

**HOUSE OF ASSEMBLY****Wednesday 18 October 2006****ESTIMATES COMMITTEE B****Chair:**

Mr T. Koutsantonis

**Members:**

Ms F.E. Bedford  
 Mr S.P. Griffiths  
 Mr. M.L.J. Hamilton-Smith  
 Mr T.R. Kenyon  
 Mr J.R. Rau  
 Mr. I.H. Venning

*The committee met at 11 a.m.*


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Department of Treasury and Finance, \$45 722 000  
 Administered Items for the Department of Treasury and  
 Finance, \$898 602 000

**Witness:**

The Hon. K.O. Foley, Deputy Premier, Treasurer,  
 Minister for Industry and Trade, Minister for Federal/State  
 Relations.

**Departmental Advisers:**

Mr J. Wright, Under Treasurer, Department of Treasury  
 and Finance.

Mr B. Rowse, Deputy Under Treasurer, Department of  
 Treasury and Finance.

Mr D. Imber, General Manager, Finance, Department of  
 Treasury and Finance.

Mr R. Schwarz, Assistant Under Treasurer, Revenue and  
 Economics, Department of Treasury and Finance.

Ms S. Lees, Director Fiscal Policy, Department of  
 Treasury and Finance.

Mr M. Pickford, Manager, Communication and Procurement  
 Services, Department of Treasury and Finance.

Mr T. Brumfield, General Manager, Corporate Services,  
 Department of Treasury and Finance.

Ms K. Moore, Director, Revenue, Department of Treasury  
 and Finance.

**The CHAIR:** Estimates committees are a relatively  
 informal procedure and, as such, there is no need to stand to  
 ask or answer any questions. The committee will determine  
 an approximate time for consideration of proposed payments  
 to facilitate change of departmental advisers. The minister  
 and the lead speaker for the opposition have indicated that  
 they have agreed on a timetable for today's proceedings.

Changes to committee membership will be notified as they  
 occur. Members should ensure that the chair is provided with  
 a completed request to be discharged form. If the minister  
 undertakes to supply information at a later date, it must be  
 submitted to the committee secretary by no later than Friday  
 17 November. I propose to allow both the minister and the  
 lead speaker for the opposition to make an opening statement  
 of about 10 minutes each. There will a flexible approach to  
 giving the call for asking questions, based on about three

questions per member, alternating on each side. Supplemen-  
 tary questions will be the exception rather than the rule. A  
 member who is not part of the committee may, at the  
 discretion of the chair, ask a question. Questions must be  
 based on lines of expenditure in the budget papers and must  
 be identifiable or referenced.

Members unable to complete their questions during the  
 proceedings may submit them as questions on notice for  
 inclusion in the assembly *Notice Paper*. There is no formal  
 facility for the tabling of documents before the committee.  
 However, documents can be supplied to the chair for  
 distribution to the committee. The incorporation of material  
 into *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 also advise that, for the  
 purpose of the committees, there will be some freedom  
 allowed for television coverage by allowing a short period of  
 filming from the northern gallery.

I declare the proposed payments open for examination and  
 refer members to the Budget Statement, in particular  
 Appendix C, page C.2, and the Portfolio Statements,  
 Volume 1, part 3. I call on the minister to make an opening  
 statement if he wishes.

**The Hon. K.O. FOLEY:** Modesty prevents me from  
 making an opening statement.

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

**Mr HAMILTON-SMITH:** I will begin by reading some  
 omnibus questions into *Hansard*. They apply across the  
 whole portfolio and I ask the Treasurer to take them on notice  
 and come back to us.

**The Hon. K.O. FOLEY:** You can ask the omnibus  
 questions now and we may spend the next two hours  
 answering them.

**Mr HAMILTON-SMITH:** Will the Treasurer provide  
 a detailed breakdown for each of the forward estimate years  
 of the specific administration measures as listed in Budget  
 Paper 3, chapter 2, expenditure, which will lead to a reduction  
 in operating costs in the portfolio? Will the minister provide  
 a detailed breakdown of the expenditure on consultants and  
 contractors in 2005-06 for all departments and agencies  
 reporting to the minister, listing the name of the consultant  
 and the contractor, the cost, the work undertaken and the  
 method of appointment? For each department or agency  
 reporting to the minister, how many surplus employees were  
 there as at 30 June 2006, and for each surplus employee what  
 is the title or classification of the employee and the total  
 employment cost (TEC) of the employee?

In the financial year 2004-05, for all departments and  
 agencies reporting to the minister, what underspending on  
 projects and programs was not approved by cabinet for carry  
 over expenditure in 2005-06? For all departments and  
 agencies reporting to the minister, what is the estimated or  
 actual level of under-expenditure for 2005-06, and has  
 cabinet already approved any carry-over expenditure into  
 2006-07 and, if so, how much? What was the total number  
 of employees with a total employment cost of \$100 000 or  
 more per employee, and as a sub-category 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 2006? Between 30 June 2005  
 and 30 June 2006 will the minister list the job title and the  
 total employment cost of each position with a total estimated cost

of \$100 000 or more which has been abolished and which has been created? When will the next budget be delivered?

**The Hon. K.O. FOLEY:** On 7 June next year.

**The CHAIR:** I remind members to make reference to the budget and budget lines.

**Mr HAMILTON-SMITH:** So, it is a permanent policy change away from May?

**The Hon. K.O. FOLEY:** Yes. Previously it was about 24 May and we are putting it back some whole two weeks because the federal budget and our budget were too close and you need to get the final information from the federal budget to adjust any assumptions or expectations you have of federal government decisions on what they expect GST revenues and other payments to the states to be. In previous years it caused us too much last minute pressure because we did not leave enough time. It is eminently sensible to push it back another week or two to give us a bit more clearance from the federal budget.

**Mr HAMILTON-SMITH:** Expounding on that, can you explain the process of bilaterals and the various ministerial and cabinet processes that will now be realigned to line up with that new date?

**The Hon. K.O. FOLEY:** I have not decided on the new time frame but am working them through. The Hon. Rob Lucas in another place did four budgets and would have a fair idea of the process. That is the internal workings of government. It is not rocket science and is not overly exciting, but I am not sharing my thinking with you at this stage because I have not finalised whether those meetings will occur.

**Mr HAMILTON-SMITH:** You would be sharing it with the public of South Australia and not just us. I think they would like to know.

**The Hon. K.O. FOLEY:** Is the public of South Australia really turned on and excited by when cabinet will have its bilateral meetings? I am happy to provide information later. We have not made final decisions on when those bilaterals will be. It is a normal template of meetings that occur prior to a budget, and the Hon. Rob Lucas and cabinet ministers of the former Liberal government would be familiar with them. I would have thought there is no real change to them.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 3.8, general government sector revenue. I put to the Treasurer that it must be a very good time to be Treasurer. Reviewing this budget paper, it shows an estimated result for taxation revenue in 2005-06 just short of \$3 billion. Looking back to 2001-02 it was just over \$2 billion. There seems to be an increase in the order of a bit over 30 per cent of extra tax revenue. Looking at current grants, capital grants, GST revenues, interest income, the estimated result of well over \$11 billion stands in stark contrast to the result four years ago.

I challenge the Treasurer to explain to the committee how it is that you are crowing about balancing your budgets and what a good job you are doing when you are in an environment, perhaps the biggest environment in the history of the state, of exploding revenues and windfall gains from taxation—well in excess of inflation. Your revenues are almost three times inflation. When you said during the budget speech that you are balancing the budget, how could you not balance the budget when your income is stripping inflation by a multiple of around three, compared to the environment experienced by then treasurer Stephen Baker in 1993 when revenues were in decline and \$11 billion of debt was racked up and we were \$300 million in the red? How is it an achievement in this budget to produce a balanced budget, or

a budget that is in surplus, when there are such exploding revenues? I am asking the Treasurer to comment on whether the budget is under any challenge whatsoever; the revenues have exploded so much. It is a very easy budget. I just put that to the Treasurer.

**The CHAIR:** What is the member's question?

**Mr HAMILTON-SMITH:** Is it or is it not an easy budget?

**The Hon. K.O. FOLEY:** Honestly, if that is the best opening question a shadow minister can give me, God help us. I noted with interest that he referred to the time of Stephen Baker as Treasurer. He did not refer to Rob Lucas as Treasurer. We know that there is a longstanding tension between the member for Waite and the shadow treasurer, as there appears to be between the member for Waite and the Leader of the Opposition. I can only present the budgets that I present. If the member for Waite thinks that he can do a better job, good luck in 3½ years. I can only do what I do.

The member forgot to point out that \$1.5 billion of state debt was paid off. He forgot to point out that expenses, particularly in the health portfolio, have been running anywhere between 4 and 8 per cent in terms of demand in our system. That makes up a third of our state budget. It is not hard to see where the revenues have gone. He forgot to point out that we have cut state taxation to the tune of hundreds of millions of dollars per year in respect of the IGA taxes. He also forgot to point out that we are also embarking upon significant capital expenditure, so that those revenues are put to good use.

I will give an example of the fiscal vandalism that would attach to the member for Waite should he ever be a financial minister in a government, and it just shows the lack of discipline in the Liberal Party. The Leader of the Opposition came out a few weeks ago and just sort of mused (clearly, he had not referred to the shadow treasurer) that the Liberals would abolish stamp duty with respect to first home owners. That is a Liberal Party commitment of a \$70 million per year cut. We now have a Liberal Party policy that will be fully costed and put into the next election campaign from the government that the Liberals have committed to putting all SA Water's dividend revenue into improving the quality of water in South Australia.

Yesterday on radio, Martin Hamilton-Smith said that \$1 billion of SA Water revenue which we have received in the last four years and which has gone to schools, hospitals and police could have been spent on improving the quality of our water—a \$200 million-plus per year policy commitment now by the member for Waite on behalf of the Liberal Party to put all that money into water.

What a huge black hole the member for Waite has opened up in the Liberal Party's financial and economic position and, clearly, with no reference to the shadow treasurer. As much as I may have issues with the shadow treasurer, I do not believe that he is the type of vandal who would have allowed one of his colleagues to simply come out and say that \$200 million-plus a year of SA Water dividends can now be taken away from schools, police and hospitals and put into fixing water. That is the type of slack fiscal budgeting for which the Liberal Party has become renowned.

I have brought down five budgets, and I am proud of those budgets and of our government's achievement. The member will clearly be critical of them, but if he comes out with off the cuff marks remarks like he did yesterday, he sounds like a goose, he appears naive and he will shatter the confidence

of the wider public that he has any ability to manage the state's finances.

**Mr RAU:** How are the government election commitments included in the budget?

**The Hon. K.O. FOLEY:** The interesting election campaign that we had has gone down in history as one of the most bizarre election campaigns from an opposition, in which the member for Waite had a leading role. We have funded all our election promises in the budget. The Liberal Party consistently said that we would break promises, that we would back-track on our promises, that we would reposition ourselves; and the shadow treasurer made merry light out there saying that election promises would be broken. I am proud to say that every single one has been delivered: \$109.5 million for 400 extra police; \$88 million for the Flinders Medical Centre; \$54.5 million to implement the new South Australian Certificate of Education; \$39.4 million for three new GP Plus centres; \$38 million to reduce elective surgery and waiting times; \$24.8 million to develop 10 new trade schools; and \$23.3 million to develop an additional 10 children's centres. The total of new spending on election commitments over the forward years is some \$673.7 million. Labor promised a modest package of spending. We factored it into our budget, and we are delivering.

**Mr VENNING:** Nothing outside Adelaide.

**The CHAIR:** Order!

**The Hon. K.O. FOLEY:** What a nonsense. Who does the member think the elective surgery positions go to—just the people in Adelaide? No, they do not. It is a modest package that has been delivered in this budget. Labor keeps its promises.

**Mr KENYON:** What actions have been taken by the government with respect to the administration of industry assistance contracts?

**The Hon. K.O. FOLEY:** One of the things we did when coming into office was to break the policies of past governments, Labor and Liberal, of providing substantial moneys to industry. I know that the shadow treasurer and shadow minister for industry (Hon. Rob Lucas) is publicly critical of this but, privately, I do not think his views were necessarily all that dissimilar to mine. However, we have been able to implement our policy (whereas Rob Lucas had to accept that they were not the views of his cabinet colleagues at the time) that simply giving away substantial amounts of money on a consistent basis in industry assistance packages was not good economic and industry policy.

From 1 July 2005, responsibility for the administration of various industry assistance programs was transferred to me from the then minister for industry and trade. Under the new arrangements, the Department of Treasury and Finance is managing the wind-down of contracts from two closed industry assistance schemes and managing two new programs. The Department of Trade and Economic Development retains responsibility for industry policy and prime carriage of negotiations of new contracts. However, the South Australian Government Financing Authority (SAFA), under the outstanding management of Kevin Cantley, is the responsible agency within the Department of Treasury and Finance for managing the contracts on behalf of the Treasurer.

The industry assistance programs comprise the Industry Investment Attraction Fund, the Rail Reform Transition Program, the Structural Adjustment Fund for South Australia, and the Strategic Industry Support Fund. The Industry Investment Attraction Fund and Rail Reform Transition

Program are closed programs. The Structural Adjustment Fund for South Australia was introduced as a joint federal/state government initiative following the closure of the Mitsubishi site at Lonsdale. The state's contribution was \$5 million towards a total fund of some \$45 million. The fund is now fully committed, with 19 applicants being successful. The Strategic Industry Support Fund was introduced following the recommendation of the EDB to create an industry assistance fund to be applied to strategic projects; a fund of \$2 million is made available each year.

As at 30 June 2006, 585 industry assistance projects were being administered by the South Australian Finance Authority, with a contract value of approximately \$400 million. All of these contracts except 13 originated before the current government came to office. So, of those 585 assistance programs, only 13 have been put in place since we came to office. So, 572 of those programs were entered into under the eight years of the Liberals, and 13 programs have originated since we came to office.

In addition, 12 contracts comprising the Structural Adjustment Fund projects and Strategic Industry Support projects were under negotiation or being finalised at 30 June 2006. A significant number of these firms have not been fulfilling their obligations. Because of the outstanding work of SAFA, which is better skilled, better qualified and better able to properly keep companies to their obligations, more than 70 firms have either been deregistered or entered into insolvency administration. In addition, recovery actions are being taken against more than 100 firms; that is, SAFA is now instigating some form of recovery action against 100 firms. The government is ensuring that, as far as possible, where companies benefit from receiving government funds, they deliver on their promises and comply with their contractual obligations. I am pleased that over the past 12 months the new arrangements have introduced an increased rigour into the administration of industry assistance, and it has been evident in significant recovery of debts, either through one-off payments or scheduled debt repayments. In addition, greater efforts are being made to document terms and conditions of financial assistance so that contracts can be properly administered.

Two outstanding pieces of policy have been implemented by this government, one being that we have cut dramatically the number of assistance packages given by former governments. Of those 585, I think I might have said they were all in the eight years of the Liberal government. I best qualify that by saying that it may not have been; there may well have been some packages from the former Banner or Arnold governments. It is not a criticism of the Liberal government. I cannot check how far they go back—Kevin is not here—but my guess is that, given the quantity of those packages, as I think it through, some of those 585 may well go back into previous Bannon and Arnold governments. But the point is not one of politics: it is one of saying that those days have to be over, and my guess is that the shadow treasurer probably agrees with that. The other thing is that the good policy work of having a financial authority undertaking the recovery actions and keeping companies to their word has greatly benefited the taxpayer.

**Ms BEDFORD:** How does the budget support the state's AAA rating?

**The Hon. K.O. FOLEY:** The member for Waite said at the outset that somehow this has been an easy budget. No budgeting is easy. I do not for one minute under-estimate the challenges Stephen Baker and the then cabinet confronted in

their budgets. It clearly would have been an horrendous time to frame a budget. But what the member for Waite fails to appreciate—and I have to say he is not on his own on this; he is not Robinson Crusoe there, and it is not just on his side of politics, be it the media or anyone who looks at budgeting—is that the Treasurer's job is to look at the global available pool of funds. The demands, expectations and requirements far exceed the capacity of the state budget to fulfil those expectations.

One day the member for Waite wants money on roads; the next day he wants money on water; and the next day he wants money for hospitals, schools, or whatever. The demand in our society for government services far exceeds the government's capacity to meet all those demands. It is simple; the arithmetic is easy to do. When you get increased revenue, you do what we have done; that is, you pay off, from memory, close to \$1.5 billion of state debt. We made budget savings in our first two budgets of some \$1.5 billion to redirect those funds into spending. We are making savings in this budget to redirect money into hospitals and spending. But we have health costs exceeding inflation by large amounts.

The member for Waite talks about revenue being in excess of inflation. The health demands of this state are growing well in excess of inflation—double the inflation rate, if not more sometimes. Any treasurer confronted with balancing a budget will always be confronted with a significant challenge. Budgeting is not easy. The great challenge for me and future treasurers will be to maintain the state's AAA credit rating, and that will get harder every year, because those cost pressures are not going to reduce. The revenue flows will reduce; that is the whole point. Yes, the government and the state has received bonus revenue in recent years. A large slab of that paid off debt, a significant proportion of that was put back in the way of tax cuts, and a significant proportion was put into increased services. With the environment going forward for this state, whether I am treasurer—

*An honourable member interjecting:*

**The Hon. K.O. FOLEY:** Well, when you put more money into health activity, you have more people working in your hospitals; that is the reality of it. We are putting forward a significant cost-saving exercise over the next four years. Going forward we are going into a normal revenue environment, where GST cannot keep growing in excess of economic growth, property values and property growth rates are stabilising and a soft landing is occurring in real estate, but your cost pressures—the demand on services—almost everywhere increases in excess of inflation. I accept that the challenge for any treasurer going forward is going to be much harder than what it might be in good revenue years.

I have had to build capacity into this budget, because I know the revenue over the next four years will be nothing like it has been in the last four years—and that is why we are making those savings. That is why the statement that you made—that a billion dollars from SA Water should not be put into services, it should be put into water—is a silly thing to say. It is a silly thing to say, because it would plunge the state into the red. This budget secures the state's AAA credit rating. The government has established primary fiscal targets that are consistent with maintaining the state's AAA credit rating. I have achieved those targets in this budget.

In determining the state's credit rating, rating agencies consider a range of matters, including the government's management of the state's finances and the level of the state's financial liabilities. The 2006-07 budget builds upon the strong financial position delivered by the government in

previous budgets. General government sector operating surpluses are projected in all years. The budget includes significant reforms for the Public Service to make it more efficient, effective and responsive to the needs of South Australians. The review of priorities undertaken as part of the budget process has placed the government in a strong position to support its program over the next four years. The state's balance sheet remains strong.

The ratio of general government sector net financial liabilities to revenue improves over the forward estimates period. This means that the state's capacity to meet its obligations from revenue streams is strengthening. While net debt is expected to increase over the forward estimates to fund the government's significant capital expenditure program, net debt remains relatively low at \$689 million by 2010.

While the state's balance sheet is in AAA shape, South Australia's ratio of net financial liabilities to revenues is higher than all other AAA rated states. Further reductions in the ratio over time are therefore desirable, as reflected in the government's fiscal targets—very important. Our net financial liabilities to revenue is around the 73 mark. It is higher than any other state. Victoria is 60.4, New South Wales is 64, WA is 33, SA is 72.4, Tasmania is 84, the ACT is 45 and the Northern Territory is 110.3.

What that reflects is the historic realities of the states. For example, Western Australia with 33 has had a huge mining boom and it has strong revenue flows coming through. Queensland actually has minus 12 debt, but it has a different structure where local government picks up a lot more service delivery than the state government. What that reflects is an historical perspective of South Australia which underlies the fact that when it comes to economic growth we have not performed as well as the rest of the nation over the time we have been a federated state, and we have challenges.

**Mr HAMILTON-SMITH:** My question is to the Treasurer. You have overseen the biggest explosion in revenue and cash that any treasurer has ever seen in the history of the state. As quickly as you have swallowed the cash, you have let out your belt. It is an arrogance, frankly, fuelled by taxation revenue and land tax, of unproportioned dimensions. I am getting back to—

**The CHAIR:** Order! I gave you the opportunity to make a 10-minute opening statement and you refused. You said you wanted to get straight to questions, so perhaps you can ask a question rather than make a statement.

**Mr HAMILTON-SMITH:** Mr Chair, you cannot throw your weight around. It is the practice in estimates to be allowed to explain things before you get to the question.

**The CHAIR:** Not in these—

**Mr HAMILTON-SMITH:** If you want to close it down—

**The CHAIR:** Order! Do not talk over me again. Ask your question.

**Mr HAMILTON-SMITH:** Thank you. In looking at GST revenue, I am looking at the debt commitments the state holds in Budget Paper 3. Treasurer, you opposed the GST. This year you have collected well over \$1 billion worth of revenue from it. You were happy to put that in your pocket. You also opposed the sale of ETSA. Standard and Poor's then came out and reissued the AAA rating and said that the main reason it was giving it back was the debt reduction linked to the asset sale. I just ask you, plain and simple: do you still oppose both those decisions—the GST and the sale of ETSA? As

Treasurer of the state, were they the right decisions for the state or the wrong decisions—yes or no?

**The Hon. K.O. FOLEY:** Mr Chair, this is ridiculous. I am here to answer questions about the budget. If he wants to play politics—

**Mr HAMILTON-SMITH:** You do not want to answer, do you?

**The Hon. K.O. FOLEY:** What a silly question. Marty, do some homework and ask me some tough, probing questions. Do not make nonsensical political statements.

**Mr HAMILTON-SMITH:** Are you refusing to answer? I am simply saying to you that you are the Treasurer. You have talked about debt and you have talked about revenue, and I am simply saying to you that you opposed both those decisions.

**The Hon. K.O. FOLEY:** Why do you ask politically motivated questions? I am here to answer questions about the budget, and I am happy to do so.

**Mr HAMILTON-SMITH:** Every comment you make and every question you ask is politically motivated, and I think that is quite a reasonable question. It is quite obvious from your answer that the Labor Party is now very comfortable with the sale of ETSA, very comfortable with the reduced debt obligations, very comfortable with the way things have turned out, and very comfortable with the GST.

**The Hon. K.O. FOLEY:** Clearly the member for Waite has not done any work leading up to today. We are 35 minutes into this session and all I have heard are silly recycled questions that go back to the real underlying factor: that people like Martin Hamilton-Smith, the member for Waite, who spent three months as a minister before losing an election, still have not got over the election loss of 2002.

**Mr HAMILTON-SMITH:** I got there before you did.

**The Hon. K.O. FOLEY:** Yes, you got there before me; well done. I have had 4½ years as the Deputy Premier of this state, and you had three months as the minister for innovation. Yes, you are right: you got there before me. Bugger! Bugger that! Damn! The point I am trying to make is that you can go back and recycle and have sour grapes. I know that you guys still have not got over that loss but, please, do some justice for the public of this state. Do not embarrass yourself. Ask me some probing questions and show that you have done some homework.

**The CHAIR:** Does the member for Waite have a question on the budget, or does he want to know what the Treasurer's favourite colour is?

**Mr HAMILTON-SMITH:** This is probably the easiest budget any treasurer has ever had to deliver, but I will move on. During 2003-04 the Rann government employed a number of consultants to investigate the possibility of saving money by establishing a shared services centre. Annual reports for DAIS show that over \$50 000 was paid to Ernst & Young in 2003-04 for a shared business case development report; between \$10 000 and \$50 000 was paid to Ernst & Young in 2003-04 for a shared business case development report; over \$50 000 was paid to Ernst & Young in 2004-05 for the development of a business case for shared corporate services; and between \$10 000 and \$50 000 was paid to Deloitte Touche Tohmatsu in 2003-04 for shared services advice. Senior sources within DAIS and Treasury indicate that those independent reports do not support the Rann government's claim that \$60 million a year can be saved by 2009-10; they estimate savings at a significantly lower level.

These DAIS sources also indicate that, at the time, Treasury, and in particular the Under Treasurer, experienced

significant concerns about the proposal, and in particular expressed grave doubts that the claimed level of savings could be achieved. Is it correct that the consultant reports to DAIS indicated that the possible savings from the shared services model were significantly below \$60 million a year? Is it correct that the overall cost of the consultants' reports is over \$1 million; if not, how much was spent? Is it correct that there exists within DAIS and Treasury copies of memos, emails and meeting notes which confirm that Treasury expressed grave doubts that the claimed levels of savings could be achieved?

**The Hon. K.O. FOLEY:** For a start, the suggestion of \$1 million sounds alarmist in the extreme. I will get those numbers checked. We have been doing a lot of work over a lot of years on shared services, as have governments all around the country and in very many parts of the world. There is no question that in the early work that we did there was a high degree of scepticism within Treasury as to whether or not the savings that could be generated from shared services could be captured. I do not think that anyone has particularly opposed the notion that there were savings to be had from shared services. I think I am right in saying that some of Treasury's scepticism and concern expressed to me was how to capture those savings. How do you have a mechanism by which savings are made within government agencies by consolidating shared services, but those savings are kept within the agencies and they are frittered away, and they are not delivered back to consolidated revenue?

We have had a very robust exchange of views and opinions over the past four years—three years of those four years that we have been in office. DAIS did work; Treasury has done work; and we have had some combined work. It has been a pretty robust period in terms of proving up and dealing with the stresses of the views amongst the agencies. In the work that Ernst & Young has done, it has made it very clear that there is a lot of what it said was (I think, from memory) low hanging fruit for the government to harvest in terms of savings.

When Greg Smith undertook his work, he reviewed a lot of the work that had been done by various people in the shared services. He looked at the experiences of previous jurisdictions and previous states, and the Under Treasurer and Greg Smith both gave me a consolidated piece of advice that these savings can be achieved. As I have already said publicly, in fact, Greg Smith said that the savings are larger than the \$60 million that we have put in. We have put a lower number in for that very point—we want to be conservative in what we think we can harvest from the savings. I think Greg Smith put in a figure closer to \$80 million that could be the potential, and that includes ICT savings, I might add. We have discounted that number back.

When I was in Victoria the other day, I was talking to the Western Australian minister responsible for shared services, and he said that Western Australia has put a figure into its budget of \$150 million that it expects to get from shared services. We have not put a figure anywhere near that, and Western Australia's state budget is not double ours—it may be 20 or 25 per cent bigger. So, we think that we have put in a conservative number, and it is a number that has been endorsed by the Under Treasurer. I do not pluck these numbers out of the air; I work on the advice of my trusted advisers. Whether or not we will achieve it, the proof will be in the pudding. As I said, we have taken a conservative approach to what Smith has recommended, and we are hopeful that will achieve that; in fact, I am hopeful that we

will get more. Time will tell. You may be able to come back here in two years and criticise me for not achieving it; only time will tell.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 2.3. The Public Service Association in a press release dated 26 September 2006 stated the following:

The Under Treasurer has also advised that government has not yet determined the model or timing for the introduction of shared services across the public sector.

Treasurer, can you confirm whether or not this commitment from the Under Treasurer is correct?

**The Hon. K.O. FOLEY:** I said at budget time that we have not finalised the business model as to whether we have a one shared services centre within government or we have up to three shared service centres to service government. Greg Smith's advice to me, I think, was that we have two or three shared service centres—consolidate the hundreds that we have into two or three. The Under Treasurer has put to me that, in fact, we may be able to have a model where we have only one. We are now establishing a working group to oversee this project, and that project, overseen by the Under Treasurer, will report to me and cabinet the recommendation as to whether we have one centre or three.

**Mr GRIFFITHS:** So how has the government determined and identified the \$130 million of savings to 2009-10 with the implementation costs of \$60 million associated with shared services?

**The Hon. K.O. FOLEY:** Well, because we have done a lot of work. The member for Waite alluded to work that was done by Ernst & Young, Deloitte and others. We have had internal working groups; we have had Treasury looking at it; we have had DAIS looking at it; and we have had Greg Smith looking at it. All of that work has been consolidated into a piece of advice that has provided the government with those recommendations, and that is what we are working on.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.3. Given the decision to establish a shared services centre, why did the Treasurer, as one of his first decisions, reverse the decision by the former Liberal government for a shared services centre in which the department of Treasury and Finance undertook payroll and other related services for the Department of the Premier and Cabinet? There was a model in place before.

