honourable member looks at page 5.8 he will see where that comes in—between the 2004-05 budget and the 2005-06 budget. You have \$2.834 million in 2004-05 and \$2.59 million in 2005-06. That is where we pick up the savings target. That is where you will also see the \$600 000. Again, that is where you will see the budget for 2004-05 and the actuals for 2004-05, the actual being \$3.452 million. That is where the \$600 000 is picked up—the payment to the two councils in relation to the clean-up after the fire.

Dr McFETRIDGE: I refer to Budget Paper 3 and page 4.16. What expenditure is allocated in the 2005-06 budget for the administration of general purpose grants and identified local road grants by the South Australian Local Government Grants Commission? Has expenditure to administered general purpose grants increased from 2004-05, and what percentage is the administration expenditure for the total general purpose payments?

Mr PETROVSKI: The overall figure for the Local Governments Grants Commission is approximately \$125 million, and that comes from the federal government. That is split up between the federal assistance grants and the federal assistance grants regarding local roads. We do not know what the total amount will be for the next financial year, because the government has not announced the total amount. However, over the last 12 months the grants commission has been determining the formula by which the moneys will be distributed to councils. That money comes in from the federal government and does not stay with the state at all; it gets distributed immediately.

The Hon. G.M. GUNN: I have a supplementary question. How much of the amount of money you are getting will be allocated to the Outback Areas Trust for the non-incorporated areas of the Outback?

The Hon. R.J. McEWEN: That is separate from that. Mr Petrovski will explain what we are doing with the Outback Areas Trust and the extra money that we have given it for the next 12 months, which I was delighted to be able to announce ahead of the budget when I met with representatives at their workshop in Woomera.

Mr PETROVSKI: For the next financial year, the Outback Areas Trust has been given an additional \$250 000 in appropriation by the state government. That money is for implementing the strategic plan that the trust put together six months ago. That money will be used for leveraging additional funds from the various Outback communities in order to build things such as toilet blocks. It might be for individual roads; it might be for the provision of water. It is for a variety of issues that are needed by those local communities.

The Hon. G.M. GUNN: The state is going to get a considerable amount of money because South Australia has

this large area that is unincorporated. Obviously, a portion of that federal money will go to the Outback Areas Trust?

Mr PETROVSKI: Yes. I am not sure of the exact figure that the grants commission gave last year to the Outback Areas Trust; but, yes, that is correct. I have just made sure of my figures, but the amount about which you are asking is of the order of \$900 000.

Dr McFETRIDGE: I refer to Budget Paper 4, Volume 2, page 5.24 and the performance commentary. What is the expected cost to state government of finalising the funding strategy to deliver stormwater management and flood mitigation works in metropolitan Adelaide and country areas?

The Hon. R.J. McEWEN: Obviously, this a team effort between us and minister Hill. I do not know whether we can answer that.

Mr PETROVSKI: Part of the answer to your question is that, as part of the minister's local government forum work, we are working on a strategy. Therefore, we have funded approximately \$20 000 of that work, but that is coupled with resources provided by minister Hill's portfolio and also the Local Government Association. So, I could not give an exact figure, but our contribution is of the order of \$20 000.

Dr McFETRIDGE: I have a series of questions on that agreement and, if it is in minister Hill's area and you cannot answer them, I understand that. How much expenditure will be specifically allocated to local government under the urban stormwater management policy?

The Hon. R.J. McEWEN: The amount of money in the forward estimates is \$4 million a year, but we are talking about a number of opportunities around that strategy. Whether you treat that as a revenue stream and borrow against it to do some work up front is one of the considerations. Until the strategy is finalised, though, we will not know how we are going to use that revenue stream. That is why in the forward estimates at this stage—that is, across the forward estimates period—you will see that funding in the budget.

Dr McFETRIDGE: In relation to the same reference, how does the minister propose to create incentives for private investment in urban stormwater capture, treatment, storage and use as envisaged under the urban stormwater management policy?

The Hon. R.J. McEWEN: That is what has been dealt with in the strategy. All sorts of issues around PPPs, etc., will be considered and, obviously, when we finalise a strategy we will be able to answer that question. It is premature at this stage.