**The Hon. K.O. FOLEY:** I was advised when I came into office in 2002 to stop the Department of Treasury and the Department of the Premier and Cabinet. This is a knockout blow! I am not aware that I made that decision. The Under Treasurer has indicated that he thinks it may have been a decision taken by the head of the Department of the Premier and Cabinet. I do not recollect that one. Is this the best you have got for me today?

**Mr GRIFFITHS:** Again, I refer to Budget Paper 3, page 3.10. The *Government Gazette* of 13 July 2006 states that land tax receipts in the March quarter for 2006 were low compared with the same quarter a year ago due to the earlier timing of land tax payments by the South Australian Housing Trust in 2005-06. The trust's 2005-06 land tax liability, \$115.9 million, was paid in the December quarter whereas its 2004-05 land tax liability, being \$97.1 million, was not paid until the March quarter of 2004-05. Can the Treasurer please advise the policy reason for this change and whether the Housing Trust had to borrow funds to finance this payment?

**The CHAIR:** That sounds like a question for the Minister for Housing—that's my guess.

**The Hon. K.O. FOLEY:** I am advised that the quarterly billing process came in in 2005-06. I do not know the exact answer to that but, whether it is a matter for the Housing Trust to provide an answer or us, I will endeavour to get you an answer. It is a timing issue; there is no sinister conspiracy there.

**Mr VENNING:** In January 2006 the Treasurer released the mid-year budget review which showed the budget as having a small surplus of \$27 million, which is a net operating balance. If the Housing Trust land tax liability of \$115.9 million had not been brought forward from March 2006 to December 2005, is it correct that the budget result would have shown a deficit of \$86.9 million and not a surplus of \$27 million? That is on table 3.7 Public Sector Entities.

**The Hon. K.O. FOLEY:** Can you run those dates past me again? It sounds as if it is still in the same financial year. You are saying a liability from March brought forward to December—

**Mr VENNING:** March 2006 to December 2005.

**The Hon. K.O. FOLEY:** It is the same financial year. We do our accounts on an accrual basis, so the timing does not affect the outcome at all, I am advised. There is nothing sinister there.

**Mr VENNING:** I have a supplementary question. Did Treasury ask the South Australian Housing Trust to bring forward the payment of the land tax liability?

**The Hon. K.O. FOLEY:** As I said, I will get an answer for that but, as the Deputy Under Treasurer has just advised me, under accrual accounting (which is our accounting method) the timing did not make any difference in terms of the financial result we would publish in a mid-year review. It is a non-issue.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 2, page 9, Education Works. Does the Treasurer agree with the Minister for Education and Children's Services when she told the *Sunday Mail* of 24 September that \$134 million allotted to the private sector costs for six proposed super schools was an estimate that might change?

**The Hon. K.O. FOLEY:** Yes; I mean, come on.

**The CHAIR:** This is not exactly related to the budget line in question. It is not what we are discussing here now; however, if the Treasurer wants to answer it is up to him.

**The Hon. K.O. FOLEY:** These are public-private partnerships, and the market will decide the value of these projects. We have put our best estimate in and have said that we think the approximate value of these projects will be around \$134 million. I hope it is less than that, but it might be more; the market will determine those figures. This is an exercise not necessarily like normal procurement of government which, in itself (as we have seen with various projects), is not an exact science. However, with a public-private partnership it will be an income stream, a payment regime that the government enters into. We think the notional value of it, if it were normal procurement, would be about \$134 million, but that figure can only be an estimate.

**Mr HAMILTON-SMITH:** On the same subject, and in terms of your budget provisions, is the Minister for Education and Children's Services correctly quoted in the *Sunday Mail* when she said that a supposed super school would still be built in a region even if all the schools did not agree to close?

**The Hon. K.O. FOLEY:** That has nothing to do with me as Treasurer; it is a policy matter you need to put to the Minister for Education and Children's Services.

**The CHAIR:** I just remind members that I understand their need to ask questions, but that question is probably more

for question time than estimates. However, again, if the Treasurer wants to answer these questions it is up to him.

**Mr HAMILTON-SMITH:** Mr Chairman, we will decide what questions we want to ask. They are related to budget lines.

**The CHAIR:** It is estimates; it is different. I know that you have been here a little shorter time than me, but the fact is that this is estimates and there are certain budget lines that are open and you ask questions related to those.

**Mr HAMILTON-SMITH:** The Treasurer said that he is happy—

**The Hon. K.O. FOLEY:** I have asked my colleagues and I want to give the member for Waite as many questions as possible. I have senior advisers here from Treasury, I have the budget books of the state open to be probed. If you have not done your homework, and you have not got quality, probing questions—

**Mr HAMILTON-SMITH:** We don't have to put up with this diatribe, Mr Chairman. He said—

**The Hon. K.O. FOLEY:** You have just asked me a question which is an education policy question about the location of schools. I am not the education minister and it is not my job to stress about the location of schools; I have enough to do managing the finances of the state without worrying about the location of schools. If you want to know about that then ask the education minister when she comes before the committee.

**Mr HAMILTON-SMITH:** Treasurer, my understanding is that if you sell schools and build new schools the money you actually get from the schools you sell finishes up going back into the public purse—is that not right?

**The Hon. K.O. FOLEY:** That is correct, yes.

**Mr HAMILTON-SMITH:** So, if you are going to open new schools and keep the existing schools open it might have a budget impact?

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

**Mr HAMILTON-SMITH:** That might be a stunning revelation to the Treasurer, but it is relevant.

**The CHAIR:** Order!

**Mr HAMILTON-SMITH:** Let me go on to the next question, because we do not need to listen to the drivel.

**The Hon. K.O. FOLEY:** No; let me answer that. I am going to give you a revelation—I do not know the answer and that is why I cannot answer that for you.

**Mr HAMILTON-SMITH:** Well, it is millions of dollars.

**The Hon. K.O. FOLEY:** I do not know the answer; put it to the education minister.

**Mr HAMILTON-SMITH:** I will go on to Budget Paper 3.2.26. Are the receipts of almost \$31 million listed as Education Works land sales estimates of the sale value of school sites that are closed and not required for new school developments? Are you going to get the money? You say that it is not important; it is none of your business.

**The Hon. K.O. FOLEY:** Again, those are the receipts we are expecting to get from the sale of those schools. It is an expectation. It is an estimate. There are other factors and other dynamics that will be in play here, but that is what we expect.

**Mr HAMILTON-SMITH:** As a supplementary question, will the private sector own the land on which the new schools are built as part of Education Works?

**The Hon. K.O. FOLEY:** That is the expectation. Again, we are working up the PPP proposals as we speak. My expectation is that that would be the case, but I put in a qualifier because, in these projects, we have not yet finally

scoped and finally settled on what we are putting to the market, but that is the expectation. I put in a qualifier in case, for whatever reason, we choose that not to be the case in all of them.

**Mr HAMILTON-SMITH:** Are the payments of about \$56 million over four years, listed as 'Education Works—upgrade of existing infrastructure', investments in upgrading schools that are not part of the \$134 million public-private partnership proposal? If yes, will some of this funding involve further closures of school and preschool sites?

**The Hon. K.O. FOLEY:** That is a question better put to the Minister for Education to explain. Those are moneys we have put aside. If you want the best answer you can get on that, you really need to put it to the education minister.

**Mr HAMILTON-SMITH:** I will have another go, but I will probably get the same answer. Is the payment of \$13.6 million in 2009-10 for Education Works, public-private partnerships, the estimate of the annual payments to the private sector for their \$134 million investment in the six so-called super schools? If not, what is it?

**The Hon. K.O. FOLEY:** My advice is that those are payments to the private sector for the PPPs, which is probably a mixture of actual payments and consultancy payments that are still being paid out in terms of working the model through, because the projects would not all be up and running by 2009-10.

**Mr HAMILTON-SMITH:** Can the Treasurer confirm that Treasury has received advice that the government's six supposed super schools will require fewer teachers and school services officers (SSOs) under the existing staffing formula and therefore will generate significant financial savings?

**The Hon. K.O. FOLEY:** The government will be providing the teaching staff for the schools and, I assume, the support staff but, again, that model has not been finalised. That is a question better put to the education minister. We have not finalised the scope of these projects, and I have not yet had discussions with the education minister as to staffing. There are already staffing ratio formulas in the education department, and they will all be met. So, the existing expectations and requirements for staffing formulas are already agreed to; they are not going to change in this process. This is about the physical infrastructure.

What this government has done with Education Works, which I think is worth putting on the record, is that successive governments—we, in our first term, and you for eight years, and Labor before that—have maintained a schooling infrastructure that does not meet in every case the needs of a modern society, particularly when you take the demographics into play. Schools built for a thousand kids have a hundred kids in them. You cannot seriously suggest that you keep those types of schools operating. It is a waste of taxpayers' money to keep maintaining that infrastructure when they are no longer relevant.

Look at my electorate (and from memory this happened under your government), where we had Taperoo High School, Largs North Primary School and Taperoo Primary School. Under your government (and I am pretty certain I am right in saying it was your government, but I stand to be corrected if I am wrong), the decision was taken to close Largs North Primary School, close Taperoo Primary School, consolidate them onto the Taperoo High School site, build a new children's centre, build infrastructure and rename the school Ocean View School as an R to 12 school. It has been an outstanding success. That is clever, that is smart and that has delivered outstanding positive educational benefits to my

electorate. That was a decision that your government took. It was a good decision, and I backed it.

There is nothing wrong in delivering to the community better schooling infrastructure, and that is what we are endeavouring to do: to take a model that your government started and put it into other parts of the city. The difference here is that we are involving the private sector in delivering these projects.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, pages 2.25 and 2.26. After the initial savings for the government's Education Works have been reinvested in schools, will the ongoing savings be returned to Treasury?

**The Hon. K.O. FOLEY:** To answer that, the time frame is beyond the forward estimates period of this budget. Of course, the expectation is that those savings, should they be there, would return to Consolidated Revenue. That is only natural.

**Mr HAMILTON-SMITH:** As a supplementary question, is the \$32 million, listed on page 2.26 as 'Education Works—operational efficiencies from new investment', savings that are being held by Treasury?

**The Hon. K.O. FOLEY:** What do you mean by 'held by Treasury'?

**Mr HAMILTON-SMITH:** You have \$32 million listed on that page as 'Education Works—operational efficiencies from new investment', and it is in the forward estimates. Are they savings that will be retained by you?

**The Hon. K.O. FOLEY:** They are not retained; they go to the bottom line of the budget. We do not have a vault in the State Admin Centre where we stash cash. This is savings to the bottom line of the budget. To be blunt, I do not think you understand budgeting very well, member for Waite. You do not hold this stuff.

**Mr HAMILTON-SMITH:** I remember you, Treasurer, in the 1993 election, when Stephen Baker exposed you raw when you were the shadow treasurer. He exposed your ignorance totally. You are a really arrogant expert now that you have Treasury officers lined up and backing you up. You are an absolute expert.

**The CHAIR:** Member for Waite, the opposition spokesman has one question, so ask the question.

**Mr HAMILTON-SMITH:** Hang on, Mr Chair. You are quite happy to let a bloke whose qualifications and skills—well, I will not go there, but it would be interesting to see what job in Treasury he would get if he was not the minister—have a whack at us. You are happy to let him have a dig at us, then you kick up a fuss when we respond.

**The CHAIR:** Why is it that your other two colleagues do not become involved in the same sort of argument as you? Why are you the only one every single time? Why? Why are you the only one who agitates and does not ask questions on the right lines? Why are you the only one who always fights with the chair? Why is it always you?

**Mr HAMILTON-SMITH:** Why are you asking the questions? I am supposed to be asking them.

**The CHAIR:** How about taking advantage of the Treasurer being here and asking some questions on the budget. Why do you not represent the 35 per cent of Liberal votes you got at the election and ask some questions?

**Mr HAMILTON-SMITH:** Listen, Mr Chair, you are supposed to be independent.

**The CHAIR:** I am trying to be, but you are testing my patience. Ask some questions.

**Mr HAMILTON-SMITH:** I am happy to ask them but you are missing my point.

**The CHAIR:** Good; thank you. Go ahead; ask the questions.

**Mr HAMILTON-SMITH:** Do you want to recall the parliament? Just listen for a minute.

**The CHAIR:** Ask the questions.

**Mr HAMILTON-SMITH:** I am happy to ask questions, but if you are going to let the Treasurer—

**The CHAIR:** Good; thank you.

**Mr HAMILTON-SMITH:**—act like an idiot, expect a response.

**The Hon. K.O. FOLEY:** If you want to keep this up, I will go back to work and do the job.

**The CHAIR:** Ask the questions, he is here—probe.

**The Hon. K.O. FOLEY:** Do you want to ask me a question or I can I go back to work?

**Mr HAMILTON-SMITH:** I am quite happy to, as long as you will answer them. I refer to Budget Paper 4, Volume 1, page 3.9. The Treasury web site shows that on 27 November 2005, Treasurer's Instruction No. 27, disclosure of government contracts, was withdrawn, with effect from 28 December 2005, and the government's new disclosure policy was now contained in a newly issued Department of the Premier and Cabinet circular, PC027, Disclosure of Government Contracts. Given that the Treasurer's Instructions are issued pursuant to the Public Finance and Audit Act 1987 and attract penalties for non-compliance, why was the Treasurer's Instruction withdrawn and replaced by the Department of the Premier and Cabinet circular?

Whilst it is clear, according to the Auditor-General, that a breach of a Treasurer's Instruction is 'an unlawful act' and attracts penalties, does this mean that a breach of a Department of the Premier and Cabinet circular does not attract such penalties?

**The Hon. K.O. FOLEY:** We will need to provide a more detailed answer, but we did a review of Treasurer's Instructions and it was obvious to us that Treasurer's Instructions can only deal with financial matters, and that matters that are not financial cannot be subject to Treasurer's Instructions and need to be Department of the Premier and Cabinet circulars. As to any further answer, I will come back to the house with that.

**Mr GRIFFITHS:** I refer to Budget Paper 1, page 5: public-private partnership projects. What will be the impact on the net debt on either the general government sector or the non-financial public sector of the PPP projects for the new detention facilities? As an example, when built, will the total cost (which is estimated to be \$517 million) be added to the net debt figure?

**The Hon. K.O. FOLEY:** No, we do not believe it will be. We do not expect that to be on our balance sheet; that is why we are using public-private partnerships. We believe that we will structure these arrangements so that these are not on our balance sheet. However, I put the caveat that that will be decided finally by advice from the Auditor-General and our own opinion as to how we have structured these contracts. Our preference will be for these to be off-balance sheet transactions, not impacting on the balance sheet, but until we have the final project scoped and worked through, we cannot be absolutely definitive on that. It is about value for money; what gives us the best value for money.

**Mr GRIFFITHS:** I refer to Budget Paper 1, page 6: Education Works. What will be the impact on the net debt for either the general government sector or the non-financial public sector of the PPP project of the Education Works strategy?



**The Hon. K.O. FOLEY:** The same answer would apply. We do not expect these to impact on our balance sheet. The budget will be value for money, and ultimately we will decide what gives us the best value for money, but we think these transactions will be non-balance sheet impacting.

**Mr VENNING:** I refer to Budget Paper 3. Treasurer, how do you react to the public perception that the answer to the question 'where has all the money gone' is the huge blow-out in hiring 8 000 extra public servants, costing a massive \$500 million?

**The Hon. K.O. FOLEY:** I reject that line of questioning, member for Schubert. It has been asked of me many times in the parliament and many times during the election campaign, and I refer you to previous answers.

**Mr VENNING:** I have a supplementary question. Since the election it has been revealed that there was indeed a blow-out—in your own words. Treasurer, did you know about this before the March 2006 election?

**The Hon. K.O. FOLEY:** I answered that question during the election campaign ad nauseam.

**Mr VENNING:** We have time now; can you give us an answer now?

**The Hon. K.O. FOLEY:** I have answered it more than enough times.

**Mr VENNING:** This is estimates; it is a good opportunity. We have time to take the answer and get it on the record. On the same line, I refer to Treasury across government savings in Budget Paper 3, page 2.3. Prior to the election this year, the Rann government promised that it would not cut Public Service jobs to fund extra police and nurses. For example, on 16 March 2006, the Treasurer was interviewed by Matt Abraham on ABC Radio. Matt Abraham said:

Okay, but will you offer any separation packages at all?

Treasurer, you said:

We, at this point, are looking at about 800 additional vital public servants in our promises to date. That is 44 police, 100 teachers and 44 new medical specialists.

Abraham then said:

And you won't fund those by getting rid of other jobs?

Treasurer, your response was:

No. We will demonstrate today. . . all of these spendings can be provided through appropriate efficiencies and savings within a budget. Matthew, I've brought down four budgets where I've had savings in every budget. . . and we haven't had a separation for the public sector for two years.

Does the Treasurer now accept that he did not tell the truth when he answered that question?

**The Hon. K.O. FOLEY:** No, I do not accept that at all.

**Mr VENNING:** I have a supplementary question. If you do not accept that, would you explain how it was truthful?

**The Hon. K.O. FOLEY:** I have answered those questions ad nauseam during the campaign, since the campaign and during the budget, but the inference from the question is not something that I would accept. Others may have a different opinion, I do not.

**Mr VENNING:** Mr Chair, we are in estimates and—

**The Hon. K.O. FOLEY:** Ask me a specific question. Do not refer me to a transcript of something that I might have said on radio with Rob Lucas' good mate Matt Abraham. Ask me a specific question and I will give you a specific answer.

**Mr VENNING:** This is off the script.

**The Hon. K.O. FOLEY:** Ask me the question. It is off the script that Rob Lucas has written for you. I am not

coming in here to be held accountable for a set of words that I said to Matt Abraham. What is the question?

**Mr VENNING:** It was regarding across government savings in Budget Paper 3, pages 2 and 3. I will defer to the shadow minister as we are not going to get anywhere.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.34: public sector employment. Prior to the release of the budget on 19 September 2006 the Treasurer stated that a cap on public sector numbers would be put in place and that the cap would be published in the budget papers. Will the Treasurer advise whether the cap is the \$76 654 FTE estimated total public sector employment for 30 June 2007 and, if not, what is the cap?

**The Hon. K.O. FOLEY:** I am advised that the number we produced in the budget papers, which I referred to at budget time, was the expected cap. That number is being worked through and we have further work to do to finalise that number between Treasury and other government agencies. We hope to have that number consolidated by the end of this calendar year. At the time of the budget, that was the best number we had across government. This is a very difficult exercise and I have been up-front about this as much as I can be.

Getting a proper handle on the exact number of government employees is difficult. It was difficult when you were in government; it was no less a problem for you than it is for us. As we deal with myriad government agencies and entities (part-time, full-time, casual and vacancies) it is a difficult exercise. We have undertaken what we think is the most rigorous attempt to get the right number. The number we factored into the budget was the number we had at the time. We do not expect a great difference from that number, but we have a bit more work to do before the end of the calendar year.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.34. Given that wages are a significant cost in your budget, the 30 June 2005 work force information collection reports from the Office of Public Employment (OPE) show that at 30 June 2005 total public sector employment was 76 720 full-time equivalents. The 2005-06 budget papers estimated that at 30 June 2005 the number of full-time equivalents would be 73 842. Will the Treasurer explain the reasons for the difference of 2 878 FTEs?

**The Hon. K.O. FOLEY:** Bear in mind that we are abolishing the Office of Public Employment, which was one of our initiatives for savings. We do not have full confidence in the numbers that OPE have produced. That is why Treasury has undertaken that work to get a better set of numbers. We are not confident in the data collected by the Office of the Commissioner for Public Employment, despite its best endeavours. It has gone about this exercise with good intent, but it has been difficult. As the Deputy Under Treasurer points out to me, in the huge health area of government there is a lot of part-time and casual employment. There are instances where positions have been counted as full-time employees when in fact they have been part-time employees. There have been seriously difficult numbers to estimate and get right in a bureaucracy as large as health with the part-time nature of its work force. What is an FTE and so on? It has been a difficult exercise.

**Mr HAMILTON-SMITH:** On the same budget line, does the Treasurer accept that this year's budget papers estimate that there were 75 818 full-time equivalent public servants at 30 June 2006, whereas last year's budget papers estimated

only 74 311 as at 30 June 2006, showing a blow-out of 1 507 FTEs last year?

**The Hon. K.O. FOLEY:** Of course I accept it—they are my budget papers.

**Mr HAMILTON-SMITH:** So the 1 507 FTE public servants blow-out is correct?

**The Hon. K.O. FOLEY:** You call it a blow-out. My best guess would be that throughout the course of a budget year the government agrees to additional expenditure. Decisions you take through the course of a given year mean that, if you choose to spend more money in health, you do not just spend the money and not employ more people; you almost always employ more people to deliver that increased activity. Equally, as the Under Treasurer pointed out, in that year there were some classification changes to Natural Resource Management employees who became government employees, whereas previously they were not recognised as government employees.

**Mr GRIFFITHS:** I refer to Budget Paper 5, page 53, Appendix 1. Will the Treasurer explain why the provision for the capital works slippage has increased by 50 per cent from \$60 million to \$90 million in this budget, with the expectation in the budget papers that ‘the provision is based on broad experience in recent years’?

**The Hon. K.O. FOLEY:** It is based on experience of underspending by government agencies.

**Mr GRIFFITHS:** Is it true that there has been significant underspending by the government on its capital works programs and that this is the key reason for the massive increase in the estimate on the slippage?

**The Hon. K.O. FOLEY:** Yes, we have increased the slippage because of underspend, but the shadow Treasurer likes to make much of this underspend. I am not sure it excites too many people out there in punter land, but I had an exercise done to look at the underspend of the capital works program during your term in government. The member for Waite might like to hear this, as he is always good at pointing out our failings, as he sees them. In 1997-98 the provision for capital slippage under the Liberals was \$25 million; the underspend was \$167 million. This is an underspent amount in excess of the provision.

In 1998-99 there was no capital slippage provision and the actual underspend was \$230 million. In 1999-2000, there was a \$35 million capital slippage provision and a \$122 million underspend. In 2000-01, there was a \$30 million capital slippage provision and a \$103 million underspend. In 2001-02, there was an \$80 million capital slippage provision and an underspend of \$87 million. You guys had massive underspends. It is the nature of government.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 5, page 27, the South Road upgrade programs. Given that the government has decided not to disclose the estimated cost of the South Road upgrade programs (supposedly because one of the contracts is in the final stages of negotiation), can the Treasurer advise why the government has decided to disclose the total contract price of the \$134 million provided for the education works strategy and the \$517 million for the new detention facilities, both to be facilitated via public private partnership arrangements? Why is it okay not to reveal one but to reveal the others?

**The Hon. K.O. FOLEY:** Because they are two totally different things. I have said before that the number we had put in for the private sector provisioning of infrastructure is an estimate and, ultimately, it will be up to a competitive process in the marketplace. These are not—

*Mr Hamilton-Smith interjecting:*

**The Hon. K.O. FOLEY:** Can I answer the question? If the member has a better answer, he should not ask me the question. Does the member want to hear the answer?

**Mr HAMILTON-SMITH:** Stop carrying on and just answer the question.

**The CHAIR:** Order!

**Mr HAMILTON-SMITH:** Just answer. We don't need theatrics.

**The CHAIR:** Order! The member for Waite cannot complain when the Treasurer responds if he baits him. If he wants an orderly procession of question and answer, perhaps he could just sit quietly and listen.

**The Hon. K.O. FOLEY:** Did you not have much sleep last night, Marty?

**Mr HAMILTON-SMITH:** What about you?

**The Hon. K.O. FOLEY:** Yes, I had a good night's sleep, thanks.

*Mr Hamilton-Smith interjecting:*

**The Hon. K.O. FOLEY:** Incidentally, the member's previous reference to my educational standards is no great revelation. I am a high school drop-out from Port Adelaide. I never finished year 11. I do not have an MBA like he does. Does the member remember the time on the Economic and Finance Committee when he could not tell what was an asset and what was a liability, when he was nicknamed ‘Homer Greenspan’? He got the assets and liabilities back to front and made a goose of himself, but he had just received his MBA.

PPPs are best estimates. I am advised that we were at a very delicate stage of the tendering process with respect to the South Road project at budget time, and we did not want to tell the market what they were. With PPPs it is an entirely different dynamic. It is not a traditional procurement project. Each consortia as they form will bid to the specifications that we have put out. It is a very dynamic process, and one is comparing a totally different animal.

**Mr HAMILTON-SMITH:** Why is it all right to signal to the private sector that the government has \$134 million to spend on Education Works and \$517 million to spend on new detention facilities, but it is all right to conceal in the budget papers how much it has to spend on the Anzac Highway underpass along South Road and Port and Grange roads? Essentially, one is dealing with contracts with the private sector in one form or another. It is all right to signal one but not to signal the other. Why is the government covering up the costs of the South Road tunnel project?

**The Hon. K.O. FOLEY:** There are different stages. The reason why we could not disclose the South Road project is that we are in negotiations with one provider, and we do not want to publish what we expect that bottom line to be. We are yet to go to the market with respect to the PPPs. We will go to a fully contestable competitive market, and we have had a stab at what we think the capital value of these projects will be. These projects (the PPPs for the prisons and the schools) will not be bid on a capital value basis; they will be bid on a fee payment basis to government. They are a totally different beast. When one is in the final negotiations with one tenderer for the South Road project—

**Mr VENNING:** Why only one?

**The Hon. K.O. FOLEY:** That was the stage of the process that we were at. With respect to the South Road project, I am advised that there had been a competitive process. It had come down to a preferred tenderer, and they are negotiating the final price with that preferred tenderer. If one cannot receive value for money in that process, one goes

back to the market. That is the advice I have been given, but the member would be better off putting those questions to the Minister for Transport for more specific answers. I am just explaining the best understanding I have of that matter.

**Mr HAMILTON-SMITH:** It is a little curious that a cabinet minister has told the parliament that the project will cost more than \$100 million—and I think that was confirmed today.

**The Hon. K.O. FOLEY:** Which project?

**Mr HAMILTON-SMITH:** The Minister for Infrastructure.

**The Hon. K.O. FOLEY:** Which project is the member talking about?

**Mr HAMILTON-SMITH:** The Anzac Highway underpass. However, this morning on radio an officer of government told people that, with respect to the Anzac Highway/South Road underpass, it would cost, I think, \$64.7 million (it was that precise) for the construction of the tunnel, 'but the whole project might be above \$100 million.' Why is it not fair for the people of South Australia to expect that figure to be in the budget papers, if government officers out there on radio this morning, and I think the minister yesterday, are throwing such figures around in front of the media? The budget papers are the documents upon which we rely.

**The Hon. K.O. FOLEY:** The budget was delivered on 21 September, and it is now 18 October. I do not know whether some of those matters have moved on. The member will have to put that question to the Minister for Transport later today. I do not know the answer to that. The answers I have given are our best understanding. It may be that some of the information we have given is not accurate. These are matters for the transport minister, and the member should ask him for the definitive answers.

**Mr HAMILTON-SMITH:** Why does the budget paper clearly spell out that \$550 million will be spent on the Northern Expressway (which, again, signals to the private sector how much money is there to be bid for), when it is not okay to include information, for example, for the Port Road/Grange Road project?

**The Hon. K.O. FOLEY:** It is the stage of the process. When we announced the South Road project, we put what we thought were the best estimates at the time in our releases. Subsequently, we found that some of those estimations were not correct. However, it is a different stage of the market. When we were at the final negotiation stage with tenderers, we took a view—and I do not think it is an unreasonable view—that to publish what you would expect to be the final number when you are at that critical eleventh hour would have been the wrong thing to do. The member may have a different view, and he is entitled to that; we simply stick by our view.

**Mr HAMILTON-SMITH:** Can the Treasurer confirm that as Treasurer he had no idea whatsoever until well after the March election that any of these projects had blown over budget?

**The Hon. K.O. FOLEY:** I have already answered that question in parliament, and I do not intend to re-answer the question here today.

**Mr HAMILTON-SMITH:** I am dealing with the capital investment statement in respect of each of these projects.

**The Hon. K.O. FOLEY:** The member is asking me what I knew after an election and before a budget. We are about scrutinising the budget of the state. I am being open and

generous to the member; I am not asking questions from my side of the committee.

**Mr HAMILTON-SMITH:** I am referring to the Capital Investment Statement, Budget Paper 5, which mentions each of these projects and which gives figures well in excess of the capital investment statement in the last budget in the year prior. I am asking the Treasurer when he first knew when the Northern Expressway or any of these projects, and I will go through them one by one—

**The Hon. K.O. FOLEY:** No; I will come back to the house with a considered answer. It is not something about which I can readily give the member an answer sitting here today.

*Mr Hamilton-Smith interjecting:*

**The Hon. K.O. FOLEY:** No; I am happy to come back and answer that question about when I first knew.

**Mr HAMILTON-SMITH:** Well, that is just fobbing off the question.

**The Hon. K.O. FOLEY:** Well, I cannot remember. Sorry; I am not a rocket scientist. I am a high school dropout from Port Adelaide doing the best job a bloke can do. If I am not as intelligent and smart as you and as quick on the recall as you, I am sorry, but, hey—

**Mr HAMILTON-SMITH:** Mr Chairman, this is just theatre.

**The Hon. K.O. FOLEY:** No; I will check. I do not know when I first knew. I will go back and find out, because I have already answered that question on the floor.

**The CHAIR:** I remind members that the committee has agreed to return by 17 November with questions that are taken on notice. The member can put those questions now if he likes, one by one, as he said he would.

**Mr HAMILTON-SMITH:** I will run through them, then, so that the Treasurer can take them on notice. On what date was the Treasurer first advised that the Northern Expressway project had run beyond its budget? On what date was the Treasurer first advised that the Anzac Highway underpass along South Road had gone beyond its budget? On what date was the Treasurer first advised by anyone that the Port Road/Grange Road underpass projects along South Road had run over budget? On what date was the Treasurer first advised that the Bakewell Bridge project, budgeted for \$30 million, was running over its budget? I give those questions to the Treasurer on notice.

**The Hon. K.O. FOLEY:** I will come back to the house with a considered answer, but I will say this: it is a silly fishing exercise. It may well be that I cannot give exact and precise details; I will endeavour to do the best I can. As Treasurer, I am advised weekly, if not daily, of the movement of financial predictions, expectations, costings and cost pressures that occur right across government. First, to suggest that I can recall here today the exact dates I am told something and, secondly, that we could even provide the member with an exact answer as to when I can do that is nonsensical. I think I have already answered that question in the house; I will check it. If I have already answered that question in the house, I will refer you to that answer. If there is something I have not answered, I will endeavour to get the member as accurate an answer as possible. When I am advised of something, it is not something I can readily recall on the floor of parliament during the estimates process. I am advised of stuff all the time.

**Mr HAMILTON-SMITH:** Did the Treasurer have through 2005—and even going back into 2004—a Treasury officer either attached to the Department for Transport,

Energy and Infrastructure, or working closely with the department, to monitor these projects, and what was the process for information flow to sound the alarm to you as Treasurer if these important projects were blowing their budget to the tune of hundreds of millions of dollars in total?

**The CHAIR:** I advise the member for Waite that the committee is looking at the budget for 2006-07. The member for Waite will move along.

**Mr HAMILTON-SMITH:** We can only talk about budget 2006-07 in the context of previous budgets.

**The CHAIR:** The member started his question with 2004-05. Will the member please stick to the 2006-07 budget papers.

**The Hon. K.O. FOLEY:** Marty, I know you want to be the leader of the opposition, and you are trying to be the tough, aggressive—

**The CHAIR:** Order!

**Mr HAMILTON-SMITH:** Oh, come on, Mr Chair.

**The CHAIR:** Order! I have just called for order; why don't you listen?

**The Hon. K.O. FOLEY:** I apologise, sir, for that transgression. I do not know—

*Mr Hamilton-Smith interjecting:*

**The CHAIR:** Order!

**The Hon. K.O. FOLEY:** No; I'm happy being Treasurer.

*Mr Hamilton-Smith interjecting:*

**The CHAIR:** Order! This is disintegrating very quickly. I have a very high standard I like to uphold.

**The Hon. K.O. FOLEY:** I have forgotten the question. What was the question again?

**The CHAIR:** How many officers in the Department for Transport, in 2004-05, were overseeing these projects?

**The Hon. K.O. FOLEY:** I am advised that we had no-one seconded across. These questions, as interesting as they may be for me, are questions for the Minister for Transport, whose ministerial responsibility it was to consider these projects. However, in the defence of all ministers, it is no secret that holding projects to what you estimate those values to be is very difficult for a variety of reasons.

I have just returned from the United States. I refer to an area the member would know better than I would know, that is, the defence sector. I have met in the past few months with a number of US defence companies, and the single, obvious factor coming through with defence budgets is that what you estimate a defence project to be and what it turns out being is never one and the same. The great problem the commonwealth government is having now with all the defence projects it is managing is holding them to budget—it is such an inexact science—and with construction projects it is no different.

When you look at project cost blow-outs and exceeding budgets for just about any transport infrastructure project at either a national government level or other state level, most, if not all, projects are having this problem. It is an incredibly difficult task, particularly when exacerbated by skill shortages during the single biggest construction boom in the nation's history, as mentioned by the member for Waite. I have just built a house and I know that what I estimated the house to cost and the final cost of that house were two different figures.

**Mr VENNING:** You got conned.

**The Hon. K.O. FOLEY:** One member says I got conned, which probably means that you got conned, too, did you? Another member said, 'We can all relate to that.' I do not think I was conned, but that is the reality of building. When

I started to build the house, I realised that I did not have a whole lot of things included.

**The CHAIR:** Thank you. Can we get back to the budget, please?

**Mr HAMILTON-SMITH:** Budget Paper 3 discusses the management of risk, and it mentions each of these projects. What arrangement did you have with your colleague the Minister for Transport, Energy and Infrastructure in the year just ended to manage the risk for these projects so as to be aware of hundreds of millions of dollars of blow-out? You are the Treasurer. You are responsible for making sure that risk is managed and that the public is not suddenly festooned with massive, extra costs that have to be bailed out in the subsequent financial year.

What we have seen is this budget paper bails out a range of projects that went terribly, terribly wrong in 2005-06. Now we have a 2006-07 budget that is having to inject tens or hundreds of millions of dollars of new money to bail out those projects. I am asking: what arrangement did you have in place to manage that risk, and when did you first become aware of that risk emerging? You have taken on notice the dates when you were first told, but what process did you have in place? You are the Treasurer and your job is to manage these risks.

**The Hon. K.O. FOLEY:** What was that word you used?

**Mr HAMILTON-SMITH:** Festooned.

**The Hon. K.O. FOLEY:** Festoon, right. What does 'festoon' mean?

**Mr HAMILTON-SMITH:** Just answer the question, Treasurer.

**The Hon. K.O. FOLEY:** No. I do not know what 'festoon' means.

**Ms BEDFORD:** To decorate, or to gather pieces of material.

**The Hon. K.O. FOLEY:** To decorate. Not only was I a high school dropout, but I thought I did better at English than I did at maths—clearly, I did not. That is where I got tripped up; it is an adjective and not a noun. The question was about risk. We have reporting functions, we have oversight and we have an outstanding Minister for Transport who is managing this project. What can I say, other than that we did dismiss the chief executive officer of the Department of Transport—not that the cost blow-out was his fault, but it was about whether or not we could manage the risk going forward. That was one of the factors.

**The CHAIR:** I can also advise that the Minister for Transport is going to be in this very committee later on this afternoon, so perhaps it can be put to him.

**The Hon. K.O. FOLEY:** Put it to him.

**The CHAIR:** Member for Waite.

**The Hon. K.O. FOLEY:** Ask me about my budget, about things that I control.

**Mr HAMILTON-SMITH:** Just on that point you just raised about the former CEO, Dr James Horne, he was not the CEO when the original costings for any of these projects were determined. He was the CEO when it must have become apparent that these projects were running well over budget. At the meeting, which you attended (as I understand it) with the Premier, the Minister for Transport, Energy and Infrastructure and Dr Horne prior to his sacking, was it a case of shooting the messenger? Had he come to you and said, 'Look, these projects have run over budget?'

**The CHAIR:** Order! Member for Waite, this question is probably not in relation to the budget, or along budget lines. It is probably more a question for question time. If it has any

relevance at all to what you are asking, you should be asking the Minister for Transport who had the responsibility for the CEO's sacking. Can I bring you back to the budget, please—unless the Treasurer feels inclined to answer the question.

**The Hon. K.O. FOLEY:** He is asking me for an opinion. I gave my opinion of Dr James Horne on the record in this parliament from that meeting. You are asking for opinions. How can my opinion or my views on something possibly relate to forensic questioning of the budget?

**The CHAIR:** I cannot see it either. If the member for Waite wants to use the estimates this way it is up to him, but I would like us to go back to the budget, if we could.

**The Hon. K.O. FOLEY:** What time is morning tea? I need a coffee.

**The CHAIR:** Member for Waite.

**The Hon. K.O. FOLEY:** Are we having morning tea? I want a coffee.

**The CHAIR:** Order! The member for Waite has the call.

**Mr HAMILTON-SMITH:** We did not get any answers there, so we will move on to—

*Members interjecting:*

**Mr HAMILTON-SMITH:** Mr Chair, I will just make the point to the committee that hundreds and hundreds of millions of costs—

**The CHAIR:** Order! I am trying to give you the call.

**Mr HAMILTON-SMITH:**—blow-out in capital works is important to the budget.

**The CHAIR:** I am trying to give you the call. Your own members are interrupting you. I am trying to give you the call so you can ask the question. You have 15 minutes left on this and you want to argue with me. How about you just ask a question?

**Mr HAMILTON-SMITH:** Let us move on to Budget Paper 3 at page 2.2, the expenditure efficiency dividend. In Labor's election costings document it promised that health, education, police, correctional services and families and communities would be quarantined from Labor's promised efficiency dividend. Does the Treasurer concede that he has broken a key election promise by not quarantining these agencies from the efficiency dividend?

**The Hon. K.O. FOLEY:** Every election spending promise made by the Labor government has been delivered.

**Mr HAMILTON-SMITH:** So, will those agencies then be excluded from the dividend?

**The Hon. K.O. FOLEY:** I said every spending promise by the Labor government has been delivered in this budget. I have put down a raft of initiatives to ensure that we get sufficient capacity within our budget to meet the health needs of the state going forward, and that requires modest—extremely modest—savings initiatives from some government agencies that may have previously been excluded. There is no shock revelation there. It was revealed at budget time.

**Mr HAMILTON-SMITH:** So, we are in the sphere of core and non-core promises now, are we? 'The spending promises have been adhered to, but we will just break a few of the cuts and the savings promises.' Is that it?

**The Hon. K.O. FOLEY:** If you want to put me in the same league as John Winston Howard, I am happy to be put there.

**An honourable member:** Watch this space.

**Mr GRIFFITHS:** I don't know about that. I refer to Budget Paper 3, page 2.3. Labor's election costings document claimed that its promises would partly be paid for by a \$30 million annual saving from 2006-07 as a result of the new IT tendering process. Does this budget therefore include

a \$30 million saving in 2006-07 from the new IT tendering process?

**The Hon. K.O. FOLEY:** Greg Smith's advice on the saving was that we would get \$50 million of shared services saving and \$30 million savings from ICT; that gave us \$80 million. We discounted that number back to \$60 million and put that number into the budget.

**Mr GRIFFITHS:** I refer again to Budget Paper 3, page 2.3. Labor's election costings document claimed that its promises would partly be paid for by a \$4.75 million annual saving from 2006-07 as a result of the consolidation of government accommodation. Does the budget for this year include a \$4.75 million saving?

**The Hon. K.O. FOLEY:** Yes; we have it on page 2.3 of Budget Paper 3. We have a figure of office accommodation savings growing to \$5 million by 2009-10.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 2.3. Labor's election costings document claimed that its promises would partly be paid for by a \$7 million annual saving in 2006-07 as a result of energy savings. Does this budget include such savings?

**The Hon. K.O. FOLEY:** That was decided prior to the budget coming down, and my advice is that it is factored in. We have to check whether the \$7 million number is correct, but that was factored in prior to the budget.

**Mr VENNING:** I refer to Budget Paper 3, page 2.3. Can the Treasurer advise how the consolidation of corporate services delivered across all portfolios will be implemented? For example, in the case of payroll, will there be one agency and one payroll system responsible for calculating and processing pay for different levels of complexity, such as public servants, teachers, doctors, nurses and police officers, each with their own different awards and agreements? For example, if a teacher is overpaid or underpaid, would they have to go to the central agency and not the Education Department to resolve their issue?

**The Hon. K.O. FOLEY:** Those specific details are now being worked through. We have a team that is being assembled under the supervision of the Under Treasurer. It is a project team with a project leader that is preparing the business case for the implementation of the shared services. Those issues are yet to be determined. When we are in a position to advise the parliament, we will be happy to do so. The Under Treasurer just made a very good point. This is not just a cost saving measure: this is about improving and delivering a better process to the consumer, that is, the public servant. At the end of this exercise it should be a better, easier and more simple system for a teacher, nurse, police officer or a parks and wildlife ranger than what we currently have, we would hope. Touch wood!

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.3, shared services savings. I refer the Treasurer to the document that was handed out to journalists at the budget lockup briefing which stated that finance related corporate services would be delivered centrally. Can the Treasurer advise specifically what is meant by this? For example, will it be limited to just the processing of invoices, or will it relate to the full suite of accounting processes such as general ledger processing, monthly management reporting and year end financial and annual reporting?

**The Hon. K.O. FOLEY:** The expectation is that we will be concentrating on the high-volume transactions; that is where we get the savings and efficiencies. We have not yet finally decided the cut-off point, as I just stated in the previous answer. At this stage, high-volume transactions and

just where the cut-off point will have has not yet been determined, I am advised.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.3, on the same subject. Table 2.4 on that page shows implementation costs of \$60 million across the forward estimates for the shared services arrangements. Can the Treasurer advise what this is for and provide a breakdown of the costs in each of the forward estimates years?

**The Hon. K.O. FOLEY:** The year by year breakdown across the forward estimates is already in Table 2.4 on page 2.3, but these are only the best guesses of the implementation costs, which will include a whole array of costs from designing systems, employing external advice and accommodation issues. These are our best guesses, but these numbers will probably jump around a bit, I would expect, and hopefully they will come in under those estimates—not that that happens too often in government.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.3, table 2.4. In a press release on 22 September, the Public Service Association stated that minister Weatherill had advised that, of the proposed 1 600 job cuts, approximately 600 would result from the introduction of shared services. Can the Treasurer provide a breakdown of the 600 job cuts by portfolio or agency?

**The Hon. K.O. FOLEY:** No; I do not think that it would be possible at this stage, because we have not done that work, and we do not know. That is our best estimate. I think the figure was 550 to 600, but we will not know that until we have done the exercise.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, Volume 1, page 3.17, Employee Expenses. I refer again to the proposed shared services reforms across government. Can the Treasurer outline the baseline costs for the provision of corporate services to all agencies and departments in the portfolio, including the current total cost of the provision of payroll, finance, human resources, procurement, records management and information technology services in each department or agency reporting to the Treasurer? Could the Treasurer also include the full-time equivalent staffing numbers involved?

**The Hon. K.O. FOLEY:** That would be one of the very first exercises we undertake, to get some baseline data from which to work. We are actually undertaking that exercise now, so I do not have that answer at this point.

**Mr HAMILTON-SMITH:** I refer to page 12, Shared Services. In his speech the Treasurer stated that the practice is used in the United States, Canada, New Zealand, the United Kingdom and other parts of Australia. Is there one particular jurisdiction on which the South Australian model will be based? Can the Treasurer provide more details of the practice of shared services in these locations? For example, specifically where and what are the issues that have arisen in some other locations?

**The Hon. K.O. FOLEY:** I am not going to do the opposition's homework for it, to be perfectly frank. We will be taking the best of the experiences of a lot of jurisdictions. We have taken a little longer and, hopefully, done it with a bit more due diligence than perhaps other states. I think we are doing it at the right time, given that we have some examples to learn from, but I am not going to do the opposition's homework for it; that is what the opposition has to do with its researchers.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 2.34, in relation to Public Sector Employment Numbers. The Treasurer and Treasury officers in the budget lock-up told

journalists that there would be voluntary redundancies and separation packages, yet on Friday 22 September 2006 the Minister Assisting the Premier in Cabinet Business and Public Sector Management said that there would not be any targeted voluntary separation packages and that job reductions would be achieved through attrition. Has Treasury provided advice to the Treasurer that to achieve a reduction of 1 600 full-time equivalent Public Service positions there will need to be access to a targeted voluntary separation scheme?

**The Hon. K.O. FOLEY:** There is no TVSP program in place at present, and we are hopeful that we can achieve the staff reductions through natural attrition. We will assess that process during the course of the implementation and will make decisions about what schemes will be needed—if they are needed. We are hopeful that they will not be needed.

**Mr GRIFFITHS:** I have a brief supplementary question. Has the Commissioner for Public Employment therefore advised the Treasurer that a TVSP scheme will be required to achieve this reduction?

**The Hon. K.O. FOLEY:** Not that I am aware of, but I will check.

**Mr HAMILTON-SMITH:** I refer to the Capital Investment Statement, Budget Paper 5, in particular the proposed underpasses at Port Road/Grange Road/South Road. Treasurer, you have argued the point that you cannot reveal in the public domain, through the budget papers, how much is set aside for these projects because you are in contract negotiations. You do not want to give the game away and expose the taxpayer to risk. That may be the case for the Anzac Highway underpass, but are you in detailed contract negotiations, in the final stages of negotiations, with the Port Road/Grange Road underpass? If you are not, why could the figure not be included in the budget, along with the Northern Expressway?

**The Hon. K.O. FOLEY:** I will tell you one thing for certain: I am not in final contract negotiations with anyone. It is not my responsibility. These are valid questions, and I am not dismissing them, but they should be put to the Minister for Transport. He will be here in a few hours, and I am sure that he will give you the answer you are looking for. Well, he may not give you the answer you are looking for, but he will give you an answer.

**Mr HAMILTON-SMITH:** I can assure you that I will be asking him, but you are the Treasurer. It is your budget, and these lines are in there. The law requires, once a project is approved by cabinet—

**The Hon. K.O. FOLEY:** The law requires what?

**Mr HAMILTON-SMITH:** Let me ask the question: have these projects been approved by cabinet? Has the South Road underpass at Anzac Highway/Port Road/Grange Road been approved by cabinet?

**The CHAIR:** I point out to the member for Waite that, on page 25 of the Capital Investment Statement, Budget Paper 5, it is a Transport, Energy and Infrastructure line. It is not a Treasury and Finance line. If the Treasurer wishes to answer the question, he may, but it is probably a question better put to the Minister for Transport.

**The Hon. K.O. FOLEY:** I know that the member was in cabinet for only three months, but there is a process in place; that is, approval has to be given by cabinet to enter into negotiations. Once the final project is agreed to, it comes back to cabinet for a final recommendation to cabinet to approve the project. That is the normal process.

**The CHAIR:** Treasury and Finance is on page 18 of the Capital Investment Statement and includes 'Super SA

Accommodation Fit Out', 'Works in Progress' and 'Annual Programs'. The other lines are Transport.

**Mr HAMILTON-SMITH:** You will find reference to these projects in Budget Paper 3.

**The CHAIR:** I am sorry; I thought you said Capital Investment.

**Mr HAMILTON-SMITH:** I did, but you will also find reference to these projects in Budget Paper 3.

**The CHAIR:** I am sorry; you drew my attention to this.

**Mr HAMILTON-SMITH:** Have both those processes been followed through with these two projects? Have they been approved by cabinet? You seem to be saying that there is an initial approval process by cabinet and then a subsequent approval process by cabinet, which obviously, as Treasurer, you would be required to sign off on, given the amounts of money involved. Have they been approved by cabinet or not?

**The Hon. K.O. FOLEY:** We have an initial cabinet process of approving a project to go to tender. Once you have finalised the tender, and you have a recommendation, it comes back to cabinet for the final tick. Any more information than that, and where we are at on the specifics of those projects, you need to put to the Minister for Transport.

**Mr HAMILTON-SMITH:** At what stage do you think, as Treasurer, these projects should come before the Public Works Committee, given that they are over \$4 million and they have been approved by cabinet?

**The Hon. K.O. FOLEY:** There is a process for going to the Public Works Committee that will be followed, I am sure. Are you suggesting that we are not following the process with Public Works?

**Mr HAMILTON-SMITH:** I am asking you whether it has been approved by cabinet and by you, as Treasurer, in cabinet?

**The Hon. K.O. FOLEY:** I do not think that these projects have come back to cabinet yet with a final contract. That is my recollection. I was absent overseas last week, and I missed a few cabinet meetings. I will not give a definitive answer, as it is an appropriate question for the Minister for Transport.

**The CHAIR:** I have to agree with the Treasurer. As to referral to Public Works, it would be a job for the minister responsible for the project—the Minister for Transport. That has been the practice in the past and will be the practice in the future.

**The Hon. K.O. FOLEY:** It sounds to me like he is asking questions on the fly.

**The CHAIR:** Order!

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.3 and an earlier question asked by the member for Schubert regarding commitments you gave publicly on 16 March on ABC Radio that you would not get rid of any jobs in the Public Service. You said that you had already answered this question in parliament. Can you tell us on which date you gave a definitive answer to that question in parliament?

**The Hon. K.O. FOLEY:** I do not know the date and how definitive the answer was. I simply say this: as I said after the election, on advice from the Under Treasurer we needed to make more provisioning for the health demands of our state, which required an exercise that required more capacity than I had expected during the election campaign. It was not about delivering our election promises but being able to deliver sufficient capacity within the budget to meet what we expected to be the health needs of the state over the course

of the next four years. It was a more substantial exercise than I had envisaged during the course of the election campaign.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.2. Given that the chief executives of departments have to meet their savings targets, what will be government's response if a chief executive says that these savings targets cannot be met through attrition and that targeted voluntary separation packages will need to be offered to meet the savings targets?

**The Hon. K.O. FOLEY:** I remember these questions specifically during the election campaign. I have said that we have used voluntary separation packages in the past; they are an appropriate mechanism for adjusting work force numbers within government. I do not recall closing the door to voluntary separation packages during the election campaign at all. We do not envisage, at this stage, that a voluntary separation package will be needed but, if it is, we will implement it. Let us see. We have attrition. We have given ourselves scope to implement both the shared services across government savings and the agency savings. If advice from agency heads or the Under Treasurer is that voluntary separation packages will be needed, we will consider them at that time. We are hopeful that they will not be needed, because they are an expense and, if one can avoid it, one will want to avoid that expense.

**Mr HAMILTON-SMITH:** You will not rule out TVSPs being offered in 2006-07?

**The Hon. K.O. FOLEY:** I have never ruled TVSPs in or out. I have acknowledged that they are an appropriate mechanism. Minister Weatherill made a reference to the shared services requirements and that there are no plans for voluntary separation packages. That is absolutely correct; there are none of which I am aware. The advice which I am given is that we have no plans, but if we reach a point where a voluntary separation package is necessary, then we will look at it.

**Mr HAMILTON-SMITH:** If targeted voluntary separation packages have to be offered or are offered, will the cost of these packages have to be met by departmental budgets without additional funding from Treasury?

**The Hon. K.O. FOLEY:** We are not at that point. As I said, we do not have plans for them. If we had plans for them in the future, then we will make those assessments and judgments then. I have to be honest with you, I am quite relaxed about voluntary separation packages. We brought one in to exit some 200-plus Public Servants prior to 30 June. We made that decision quickly: it worked well and it has been closed. Will we do it again in the future? Who knows?

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.34, under public sector employment numbers. The state budget papers show that from 30 June 2002 to 30 June 2006 there has been an increase of 8 885 full-time equivalent public servants. Can the Treasurer indicate the increase or the decrease in full-time equivalent terms in the following categories for the period 30 June 2002 to 30 June 2006: doctors, nurses, police and teachers?

**The Hon. K.O. FOLEY:** We will have to look at that question and endeavour to answer it.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 1.6, under employee expenses. Under the employee expenses line on this page it shows for 2005-06 a budget amount of \$4.78 billion and an estimated result in 2005-06 of \$4.992 billion. When the 2005-06 budget was released, the estimated result for 2004-05 was \$4.589 billion. What this shows is that when the 2005-06 budget was released, the

government was budgeting for employee expenses to increase from \$4.589 billion to \$4.78 billion, an increase of 4.2 per cent.

However, this budget shows that, for 2005-06, employee expenses are estimated to be \$4.992 billion, an increase of 8.8 per cent over the previous year's figures. Does the Treasurer now accept that employee expenses for the 2005-06 year have increased at a rate more than twice what was budgeted (that is, 8.8 per cent); and, further, does the Treasurer accept that these blow-outs in wage costs are due to a combination of unbudgeted increases in Public Service numbers and wage increases higher than budgeted?

**The Hon. K.O. FOLEY:** Obviously, I stand by the budget figures. Unlike the former Treasurer, I have not been shy in admitting that we can do things better, and that is why we have implemented a number of reforms within government to better manage work force numbers. Government and my budgets are always a work in progress. They are not perfect. They are the best that I have been able to do at a particular point in time, and I can do better and will do better.

**Mr GRIFFITHS:** Is it a combination of both increased numbers and also higher than expected wage costs?

**The Hon. K.O. FOLEY:** You can draw your own conclusions.

**Mr GRIFFITHS:** I refer to Budget Paper 4, Volume 1, page 3.29, under Treasurer consolidated account items and statement of cash flows. This page shows that the Treasurer's contingency provision for employee entitlements for 2005-06 was \$69.4 million, but the estimated result will be \$148.5 million. Is this blow-out in increased costs of almost \$80 million solely due to wage settlements above allowances, including in budget forward estimates, or are other factors also responsible?

**The Hon. K.O. FOLEY:** If you look, you will see that, in employee entitlement movement and also contingency provision the other way with supplies and services, there are some movements within those contingencies.

**Mr GRIFFITHS:** I have a supplementary question. How do supplies and services relate to employee costs?

**The Hon. K.O. FOLEY:** As I said, there were some various movements in contingencies.

**Mr GRIFFITHS:** I am not sure how the two are aligned.

**The Hon. K.O. FOLEY:** To protect the government's negotiating position we have moved contingencies. We do not want to be up-front in our budget papers with what we expect to be the wage outcomes of government, and we have mechanisms by which we can move some contingencies to meet the outcome of wage negotiations. I do not think that would be any different from the approach taken in previous budgets. I may be wrong, but my guess is that when Treasurer Lucas was involved in budgeting he would have had similar methods. We cannot publish what we expect to be full wage outcomes, otherwise we are seriously disadvantaged when it comes to negotiations.

**Mr GRIFFITHS:** In regard to contingency provisions shown in Budget Paper 4, Volume 1, page 3.29, given that the estimated result for 2005-06 for Treasurer contingency, employee entitlements, was \$148.5 million and the budget for this year will only be \$19.9 million, will the Treasurer explain the reason for having such a low contingency for employee entitlement this year, given recent performances?

**The Hon. K.O. FOLEY:** My advice is that there are fewer EBs to be negotiated this financial year than last and, referring back to my earlier answer, we have flexibility in our provisioning to ensure that we do not show our hand on what

we consider to be the expected wage outcomes. There will be fewer EBs to be negotiated in this budget than last year—it is a time factor.

**Mr HAMILTON-SMITH:** Those two questions, by way of supplementary question, relate to your performance in 2005-06 rather than your future negotiations. You point to future negotiations on EBs and put it up as a concern, but the two questions that have just been asked really point to what happened in the year just ended.