Dr McFETRIDGE: I refer to page 4 of the stormwater strategy. Has the minister given consideration to the impact upon South Australia's residential property market of implementing changes to the Land and Business (Sale and Conveyancing) Act as recommended by the Urban Stormwater Initiative Executive Group on page 4? I qualify this question because, last night, I attended a meeting of about 200 residents affected by the Metropolitan Open Space Scheme (MOSS). These residents, collectively known as RESS (Residents for an Effective Stormwater System), unanimously passed a motion. Part six was a requirement that the planning strategy does not seek to impose restrictions on the use of privately owned land by means of any document that has not been through a process of direct consultation with affected landowners (that is the South Road planning guidelines at chapter 2, page 56). Part seven was a requirement that fair market value compensation be given by the

government for the purchase of any property necessary for stormwater management or flood mitigation.

The Hon. R.J. McEWEN: Obviously, we will take that question on notice. There are significant issues in that question around planning and, obviously, state and local government relations. So, as much as I appreciate the question, it is not something I can deal with at this stage.

Dr McFETRIDGE: I will ask these other questions. They are in the same area and, if the minister can get the information, I would be more than happy for that to happen rather than take up the committee's time now. Will the minister advise the committee of the expected cost to local government of developing and implementing stormwater management plans on a hydrological catchment basis that incorporates multiple objects of the urban stormwater management policy, including those that will minimise urban flood risk in metropolitan Adelaide and other cities and towns across the state?

The Hon. R.J. McEWEN: As I said before, all these issues have been dealt with as part of the strategy. Certainly those questions will be answered in a timely manner as we work through the next phase of the strategy with local government.

Dr McFETRIDGE: What is the expected saving to the state government in the 2005-06 budget and in forward years by transferring maintenance responsibility to local government for various works in relation to urban stormwater management?

The Hon. R.J. McEWEN: It is not a cost-shifting exercise.

Dr McFETRIDGE: I am pleased to hear that. It is obvious that the stormwater policy is still under active consideration, so I will ask these questions and we might get an early minute. Can the minister advise the committee whether it is the state government's intention to no longer provide funding to local councils which do not have a stormwater management plan in place, and, if so, what financial assistance will the state government provide to local government to undertake this mandatory reporting requirement?

The Hon. R.J. McEWEN: As I have indicated, this is not a budget line within my portfolio. But, equally, the \$4 million is in the budget and, if we can use that in a better way through the strategy to maximise the value to state and local government, we will do so. That is what the strategy is about. So, the money is identified. It is now just a matter of the best way to achieve that outcome in a shared way—this is a shared responsibility.

The Hon. G.M. GUNN: Can the minister give an assurance that the democratic will of the electors in each council area will not be interfered with by councils doing away with the right to have elected mayors, not mayors coming from among the ranks of council members?

The Hon. R.J. McEWEN: This is a matter for this house. You might remember that a bill has passed the lower house and is being debated in the upper house. I gave the shadow minister an undertaking that the very matter the member for Stuart is alluding to will be dealt with between the houses. I can indicate that I have met with a number of other key stakeholders—the shadow minister, the shadow minister's spokesperson in the upper house (Hon. Caroline Schaefer), the Democrats and Nick Xenophon—to explore an amendment in relation to the matter the honourable member is alluding to. Yesterday I also met with the President and Chief Executive of the Local Government Association on this very matter. I believe we have a resolution to the matter that will satisfy all parties. It is being drafted by parliamentary counsel at the moment. I will then give everybody the courtesy of seeing that, ahead of introducing it when the legislation is debated in the other place.

The CHAIR: There being no further questions, I declare the examination completed. I thank the advisers and the minister. I now lay on the table a draft report of the bill.

The Hon. P.L. WHITE: Having read the report, I move: That the draft report be the report of the committee.

Motion carried.

The CHAIR: I thank the table officers and attendants for all their work. They have had to move very quickly to have the reports and everything else prepared, with a sitting day tomorrow. They have done a tremendous job this year.

At 2.33 p.m. the committee concluded.