**The Hon. K.O. FOLEY:** I answered the questions put to me. What is your question?

**Mr HAMILTON-SMITH:** Forget it. I do not think you have answered either of the questions that have been put.

**The Hon. K.O. FOLEY:** They were historical questions.

**Mr GRIFFITHS:** Not the last question.

**The Hon. K.O. FOLEY:** Yes, and I have answered it. I said that we have fewer EBs this financial year and therefore less provisioning but, equally, if you read between the lines, we do not publish an exact contingency for wage outcomes. We do, but do not make it obvious. Otherwise, we might just as well put the budget out and say, 'We have budgeted X; you know what we have budgeted for and you can gouge that out of us.' I would like our budget wage outcome to come under what I have provisioned, to be honest. Sometimes it is a little over—I would like it to be a little under. I would be a mug to tip my hand to the unions: Rob Lucas and Stephen Baker never did it, as best I can understand. If that was not the case they can tell me. You would be a mug to publish what you are going to put out there as your wages contingency.

**Mr VENNING:** I refer to Budget Paper 3, page 7.7, Risk Statement, under the heading 'Higher than expected increase in wages and salaries'. The third paragraph under this section states:

Impact: If public sector wage outcomes are 1 per cent per annum above allowances in the forward estimates for forthcoming enterprise agreements the budget impact would be approximately \$169 million in 2009-10.

For 2005-06 were public sector wage outcomes above allowances that have been included in the forward estimates in previous budgets and, if so, by how much?

**The Hon. K.O. FOLEY:** I refer to what I said at the time of the budget. The wages outcome for government is a very serious risk to the budget; it has been so every year, but more so going forward. I have signalled to the trade unions involved that they have to expect fair outcomes within our capacity to provide them. We have the issues of supply and demand, and there is no question that in some areas, particularly in nursing and doctors areas, we have been subject to supply and demand pressures—and the member for Schubert, as a country member, would know that, as would Steve, as a former executive himself. You have pressures of providing vital government services, particularly to regional South Australia, and there is a supply and demand equation. How you get the outcome in that equation is a difficult exercise to undertake.

I am signalling to the trade unions involved in public sector work forces that the government will provide fair wage outcomes, but we do not have a bottomless pit of money and do not have the capacity to pay wages that sufficiently exceed our capacity. We will give fair wage outcomes, but we have to balance the need to provide fair outcomes with service delivery in the state. You can read into that what you like. We think we have provisioned sufficient for fair outcomes, and only time will tell whether or not that can be delivered.



**Mr VENNING:** I refer to Budget Paper 3, page 2.2, under the heading 'General government expenses savings'. Given that the Under Treasurer, Mr Wright, told *The Australian* and other journalists in the budget lock-up on 22 September 2006 that 1 571 jobs had been identified but that it was only a ballpark figure, can the government explain how it could be so precise that the number of jobs to go would be precisely 1 571?

**The Hon. K.O. FOLEY:** It is Treasury's best estimate as to what the FTE impact will be on the savings that have been provided by the agencies. It is not a precise figure.

**Mr GRIFFITHS:** But 1 571 is a precise number.

**The Hon. K.O. FOLEY:** Well, 1 570 is a precise number—any number is a precise number.

**Mr VENNING:** Fifteen hundred would have been an approximation.

**The Hon. K.O. FOLEY:** For the sake of the exercise we could have called it 1 600. Treasury has done a model, and the modelling has come out with 1 571. My guess is that it will be up or down on that number. We will see through the course of the exercise. That is their best estimate.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.34: public sector numbers. Are the 75 818 full-time equivalent positions that Treasury estimated as at 30 June 2006 funded positions or actual public servants working as at 30 June 2006?

**The Hon. K.O. FOLEY:** It is not a head count; it is an FTE (full-time equivalent) number. I am advised that that number has been reconciled to the salaries and wages budgets. They are FTEs; they are not a head count. More than one head may make up an FTE. It is cute the way the government talks in FTEs, is it not?

**Mr HAMILTON-SMITH:** I again refer to Budget Paper 3, page 2.34: public sector employment. Another document handed out to journalists in the budget lock-up stated that Treasury estimates SA public sector employment at 71 539 FTEs at 30 June 2006 and 72 534 FTEs at June 2010. A look at Budget Paper 3, page 2.34, reveals that the 71 539 figure relates to the general government sector. Will the Treasurer confirm that the 72 534 figure as at June 2010 is for the general government sector as well; and, if so, what are the estimates for the public non-financial corporation sector and the financial corporation sector as at June 2010?

**The Hon. K.O. FOLEY:** It is the general government sector. We have not done estimates for the non-financial corporations of government, but I assume that those numbers are published in their annual reports. We do not have estimates for those entities going out to 2010. That is a more complicated exercise, I would guess, given the nature of their businesses. That is not the focus of the budget. These entities provide dividends to government. They are not part of the general government sector and they are not part of the budget process as such.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 2.34: public sector employment numbers. The Public Service Association, in a press release dated 27 September 2006 entitled, 'PSA meets with the chief executive of the Department of the Premier and Cabinet', stated that in a meeting with Warren McCann, CEO of the Department of the Premier and Cabinet, it was said that there was a requirement that all positions at ASO level 6 and above, as well as other equivalent positions, be advertised externally or suspended from that date. Will the Treasurer confirm whether that is the case; and, if so, what was the rationale for the decision? Further, does

the Treasurer agree that suspending this practice may not result in the best people applying for positions?

**The Hon. K.O. FOLEY:** That is something that Warren McCann did. I think that, as we speak, he is being quizzed by the Leader of the Opposition in the other place. That is a question to put to him. Fancy asking me a question when the bloke is in the other room with the Premier! That should be put to the Premier.

**Mr VENNING:** I understand that all the PPP arrangements are negotiated by Treasury. Will the Treasurer inform the committee whether he would consider the further provision of new hospitals under this PPP arrangement, as is the case in Victoria? I refer particularly to a new Barossa hospital. I could not resist it, Treasurer.

**The Hon. K.O. FOLEY:** I thought we were going to get the Burra to Morgan road, or—

**Mr VENNING:** That is there.

**The Hon. K.O. FOLEY:** We have done that one, haven't we? Did we do that for you?

**Mr VENNING:** No, the previous government did: minister Laidlaw—\$19 million.

**The Hon. K.O. FOLEY:** Minister Laidlaw—that was when she sold those stained glass windows. I am bowled over by that question. That is the most difficult question I have had put to me all morning.

**Mr VENNING:** I am just being reasonable. PPPs are a big way to go.

**The Hon. K.O. FOLEY:** I am glad the member for Schubert said that PPPs are a big way to go. I thank him for his endorsement of government policy. I am not quite sure where we are at with respect to the Barossa hospital.

**Mr VENNING:** We aren't; there is nothing.

**The Hon. K.O. FOLEY:** There is a hospital in the Barossa.

**Mr VENNING:** Yes, but it's—

**The Hon. K.O. FOLEY:** There is more than one, I would guess.

**Mr VENNING:** There are two, but we were to build a new one. I want to know whether the Treasurer is able to say that, as a PPP, it is cheaper to build a new hospital than to run an old one.

**The Hon. K.O. FOLEY:** The member would probably have to put that question to my colleague the Minister for Health. I am not aware of any plans for the Barossa hospital. Certainly, no PPP is planned for the Barossa hospital that I have endorsed.

**Mr VENNING:** He has told me to talk to the Treasurer.

**The Hon. K.O. FOLEY:** John Hill did? There's been a bit of ping-pong between ministers?

**Mr VENNING:** One way or the other, we need a hospital.

**The Hon. K.O. FOLEY:** I cannot answer that question. As I said, that is the most probing and difficult question I have had all morning. I am stumped.

**Mr VENNING:** I just want it on the record. I have to keep trying, that is all.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 5, page 27: the Port River Expressway, stages 2 and 3. In the Capital Investment Statement, the estimated total is listed as \$175 million. However, a federal Department of Transport and Regional Services press release of 9 May 2006 states that it was a \$202 million project. Will the Treasurer advise why this discrepancy exists, and which figure is correct?

**The Hon. K.O. FOLEY:** I do not have an answer. It is a valid question, which I am sure the Minister for Transport would be in a position to answer.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 5.12: cash alignment policy. It is stated that a review of the cash alignment policy was undertaken in 2005-06, and the Treasurer approved changes on 12 May 2006. Some of the Treasurer's changes came about as a result of significant concerns expressed by CEOs and agencies about the lack of flexibility to cater for many common situations in the public sector in the Treasurer's original policy. Does the Treasurer now accept that his original policy lacked flexibility and that that was one of the key reasons why the policy had to be changed?

**The Hon. K.O. FOLEY:** Give me a break! Rob Lucas, when he was treasurer, had extremely lax official and internal management policies. I have brought in a raft of reforms with which I am very pleased, which have given us much better financial management.

**Mr GRIFFITHS:** I have a supplementary question. Will the Treasurer provide a copy of the revised policy?

**The Hon. K.O. FOLEY:** My guess is that it is on our web site. I am not going to do your homework for you. If it is not there, we will find you one. Have a look on the web site.

**Mr VENNING:** I refer to Budget Paper 3, page 2.11, savings and expenditure initiatives, and the savings initiatives listed on page 2.11 for department efficiencies and efficiency dividend. Will the Treasurer detail the specific measures and their costs that will lead to the total savings as outlined on page 2.11?

**The Hon. K.O. FOLEY:** We have outlined in more detail than previous budgets—and in more detail than any Liberal budget I can recall, although I stand to be corrected—the extent and nature of our savings exercises. There is an absolute mountain of information out there on the savings initiative. We have put them in our press releases, and we have put them in our budget papers. Again, I am not going to do your homework for you.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, Volume 2, page 6.22. The budget papers for the Department of Transport, Energy and Infrastructure show for each sub-program the net cost of each sub-program as well as the revenue and expenditure that comprises the net cost. For example, for sub-program 2.1, expenditure of \$265 million, revenue of \$115 million and a net cost of \$150 million is noted. This is the only portfolio where the budget papers show the revenue and expenditure lines that comprise the sub-program as net cost. Will the Treasurer advise why the transport, energy and infrastructure portfolio is the only portfolio to disclose this further information for the sub-program, and is the Treasurer able to provide the revenue and expenditure amounts for every sub-program listed in the 2006-07 portfolio statements for every portfolio?

**The Hon. K.O. FOLEY:** Good luck to anyone understanding that question. That is a question that should be directed to the Minister for Infrastructure.

**The CHAIR:** Is this page 6.22?

**Mr HAMILTON-SMITH:** Yes. The point is—

**The Hon. K.O. FOLEY:** We will take it on notice but, again, it is something that I would have thought the member would direct to the Minister for Infrastructure.

**Mr HAMILTON-SMITH:** The point is that that particular portfolio is presenting its information differently from the others and, as the coordinator of the whole program—

**The Hon. K.O. FOLEY:** All right; we will take it on notice.

**The CHAIR:** The member for Goyder.

**Mr HAMILTON-SMITH:** Before we move on, will the Treasurer give an undertaking that he will provide this additional information that is provided in the case of DTI for the other portfolios in future budgets?

**The Hon. K.O. FOLEY:** I will have a look at the rationale and reasons for it and come back with a considered answer. I cannot do any better than that. I do not know the answer; I have not looked through the issues.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 2.3, across government savings, and an answer provided by the Treasurer prior to the break in which he said that the \$30 million in ICT savings from 2005-06, which was in Labor's costing document, was incorporated into the \$60 million shared services savings in the budget. I refer the Treasurer to table 2.4 on page 2.3 and advise him that the \$60 million does not kick in fully until 2009-10 and that in 2006-07 the savings are nil. Does the Treasurer accept that the ICT saving in 2006-07 is zero?

**The Hon. K.O. FOLEY:** My advice is that we have not finalised those contracts, that we have been very conservative in the figuring we have put into the budget, and that we will adjust that accordingly when these things are let.

**Mr GRIFFITHS:** Conservative in the fact that the current year figure is zero?

**The Hon. K.O. FOLEY:** Yes. So, what is your point?

**Mr GRIFFITHS:** I am just surprised that there is no comment at all about what the projected savings might be.

**The Hon. K.O. FOLEY:** The advice is that we are still working through what those savings will be. We will get some savings but, for the purpose of the budget, we were very conservative. We put in zero, because we had not landed a number. So, there may be some upside for us in 2006-07 on that. However, Treasury is still working those numbers through, and we were not in a position to put them into the budget; they were not exact and consolidated numbers.

**Mr VENNING:** I refer to Budget Paper 5, page 33: Queen Elizabeth Hospital redevelopment, stage 2. On 21 September 2006, on ABC Radio, the Treasurer said:

Well, there's been no blow-outs on the Queen Elizabeth Hospital. We have had scope changes, and we have put more services, and we have reconfigured that hospital.

The 2002-03 budget (Budget Paper 5, page 24) estimated that stages 2 and 3 would be built for \$41.6 million. The 2003-04 budget, (Budget Paper 5, page 23), estimated that stages 2 and 3 would be built for \$60 million. In the 2004-05 budget (Budget Paper 5, page 22), the 2005-06 budget (Budget Paper 5, page 26) and the 2006-07 budget (Budget Paper, page 33) it was estimated that stage 2 would be built for \$120 million.

On 19 October 2005, when I was serving as a member of the Public Works Committee, we were advised that stage 3 was estimated to be \$197 million, giving a total of \$370 million for stages 2 and 3. Does the Treasurer still stand by his comments that there have been blow-outs on the Queen Elizabeth Hospital, and will the Treasurer detail the costs of all scope, services and reconfiguration changes that have increased the cost from \$41.6 million to \$317 million?

**The Hon. K.O. FOLEY:** Again, these are specific questions about specific projects and specific agencies. I ask the member to put that question to the Minister for Health. But I will say that, clearly, with the Queen Elizabeth Hospital, there has been scope change, which has added cost to it.

*Mr Hamilton-Smith interjecting:*

**The Hon. K.O. FOLEY:** Well, there has been. There have been increased scopes in—

**Mr HAMILTON-SMITH:** Saying that there has been increased scope changes is also a very good way to just bluster and cover over mismanagement from the outset, isn't it? You know, we will just change the scope.

**The Hon. K.O. FOLEY:** I am sorry, I am just trying to answer the member for Schubert.

**The CHAIR:** I think the member for Waite should show some courtesy to the member for Schubert.

**The Hon. K.O. FOLEY:** The member for Schubert has asked a valid question. I would ask for that question to be put to the Minister for Health. What I am saying—and I said this previously—is that there has been scope change in that project which has added significant cost to it.

**Mr VENNING:** As a supplementary question, is the \$197 million still the latest estimate for the cost of stage 3?

**The Hon. K.O. FOLEY:** That number is in our 2006 budget, is it? We have not published any numbers for stage 3. I ask for that question to be put to the Minister for Health.

**Mr HAMILTON-SMITH:** I want to go back a couple of questions to one asked by my colleague, the member for Schubert, about the savings and expenditures initiative in Budget Paper 3 at page 2.11. I think he asked the Treasurer about the savings initiative listed on page 2.11 for departmental efficiencies and efficiency dividend. I think your answer was, 'I am not going to do the opposition's homework for it. You can look it up yourself'—or words to that effect. I just want an answer to that question. I cannot see how you can flick off a simple question. You are listing millions of dollars' worth of savings from departmental efficiencies and efficiency dividends. What are they? How are you going to extract them?

**The Hon. K.O. FOLEY:** As I said, we have published more data on savings than any government previously (including our own). The .25 department efficiency dividends, which is compounding, is for CEs to match. It is for the CEs of each agency to work out how they will deliver those efficiency savings. I put a lot of prescriptive savings in. I have required agencies to give me a list of specific prescriptive efficiencies, but I have also included an efficiency dividend for each department that I want agency CEOs to implement. It is for those agency CEOs to manage. I do not have a list of those particular savings yet because I will be working them through.

**Mr HAMILTON-SMITH:** What about superannuation services efficiencies? There is a reasonable amount there. What sort of efficiencies do you hope to extract from superannuation?

**The Hon. K.O. FOLEY:** I am advised that Super SA is implementing some of its own efficiencies and is putting in place more efficient processes for managing our super, and they are the savings it expects to be generated from it.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 1.6 in respect of consultants. What was the total expenditure by government departments and commercial businesses on consultants in 2005-06, and what is the estimated expenditure in 2006-07?

**The Hon. K.O. FOLEY:** I thought that was one of your omnibus questions at the beginning.

**Mr HAMILTON-SMITH:** I am asking for an answer now.

**The Hon. K.O. FOLEY:** Sorry?

**Mr HAMILTON-SMITH:** It was not quite—

**The Hon. K.O. FOLEY:** You asked me an omnibus question at the beginning of this process and I said I would get back to you, and now you are demanding that I give you an answer. We do not have the final audited stuff for 2005-06, but you have asked me an omnibus question. Come on, Marty, it is a bit rough to hit me up now with it.

**Mr HAMILTON-SMITH:** So you are not answering?

**The Hon. K.O. FOLEY:** You have asked me a question that will require people to work on it.

**The CHAIR:** Order! The member for Waite asked that question at the very beginning of proceedings on the expectation that it would be returned back to him on 17 November. Now he is challenging the Treasurer to answer it immediately. Are you withdrawing your omnibus questions?

**Mr HAMILTON-SMITH:** No, I am not.

**The CHAIR:** Okay. Let us move on.

**Mr HAMILTON-SMITH:** That was not an omnibus question.

**The Hon. K.O. FOLEY:** You asked me the value of consultancies at the beginning of this process, did you not?

**Mr HAMILTON-SMITH:** No, it is a more detailed question. I do not think it was an omnibus question.

**The Hon. K.O. FOLEY:** You do not think?

**Mr HAMILTON-SMITH:** In fact, it was not an omnibus question. Will you take the question on notice?

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** All right, let us move on. I refer to shared services across government savings, Budget Paper 3, at page 2.3. Can the Treasurer advise the membership of the shared services review team, their names, position and the agency they are from?

**The Hon. K.O. FOLEY:** Sure. They are clearly running out of questions. They asked questions they have already asked and now they are asking for the names of public servants involved in doing something. I am happy to give you that information, for whatever interest and relevance it may have.

**Mr HAMILTON-SMITH:** So you will take that on notice, to provide the information?

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, Volume 1, page 3.9 and the government consolidated financial report. The matter I am raising relates to the preparation of the government consolidated financial report, which is published along with the report of the Auditor-General and which, this year, is dated 17 May 2006 on the department's web page. The Auditor-General continues to raise concerns in relation to 'the timeliness of the preparation of the whole of government financial report'. The Auditor-General states:

In previous letters Audit noted that there were a number of practical difficulties in preparing whole of government reports on a timely basis—eg, reliance (to some extent) on agencies providing accurate data to the Department of Treasury and Finance within a specified time frame. The 2004-05 whole of government financial report was submitted to Audit for verification on 16 December 2005, 29 days later than the date of the 2003-04 report was submitted.'

The Auditor-General then includes a table which shows that all other states and territories, except Tasmania, finalised their whole of government financial report in either September or October, not December. The Auditor goes on to state:

Notwithstanding the information in whole of government financial reports to be useful and relevant to users of such reports, it is important that the Department of Treasury and Finance continue to identify mechanisms to reduce preparation time of the South Australian whole of government financial report.

Treasurer, given that in estimates for the past two years (and, in particular, last year) you criticised every administration back to John Bannon for this matter, what improvements have been implemented by you, and why was the 2004-05 whole of government financial report submitted to Audit 29 days later than the date the 2003-04 report was submitted?

**The Hon. K.O. FOLEY:** As I said, this problem pre-dates this government, and it was a problem that bedevilled your government and you had the same problem. We are improving it. I am advised that the Auditor-General is happy with the improvements that we have made, but we do have further to go. I think that this is a valid criticism, and it is an area where we are working hard to improve. I think that we should be in a position to consolidate this information and report earlier. It is a failing, and we are endeavouring to improve it. It has bedevilled every government, yours in particular; it has us, but we are moving to try to rectify this problem.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 3.9, in respect of payroll tax. In its 2006-07 state budget submission, Business SA recommended that the payroll tax free threshold be lifted from \$504 000 to \$800 000. Can the Treasurer advise what the cost to revenue would be for each of the forward estimate years for the following changes to the payroll tax regime in South Australia: an increase in the threshold to \$650 000, or an increase in the threshold to \$800 000?

**The Hon. K.O. FOLEY:** I am not going to do your homework for you. That is asking me to cost some policy options for the Liberal opposition. You were a lazy opposition during the election campaign—

**The CHAIR:** Order!

**The Hon. K.O. FOLEY:** You could not get your act together with what you promised, and I am not going to make your job easier.

**Mr HAMILTON-SMITH:** Treasurer, that is absolute nonsense, as you know. You have said yourself that only Treasury and government have the financial data and resources available to accurately forecast tax projections and to carry out proper tax planning associated with variations along those which have been put by my colleague. It is a nonsense for you to argue that anyone can just run away and come up with this information; they simply cannot do it. On the question that you have been asked, Business SA has put something to you. You must have done some work on it. The question is simple, and it has come from not only us but also the public; and also from Business SA. You must have done the work; you have the data, the resources and an army of people there, and you have all the computer programs. It is very simple. What will those changes to payroll tax—

**The Hon. K.O. FOLEY:** I am not going to do the homework of an opposition. Do you honestly suggest that if I had said in the time that I was in opposition, 'Oh Rob, by the way, would you cost me some policy options?' that Rob Lucas would not have laughed at me? When we were in opposition, I actually went away and engaged some external advice and put together a quality piece of consolidated, well articulated and well thought through costings. You campaigned at the last election, and after having told us how you were going to cut land tax, you came out with this dopey policy that you were going to cut \$30 million or something from land tax (whatever the number was), and said, 'but I can't tell who's going to get it because I can't do the work.' You are a lazy opposition, and you were lazy during the election campaign. If you think I am going to do your work for you, you are sadly mistaken.

**Mr HAMILTON-SMITH:** How do you respond to Business SA? It has put the proposition. There is none.

**Mr GRIFFITHS:** No doubt this question will evoke the same type of answer, but business is talking to us and they want the question asked. I refer again to payroll tax, Budget Paper 3, page 3.9. Can the Treasurer advise what the cost to revenue would be for each of the forward estimate years for the following changes to the payroll tax regime in South Australia: one, a reduction in the payroll tax rate to 5¼ per cent and, two, a reduction in the payroll tax rate of 5 per cent?

**The Hon. K.O. FOLEY:** I am not going to do Rob Lucas' homework for him. He has been a lazy shadow treasurer over the past four years, and I am not going to do his work for him for the next four years.

**Mr HAMILTON-SMITH:** You do not want the information revealed because it will give the business community an argument—

**The Hon. K.O. FOLEY:** You can get the data and do your own calculations. I am not going to do your homework for you. What a lazy opposition!

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 3.10, conveyance stamp duty: first-home buyers. Can the Treasurer advise what the cost to revenue would be for each of the forward estimate years if the stamp duty on the conveyancing of property for first-home buyers was removed in South Australia?

**The Hon. K.O. FOLEY:** I have already said that publicly.

**The CHAIR:** I will also add that the opposition is asking questions which are out of order.

**The Hon. K.O. FOLEY:** They are, but I can refer them to an earlier answer I gave to the house. I think I said that Iain Evans said that the figure was something like \$20 million to \$25 million—I stand to be corrected about what he said. From memory, our estimates were around the \$70 million mark. Add that to your couple of hundred million of SA Water revenue that you do not want to spend on hospitals, schools and police, and you have yourself a \$270 million funding gap already. That is what you get when you are a lazy opposition if you just pluck these numbers out of the air and throw them into the mix without saying how you are going to pay for it. You are a lazy, irresponsible opposition, and you will not be taken credibly by business or the wider community until you can actually start to say how you are going to pay for these costings. It is bizarre the way you go about it, but it is probably why you did not get elected.

**Mr HAMILTON-SMITH:** Let us dwell on the issue you just raised about SA Water. There was \$270 million off the bottom line last year; I think your plan is to take \$211 million in the current year—record dividends from SA Water. It is extraordinarily more than five years ago, certainly in the last government's term. Where does it end, Treasurer? How have you set that figure?

**The Hon. K.O. FOLEY:** It is like he is sitting over a coffee table having a discussion with me. Look, these numbers are in the budget; they are being spent on schools, police and hospitals, giving tax cuts and paying off debts. If you do not want to spend the \$200 million plus that we get in dividends from SA Water on schools, police and hospitals—fine. That is valid; that is fair; but explain how you are going to pay for it. Cut this nonsense and rhetoric that we are swimming in cash. You explain to me by dissecting the budget from where you would cut \$200 million, and then we can have a constructive and informative debate with the public. You cannot keep getting away with this easy, cheap,

lazy politics by simply saying, 'Oh, let's do this.' Explain what you would cut to pay the money.

**Mr HAMILTON-SMITH:** How did you set that dividend strike rate?

**The Hon. K.O. FOLEY:** It is an ownership framework that has been implemented, publicised and understood by everyone, bar you.

**Mr HAMILTON-SMITH:** Well, it is not understood very well by the Auditor-General, either. What is your response, as Treasurer, to his criticisms in his report last year that, in effect, SA Water is borrowing to pay dividends to government? He is quite specific in his comments.

**The Hon. K.O. FOLEY:** Where did he say that? Give me the specific comments.

**Mr HAMILTON-SMITH:** Well, I am not going to do your work for you. Go and get the Auditor-General's Report and look up the page.

**The CHAIR:** Order! Would you please discuss the budget and not the 2005 Auditor-General's Report? Can we perhaps have some questions on the budget.

**The Hon. K.O. FOLEY:** You just said to me that the Auditor-General said something. I am just asking you to tell me what he said.

**Mr HAMILTON-SMITH:** In his report, the Auditor-General made it very clear that the government is, in effect, having SA Water borrow to pay dividends to government. You know this; I have raised it in parliament; and questions have been asked. If you have read the Auditor-General's Report, you would know it is in there.

**The CHAIR:** Order! This is degenerating into an argument. It has nothing to do with the budget papers in front of us. If the member for Waite wants to ask a question about SA Water, he is well within his rights to do so. He can get onto the committee and question the relevant minister. The Treasurer is not here to answer questions about the 2005 Auditor-General's Report.

*Members interjecting:*

**The CHAIR:** One at a time!

**Mr HAMILTON-SMITH:** I take that issue up with the chair.

**The CHAIR:** Hang on a second. Treasurer, do you want to respond to that?

**The Hon. K.O. FOLEY:** Yes; I do. I have no recollection of that statement, although that is not to say he did not say it. I have just asked the Under Treasurer and the Deputy Under Treasurer whether they are aware of that criticism, and their advice is that they are not. It may be that it is in there (we do not have the report in front of us), but you cannot ask—

**Mr HAMILTON-SMITH:** It will be here in five minutes; I will read it out to you.

**The Hon. K.O. FOLEY:** Good. Go and get it and read it out, and if it is there—and it may well be—then I will answer the question. However, I am not going to accept a paraphrasing of what you say he said in a serious probing of the Treasury. If he said it I am happy to respond to it, but until I can be given that paragraph I am not going to accept the question.

**The CHAIR:** I remind all members asking questions that the same rules that apply to parliament also apply to estimates. It is not appropriate or parliamentary to misquote *Hansard*, any annual reports or statements, so perhaps for the member for Waite's own protection he should get the actual report.

**Mr HAMILTON-SMITH:** I can assure you that—

**The CHAIR:** I am not having a go at you; I am just saying—

**Mr HAMILTON-SMITH:** Before we go on I would like to take up a point with you, Mr Chair. Can I talk for a minute; will you listen?

**The CHAIR:** Of course.

**Mr HAMILTON-SMITH:** Budget Paper 3 reveals a dividend payment to the Treasurer from SA Water.

**The CHAIR:** What page?

**Mr HAMILTON-SMITH:** I will get it for you.

*The Hon. K.O. Foley interjecting:*

**Mr HAMILTON-SMITH:** I am simply making the point. You just ruled that an SA Water dividend—

**The CHAIR:** What is the page?

**Mr HAMILTON-SMITH:** Are you listening or are you talking?

**The CHAIR:** I am asking for the page.

**Mr HAMILTON-SMITH:** Let me have a go and then ask your question. You just argued that an SA Water dividend payment to Treasury has no relevance to the Treasurer, that it was a matter to be asked of SA Water—

**The CHAIR:** That is not what I said. If you had listened, I said that the Auditor-General's 2005 Annual Report has nothing to do with estimates.

**Mr HAMILTON-SMITH:** Well, before you jump in and rule that dividend payments to Treasury from SA Water are not relevant to our discussions—

**The CHAIR:** I said the Auditor-General's Report.

**Mr HAMILTON-SMITH:** They are very relevant.

**The CHAIR:** Can we move on or do you want to continue this argument? I am happy for either.

**Mr HAMILTON-SMITH:** I am just making the point. You are very quick to dive in here; you are supposed to be an impartial chair—

**The CHAIR:** And I am trying.

**Mr HAMILTON-SMITH:** The Treasurer can answer his own questions.

**The CHAIR:** I am waiting for the page. No? Before we go on I advise the committee that we now have the South Australian Government Financing Authority and the South Australian Asset Management Corporation lines open. Do you want to change personnel? Does the opposition want to continue questioning on this line or does it want to have a few minutes on the other matters?

**Mr HAMILTON-SMITH:** Everything is open, so—

**The CHAIR:** Everything is open?

**The Hon. K.O. FOLEY:** Yes; do whatever you like.

**The CHAIR:** I advise the Treasurer and his staff that both lines are now open. So, Treasury and Finance, Super SA, the financing authority and the asset management group are all now open.

**Mr GRIFFITHS:** I refer to Budget Paper 4, Volume 1, page 4.6.

*An honourable member interjecting:*

**Mr GRIFFITHS:** We'll see. The budget papers seem to indicate that the Prudential Management Group is to be disbanded. Can the Treasurer confirm this, and if this is the case can he also advise what process will be put in place so that the work of the Prudential Management Group will still continue?

**The Hon. K.O. FOLEY:** We have disbanded the Prudential Management Group, but we have the major projects. We have an infrastructure group within the Department for Transport, Energy and Infrastructure, and Steven Page is heading up the project analysis branch to ensure that

we have good quality analysis of projects. From memory, the decision to disband prudential management was initially raised by the EDB in terms of improving government efficiencies.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 1.2, under 'Net lending target'. During estimates last year, when the Treasurer was asked about the change to the government's fiscal strategy target from a net lending target to a net operating balances target, he responded:

... we do have the capacity to take net lending deficits of a moderate level to fund infrastructure, and we should be aware that the rating agencies will view that as a loosening of our fiscal strategy. ... Treasury gave me sound advice that what we were doing was well within parameters to maintain a AAA credit rating but, of course, rating agencies. ... would have preferred us to maintain net lending surpluses.

The Treasurer continued:

... that is my point: we have pushed the envelope. If the opposition wants to push it further, it will cost us a AAA credit rating. ...

Given that last year's budget had net lending deficits totalling \$269 million over the forward estimates and this year's budget has net lending deficits totalling \$777 million over the forward estimates, does the Treasurer now accept that what he said last year was wrong?

**The Hon. K.O. FOLEY:** Not at all; it is entirely consistent. I have met with one of the rating agencies (I was away for the other, so the Under Treasurer and his team met with them), and my advice is that they are comfortable with our budget settings. I have responded on this. The opposition gets to walk both sides of the street: it wants me to spend more, borrow more, borrow less, spend less—whatever argument suits the particular line it wants to play on the day.

We have a modest borrowing program which is within our capacity and within the parameters to maintain a AAA credit rating but, yes, we are bumping up against it. I do not want to see, and I will not preside over, a significant debt binge by this government in any shape or form. Our borrowings will remain extremely modest.

**Mr GRIFFITHS:** The point we make is that lending deficits are projected to increase by half a billion dollars.

**The Hon. K.O. FOLEY:** They are within the context of our balance sheet and within the revenue and expenditure management of this budget. They are entirely acceptable to rating agencies; however, we have to maintain a degree of discipline. I cannot speak for rating agencies—ultimately they will make their assessments and put their statements out—but that is my assessment of what they are saying to me. However, we will have to wait and see what they say.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 3.16, under 'Tax effort ratios by jurisdiction'. Analysis of this table for the past five years shows that, over the period 2001-02 to 2004-05, based on the figures produced by the independent Commonwealth Grants Commission, South Australia's relative tax effort ratio has increased by 7.59 per cent, the second worst increase for the states and territories in this period. Based on the adjusted figures produced by the SA Treasury, South Australia's relative tax effort ratio has increased by 7.52 per cent, which is also the second worst for this period. Does the Treasurer now accept that South Australia has one of the two worst records of all states and territories in terms of increasing the tax burden on long-suffering taxpayers in the last four or five years?

**The Hon. K.O. FOLEY:** We have delivered more tax cuts than any government in the state's history. So that, for

a start, is nonsense. The table in Budget Paper 3, page 3.16, shows that per capita state taxation is one of the lowest in Australia. In South Australia it is \$1 842 per person; the Northern Territory, \$1 850; Victoria, \$2 132; New South Wales, \$2 323; ACT, \$2 354, and in Western Australia it is \$2 514. We are \$3 per capita higher than Queensland, and we are a bit higher than Tasmania. Of the combined states and territories, the average per capita taxation is \$2 138. We are \$1 842.

For Greg Kelton and *The Advertiser* team, if they are listening, that is a pretty good comparison as to where we sit. I have said publicly that I would love us to pay less tax. That is why I keep cutting taxes. Over time, we have to look at reducing tax, and that is obvious, but you can only do it within your capacity to do so at the time. Thank you for that dorothea dixer.

**Mr HAMILTON-SMITH:** Treasurer, it is not true, is it, that you have cut taxes? You are misinforming the committee.

**The Hon. K.O. FOLEY:** I am misleading the committee?

**Mr HAMILTON-SMITH:** Well, let us just look at the figures. You are referring to information provided in previous budget papers. There was \$2.193 billion tax revenue in 2001-02; \$2.431 billion in 2002-03; \$2.806 billion in 2003-04; \$2.916 billion in 2004-05 and, looking at Budget Paper 3, page 3.8, you have even exceeded your own budgeted \$2.862 billion: you are taking a massive \$2.981 billion this year. Looking at your forward projection, your tax take rockets forwards over the four years to \$3.409 billion in 2009-10. How stupid do you think people are when you go around saying you are cutting taxes? It is a total load of absolute bunkum. The only category of tax that shows any static characteristic is gain. It is all spelt out in Budget Paper 3, page 3.9. Your tax is going through the roof. To go around trying to tell people that you are cutting taxes is the biggest furphy, and it is disingenuous, lock, stock and simple.

**The ACTING CHAIR (Mr Rau):** The Treasurer does not have to answer all those questions, because I gather, based on comments that have been made before, that a lot of it is not relevant to the current budget papers. Obviously, it is up to the Treasurer what he chooses to do.

**The Hon. K.O. FOLEY:** Thank you, sir. I will be brief, because the member has essentially called me a liar, and I take offence at that. I have heard Peter Costello in this type of questioning. The economy is growing. I sometimes wonder why the Liberals continually leave Rob Lucas as the shadow treasurer in another place and do not give me a head-on opponent in the lower house. When I get questioning like this, I can see why they do not give Treasury to the lower house—because no-one has the bloody acumen to understand.

We have a growing economy and, when you have a growing economy, you have a growing tax take. I have cut taxes. I have cut individual taxes. We have cut IGA taxes. We have abolished taxes, but we have a growing, healthy, dynamic economy. The tax take grows. We have had growing property value. Over the past four years, we have had people experience some of the biggest capital gain they will ever experience in their lifetime. I have stood next to John Howard when he praised the economic growth of this state. When you have a growing economy and economic growth, you have increasing tax take. It is only when a government presides over a recession that you have a tax decline, due to declining economic activity. We have cut taxes: individual taxes have

been cut and abolished. We have a growing economy, and that is a good thing.

**Mr HAMILTON-SMITH:** Apart from the taxes you were forced to abolish as part of the national tax reform linked to the GST, you have virtually done nothing for tax.

**The Hon. K.O. FOLEY:** We have cut payroll tax. We have cut land tax. We have cut first home-buyers' mortgage duty. Come on—we were not forced by Costello; we agreed to do it.

**Mr HAMILTON-SMITH:** We will go around in circles on this. The maths of a Treasurer who stands up and says, 'I am cutting tax,' while seeing that graph of his tax revenue in each category go through the roof, just staggers belief.

**The Hon. K.O. FOLEY:** I can see why you are not the shadow treasurer.

**Mr HAMILTON-SMITH:** We will move onto Budget Paper 3, page 3.16.

**The Hon. K.O. FOLEY:** I am there with Peter Costello. He has the biggest tax take in the nation's history. He is the highest taxing federal Treasurer in the nation's history—hello!

**Mr RAU:** Put a dollar sign in a balloon and blow it up; it gets bigger.

**The Hon. K.O. FOLEY:** That is one of the great lines—sensational! Can I plagiarise it?

**Mr HAMILTON-SMITH:** It is a complete furphy that you have cut tax. You have been the highest taxing government this state has ever seen, and you are projected to remain so. I move on to Budget Paper 3, page 3.16, South Australia's relative tax effort. Table 3.9, 'Tax efforts by jurisdiction', provides an analysis for the past five years. It shows that, over the period from 2001-02 to 2004-05, based on figures produced by the Independent Commonwealth Grants Commission, South Australia's relative tax effort ratio has increased by 7.9 per cent.

**The Hon. K.O. FOLEY:** You have already asked me that question, and I have answered it.

**Mr HAMILTON-SMITH:** I do not think that you answered it very well.

**The Hon. K.O. FOLEY:** You are now asking the same question twice. You are running out of questions.

**Mr HAMILTON-SMITH:** If you are aware that the budget forecast for economic growth is the equal lowest of all states and territories in Australia (and gross state product in South Australia in 2006-07 is 2.5 per cent, which you seem to be arguing), do you recognise that there needs to be a change in this government's economic policies to help with South Australia's economic growth prospects?

**The Hon. K.O. FOLEY:** No, and nor do South Australians, which is why they overwhelmingly elected us at the last election. They preferred our economic policies to yours.

**Mr HAMILTON-SMITH:** The current level of growth is one which you are happy to see remain static.

**The Hon. K.O. FOLEY:** No, I want it to get higher, but we are a conservative bunch in Treasury. We are always a bit on the conservative side.

**Mr KENYON:** Look at their ties!

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 1.6, table 1.3.

**The Hon. K.O. FOLEY:** I am responding to the member for Newland's reference to Treasury. I said that they were a very conservative lot, and he said, 'Look at their ties'. Mate, have a look at yours, and look at your socks. You should never criticise anyone for their dress sense. What I can say is that one of the impacts that I thought the member for Waite

would have had some appreciation of—I am sure the member for Goyder does—is that we have a drought, some would say the worst drought in the nation's history. On the weekend I visited a farm in Paskeville, which is in the electorate of the member for Goyder, and my guess is that that is one of the better parts of the state. The rural community is doing it tough and there will be a significant reduction in economic activity as a result of the drought, and we are reflecting that in our GST numbers. That is something that is tragically unavoidable.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 1.6. Has the Treasurer reviewed the accuracy of his budget forecast for revenue and has he taken action to include more accurate revenue forecasts in this budget? By way of explanation, over the past four years, the Treasurer has underestimated revenue collections by an average of \$571 million per budget; that is, the difference between the actual and budgeted revenue collections.

**The Hon. K.O. FOLEY:** The day you give me a forecast in Treasury who gets it right every year, I will be pretty worried. I always want to be surprised on the upside, not the downside. We take a very conservative approach. Come on, look at what Peter Costello has forecast and what he has. He pulls a rabbit out of the hat at the end of the financial year—a \$4 billion surplus turns into a \$14 billion surplus. Treasurer Costello, just like every treasurer of every state of this nation, has been underestimating the revenue flows into Treasury.

It is due to the fact that the economy has run stronger and longer—the building boom, the construction boom, the housing boom—than anyone has forecast. That is a given. I am quite comfortable with the methodology we use for forecasting. I will not be so happy if, one day, we continually get it wrong the other way. We will get it wrong the other way from time to time obviously, but our capacity to forecast correctly on revenue is no better or worse than the nation's. In fact, on my advice, I think it is better than a number of other jurisdictions. It is certainly better than the commonwealth, I would guess.

**Mr HAMILTON-SMITH:** I return to the issue of SA Water. I draw this to your attention, Mr Chair, and also members opposite because they were bleating that they did not know. If members look at Budget Paper 3, page 6.6, they will see a budget line showing the relevant dividends from SA Water to the Treasurer. The estimate for 2005-06 is \$217 million and \$211 million for the coming year. I will also do the Treasurer's work for him because I am holding in my hand a copy of the Auditor-General's Report for 2005-06—

**The Hon. K.O. FOLEY:** It is not my work, it is your work: you are the one asking the questions.

**Mr HAMILTON-SMITH:** I will read an extract from page 11 of the Auditor-General's comments regarding SA Water, which affects the Treasury portfolio budget line. He says:

For four of the last five years net cash generated from operating activities has been sufficient to cover the net cash used in investing activities (essentially the purchase of property, plant and equipment and latterly the purchase of water allocations) but not sufficient to enable the payment of the level of dividend and the return of capital required by the Department of Treasury and Finance. As a result, the net borrowings of the corporation have increased to \$131.9 million over the last five years. Essentially the corporation is borrowing to fund part of its dividend payments to government and to fund its capital works.

You are having SA Water borrow to pay you \$217 million for dividends.

**The Hon. K.O. FOLEY:** Not at all.

**Mr HAMILTON-SMITH:** Will you or will you not continue the practice?

**The Hon. K.O. FOLEY:** Our dividends are based on profit. There is a difference between profit and the cash movement within the entity. My advice is that it is not correct to claim that increased borrowings are being used to finance dividends. The borrowing requirement of PNFCs reflects the combined effects of all its operating cash requirements and cannot be directly attributed to any specific item in its cash flow statement. Dividend payments from SA Water reflect SA Water's profit performance. The borrowings have been undertaken and are consistent with prudent gearing levels agreed under the capital structure policy. That is the advice I am provided with and that is the advice I am giving to the committee.

**Mr HAMILTON-SMITH:** Do you disagree with the Auditor-General?

**The Hon. K.O. FOLEY:** No, I am giving an explanation.

**Mr HAMILTON-SMITH:** You are saying that he is wrong. He says—

**The Hon. K.O. FOLEY:** I tell you what: we get to examine the Auditor-General's Report. That is last year's Auditor-General's Report. I assume we will get this year's Auditor-General's Report when we return to the house. You get an opportunity to quiz me on the Auditor-General's Report, so let us do it then.

**Mr HAMILTON-SMITH:** It is very relevant to your dividend extraction policies.

**The Hon. K.O. FOLEY:** I have just given you an explanation. I could not be more frank and up-front in answering. I have surprised myself with my openness today.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 5.12. In estimates on Wednesday 16 June 2004 you said:

... a cash alignment policy is a sensible thing to do. There is no reason for the Health Commission or DAIS to be hoarding large amounts of cash; there is no reason whatsoever. They have their expenditure authority and that is what they work to. . . The principle behind this policy is an important one to understand in that, in my and Treasury's view, large cash balances accruing in agencies leads to a temptation to overspend.

**The Hon. K.O. FOLEY:** Yes.

**Mr GRIFFITHS:** Budget Paper 4, Volume 3, page 12.29 shows that the cash and cash equivalence line for the Department for Environment and Heritage is now expected to increase to \$132 million, up from \$69.9 million in 2003-04. Also on this page, I note that the Department for Environment and Heritage has \$38 million in long-term borrowings with the Treasurer. Will the Treasurer advise why the Department for Environment and Heritage continues to hold large amounts of cash if it is meant to be holding only a fortnight's worth of cash, given the Treasurer's comment that there is no reason for agencies to be hoarding large amounts of cash?

**The Hon. K.O. FOLEY:** There are accrual amounts the agencies are provided with to meet their depreciation and things like long service leave. We will look at that answer and, if there is any more we need to provide, we will.

**Mr GRIFFITHS:** As a supplementary, why does the Department for Environment and Heritage have savings of \$38 million in long-term borrowings with the Treasurer?

**The Hon. K.O. FOLEY:** I will take the question on notice and come back to the committee.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 5.12. The Treasurer said, by way of a letter dated 21 February 2005 to the shadow Treasurer (Hon. R. Lucas), that,

of the cash of \$97.4 million held by the Department for Environment and Heritage in 2004-05, approximately \$89 million was held in the accrual appropriation excess funds accounts, and that these large balances such as for the Department for Environment and Heritage were one of the reasons the Department of Treasury and Finance was reviewing the arrangements of the accrual appropriation excess funds accounts in 2004-05.

The Treasurer on 8 November 2005 advised the house that the Department of Treasury and Finance would be releasing a formal policy on the accrual appropriation excess funds accounts by December 2005. Did the Department of Treasury and Finance finalise a review of the accrual appropriation excess funds account in December 2005, and what were the results of the review? Will the Treasurer provide a copy of the policy to the committee?

**The Hon. K.O. FOLEY:** We have already agreed we would. We thought it was on the web site, but we have been told it is not. We are still working on this policy, still refining it, and once it is completed I am happy to make a copy available.

#### Membership:

Mr Goldsworthy substituted for Mr Venning.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 2.34, Public Service employment numbers. The PSA in a press release of 27 September told the PSA meeting with Chief Executive DPC that in a meeting with Warren McCann—and you might want to flick this one off—of the Department of the Premier and Cabinet the requirement that the provisions of ASO6 level and above, as well as the equivalent positions—

**The Hon. K.O. FOLEY:** You have already asked this question Marty—you are embarrassing yourself.

**The CHAIR:** The member for Goyder asked this question. Perhaps you should coordinate with your members to ensure—

*Mr Hamilton-Smith interjecting:*

**The CHAIR:** Order! Perhaps you should coordinate with other members to make sure you do not ask the same questions twice and waste the time of the parliament.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 4.5, table 4.2, goods and services, which shows the GST for South Australia in 2005-06 is estimated at \$3 472 million. The commonwealth budget outcome released on 29 September 2006 states that the final provision of GST revenue for South Australia for 2005-06 is \$3 441 million. Will the Treasurer explain the \$30.6 million difference?

**The Hon. K.O. FOLEY:** We will get an exact answer on that. We think it may be to do with timing issues.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 4.6, the GST. Table 4.3 in the third column lists figures showing the net effect of GST amounts less than the guaranteed minimum amounts for the years 2005-06 to 2010-11. Will the Treasurer provide for each of the years between 2005-06 and 2010-11 the estimates for the GST and the GMA that are implicit in the figures in table 4.3?

**The Hon. K.O. FOLEY:** We will take the question on notice.

**Mr GOLDSWORTHY:** I refer to Budget Paper 3, page 3.10. Will the Treasurer provide the budgeted and actual amounts collected for stamp duty for the years 2004-05 and 2005-06 and a forecast for 2006-07, 2007-08, 2008-09 and



2009-10 for the following heads of duty: conveyance duty; mortgage duty, rental duty, cheque duty, and share duty?

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

**Mr GOLDSWORTHY:** So, you can't provide—

**The Hon. K.O. FOLEY:** I am not going to provide that information. I am not doing your homework for you. I am advised that those details may be in other documents, so I will leave you to find them.

**Mr GOLDSWORTHY:** All those duties I referred to were property related duties. I can put that same question for another two: stamp duty on insurance premiums, and stamp duty on motor vehicle registrations and transfers.

**The Hon. K.O. FOLEY:** I will give you the same answer.

**Mr GOLDSWORTHY:** I refer to Budget Paper 3, page 7.6, under 'Risk statement. Capital investment'. The first two sentences state:

A number of departments including Health and Transport, Energy and Infrastructure, have large capital investment programs over the forward estimates period. Historically there has been considerable cost escalation compared with original projections.

Can the Treasurer advise, for the following projects, what costing escalators were assumed when the project was originally scoped, what was the date of the original scoping and what costing escalators are currently being used? The four projects are the Northern Expressway, the South Road/Anzac Highway underpass, the South Road/Port Road tunnels and the South Road/Sturt Road underpass.

**The Hon. K.O. FOLEY:** I do not believe it is necessary for me to provide that information, to be perfectly honest. That is an internal working matter for government. The member can put that question to the Minister for Transport: it is his portfolio.

**Mr HAMILTON-SMITH:** The Treasurer is keen to put his arms around the Minister for Transport with respect to those projects. I will move on.

**The Hon. K.O. FOLEY:** The Minister for Transport and I are very close friends and close working colleagues, and he has my full, absolute, cuddly support. I would put my arms around him on any given day of the week—it might look a bit odd.

**Mr HAMILTON-SMITH:** Why can the Treasurer not provide the answers?

**The Hon. K.O. FOLEY:** Because I am not the transport minister. I do not have the answer: he does. Ask him. I would cuddle Pat Conlon any day of the week. It would not be a pretty sight. My partner would not get jealous; I know that much.

**The ACTING CHAIR (Mr Rau):** I remind the Treasurer that he is not talking about a certain building that caused a lot of controversy.

**The Hon. K.O. FOLEY:** I reject the notion that I would not cuddle my colleague. He is a cuddly bloke.

**Mr HAMILTON-SMITH:** I would have thought that, with respect to the financial planning linked to these major projects that are worth hundreds of millions of dollars, the Treasurer and his colleague would have worked together very closely.

**The Hon. K.O. FOLEY:** We work exceptionally closely. We sit next to each other in cabinet.

**Mr HAMILTON-SMITH:** And I would have thought that the Treasurer was very aware of the full financial details of the matters before him and would be able, as Treasurer, to answer the question—

**The Hon. K.O. FOLEY:** The member has not been in cabinet for more than three months; I accept that. Did cabinet

meet very often when the member was a minister? I do not have the cost escalators for a particular given road project. Does anyone have that in their head? I see a lot of blank faces. Those are the minutiae and the intricate detail for which line ministers are responsible. Sorry. But, please, I reject outright the suggestion I would not cuddle Pat. In fact, if I see him today, Marty, and you are around the place, I will cuddle him for you.

**Mr HAMILTON-SMITH:** Can we go on, now that the theatrics are over? I refer to Budget Paper 4, Volume 1, page 3.5, under 'Highlights'. Under this section for 2005-06 it states:

Provision of assistance to the Department for Transport Energy and Infrastructure (DTEI) in implementing strategic monitoring arrangements for capital projects throughout the State.

That is a highlight for the government. Can the Treasurer inform us what advice he provided to DTEI, who provided that advice, what led Treasury to provide the assistance and whether it was sought by DTEI? What assistance was provided to DTEI, and what has been the outcome of the assistance?

**The Hon. K.O. FOLEY:** We are working closely with the department for transport on its projects, as people would expect us to do. I do not know whether Mr Wright cuddles anyone over there, but we work closely with them—perhaps a little closer now than was previously the case; I do not know. However, we work closely with them.

**Mr HAMILTON-SMITH:** To go to the detail of the question, who provided the advice? Was it requested? What led Treasury to provide the advice? What assistance was sought, and what have been the outcomes? What is the connection between Treasury and the department, given that it has been listed as a highlight? Obviously, the Treasurer feels that quite a bit of work has been done.

**The Hon. K.O. FOLEY:** We work closely.

**Mr HAMILTON-SMITH:** What work?

**The Hon. K.O. FOLEY:** We work closely. I might let the Under Treasurer answer the question. Would the member like that?

**Mr HAMILTON-SMITH:** It is up to the minister.

**The Hon. K.O. FOLEY:** I do not sit in on these committees, the member might be surprised to hear. I will ask the Under Treasurer to provide the member with an explanation. It is about stop lights.

**Mr WRIGHT:** We have been working with the Department for Transport, Energy and Infrastructure to implement more effective monitoring of capital projects. On a periodic basis (I cannot recall whether it is three or six months), in consultation with DTEI, we survey agencies on progress against capital projects, and we ask them to classify whether they are on track, whether there are some problems or whether there are major problems. If they are on track they are green, if there are some problems they are yellow and if there is a major problem they are red. That is to alert cabinet about these matters and to try to minimise the capital underspending that has plagued government in general.

**Mr HAMILTON-SMITH:** Was that work and cooperation taking place throughout the whole of 2005-06, as indicated in the highlight?

**The Hon. K.O. FOLEY:** Yes.

**Mr HAMILTON-SMITH:** Would that not mean that Treasury, through that process, would be intimately aware whether any of these projects were running over budget from as early as mid 2005—the beginning of the financial year? Therefore, it gets back to the question of when Treasury

became aware that these projects were all blowing their budget.

**The Hon. K.O. FOLEY:** No; Jim Wright has just advised me that he was referring to projects which are being built—which are under construction. The South Road projects to which the member referred are not. These are projects that are being built.

**Mr HAMILTON-SMITH:** So, we have an arrangement for the provision of assistance, advice and communication between Treasury and DTEI for projects that have already been built, but the ones that—

**The Hon. K.O. FOLEY:** About tracking a project that is being built to make sure that it is sticking to the expected budgeted and contracted price.

**Mr HAMILTON-SMITH:** Once the project has been completed; is that right?

**The Hon. K.O. FOLEY:** No, during its phase of construction. Once a sod has been turned and the construction process is undertaken, the process to which the Under Treasurer just referred is a standard monitoring procedure.

**Mr HAMILTON-SMITH:** I am trying to get to the heart of how we can have this arrangement for projects that are under way but, somehow or other, we miss the fact that there is a \$250 million blow-out in the Northern Expressway and tens of millions of dollars of blow-outs along the South Road tunnel projects and the Bakewell Bridge.

**The Hon. K.O. FOLEY:** We do not miss them: we find out about them—that is the whole point. That is this whole thing about this ludicrous debate we have had about these projects. We have talked about cost issues relating to projects that have yet to be built. We have identified the price issues, and we have identified cost changes and cost movements before we contract and put them in place, and we are budgeting accordingly. It is actually a good thing that we are identifying these cost pressures before we go to contract so that we can budget for them and deal with them.

The process the Under Treasurer referred to is a monitoring process of the performance of a project once construction starts, which is eminently sensible. I tell you what: it is much better to find out about the cost of these projects before you go to tender and start building the things and get hit with these issues. Fancy if we did not identify these cost issues until we started constructing the damned things. We are right on top of this stuff.

**Mr HAMILTON-SMITH:** Tell that to the federal government when you ask for \$250 million to bail out—

**The Hon. K.O. FOLEY:** It is scope issues.

**Mr HAMILTON-SMITH:** As the Under Treasurer is answering the question, did this process provide an awareness of the cost blow-outs along South Road with the Bakewell Bridge and the Northern Expressway in 2005, and was that information passed to you, Treasurer?

**The Hon. K.O. FOLEY:** I have just told you that the process we referred to was about projects that are to be constructed or are being constructed. We will get a consolidated answer. I have just been advised that, when this process factors in, it does include projects that are committed to before construction commences. My advice is that we do not think the South Road projects were included in this process, because scoping was still being done, but we are checking for the member.

**Mr HAMILTON-SMITH:** In this process, is there monthly, quarterly, or periodic reporting?

**The Hon. K.O. FOLEY:** The Under Treasurer said that he thought it was six months, but I am told that it is actually

three times a year. I am advised that the first report for this process was in December 2005, and they are going to be reported three times a year. But we will get all of this checked for the member.

**Mr HAMILTON-SMITH:** So, there was some sort of a written reporting process to you, Treasurer, was there, in December?

**The Hon. K.O. FOLEY:** To cabinet, yes.

**Mr HAMILTON-SMITH:** A written report; okay.

**The Hon. K.O. FOLEY:** But, as I have said, we are checking, because we do not believe the South Road projects were in that. We do not know; we are checking that.

**Mr HAMILTON-SMITH:** In light of the fact that you have had this process, it is just amazing, isn't it, that we had no idea publicly that any of these projects had run over budget until after the March election. It is just amazing that it was the best kept secret in town until around about April, and then suddenly there were these massive revelations unfolding.

**The Hon. K.O. FOLEY:** Well, you can make those political statements. I have had a clarification, yet again. I have been advised, as the Under Treasurer explained, that they are projects that are committed and under construction. My advice is that the South Road projects were not part of that process because they were still being decided upon. So, there is no smoking gun there for you; sorry.

**Mr GRIFFITHS:** With the review that takes place three times a year, is there a minimum dollar figure or a length of time for a project to be undertaken? To me, four months seems to be an excessive period.

**The Hon. K.O. FOLEY:** Well, you can make that judgment. We think it is a sound process of monitoring these big projects. As I have said, my advice is that the South Road projects were not included in it.

**Mr GRIFFITHS:** But there is not a minimum dollar kick-in figure before this type of review takes place?

**The Hon. K.O. FOLEY:** There probably is a dollar figure. We would not be doing it for a \$2 million project, I would have thought. We call them major projects, but what the cut-off point is, I do not know.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, pages A15 to A17, particularly table A.11. Budget figures from this table this year and in previous years show that the government spending on public order and safety has fallen from 10.3 per cent of the total state budget in 2001-02 to 9.7 per cent in 2006-07. Does the Treasurer accept that this table shows that under this government spending on public order and safety has declined as a percentage of total spending and that this means that other works of the government have been a higher priority for spending?

**The Hon. K.O. FOLEY:** What a silly, silly question. This government will have increased the police force by 1 000 officers at the end of this term. As for public order and public safety, we put Nemer in gaol.

**Mr HAMILTON-SMITH:** That is not the question I am asking. I am asking: in regard to that table, has the spending, as a percentage of your total budget outlay—

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

**Mr HAMILTON-SMITH:** decreased?

**The Hon. K.O. FOLEY:** Obviously what I have put in the budget papers is the correct position. This is an interpretation of those figures that I do not necessarily agree with.

**Mr HAMILTON-SMITH:** So state budget spending has declined from 10.3 to 9.7 per cent.

**The Hon. K.O. FOLEY:** If it is in the budget papers, it is in the budget papers.

**Mr GRIFFITHS:** This is Budget Paper 3, page 1.2. Does the Treasurer accept that, on two of the three fiscal measures, the budget is in deficit for 2006-07 and across the forward estimates?

**The Hon. K.O. FOLEY:** This is the nonsense that has been run. Rob Lucas was the bloke who delivered negative deficit budgets for the four years he was in office. He had dodgy cash accounting methodologies. We have put full accrual accounting in place. We have a budgeting surplus on the important net operating measure. Honestly, the nonsense that Lucas ran with (which Matt Abraham was more than happy to push the barrow on and to run that line for Rob Lucas) is absolute—to quote the great John Olsen—‘arrant nonsense.’

**Mr GRIFFITHS:** The qualification that I wished to insert in the question before the Treasurer answered was that one of these fiscal measures was the Treasurer’s original fiscal target of net lending.

**The Hon. K.O. FOLEY:** That is right, and I adjusted it accordingly when I was in a position to do it, and it was accepted by the rating agencies. The rating agencies know that we are delivering operating surpluses. That is how they measure the performance of this government. We had a very tight net lending surplus fiscal target in our first four budgets to achieve AAA, to get the budget into alignment. We did that and we are able now to modestly increase borrowings to fund capital replenishment. This is from an opposition that, when in government, in some years spent less on capital than the depreciation rate. It ran down the capital stock of this state. We are now improving it.

*[Sitting suspended from 12.47 to 1.45 p.m.]*

#### **Additional Departmental Advisers:**

Mr A. Daniels, Chief Executive, SA Motor Sport Board.

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

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

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

Mr R. Emery, Secretary, Motor Accident Commission.

Mr K. Cantley, General Manager, South Australia Government Financing Authority.

**Mr HAMILTON-SMITH:** I want to put questions about the general Treasury budget and then switch to the other agencies that have come in now, including Super SA, SAFA and SAAMC.

**The ACTING CHAIR:** Sorry, just so that it is noted from the point of view of—

**The Hon. K.O. FOLEY:** Super SA, SAFA and SAAMC. Yes, we have closed Treasury off.

**Mr HAMILTON-SMITH:** Do you want to close Treasury off?

**The Hon. K.O. FOLEY:** That was the agreement; we said we would go until 1.45.

**Mr HAMILTON-SMITH:** Mr Acting Chairman, correct me if I am wrong, but Rob Lucas indicated that he talked to you. We have not got enough questions on those other agencies, if you like, to keep all the time, but we would like to go back to some general questions about Treasury.

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

**Mr HAMILTON-SMITH:** You said earlier that you were happy to throw it open and go wherever we liked in the time—

**The Hon. K.O. FOLEY:** Yes, I gave you until 1.45.

**Mr HAMILTON-SMITH:** Until lunch, yes.

**The Hon. K.O. FOLEY:** That is the agreement we had with your colleague.

**Mr HAMILTON-SMITH:** Yes, but it is not what you said when we started. You threw it open. You were making the—

**The Hon. K.O. FOLEY:** Yes, I gave you the floor. We had Super SA, SAFA and SAAMC due to be on at 12 o’clock. I said you could have the floor, which was agreed with your shadow treasurer, until 1.45. I dropped questions from my side. I could not give you more access than that. I have now sent officers back; our Treasury guys have gone.

**The ACTING CHAIR:** Members of the committee, as we understand it (and as the schedule which has been published in advance for this indicates), at the moment we are looking at Motor Sport Board, Funds SA and Motor Accident Commission. If there is no agreement to do anything otherwise, that is where the questions are now.

**The Hon. K.O. FOLEY:** That is the agreement I had with Rob Lucas.

**The ACTING CHAIR:** All right.

**Mr HAMILTON-SMITH:** What about Super SA, SAFA and SAAMC?

**The Hon. K.O. FOLEY:** Yes, we will do them now.

**The CHAIR:** Do members wish to ask questions?

**Mr HAMILTON-SMITH:** Yes. I refer to Budget Paper 4, Volume 1, page 3.5, targets and highlights. It includes for 2005-06 on this page a statement as follows:

Prepared a framework for a centralised funds management model for the SA public sector.

Under targets for 2006-07, it states:

Implement the framework for a centralised funds management model for the South Australian public sector.

Can the Treasurer provide an update on that process?

**The Hon. K.O. FOLEY:** I requested a review of the current model of the management of funds within the South Australian public sector, and that was undertaken by SAFA with Russell Employee Benefits (formerly Towers Perrin) providing a quality assurance role. Under the current funds management arrangement there is little or no cooperation or coordination of the funds management activity between the entities. The model is essentially a decentralised one.

A review recommended exploring further a move to centralise public sector funds management in South Australia. Following further exploration, a submission was put to cabinet recommending centralising public sector funds management in South Australia. The major benefits arising from a centralised model include reduced costs and managers’ fees—over 80 per cent of the costs—benefits from scaling through increased funds under management, and enhanced ability to attract and retain suitable staff. Increased size gives access to new investment alternatives such as private equity infrastructure and global head funds.

Some of these new investment alternatives have been important in contributing to the very good returns achieved by industry superannuation funds. Increased size provides greater flexibility for the selection of varying manager styles within and across asset pools and enhanced research capacity both with managers and investment opportunities. This, and the benefit of greater access, has become increasingly

important as funds continue to flow into superannuation, and local fund managers need to look overseas for suitable investments and, from a risk perspective, better monitoring capabilities with a central entity, rather than having funds management activities spread across a diverse range of entities.

Cabinet approved the centralisation of public sector funds management in South Australia on 22 May 2006. The process of preparing the draft legislation is currently under way. In the interim, with the changes to Fund SA's legislation in October 2005, Funds SA can now accept nominated funds from approved authorities—that is, non-superannuation entities—and public sector agencies with fund management requirements are being encouraged to use Funds SA as their investment manager.

**Mr GRIFFITHS:** What is the latest earning estimate for the year-to-date performance for Funds SA, and what was its earning performance in 2005-06? How does this compare with other funds as measured by any other comparable funds management index?

**The Hon. K.O. FOLEY:** I do not know whether Rob Lucas has his yet, but I got my triple S last night, and it showed me what Funds SA has been doing, and it is pretty impressive, to be honest. The Funds SA balance product has recorded investment returns for various periods ending 30 June 2006 as follows: over a one-year period, 17.6 per cent; over a three-year period, 16.1 per cent; over a five-year period, 8.8 per cent; and over a seven-year period, 9 percent. These returns are net of all fees and costs.

We do not have comparisons on hand, but I am sure that if you have a look at some published data you will be able to compare those. I am advised by Jim Wright, as a member of the Funds SA Board, that we are in the top quartile of top performers in the nation, which is very good. It is outstanding work by the management, the team, Helen Nugent as the chair of Funds SA and the board.

**Mr GOLDSWORTHY:** I refer to Budget Paper 3, page 6.6, table 6.2: government business' financial flows. Why is the \$7.7 million budgeted dividend from SAFA for 2006-07 down significantly from previous years? There was \$89 million in 2005-06, and \$37.6 million in 2004-05.

**The Hon. K.O. FOLEY:** A couple of budgets ago we returned a significant amount of capital that was sitting inside SAFA, so that was an abnormal return for that year for a number of years.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 4, pages 3.12 and 3.14, which deal with insurance and financing services. Can the Treasurer advise how the amalgamation of SAICORP and SAFA has progressed? In particular, has there been any reduction in the number of staff and, if so, how has the reduction been achieved—for example, by TVSP, non renewal of contract and transfer of staff to another job in DTF, and so on?

**The Hon. K.O. FOLEY:** Consistent with government policy to rationalise the number of boards and statutory authorities, the decision was taken to amalgamate the operations of the South Australian Government Captive Insurance Corporation (SAICORP) with those of the South Australia Government Financing Authority (SAFA). During 2005-06, as you would recall, legislation to effect the amalgamation of SAFA and SAICORP was finalised. This consisted of amendments to SAFA's governing legislation to expand its functions to act as captive insurer of the Crown and regulations pursuant to the Public Corporations Act 1993

to dissolve SAICORP and transfer its assets, rights and liabilities to SAFA.

The amendments to SAFA's legislation were passed by both houses of parliament in June 2006, and they came into operation on 1 July 2006. At the same time, SAICORP's establishing regulations were revoked, the corporation was dissolved, and the assets, rights and liabilities of the corporation were vested in SAFA. From 1 July 2006, the function of acting as captive insurer of the South Australian Crown will be carried out by SAFA through a separate insurance division, which will operate using the trading name of SAICORP. The amalgamation will not affect insurance protection provided to agencies or the relationships and day-to-day operations between SAICORP and its clients.

Similarly, the amalgamation does not affect the risks insured by SAICORP, and therefore it does not affect the risks for the reinsurers in the international insurance market. SAFA will include the insurance and risk management activities of SAICORP into its operational policies and procedures during the course of 2006-07. I am advised that there have been no staff reductions. It has been a smooth amalgamation. We have put a board member from the old SAICORP board onto the SAFA board.

**Mr GRIFFITHS:** My question again relates to SAICORP and its investment earnings. What is the latest earnings estimate for the year-to-date in the investment performance of SAICORP? What was its earning performance in 2005-06? How does this compare with other funds as measured by any other comparable funds management index?

**The Hon. K.O. FOLEY:** The total assets of SAICORP for 2005-06, I am advised, are \$257.2 million. The investment gain for 2005-06 was a return of 15.34 per cent, which is well above projections. The intention would be for this entity to roll its investment funds into the new centralised funds management organisation.

**Mr GRIFFITHS:** Do you have a comment in relation to its performance against other comparable funds?

**The Hon. K.O. FOLEY:** It is a passively managed fund, and it is very close to benchmarking the index, I would assume. It depends on the investment strategies that other funds have. We are quite happy with the performance.

**Mr GOLDSWORTHY:** I refer to Budget Paper 4, Volume 1, page 3.14: the SAICORP agency in relation to insurance and risk management arrangements. Have there been any exemptions from the insurance and risk management arrangements in 2005-06?

**The Hon. K.O. FOLEY:** Not that I am aware of.

**Mr HAMILTON-SMITH:** In light of the answer to that question, what is the Treasurer's approach to exemptions? Is there an exemptions policy? What advice would treasury give on the request for an exemption?

**The Hon. K.O. FOLEY:** I am advised that WorkCover and the MAC are exempted from SAICORP, although general government agencies are expected to use SAICORP. We have the ability to have an exemption but we are not aware of any being given in recent times. There are some contracts, such as for the Port Adelaide Maritime Corporation, which are entering into some insurance to cover contractors who are working as third parties for a government enterprise, and they would be insured separately from SAICORP. That is the best I can give you on that. I should point out that the Motor Accident Commission and WorkCover are insured through SAICORP as entities, but not for the individual underlying functions of their insurance such as motor accident insurance claims, etc.

**Mr HAMILTON-SMITH:** I move on to the Motor Sport Board—a subject close to our hearts, Treasurer, as we are both big supporters of motor sport—and refer to Budget Paper 3, page 6.6. Last year the Treasurer advised the committee that the construct and deconstruct costs of the 2005 event were, I think, \$8.5 million. Can the Treasurer provide an update on this figure for the 2006 event and an estimate for the 2007 event?

**The Hon. K.O. FOLEY:** It is \$9 million for the 2006 event, and we are expecting about \$9.4 million for 2007, depending on the final scope.

**Mr HAMILTON-SMITH:** Following on from that same budget reference, have the construct and deconstruct costs for the Motor Sport Board at this event involved any studies in the last year on the issue of permanent structures? What discussions have taken place in the last year between the South Australian Jockey Club and the Adelaide City Council in respect of the upgrade and possible replacement of facilities for both the SAJC and the Motor Sport Board? I would also be interested in the government's latest position in relation to these discussions.

**The Hon. K.O. FOLEY:** It is no secret that since 2004 the South Australian Motor Sport Board has been working with the Adelaide City Council and the South Australian Jockey Club on the potential future of the Victoria Park racecourse. The lease between the SAJC and the Adelaide City Council for the Victoria Park racecourse expired in August 2004, and it is understood that negotiations are taking place for the renewal of this lease between those entities. These negotiations have included the potential upgrade, improvement, and replacement of facilities for horse-racing at Victoria Park racecourse.

The Motor Sport Board will continue to advise and assist the SAJC and ACC on the proposed redevelopment to ensure that any proposal which may be forthcoming will be suitable for all users of the Victoria Park racecourse. I do not think it is any secret that the Motor Sport Board's preference would be for fixed grandstand facilities in Victoria Park, and it has had various proposals for such before government, council and other bodies. However, we are not in a position to comment any further on this at the moment.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 6.6, regarding the construct and deconstruct costs again. Constituents who live in the vicinity of Victoria Park have contacted the opposition with concerns in respect of the time taken to construct and deconstruct the facilities on Victoria Park and its surrounds. For example, we were advised that fencing through the parklands is constructed as early as the first part of January, but it serves no purpose as perimeter fencing security until such time as the declared period takes effect in March, when the Motor Sport Board takes over the area. After this event the fencing remains up for another two months—in fact, some of it is still in place from the last event. What processes are in place for the construct and deconstruct periods and, in particular, are there any time limit restrictions as to when fencing is allowed?

**The Hon. K.O. FOLEY:** We are not aware of any fencing that is still in place so, if you know where it is, let us know and we will check it out; it may not be ours. I am advised that the set-up time is five weeks less than for the Grand Prix and that it is done in a very orderly manner. I guess what the guys do now is what was done when you guys were in government. Obviously, they have to minimise any damage to our precious Parklands.

**Mr GRIFFITHS:** Are there formal time limits in place, before and after?

**The Hon. K.O. FOLEY:** We start in the first week of January and work through to March. Then we get it down as quickly as we can; it is down within five to six weeks. However, if there is some stuff still standing, could someone let us know where it is? We will go and get it.

**Mr GRIFFITHS:** But there is no agreement with the council or the residents in that area for a maximum period after the event for the fencing to remain?

**The Hon. K.O. FOLEY:** There is no formal time period; we do it as fast as we can.

**Mr GOLDSWORTHY:** I refer again to issues relating to the Motor Sport Board in Budget Paper 3, page 6.6. The annual report for the Motor Sport Board for 2004-05 shows that two employees visited the US, Europe, UK, the Middle East and China at a cost of \$39 000 for the purpose of business development and promotion. What overseas travel occurred in 2005-06 and what was the cost?

**The Hon. K.O. FOLEY:** I would like to make a clarification. Earlier, in answer to a question about SAICORP, I mentioned that WorkCover general operations were covered by SAICORP. That is not correct, on advice, and I apologise. That is something about which we are having discussions with WorkCover. Overseas travel is modest and necessary. I am advised that travel to the US was in relation to the overseas musical acts and artists we brought to Clipsal for the after-race concerts. Are you familiar with those?

**Mr GOLDSWORTHY:** No, I did not go.

**The Hon. K.O. FOLEY:** The after-race concerts are a major attraction to the event and are a significant boost to the numbers. The Motor Sport Board has been working with a client in the Middle East on the possibility of managing a V8 supercar event in the Middle East, for which we were paid. We are still having those discussions. In addition, the Chairman went to Shanghai for the V8 car race that AVESCO ran last year. I advise the committee that I intend to attend the V8 supercar race being held in Bahrain in November. It is a great opportunity for showcasing our motor sport events in the very important market of the Middle East. Given that we have television rights out of South Australia, and the Middle East and the Gulf states are a very important market to us, I will be visiting that race and wanting to further promote motor sport racing in that region.

We are still having active discussions with another government in the Gulf states on the possibility of managing a V8 supercar event on a fee-for-service basis. That is still some work we are doing. Tony Cochrane and AVESCO have a very ambitious program of growing their sport and growing it beyond the borders. They had Shanghai, but it was not reciprocated this year. The Middle East and the Gulf states offer great potential. They have plenty of money, and they are motor sport fanatics. A lot of Commodores, Mitsubishis and Camrys are driven around the streets of Bahrain, Dubai and other parts of the Middle East. It is an extremely important trading partner for us.

*Mr Hamilton-Smith interjecting:*

**The Hon. K.O. FOLEY:** I can rule out any motor sport event in Baghdad. We would probably be running around in Humvees, Bushmasters and whatever else.

**Mr HAMILTON-SMITH:** I congratulate the government on its management of that event. It has gone from something that was good to something that is better than good. You have taken it and improved considerably.

**The Hon. K.O. FOLEY:** Thank you.

**Mr HAMILTON-SMITH:** We do not have any more questions on the Motor Sport Board, so we move to the Motor Accident Commission. I refer to Budget Paper 3, page 6.6. Will the Treasurer indicate how the Motor Accident Commission funds management performed in 2005-06 and this year to date? How does that funds management performance compare with other comparable funds, as measured by any other comparable fund management index? Over the past year, has MAC funds management performance exceeded its own benchmark?

**The Hon. K.O. FOLEY:** Last year, the investment portfolio returned 10.2 per cent and outperformed the benchmark by 0.7 per cent. We will come back to you with some comparisons. Again, MAC has a more conservative portfolio than, say, some of the superannuation funds may have. It is a different type of business.

**Mr GRIFFITHS:** I refer to Budget Paper 3, page 6.6. What other properties are held by the compulsory third party fund, and have there been any acquisitions or disposals since 1 July 2005? Is the Motor Accident Commission satisfied with the investment portfolio performance of these properties?

**The Hon. K.O. FOLEY:** We are satisfied with the performance of that property portfolio. We will give a considered answer to the disposal and acquisition of any properties occurring in the last financial year and the list of what we own.

**Mr GOLDSWORTHY:** I refer to Budget Paper 3, page 6.6, regarding the solvency levels of the CTP fund. What is the current solvency level of the fund, and has the Motor Accident Commission proposed any legislative changes to the government? If so, what has been the government's response?

**The Hon. K.O. FOLEY:** I am pleased to say that the solvency of the Motor Accident Commission is outstanding. One of the best achievements of this government has been working with the board and the general manager, Geoff Vogt, in improving the performance of that entity. We are now, at the end of September, at a solvency level of 121 per cent. We have a prudential margin in there, and that is an outstanding position. That is why, in part, in the past two years we have reduced the premiums. It is an outstanding performance, and it is an extremely healthy organisation.

**Mr HAMILTON-SMITH:** Will the Treasurer tell the committee how the claims management process by Allianz is progressing? What have been the issues to date?

**The Hon. K.O. FOLEY:** We are very happy with it. It was a difficult decision, although it was an easy one in the end. The tender between Allianz and the previous provider was pretty close, but the board gave a strong recommendation to government that it was appropriate that we accept the Allianz bid. It was the right decision. The performance of Allianz has been very good. There has been a significant improvement in the management of the scheme. As at 30 June 2006, Allianz's proactive approach has seen a reduction in current claims by more than 20 per cent compared with last year.

Allianz's model of active claims management has contributed to the continued improvement in claims performance and, in turn, to the financial position of the CTP fund. Competition is good. We will go to the market again. In a couple of years, we will decide what process we will undertake. We can either exercise our option to renew or we can look at going back into the marketplace, but Allianz knows that we will expect outstanding performance and that

it will not automatically get a renewal of its contract; we will have to be convinced that it will offer better value for money. It has been a good arrangement.

**Mr GRIFFITHS:** Again I refer to Budget Paper 3, page 6.6. A Powerpoint presentation on the Motor Accident Commission web site in relation to the 2004-05 annual results presentation contains a chart that relates to new claims lodged by month. The opposition is asking for an update on this chart.

**The Hon. K.O. FOLEY:** We can provide that for you.

**Mr GOLDSWORTHY:** Referring to the same Powerpoint presentation—

**The Hon. K.O. FOLEY:** Which one was that, sorry?

**Mr GOLDSWORTHY:** On the Motor Accident Commission web site, there is a Powerpoint presentation.

**The Hon. K.O. FOLEY:** What on?

**Mr GOLDSWORTHY:** The Motor Accident Commission web site.

**The Hon. K.O. FOLEY:** What is the Powerpoint presentation on?

**Mr GOLDSWORTHY:** It relates to the 2004-05 annual results presentation. It is a similar question to the previous one. This presentation states that \$3.8 million was saved in 2004-05 from fraudulent and exaggerated claims. Can the Treasurer give us the figure for 2005-06?

**The Hon. K.O. FOLEY:** Yes; \$6 million from 90 claims investigated. Very good; we are up—you cannot cheat us.

**Mr HAMILTON-SMITH:** I refer to Budget Paper 3, page 6.6, again the Motor Accident Commission. On 14 September 2006, the commission put out a press release stating that 'a major study of the University of Adelaide Centre for Automotive Research has found that metal bullbars fitted to four-wheel drive vehicles increase the risk of serious injuries to pedestrians'. Does the commission have statistics on the number or proportion of metal bullbars fitted to four-wheel drive vehicles in South Australia or Australia as opposed to polymer bullbars; and is the commission proposing any changes as a result of the findings of this study?

**The Hon. K.O. FOLEY:** I am advised that no statistical data is collected on the number of metal bullbars versus polymer bullbars. We are attempting to alert the public to the dangers of metal bullbars and the risks they pose.

**Mr GRIFFITHS:** Again I refer to Budget Paper 3, page 6.6, the Schoolie's Week shuttle bus. On 23 November 2005 the Motor Accident Commission put out a press release stating that, for the fifth year, the commission was funding a shuttle bus service for the schoolies festival between Goolwa and Victor Harbor. Is the Motor Accident Commission proposing to do the same again this year, and has there been any research evidence supporting the effectiveness of the initiative?

**The Hon. K.O. FOLEY:** No. I am told that there have been no serious incidents, accidents or deaths since we have been providing this service. We are not absolutely certain what occurred prior to it, but I think it is commonsense that, if we have a free service, with a large number of kids getting a bit silly and no doubt hitting the turps, there is an ever present danger and it is a good thing to do that—short of banning Schoolie's Week.

**Mr HAMILTON-SMITH:** These budget lines are open until 3 p.m. I am happy with the questions that we have asked on the agencies. While the Treasurer and the Under Treasurer are here, I have some general questions I would like to ask. I understand that the Treasurer might need to take them on notice, if the other officers have gone—

**The Hon. K.O. FOLEY:** We closed those lines off, did we not, Mr Chair?

**Mr HAMILTON-SMITH:** No.

**The CHAIR:** We kept Treasury and Finance open past 12 to 12.45. The agreement was that Treasury and Finance would close at 12.45. It is now—

**Mr HAMILTON-SMITH:** No, hang on.

**The CHAIR:** Hang on, I am speaking. It is now 20 past 2 (or thereabouts) and the Treasurer has got the Motor Sport Board and the Motor Accident Commission.

**The Hon. K.O. FOLEY:** I have been pretty fair Marty, I have given you all the questions and I gave you an extension of time. This was the agreement. If you wanted to go later, then Rob Lucas should have asked me to go later and he did not.

**Mr HAMILTON-SMITH:** First, we have not signed off any budget lines. All these lines are open. All we did was adjourn for lunch. All these lines are open. We have another 45 minutes to run; all the budget lines are open. We have some other questions; the Under Treasurer is here. If you have to take some of them on notice, I understand that but, in the interest of openness, can we just rattle through them? If you can answer them, great; if you cannot, you can get back to us.

**The Hon. K.O. FOLEY:** No, I have given you an agreement. I cannot do any more than give you all the questions. If you wanted to go until 2.30 p.m., then Rob Lucas should have said that you wanted to go until 2.30, 2.45. I have sent officers back. I have been pretty fair Martin. You have to get your act together. You have to organise what you want, put it to me and we will decide whether we will agree to it. We had an agreement with Rob Lucas. We have kept to that agreement. If you do not have enough questions to go through until 3 o'clock, it is not my fault.

**Mr HAMILTON-SMITH:** I have plenty of questions to go through.

**The Hon. K.O. FOLEY:** No, you haven't.

**The CHAIR:** Order!

**Mr HAMILTON-SMITH:** I have about 20 here that I would like to run through.

**The CHAIR:** Order! I understand the frustration, member for Waite, because we were once in opposition. However, the government waived all its questions bar three. It gave the entire morning to the opposition to ask as many questions as it pleased on Treasury and Finance, and that was extended by 45 minutes because the original agreement was to 12. The Treasurer kindly agreed to extend it by an extra 45 minutes. We are now on the Motor Sport Board and the Motor Accident Commission. If you have no further questions, we will close the proceedings.

**Mr HAMILTON-SMITH:** Can I read out some questions on notice?

**The Hon. K.O. FOLEY:** No. Marty, you asked a whole lot of silly, political questions and made grandiose statements.

**The CHAIR:** The member for Waite has available to him questions on notice in the house and question time.

**Mr HAMILTON-SMITH:** If the government does not want to answer questions—

**The CHAIR:** You should have asked them.

**The Hon. K.O. FOLEY:** I cannot believe we are running out of questions, but you have not done your homework. Tell Rob Lucas to get his act together.

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

Department of Education and Children's Services,  
\$1 616 095 000  
Administered Items for the Department of Education and  
Children's Services, \$143 552 000

#### Membership:

Ms Fox substituted for Mr Kenyon.

Mr Venning substituted for Mr Goldsworthy.

#### Witness:

The Hon. J.D. Lomax-Smith, Minister for Education and Children's Services.

#### Departmental Advisers:

Mr C. Robinson, Chief Executive, Department of Education and Children's Services.

Mr R. Bos, Director, Financial Management Services.

Mr G. De Gennaro, Executive Director, Business and Resources Management.

Ms C. Williams, Assistant Director, Accounting and Financial Improvement.

Dr. J. Keightley, Chief Executive, Senior Secondary Assessment Board of South Australia.

**The CHAIR:** The estimates committee is a relatively informal procedure and as such there is no need to stand to ask or answer questions. The committee will determine an approximate time for consideration of proposed payments to facilitate the changeover of departmental advisers. I ask the minister and the lead speaker for the opposition if they can indicate whether they have agreed on a time for today's proceedings and, if so, to provide the chair with a copy. Changes to committee membership will be notified as they occur. Members should ensure that the chair is provided with a completed request to be discharged form. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 17 November.

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 to the minister's advisers. The minister may refer questions to the advisers for a response. I also advise that for the purpose of the committee there will be some freedom to allow television coverage by allowing for a short period of filming from the northern gallery.

I declare the proposed payments open for examination and refer members to the Budget Statement, in particular Appendix C, page C2, and the Portfolio Statement, Volume 2,

part 9. I call on the minister to make a statement if she wishes and to introduce her advisers. I call on the lead speaker of the opposition to make a statement if he wishes before calling on questions.

**The Hon. J.D. LOMAX-SMITH:** The Rann government has established a strong track record of investing in education and this budget confirms our long-term commitment to improving opportunities for young South Australians through education. We are a government that recognises that a quality education is essential if young people are to have better opportunities, better skills and a better start in life. As a government we want all young people to develop practical skills, sound values and real opportunities to achieve their best as citizens of South Australia.

Over recent years I have listened to hundreds of parents, teachers and students around the state: from Murray Bridge to the Riverland, Elizabeth to Ceduna, and Mount Gambier to Christies Beach. People have told me how much education makes a difference to the skills, hopes and aspirations of young people. They have also said that many great things are taking place in our schools and preschools. However, they have also said that we can and must do even better.

I am therefore pleased that the state budget for 2006-07 builds on our track record of strong support for Education and Children's Services. There is additional spending of \$76 million over four years for Education and Children's Services and we have again increased our overall investment with spending for students in our public schools being lifted to an average of \$10 496 per year. This means that the Rann government has increased per capita education spending by 38 per cent since the former Liberal government's 2001-02 budget. However, our investment and support provides far more than additional education dollars.

Indeed, this budget is of particular significance in the 131-year history of public education in South Australia, because it provides long-term reform and improvement of our schools and children's services both in the interests of children today and the children of future generations. It provides communities with a real opportunity to look at how we can be more creative and effective in harvesting available education dollars in the best interests of our young people and our state's future. That requires the government and communities to make bold and sometimes difficult decisions about where we might best direct our resources to effectively equip young people for the future. I make no apology for insisting that the department—and, indeed, the whole of government—examine how best we should spend available taxpayers' resources. We need to constantly examine what happens in our schools, because there are only so many hours in the day and we must ensure that the basics, such as literacy and numeracy, remain as priorities.

Some decisions require change, and that can be difficult. The opposition is quick to take cheap shots at the government and quick to demand that we spend more on this, that or everything and cut nothing. However, it was a Liberal government that closed more than 60 schools, with an appalling disregard for local community consultation, and it was a Liberal government that saw year 12 retention rates fall to an all-time low. Unlike the approach taken by the former government, the Rann government listens and works with communities, and will continue to do so, as we strive to further improve our schools and children's services.

Our measures to improve and invest more in education are based on listening to communities about local priorities,

sound educational research and consultation with people who know and understand our schools and live in local communities across the state. For example, I attended 17 community forums across South Australia to listen to hundreds of parents, teachers and others in communities about what they felt was needed for the future of our public education system in South Australia. We commissioned a major report into our early childhood services, which was the first significant review in 20 years. The views of more than 2 000 parents, early childhood staff and other community members across the state were heard as part of this review. In addition, the review of the state's senior secondary education system included more than 200 meetings involving over 1 600 individuals and about 170 written submissions. All of this helped to inform the directions that we are now taking during 2006-07 and beyond.

People told us that they wanted better schools and sound curriculum choices and, with that in mind, we have set a course for major renewal and reform of our schools and services through the Education Works investment strategy in school infrastructure and service delivery. From next week, I will embark on another series of community forums as part of our Education Works reforms. While we will not close schools without community support, we cannot afford to do nothing if we want better opportunities for our children. Our Education Works investment will deliver six brand-new schools and create opportunities to improve existing schools and children's services right across the state.

While Education Works focuses on buildings, the real value will be measured by better learning environments, so that teachers and support staff not only continue to deliver a good education to children but also that they do so in classes designed for the future, not the past. It will be measured by stronger integration of services that benefit children and families as well as by better subject choices and more effective use of education dollars. There is one additional impact of Education Works in that, by improving our schools and children's services, it will also strengthen the pride we have in our public education system.

As part of the Education Works investment we are also integrating services for young children and their families. People told us during our consultation that we needed to deliver early childhood services that took into account the reality of the lives of families with young children. We looked beyond the education department and across the government to health, family and other community services with a view to strengthening the delivery of services and meeting the practical needs of children and families by putting children at the centre of our service delivery and arranging services around them. Our new one stop shop children centres will do this, with 20 centres being developed across South Australia.

We also looked at the research, and recognised that investment and intervention in the early years is more effective than trying to solve problems in literacy, behaviour or health in later years. This year, we will invest a further \$10 million in long-term measures to improve literacy and numeracy in the early years, so that young people are better prepared for their primary and secondary years and beyond. We will also invest more to lower class sizes in the early years, with the provision of an extra 100 teachers over four years for year three classes. Across our schools we will invest more in behaviour management as part of our \$670 million enterprise agreement from this year, which delivers a 14 per cent pay rise to our valued teachers.



We will also continue our commitment to creating educational opportunities for students most at risk of dropping out of school, and this includes further investment in our school retention and engagement strategies. This support will also include an additional \$16 million over four years to assist non-government school students with special needs and those who, for a range of reasons, are disadvantaged. We are working across government, Catholic and independent school sectors to revitalise our senior secondary education system and support young people as they move from school to training or work. This includes the development of a new South Australian Certificate of Education that will build on the current SACE and equip young people with the skills, values and attributes required for life beyond school.

As part of broader school to work reforms, we will establish 10 new trade schools for the future. These centres will work with schools and industry so that young people develop work skills, and they will also help to address areas of skill shortage at the same time. In summary, these priorities are: new and improved schools; new one stop centres for young children and families; increased investment in teachers and small class sizes; more investment to improve our school infrastructure; better, wider subject choices; and stronger connections between school, training and work. All reflect the Rann government's priorities based on listening to South Australians, and a track record of commitment and increased investment for education. I look forward to working with communities across South Australia as we embark on this new and exciting era of reform and revitalisation of education and care for children in South Australia.

#### Membership:

Dr McFetridge substituted for Mr Hamilton-Smith.

**The CHAIR:** Does the member for Morphett wish to make an opening statement, or will we proceed straight to questions?

**Dr McFETRIDGE:** I wish to make a short opening statement, thank you. I formally welcome Christopher Robinson back to South Australia as the new Chief Executive. I met with Chris yesterday. He will obviously be fairly easy to work with, and he is a very intelligent and knowledgeable man. So, welcome, Chris.

There is no doubt that education is the most valuable thing we can give our children. While the Labor government has talked the talk, it has not always walked the walk. Even today, the announcements by the minister unfortunately show not a lot of planning and not a lot of substance. Hopefully, the number of issues we will be identifying in our questions this afternoon and this evening will be answered and will expand on the issues we have.

I will start with junior class sizes. My information is that at the start of the year these classes may have been getting smaller, minister, but, as the year progresses and finally ends in November, the class sizes are much larger than the government indicated. In fact, small class sizes are only a very small part of the school year. No-one doubts that healthy eating is very important. Childhood obesity is a huge problem, but, when we have teachers stopping children from eating the food from lunch boxes packed by parents, coming between parents and their children, that is going too far. Most reports show that increasing physical activity is the most important part of reducing the obesity problem, and we look forward to seeing increased emphasis on physical activity in

schools. The student behaviour strategies in the budget are long overdue, but they should not include fencing around new facilities for students with disabilities at Henley High School.

The \$76 billion extra in the budget is welcomed, but not when it is offset by over \$170 million in cuts. Increased spending per capita is quite correct, but there are thousands fewer students within the public school system, with a huge drift still continuing to the private school system. I know that that is something that many principals and teachers are aware of, and they have spoken to me about it, and they will do their very best to try to stem this drift away from public schools.

A better education had better incorporate a world competitive educational qualification as its highest accomplishment. I look forward to seeing how the \$54 million for the implementation of the SACE is spent. So far there is no firm program, with huge concerns being expressed by parents, educators and universities about the dumbing down of secondary education.

We are getting six new schools, one a super school and the others mega schools, at the cost of at least 17 school closures. Let us not forget the history of the Bannan Labor government closing 63 schools, with the loss of 1 081 teacher and SSO positions. So, no-one is free from some blame for what has happened to South Australian education. We all need to put our heads down and work together. The PPPs for the six new schools are yet to be initialised, with \$134 million of that \$216 million coming from private partners and \$30 million from school land sales. As yet, there is no firm location or configuration, so it will be interesting to see what planning has gone into these new schools, or are we looking for budget blow-outs there?

There are to be 10 new trade schools, but only \$2.9 million is budgeted for this year, which is not enough to build a tech studies centre. There are to be 10 childcare centres, but only \$1.5 million is budgeted for this year. The 2002-03 social inclusion money for school retention has obviously failed, if you listen to federal Labor, compelling our young children to stay at school until year 12. At the moment we have seen legislation introduced to compel 17 year olds to stay either at school or in training, or work, if they can get it, with a youth unemployment rate of 24 per cent in some areas.

We have \$560 000 for Art Smart, but what does the minister call instrumental training? Cutting such a program is far from smart. It is also obvious that we need a science smart program, with the closure of the Investigator Science Centre; just ask Andy Thomas and Barbara Hardy. I know the minister is not responsible for that now, but she was the science minister at the time of its moving to Regency Park. We have a government drowning in GST and property tax, yet we see cuts to the aquatics program that is potentially putting children's lives at risk; not smart thinking again.

Education spending is being tailored in 2007. The way in which the budget cloth is being cut means over \$170 million in budget cuts in education. We have heard 'suffer the little children', but now it is suffer the little schools, with \$6.8 million in cuts to small schools. Other budget cuts include: \$17 million from restructuring DECS state and district offices; \$16.9 million will be found by cuts to unattached teachers numbers; and \$16.9 million saving over four years by schools taking over the management of their own workers compensation obligations. Schools will lose \$18 million in interest on school bank accounts. Efficiency dividend targets for the education department amount to \$36 million over four years. As I have said, small school

program cuts of \$16 million over four years will see further cuts to programs such as music, swimming and aquatics. Grant payments to schools will be cut by \$6.8 million over four years, and TVSPs totalling over \$13 million are also in the budget for the next four years. I look forward to some full and frank answers this afternoon.

**The CHAIR:** For the committee's information, from 3.15 to 3.45 we are dealing with SSABSA, non-government schools, Department of Education and Children's Services (DECS) and administered items appropriation line.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.36, financial commentary, non-government schools per capita grants. It states that the increase in expenses of \$16.9 million between the 2005-06 estimated result and the 2006-07 budget is primarily due to the increase in non-government schools per capita grants of \$15.8 million. Were all these capital grants authorised by the minister, and have there been any other grants payments made to non-government schools, and were they authorised by the minister?

**The Hon. J.D. LOMAX-SMITH:** I believe that all grants to the non-government sector are authorised by me, but there are some delegations, and those delegations are authorised by me as well.

**Dr McFETRIDGE:** I point out that the Auditor-General picked up in his report last year that there were many grants that were not authorised by the minister, and he said that they should all be authorised by the minister. In relation to the same reference as my last question, is the minister aware of when non-government grants are paid, and how is the minister ensuring that there will not be and has not been a doubling up of non-government school grants payments?

**The Hon. J.D. LOMAX-SMITH:** I am sorry; I misheard that. You think we pay them twice? Double up, did you say?

**Dr McFETRIDGE:** Yes. That there will not be and has not been a doubling up in non-government school grants payments.

**The Hon. J.D. LOMAX-SMITH:** If you have any evidence that any non-government schools have double dipped and paid twice, I would be grateful if you could give it to us.

**Dr McFETRIDGE:** I refer to last year's Auditor-General's Report, which states that \$100 000 was earmarked for non-government schools and was paid out, and money was provided in the budget.

**The Hon. J.D. LOMAX-SMITH:** I do not believe we have double payments. Is there any evidence on that?

**Dr McFETRIDGE:** It is in black and white here from the Auditor-General.

**The Hon. J.D. LOMAX-SMITH:** I am very happy for a member of the administration to discuss it.

**Ms WILLIAMS:** As the commonwealth grants come in they are paid out within seven days. On a monthly basis they are reconciled to make sure that they go through a specific account to ensure that what comes in goes out directly within seven days. It is reconciled after each payment.

**Dr McFETRIDGE:** I refer to the cash flow statement in Budget Paper 4, Volume 2, page 9.37. Why have payments to SSABSA for supplies and services reduced by \$437 000 between the estimated result in 2005-06 of \$4.02 million and the budgeted figure for 2006-07 of \$3.583 million?

**The Hon. J.D. LOMAX-SMITH:** This is in the forward estimates for this year. I will ask Dr Keightley to explain that to you.

**Dr KEIGHTLEY:** Yes. In the budget papers, SSABSA is required to return some efficiencies and, for convenience,

it came off that goods and services supplies line, but we have just been granted approval by Treasury to readjust those as journal entries so that they better reflect where the savings will actually take place. They will not all come off that line.

**Dr McFETRIDGE:** Do we know where the savings will take place? Are you able to identify those?

**Dr KEIGHTLEY:** Yes, we do.

**The CHAIR:** Order! All questions will go through the minister.

**Dr McFETRIDGE:** Minister, are you able to identify what those cuts will be?

**The Hon. J.D. LOMAX-SMITH:** My understanding is that they will be in clerical areas.

**Mr RAU:** What has the government been doing to address the issue of schoolyard bullying in South Australian schools?

**The Hon. J.D. LOMAX-SMITH:** Tackling schoolyard bullying and making schools safer is a major focus of the Rann government. It is reported that one in six students in Australia report being bullied in some way on a weekly basis, and we have taken steps to change this terrible statistic because of the significant impact it has on children's lives. The Rann government's coalition to decrease bullying, harassment and violence in South Australian schools has been working on a number of initiatives, including activities for National Safer Schools Week (the two-day conference held in June this year), professional development for teachers, doubling the number of counsellors in primary schools as an important outcome.

During National Safer Schools Week, 250 South Australian students from both government and non-government schools voiced their views about safety in schools, with 100 students also being involved in making short videos that could be sent to mobile phones with Bluetooth capacity. On the second day of the conference these students showcased their videos. These superb videos are now available for viewing on the coalition's web site. This coalition is committed to reducing bullying, harassment and violence in our schools by supporting the training and development of staff across all education sectors, supporting research, supporting the coordination of state and national initiatives, and sharing best practice that is informed by current research.

DECS has collaborated on a number of projects with the members of this coalition, including the production of a video and a booklet for secondary schools entitled 'Stories of Us'. In August 2005 Professor Cross and Erin Erecg, leaders of the Friendly Schools and Families Program (which assisted Western Australian primary school communities to implement strategies to improve student social skills and reduce bullying), visited South Australia and trained 40 key departmental staff in their program. Approximately 300 teachers were in-serviced in this program in one-day workshops throughout South Australia. The training was organised by DECS, and non-government sectors were invited to participate as part of our commitment to the whole of our schooling community. We are aware that bullying can happen in any school and we want to ensure our teachers have access to the latest methods to handle these incidents. South Australia is leading the country when it comes to addressing schoolyard bullying.

I am proud to say that all South Australian schools now have an anti-bullying policy in place. In 2005-06 support for government schools in managing bullying incidents was provided through the government's \$12 million investment in extra counsellors for primary schools, extending counsellor services to nearly double the number of primary schools

compared to 2002. We also started training more than 750 school counsellors and student welfare staff, including 36 behaviour specialists across 18 districts, in specialist child protection support, which is funded through the \$2.1 million Rann government investment over four years.

Under the four-year, \$670 million deal for education through the enterprise bargaining process, the Rann government also provided an investment in teacher training initiatives, such as anti-bullying and child protection. More recently was the announcement of our \$10 million student behaviour program to help South Australian schools deal with difficult and disruptive students in the classroom, which comes as part of the enterprise agreement. This significant investment will drive forward our commitment to reducing bullying in South Australian schools and will ensure that our children feel safe in their school environment.

**Ms FOX:** Minister, how will the new children's centres being funded in the 2006-07 budget benefit families with young children?

**The Hon. J.D. LOMAX-SMITH:** I thank the member for her question. Our children's centres are a practical example of the Rann government's approach to ensuring that services provided by government are tailored to meet the real, everyday needs of parents and families with young children. Parents, especially those with babies and young children, some of whom may be in child care and others at school, know that it makes good sense to connect services such as school, health, child care and so on. Rather than having to drop a child at child care and then travel to a school or a health centre, children's centres offer a one-stop location for a wide range of education and children's services. This offers a practical and family friendly service that just makes life easier for busy parents. Indeed, many parents and staff in our schools and preschools said that they wanted better integration of services for families and children when we carried out a recent major review of children's services. The centres are one of the concrete outcomes that have arisen so far from that review, and our strategic approach of working across government to ensure services are responsive to the real needs of families.

Over four years, funds of \$23.3 million are allocated for construction and allocation of a further 10 children's centres, bringing the total number of centres being established across the state to 20. The strategic objective of a children's centre is to develop a universal, integrated and accessible early childhood system that promotes and improves the health, education and care of young children. The 20 centres will include a total of 600 new community managed child care places, staffed by teams that include teachers, child care workers, allied health and family support professionals.

The kinds of services provided will vary from centre to centre because they will reflect the needs of individual communities. That means that the centres will include education and care services for children from birth through to the early years of schooling with information and support for parents and health services, such as immunisation, health checks, allied health services and child and youth health, as well as mental health support for children. There is real synergy with this idea of integrating services with our broader educational works investment, which involves working with school and preschool communities to examine how we might combine, integrate, improve and invest in our schools. Indeed, most of the centres are located on or near schools, making it easier for children to progress from home through to childhood care, through to school and beyond without the

difficulties of those transitional periods. That makes sense to parents, and makes effective use of available resources and skilled staff, while also reinforcing our commitment to work with communities in the best interest of children and their families.

**Ms BEDFORD:** My question relates to Budget Paper 4, Volume 2, page 9.6. How is the ARTSsmart initiative progressing in our schools?

**The Hon. J.D. LOMAX-SMITH:** ARTSsmart supports student engagement and achievement in the arts, and is another example of how we are working across government to make sure that young people get the best possible start in life. ARTSsmart is an unprecedented initiative in Australia in that it brings about the collaboration between education and the arts. It is specifically designed to secure a central role for the arts in the intellectual and cultural development of young people. The main purpose of the strategy is to build strong and effective partnerships between schools, the arts industry, arts practitioners, as well as performers, visual artists and administrators.

ARTSsmart was officially launched in 2003, and confirms the government's commitment to education in the arts over the longer term. Some positive achievements include increases in student engagement, improvement in their understanding of the arts, successful use of the arts to promote problem-solving and learning across various areas of the curriculum, improvement in children's behaviour and self-esteem, and better engagement with parents. ARTSsmart has enabled in excess of 8 000 students in disadvantaged schools and preschools to work with over 90 artists on high-quality projects. In addition, the ARTSsmart program has supported nearly 5 000 disadvantaged students to attend a live professional performance in the theatre. For many students, this is their first such experience. In recognition of the important role in early childhood education, ARTSsmart remains the only statewide arts initiative to include preschools and early childhood centres as active participants.

ARTSsmart supported the recent published Windmill Performing Arts Children's Voices Research Project into the impact of live theatre on young children conducted by Wendy Schiller, Director of the Early Childhood and Family Studies Research Group at the University of South Australia. The Children's Voices Research Project has received strong interest Australia-wide and internationally, and was profiled at the UNESCO World Arts Education Conference entitled Building Creative Capacities for the 21st Century in March of this year in Lisbon. The government has allocated \$960 000 funding over the next four years to extend the ARTSsmart initiative. DECS has committed a total of \$560 000 over four years from 2006 to 2010, with Arts SA contributing a total of \$400 000 for the same period. DECS and Arts SA are currently consulting with the ARTSsmart steering group to finalise priorities for the next phase of this program.

A new, broadly based ARTSsmart advisory committee, with representation from the arts and education sectors and the wider community, will be established at the beginning of 2007 to build on the achievements to date and help take ARTSsmart to the next level. A key objective will be to significantly strengthen and extend ARTSsmart's impact across the state. We anticipate that there will be more opportunities for students in a wide range of schools and preschools to learn in and through the arts and more opportunities for South Australian artists to work with students and teachers. Planning is also underway to develop a quality

assurance scheme which will recognise schools and artists who meet a set of ARTSsmart criteria as ARTSsmart schools and artists.

I am very pleased that this program has received recognition for its work, particularly in places such as Kaurna Plains School. Earlier this year, Kaurna Plains School, an Aboriginal reception to year 12 school, gained ARTSsmart status, and was announced the overall Australian regional winner in the annual Kid Witness News New Vision Arts Contest. Kaurna Plains School also won an award for best South Australian school entry and was one of five National Spotlight Award winners before finally being awarded the overall Australian regional winner.

Kaurna Plains School is now invited to attend the Asian awards in Malaysia in December. Panasonic will fund two students and a teacher from Kaurna Plains School to attend the awards. The students, as you can imagine, are absolutely thrilled by their experience of not only receiving national recognition in the presence of students from around Australia but also of being given the opportunity to fly to Melbourne and, now, overseas. Kaurna Plains School's win is just one example of the potential for success through the ARTSsmart strategy and this government's commitment to making arts an integral component of the education curriculum.

#### **Additional Departmental Advisers:**

Ms S. Thompson, Executive Director, Early childhood and Statewide Service, Department of Education and Children's Services.

Ms J. Riedstra, Director Infrastructure Management Services, Department of Education and Children's Services.

Ms J. Day, Executive Director, Service Delivery, Department of Education and Children's Services.

Ms T. Winter, Assistant Director, Disability and Statewide Programs, Department of Education and Children's Services.

Mr T. Woolley, Executive Director, Office of Primary, Middle and Senior Secondary Services, Department of Education and Children's Services.

Mr. G. Dodd, Manager, Information Services, Department of Education and Children's Services.

Ms M. Evans, Executive Director, Office of People and Culture, Department of Education and Children's Services.

Ms M. Sandow, Director, Office of the Chief Executive, Department of Education and Children's Services.

Mr P. Kilvert, Executive Director, Office of Strategic Policy and Planning, Department of Education and Children's Services.

Ms T. Rogers, Superintendent, Futures Connect, Department of Education and Children's Services.

#### **Membership:**

Mr Pisoni substituted for Mr Venning.

Mr Griffiths substituted for the Hon. G.M. Gunn.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.8, program net cost of services summary. Why are many of the financial results for the education and children's service budget only estimates and not actual figures, when this budget was handed down 3½ months after the end of the financial year when the department should have completed the program spending?

**The Hon. J.D. LOMAX-SMITH:** I understand they are going to be published next week by the Auditor-General.

**Dr McFETRIDGE:** I refer to Budget Paper 3, page 2.26, Education and Children's Services—savings and expenditure

initiatives: unattached teachers. Are aquatics instructors and instrumental music teachers the unattached teachers targeted in the \$16.9 million budget cut shown under savings initiatives?

**The Hon. J.D. LOMAX-SMITH:** The unattached teachers budget line is a different program. That is for teachers who are permanently employed by the Department of Education and Children's Services but who lack substantive positions. Our intention is that they should be given meaningful employment, and any savings from that will be from the lack of a requirement to backfill those positions or have temporary or other teachers fill them.

**Dr McFETRIDGE:** I refer to Budget Paper 3, page 2.26, small programs efficiencies. Can the minister list the small programs that will be reviewed to meet the \$16.33 million in savings over four years and advise which small programs are currently intended to be cut or discontinued? What changes will be made to swimming, aquatics and instrumental music programs?

**The Hon. J.D. LOMAX-SMITH:** I think there is some confusion about this; these are not small programs. I have announced several times that the swimming program is occurring unchanged—as, indeed, are aquatics—over this summer period. They will be reviewed after the summer period, but no cut in that program will occur this year. The small grants programs are a different budget line, and that is part of the savings strategy (as you have explained, it is a savings initiative) that will require the department to review a range of programs and make decisions that will allow us to reinvest any efficiencies in that area across the rest of the education system.

**Mr RAU:** Can the minister provide an update on works completed under the capital works assistance schemes loans?

**The Hon. J.D. LOMAX-SMITH:** The capital works assistance scheme enables school councils to borrow funds to assist in the construction of educational facilities, including standard multipurpose halls and gymnasiums as well as performing arts facilities. These facilities are jointly funded by the department and the school. The school council contributes towards these projects in terms of initial cash or in-kind contributions or an ongoing loan servicing payment. The capital works assistance scheme loan is typically repaid on a split of one-third by the school and two-thirds by the department, with the level of the contributions being set in consultation with the individual school to ensure continuity of current education programs whilst meeting the loan repayments for the facility.

Thanks to this government's increased investment in school infrastructure, and under the capital works assistance scheme, a further nine school halls have been completed in 2005-06, totalling \$8.197 million. Another three halls are currently under construction at a further \$3.6 million. After years of neglect by the previous Liberal government, the Rann government has put a strong focus on improving our schools' facilities, investing \$550 million to improve school infrastructure. Unlike those opposite, we really do have a commitment to public education and would like it to reflect, in its appearance outside, the high quality of the education delivered within the buildings.

**Ms FOX:** My question is in relation to Budget Paper 4, page 9.17. What is the government doing to ensure that schools have access to school counselling services?

**The Hon. J.D. LOMAX-SMITH:** School counsellors and student well-being staff play a critical role in the intervention and protection of children and young people at risk of abuse,

harm or neglect. The Rann government has also provided additional funding of \$3 million per annum so that eligible category 4 and 5 primary schools can appoint a counsellor. I am pleased to advise that over 100 additional schools are now accessing this resource, including 27 area schools and three reception to year 12 schools. Primary schools, junior primary schools, area schools and combined R-12 schools in category 1 to 5 of the index of educational disadvantage receive a counsellor allocation. This allocation is based on the number of primary students and the index of disadvantage category. All school counsellors are qualified and registered teachers appointed through merit selection processes.

In the 2004-05 state budget, \$2.1 million was allocated over four years to provide training and development for school counsellors in government schools as part of the Rann government's Keeping Them Safe initiative. This investment recognised the crucial role played by counsellors in child protection and prevention, identification and intervention. In 2005, this training was delivered to 750 school counsellors and welfare staff in all government schools across the whole of the state. They were trained in the implementation of individual education plans for all students under the guardianship of the minister. Families SA personnel and carers were also trained in the use of the individual education plans that we use. By the end of 2006, 800 school counsellors and teachers will have been trained in strategies for managing abuse-related trauma. The Smart Program, as it is called, enhances the capacity of counsellors and well-being personnel to effectively respond to the needs of children and young people who have experienced abuse and trauma.

The program has been developed and is being delivered by child protection experts at the Australian Childhood Foundation. It has been developed in collaboration with Monash and DECS. The program runs through 2006 and is being provided for representatives from all government schools in South Australia. DECS has also supported the South Australian Primary School Counselling Association with its annual conference, which explored relationships in a positive school environment, as well as other training initiatives.

The 18 DECS district Inclusion and Wellbeing teams, as they are called, will continue to support their local schools, especially counsellors, in addressing complex student behaviour, mental health and student wellbeing issues. These team members play a critical role in cross-agency consultations and negotiations on behalf of their local schools. District networks have been strengthened through 2006 to provide opportunities for local school counsellors to access support and problem solving of issues of mutual concern. These initiatives, I understand, have made a significant difference in school communities.

**Ms BEDFORD:** I refer to Budget Paper 4, Volume 2, page 9.22. What is the state government doing to improve student attendance at school?

**The Hon. J.D. LOMAX-SMITH:** The Rann government is committed to giving children the best start and, to this end, there is a clear expectation that all children should attend preschool and school. The Education Act provides for compulsory attendance of all children and enrolment in school between the ages of six and 16 years. In 2000, the minister established the absenteeism task force to identify issues of why young people were not attending school and provide advice to the government on ways of addressing these absences.

I am pleased to report that the task force now meets quarterly to monitor the effectiveness of the strategies. To implement the recommendations of the task force, the government provided an additional \$500 000 per annum over four financial years to support attendance initiatives and to target resources to action zones with the highest rates of absence. The task force has wide representation, including parents, principals, associations, unions, departmental officers with DHS, and SAPOL representatives. I take this opportunity to thank them for their ongoing efforts in this challenging area.

All government schools are required to have an attendance improvement plan in place. I believe that it is crucial that students develop habits of regular attendance from an early age. Non attendance at school and preschool leaves children socially isolated and at risk of harm. They also tend to do less well at school and are more likely to leave school early. To support the work of teachers, three innovative programs have recently been implemented to address absenteeism in government schools, in addition to those undertaken in the attendance action zone programs. One concerns those students who are the carers within their family, or who are pregnant and parenting at a young age. DECS personnel have worked with government and non-government agencies to assist these young people balance their school work and family responsibilities. Another is the introduction of the student leave pass.

In the first week of the 2006 school year, all government secondary schools received software and a barcode reader and printer to enable them to implement a uniform system of leave passes for students. Technical and IT training has been provided to enable effective implementation of this system. This is a first, and I am delighted to report that the system in South Australia is the first in Australia with a uniform electronic system of student leave passes.

We have also introduced increasingly the SMS text messaging program, with currently 38 government schools implementing SMS text messaging, which provides a prompt follow-up to parents or carers of students who are absent without explanation. I understand that text messaging is very effective, particularly as a short-term measure, although sometimes it suffers from the fact that some parents change their telephone number without informing the school. Clearly, this is an area of weakness in working with this data.

Finally, I highlight the outcomes of all this excellent work. Attendance data is collected from all DECS schools in term 2 each year. The data indicates that the attendance rates have fluctuated slightly over the past four years and currently stand at 91 per cent. There has been a marked improvement in the unauthorised student attendances since 2002, with a 4 per cent decrease over that area from 37 per cent to 33 per cent.

**The CHAIR:** I indicate that the government has decided not to ask any further questions, so the member for Morphett has a free rein until six o'clock.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.8. I note that, as part of the investing payments summary table, 'works in progress' indicates that in 2006-07 \$20.7 million is listed for works in progress and \$29.8 million is listed for minor works, totalling \$50.5 million. Will the minister advise how much of this spend is allocated to the removal of asbestos from our schools in the state system?

**The Hon. J.D. LOMAX-SMITH:** We have increased our asbestos removal program over recent years, and our School Pride program saw the biggest ever removal of asbestos dust,

with a substantial increase. I will get the exact details from Ms Riedstra.

**Ms RIEDSTRA:** Further to what the minister said, under the School Pride program, and through the asset management funding, over 100 000 square metres of asbestos has been removed from schools and preschools at a cost of over \$10 million.

**Mr PISONI:** I refer to Budget Paper 3, page 2.26, 'small programs—efficiencies'. Will there be any efficiencies made by cutting the Mother Tongue program?

**The Hon. J.D. LOMAX-SMITH:** I can tell you about the Mother Tongue programs. The name of them has now changed. They used to be called Mother Tongue programs, but now they are called First Language Maintenance and Development programs. The small programs refer to the Let's Go Be Active, the small school grants and the off-campus enrolment programs. In relation to the Mother Tongue program (which is now called the First Language Maintenance and Development program), I know that you have been concerned about the schools in your electorate. You have been concerned that there has been a cut to funding. That has not occurred.

I think the issue has arisen because in some schools within the state there are so many new mother tongues (as you might call them) that, I understand, there has been a realignment in that schools have been told that, if their first language program was the same language as their second language program—meaning that that is the language taught to the non-mother tongue children—then there is an opportunity to spend the Mother Tongue program money on newer, less common languages, if that makes sense. So, that may be the concern that has come through to your community.

**The Hon. G.M. GUNN:** On page 9.10 there is a reference to rural access. It states, 'Rural care centres in Lock, Tumby Bay, Lucindale, Bute and Melrose commence quality assurance accreditation processes'. What is the future of that particular program at Melrose, as well as the future of the small rural school at Melrose? I will explain by pointing out that, a couple of weeks ago, people at Melrose drew to my attention their concerns that this particular school may be under question about whether it will continue into the future.

**The Hon. J.D. LOMAX-SMITH:** As you know, part of our Education Works agenda is to ask communities if they would like to do things differently, and for many schools, particularly in metropolitan areas, it may well be that there is opportunity to collocate, share resources, amalgamate or do a variety of things, but I imagine that that is fairly uncommon in regional areas because of the—

**The Hon. G.M. GUNN:** You could amalgamate the Booleroo Centre and Jamestown, and obviously you are looking at that at Peterborough, and I do not have any problem.

**The Hon. J.D. LOMAX-SMITH:** What we have said is that communities should look at options themselves. We do not wish to impose a solution. If they feel that there is an opportunity, we would be part of looking at reconfiguring services and investing back any savings that were made. In terms of their rural care centres, I do not have that level of detail, and I will ask Sherry Thompson whether she would mind telling us if she knows any details about those two services.

**Ms THOMPSON:** I am pleased to speak to the Melrose Rural Care Centre. Earlier this year, there was a combination with Melrose Rural Care and Booleroo Rural Care. It turned out that it was a good idea to keep both of those open,

because they both have good participation now. They have around 14 children in each and so they have sustainability into the future. We are very pleased that both of them are doing well, and it was a good idea to keep them both open. We are also opening additional rural care centres this year, so we are very pleased with that.

**The Hon. G.M. GUNN:** A protocol has always been in place that, when a school is opened or an extension or an upgrade is completed, the local member of parliament is always invited. The minister would be aware that a situation arose last year concerning the opening of the renovated science laboratory at the Port Augusta High School and I was left off the visiting list. The minister, the Premier and the Labor candidate attended and I was excluded from the opening. I made some inquiries from within the system of friends and I was told: 'Don't think it was not orchestrated.'

Are we going back to the protocol that the local member (whoever she or he may be) will be invited, because in my 35 years I have never not been—and I do not think I have ever misbehaved at one of those things. This occasion was an outrageous photo opportunity at taxpayers' expense and, for some reason, I was excluded. It was one of the nastiest political tricks I have had pulled on me in my time in parliament. Will we return to that protocol? We need to know what the rules are. I do happen to have friends in the system—I have been here for a long time—who told me what was going on. I will not say who they were; I told them on that day not to get too close to me.

**The Hon. J.D. LOMAX-SMITH:** Can I say to the member for Stuart that he is amongst friends, and I would also invite him to any event with which I was involved. As he knows, we travel around rural areas together visiting tourism destinations, openings and product launches, and I value his advice and company. I must say that the good news about that event was that the money flowed into one of the member for Stuart's schools. I will endeavour to ensure that those mishaps do not happen, but he will realise that that was one of those extraordinary events during a community cabinet when people were travelling around. I can assure the member that he would always be welcome and invited to any event over which I had control.

**Dr McFETRIDGE:** I refer to Budget Paper 3, page 2.26, under 'Grant payments to schools review'. Will the minister list the programs that will be reviewed to meet the \$6.83 million over four years savings?

**The Hon. J.D. LOMAX-SMITH:** Those grants are paid outside the usual resource entitlement statement allocations and historically have helped schools with local projects or scholarship programs. I understand that schools anticipate these grants each year, and reinvestment of the \$12 million spent on these grants into the broader education reform strategy will assist many more students across the system. The bottom line is that schools will get \$76 million extra of budgeted income. There will be 38 per cent more per capita spending on average. We are investing more in education in both physical works and ongoing costs of our schools. The bottom line is more money, more investment, but we are changing the payments of some of those dollars into the system.

**Dr McFETRIDGE:** In another line, we hope.

**The Hon. J.D. LOMAX-SMITH:** When we look at these arrangements we are identifying ways to redirect funding into higher government priorities.

**Dr McFETRIDGE:** Under the same reference, efficiency dividends, what measures will be introduced to ensure that

the \$36 million in efficiency dividends over the next four years will be met?

**The Hon. J.D. LOMAX-SMITH:** We expect education, as with all departments within government, to take part in some efficiency measures. Much as we are an education government and a government committed to investing in education, nobody would want any system or part of our organisation to have open slather and an unregulated cheque book of spending. We expect all government departments to take part in a range of efficiency endeavours in order to stay sharp, focused and committed to government priorities. The commitment to those efficiency measures I will pass over to Mr De Gennaro.

**Mr De GENNARO:** All government agencies are required to meet efficiency dividends for 2006-07. DECS will be undertaking a review of its operations to identify options to deliver these savings in a way that has the least impact on its operations and the government's priorities. We note that this is in the context of the budget delivery for total expenditure through education and, as the minister has said, we are looking at our operations to ensure they are as efficient as possible and that funding goes into the highest priorities.

**Dr McFETRIDGE:** I refer to Budget Paper 4, pages 9.25 and 9.35, under 'Income statement, financial commentary, review of priorities/measures'. What programs are being reprioritised and/or cut to achieve the general efficiency dividend budget cut of \$9.1 million?

**The Hon. J.D. LOMAX-SMITH:** I think you are getting at the same issue as I have just described. It is the same question as the last question.

**Dr McFETRIDGE:** It reflects the presentation in the budget papers—they seem to get more complicated every year we get them. I refer to Budget Paper 3, page 2.26, under 'State and district office efficiencies'. How will the \$17 million in efficiencies to be achieved through the review of state and district offices be achieved, and how is it expected that the current services and roles delivered by the state and district offices will be provided once the efficiencies have been met? Is it a fact that each district office will lose two full-time employees, and how will these efficiencies be implemented in the Aboriginal education and Anangu education areas?

**The Hon. J.D. LOMAX-SMITH:** The Anangu district is not a district in the sense of the other districts, and Aboriginal education is a clear focus of this government. However, across the broad education department, as in all government departments, we intend to make efficiencies, and that freeing up of funds will allow us to invest more money in children and schools. You point out that we have fewer school children than in previous years. We have slowed the loss of children from our public education system significantly, but despite there being fewer children in our school system we are spending more money, which is a reflection of our commitment to education.

**Dr McFETRIDGE:** I am not sure whether I will get an answer, but I refer to Budget Paper 4, Volume 2, pages 9.17 and 9.22, regarding the sub-program 3.2, years 8 to 10, education provision grants and subsidies. I refer to the Investigator Science and Technology Centre. You were minister when it was moved and you are not now, but what discussions and funding requests were received from that centre and why was funding not provided, forcing its closure?

**The Hon. J.D. LOMAX-SMITH:** You should direct that question to the Minister for Science. I have not been the Minister for Science for nearly three years. There may well

have been cabinet discussions, but I do not think I can embark on them here.

**The Hon. G.M. GUNN:** I refer to page 9.17, regarding supplies and services. The service I am concerned about is the provision of school buses in small rural communities. The minister would be aware of my interest in this matter in a number of locations. Will the minister give an assurance that a reasonable view will be taken before school buses are removed? The minister made comments earlier about some of us on this side not being supporters of public education. I have always been a supporter of public education, and I want to see in these rural communities the best education service possible. Unless we have a school bus system, some of these isolated communities will not be able to have any interaction with other schools or to get children to school. In Hawker, Peterborough and some other spots there are difficulties. Is the minister prepared to indicate that some latitude will be given in assessing these situations?

**The Hon. J.D. LOMAX-SMITH:** I know that the member for Stuart is a great advocate for his schools, and I would not criticise his advocacy or enthusiasm. Certainly, school buses are a vexed problem for him, because he knows that the demographics change, sometimes rapidly, sometimes slowly and often inexorably, and buses come under pressure. Just as new bus routes have to be put on, we have to remove old bus routes when the number of children declines. The protocols in place now are essentially as they have been for more than a decade, into the last term of government.

The member for Stuart has been active in the routing of many buses, such as the Hawker bus, which, I understand, has had an extra year's reprieve: it should have been stopped last year, but recently it has been supported by some extra enrolments. Clearly, the bus will run until the end of the year. If, as one hopes, that school's enrolments continue to rise, the bus will not be at risk. However, I cannot assure the member for Stuart that the route from Cradock to Hawker will remain, because we cannot predict where those children might live. It will still depend on the enrolments and the location. We have not been strict in the compliance of that bus route; it has remained when it should have been stopped. I think we have tried to accommodate the prediction for the community, which has constantly been that extra children will arrive. There seems to be a large number of new children coming in. If that happens, it will only delight us.

**Dr McFETRIDGE:** The Investigator Science Centre runs programs in schools, and it seems unusual that the department of education is not supporting its funding. I refer to Budget Paper 4, Volume 2, pages 9.17 and 9.22, subprogram 3.2: Technology School of the Future. Will the minister guarantee ongoing funding to support the development and education of science and technology through the provision of funding for the Technology School of the Future?

**The Hon. J.D. LOMAX-SMITH:** I believe that ongoing investment in science is not limited to only that program or building. I think a lot of the initial programs that were run from that centre may have changed their focus over the years and, increasingly, our investment has been in recruiting science teachers, re-skilling science graduates, supporting the retention of science teachers and even supporting them to have sea change location moves in their mature years. I think many of us could identify with the fact that, as people become older and their children leave home and their mortgages are paid off, they want the flexibility to move to some of the best parts of the state where they will be valued as science teachers, and we are encouraging that to occur.

We also have the Premier's science awards for teachers and we run attachment programs, where teachers can spend up to two weeks in industry, which will enable them to connect more with modern opportunities in science and technology. We have a science teachers twinning program, which is run through the Bragg initiative and encourages real life experience and opportunities to go into research laboratories to upskill and reinvigorate them. In addition, we have a strategy within our education department to focus on science and maths outcomes and SACE completions.

We also have taken on science as a way of doing business and we have looked at more evidence-based teaching methods, because there is a lot of art in teaching, and there are increasing opportunities to use the science of neuroscience brain development and understanding young children's developmental needs as well as the science of learning in the classroom. We have been enhancing that through supporting teachers within our system to undertake a neuroscience course at Flinders University. In addition, we run Science Outside the Square and the Bragg initiative, about which I have spoken. We have been supported by Susan Greenfield, and within government we have the Australian Media Centre, which works through all new science activities and gives up-to-date information.

We really have, I think, put a focus on science in a range of ways. Those activities fall across portfolios, of course; they are partly in the science portfolio and partly in the education department. Unfortunately, I can only speak to the budget papers as they relate to science. I will ask Terry Woolley whether he can contribute any more detail to this discussion.

**Mr WOOLLEY:** One of the other areas where we contribute a large amount of resources to science education is the Outreach program, where we have full-time teachers allocated to the museum, the zoo, the Art Gallery and so on. In addition, our understanding is that a portion of the funding that was initially allocated to the Investigator Science Centre is under discussion for allocation to CIROSEC, which is an institution supported by DECS. We have two full-time salaries there, and it has an allocation and an ambit similar to the Investigator Science Centre.

**Mr PISONI:** I refer to Budget Paper 3, page 2.26. Will the minister reveal the attendance figures, program statistics and financial information for the Technology School of the Future and explain why the on-campus programs have been cut by half and staff members reduced over the past 18 months?

**The Hon. J.D. LOMAX-SMITH:** The attendance figures is information beyond my knowledge. I will again ask Terry to answer that question.

**Mr WOOLLEY:** I do not have the exact attendance figures, but I am very conscious of the fact that the method of delivery of science education through the Technology School of the Future has changed dramatically over the past four or five years. Initially, it was seen as a centre to which schools brought their students with a teacher by bus for a whole lot of hands-on science activity in quite innovative areas. Over the past four or five years, the kind of technology that TSOE was demonstrating and using for young people now has gone back into the schools through a whole lot of investment in our schools. The technology base for schools now is considerably better than it was five years ago. So, the notion of bringing students into the centre has now changed. The centre takes members of its staff to the schools, and it requires much less staff. That has been a gradual change over four or five years.

**Mr PISONI:** I have a supplementary question. Will the funding to the schools robotics program be reinstated?

**The Hon. J.D. LOMAX-SMITH:** I do not think the member quite grasped what Mr Woolley said. The robotics activities now occur most often in schools. As schools very often have camcad activity on site, they have robotics activity on site. So, the whole make-up of the teaching program has changed.

**Mr PISONI:** Has that robotics funding been transferred elsewhere?

**The Hon. J.D. LOMAX-SMITH:** It is part of core business.

**Mr PISONI:** So, would the same amount of money be spent on robotics?

**The Hon. J.D. LOMAX-SMITH:** No. As I have explained (as Mr Woolley also explained), I think in the early 1990s this was innovative, cutting edge, unusual technology. Now it is pretty well mainstream.

**The Hon. G.M. GUNN:** On page 9.17, under Supplies and Services, a very large amount of money has been budgeted. Will the minister indicate to this committee whether the government has looked at increasing the financial assistance to isolated parents who have some difficulty in getting special funds to ensure that students can come to either Adelaide or Port Augusta, or various other centres, to access education services? I am very aware of the excellent facilities at the school in Port Augusta; they are outstanding. I say to the minister that the first financial assistance to parents was given by the Tonkin government in the early 1980s, and I wonder whether any thought has been given to increasing state assistance to these parents.

**The Hon. J.D. LOMAX-SMITH:** I understand that we have recently increased the travel allowance by increasing the rates per kilometre. That is a complicated formula, but it does allow increased funding for those trips. Other than that, there has been no additional input into changing the funding.

**Dr McFETRIDGE:** I refer to Budget Paper 3, page 2.26, relating to workers compensation changes. How will the \$16.197 million in workers compensation savings be achieved by shifting local management and the responsibility of workers compensation management to schools?

**The Hon. J.D. LOMAX-SMITH:** In relation to the workers compensation obligations, we are seeking to have local sites manage their obligations and commitments. We have been concerned for some time about the cost not just in dollars but in people's time and energy of the workers compensation activities in DECS. To a large extent, there has not been a great incentive for managers across the department to work actively in preventing claims or ensuring that injured employees return to work as quickly as possible.

As part of our continuing desire to empower local schools and management, we are now asking that they administer their workers' compensation obligations in a way that will address the number of claims through greater responsibility, but take on the initiative of getting those staff back into meaningful work. This is not a step that we have taken suddenly. We will implement this process in 2008, but we are giving very significant notice of this intent to change. There will be ongoing work and negotiation on these matters. Of course, we recognise that for some schools the burden is onerous, and we will support high risk schools and employees. For instance, it is well known that staff in special schools have a higher rate of injury, and we understand that, and we will have to take that into account when we develop this program.



**Dr McFETRIDGE:** I refer to the same reference. What criteria will be used when re-assessing WorkCover premiums for individual locations?

**The Hon. J.D. LOMAX-SMITH:** We are a WorkCover-exempt organisation, as I understand it. The detail of that will be worked out over the next year. We have made the announcement, and we have given the commitment to be transparent about all our spending and saving initiatives. We have made this announcement now, but we have over a year to devise the fine detail.

**Dr McFETRIDGE:** Does this mean that members of governing councils, school principals and school finance officers will be forced to act as de facto claims investigators in order to keep their claims and premiums low?

**The Hon. J.D. LOMAX-SMITH:** I do not think that is what we envisage. Would you like to have advice from Margery Evans?

**Ms EVANS:** The minister has been very clear about this. We have not yet determined the criteria that will help set levies, etc.; however, we are very clear about the fact that schools will not have to operate as claim managers. All that expertise will remain within the centre.

**Dr McFETRIDGE:** How many more public servant positions will be created due to changes to workers' compensation management?

**The Hon. J.D. LOMAX-SMITH:** I think I have answered the question in that this is an announcement 14 months ahead of the instigation of the process. I do not know whether Ms Evans can contribute anything further.

**Ms EVANS:** There is no expectation that we will need any more administrative staff to manage the process. That is already being managed centrally, and that will continue as is.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, pages 9.15 and 9.16, regarding extra teachers. The performance commentary states that 100 extra teachers will be provided to schools in the beginning of 2007 to reduce class sizes at year 3 level by approximately two students per class. Will these teachers be permanent teachers, what is being done to increase the number of male teachers, and will these teachers come from the unplaced teacher pool or will schools be given the opportunity to advertise for the most suitable teacher of their choice?

**The Hon. J.D. LOMAX-SMITH:** Will they be male and will they be permanent?

**Dr McFETRIDGE:** What is being done to increase the number of male teachers?

**The CHAIR:** With the help of the committee, the member for Morphet does not have to put everything into one question. He can break it up into five questions if he likes.

**Dr McFETRIDGE:** I can have five questions?

**The Hon. J.D. LOMAX-SMITH:** Shall we deal with the male? The 100 extra or the permanents?

**Dr McFETRIDGE:** We can do the permanents first, and then we will do the males, if you like.

**The Hon. J.D. LOMAX-SMITH:** First, we have the highest rate of male teachers in Australia. Secondly, the scheme for advertising these jobs will be the same as all our other jobs, and that will be selection on merit. They will be permanent and, hopefully, they may take up some of the uncommitted teachers who are permanently employed. There are various options.

**Ms EVANS:** The minister is correct in all the things she has said. We make every effort, through use of positive images in our marketing materials and through the work we do with universities, to attract males to particularly primary

positions. However, we use the merit selection process and our intention always is to get the best person. The teachers that will be coming into these positions, will become permanent where there are permanent positions available.

**Dr McFETRIDGE:** Why is it that I have been approached by a young, male primary school teacher who is happy to go anywhere in the country but, for some reason, is not able to achieve permanency? Is that a common problem? Should this young fellow be directed to any particular person in your department, because he seems to be the sort of person we want to attract?

**The Hon. J.D. LOMAX-SMITH:** I am very happy to take the name and details to see whether we can help you. I am very grateful that you are helping us with staff selection. Generally, one of the issues about staffing is that—

*An honourable member interjecting:*

**The Hon. J.D. LOMAX-SMITH:** Thank you for that advice. One of the issues with people who would like permanent employment and who are willing to travel is that very often they are not skilled in the areas of shortage. We find that there are very many primary school trained staff, but we are desperately short of specialist senior teachers. But, if he is male and skilled and willing to go anywhere in the state, I am sure that we can consider him for employment. If you would give us the contact details, he could speak to Margery Evans (who is behind me) and I am sure we can look at an option for him.

**Mr PISONI:** This is the same budget line. Will schools in and around Unley be forced to use special purpose classes (such as music, computer and language classes) to cater for additional students as the class sizes are reduced?

**The Hon. J.D. LOMAX-SMITH:** Part of our funding commitment was to increase the facilities to allow smaller class sizes to occur. You are absolutely right in recognising that that is one of the issues. Certainly under the Liberal government I understand there was one teacher for every 26 students and, during the past four years, we have employed 286 more junior primary teachers at a cost of more than \$20 million annually, to reduce reception to year 2 class sizes in all state schools.

Currently, we have reduced the average size of reception to year 2 classes in state schools from 26 students to as low as 18 per class in the state's most disadvantaged schools. We have extended our commitment to improving early years education by further reducing class sizes. The 2006-07 state budget provides an additional \$32.1 million to employ an additional 100 year 3 teachers. This will reduce year 3 class sizes of 30 students by up to eight students per class in the most disadvantaged schools, and by a minimum of four students in all schools. These additional teachers will begin in the new year.

I note that you are correct in that if you need more classrooms you may have to build them or extend some of the capital works. Our intention is that within Unley, which has a fairly stable and only slight increase in enrolments (it is currently 430 students), there is a capacity analysis suggesting that there are 33 class spaces available on the site. This is well in excess of the classroom area required to accommodate the number of students, according to the current staffing and space requirements.

The principal acknowledges that the site has a number of class spaces available, and the site has the capacity to support a further increase of five classes in solid accommodation before additional accommodation would need to be considered. If there are any specific issues you want to raise

about that school, we are very happy to discuss it with you afterwards.

**Mr PISONI:** My understanding is that it has been agreed that there are 17 classes available, but it has been suggested by the department that there are 22 classes available. I am just wondering whether it is 17 classes or 22 classes that are available and, if so, will the special computer room and the music and language rooms be turned into standard classes?

**The Hon. J.D. LOMAX-SMITH:** I think your numbers are so different from mine that it would be worth you having a session with the district director and a personal tour, where you can iron out all those complaints personally.

**Mr PISONI:** I do not need a tour.

**The Hon. J.D. LOMAX-SMITH:** You are very welcome to speak to—

**Mr PISONI:** I am there every day.

**The Hon. J.D. LOMAX-SMITH:** I am surprised they let you in after the comments about public education and meranti wood.

**Mr PISONI:** I am sorry; perhaps you could explain that for me.

**The CHAIR:** Order! There will be no discourse between the member and the minister. Do you have a question to ask?

**Mr PISONI:** Perhaps the minister could explain her barb.

**The CHAIR:** The minister does not have to explain anything. Do you have a question?

**Dr McFETRIDGE:** Minister, when are class sizes actually measured? We have small class sizes at the start of the year, but the information I have (coming from schools) is that, if those class sizes were to be recorded later, in the middle of the year and at the end of the year, they would be much greater than what the government is saying.

**The Hon. J.D. LOMAX-SMITH:** The reality is that we have increased the number of teachers; we have employed 286 more junior primary teachers. We have invested 38 per cent more in public education per capita—

**Dr McFETRIDGE:** I note that you said that.

**The Hon. J.D. LOMAX-SMITH:** And the class sizes were 26 when the Liberal government was in power. It does not matter which way you cut the case, or examine them, there will always be fewer than there were before we came into government.

**Dr McFETRIDGE:** But you are saying that class sizes are smaller now. When a class size is being measured, I am being told by governing councils that at the start of the year, 'Yes, sure, they are smaller'—than when we were there five years ago—'but by the middle of the year or the end of the year they are not the small class sizes that the government is saying they are.'

**The Hon. J.D. LOMAX-SMITH:** We do know that we have continuous enrolments in reception, and we do know that classes change during the course of the year. That goes without saying. But that is not a new occurrence; it has always occurred. There are census periods that dictate the number of teachers and classes that occur, but the reality is that we have smaller class sizes, more teachers and better programs.

**Dr McFETRIDGE:** Smaller class sizes at the start of the year, but what about at the end of the year? Could you say that you do actually still have smaller class sizes at the end of the year?

**The Hon. J.D. LOMAX-SMITH:** On average, statistically, you would have to.

**Dr McFETRIDGE:** You might have to, but is it the fact?

**The Hon. J.D. LOMAX-SMITH:** You would have to. With 286 more teachers and 38 per cent more funding it would be impossible for it not to be so.

**Dr McFETRIDGE:** Minister, I encourage you to have smaller class sizes. It is just that we need to make sure that it is an actual fact all year round, not just at the start of the year.

**The Hon. J.D. LOMAX-SMITH:** They will be smaller at the beginning of the year and they will be smaller at the end. They may be larger over the course of the year, but the fact remains that there are 286 more teachers and we have smaller class sizes.

**Dr McFETRIDGE:** I refer to Budget Paper 3, page 2.26, education works. How much has the human resource company ITIM Australia been paid to help employees deal with the loss of their employment due to efficiency measures? Were tenders for the DECS employee assistance program called for?

**The Hon. J.D. LOMAX-SMITH:** I think you misunderstand the budget papers. Education Works is about investment in education. Education Works is about investing in our schools. We do have some external support in managing some staff under some circumstances, but that has nothing to do with Education Works.

**Ms EVANS:** In terms of the new six schools, we are working with the unions and our stakeholders to work through the human resources policies associated with that. The normal procurement processes were put in place to select the public relations firm with whom we are working.

**Dr McFETRIDGE:** As part of Education Works, you are closing at least 17 schools. Which ones they will be and where they will be, we are not sure. We are not sure where the new schools will be, so you can understand that there is some angst amongst the teaching staff. It is my information that ITIM has been employed to help employees deal with their potential loss of employment due to efficiency measures. It would be interesting to know what it is costing.

**The Hon. J.D. LOMAX-SMITH:** I think that you are confused because I understand that ITMS is an employee counselling service which has had its contract renewed—that is the first issue. The second issue relating to Education Works, as I explained, is that it is an investment strategy with \$216 million over five years to produce six completely new schools. It will also allow other schools that want to realign their services to have the moneys that are saved or gained by those restructures to be reinvested. There will be \$134 million going into the six new schools. The six new schools occupy the catchment areas of 13 current schools and four kindergartens.

You would realise, perhaps, if you spoke to teachers, that they are very pleased with the strategy, because it is the boldest investment strategy and the biggest change in our infrastructure in perhaps a quarter of a century. Teachers generally are delighted at the opportunity to work new facilities, state-of-the-art facilities built for tomorrow not last year, last decade or last century. There is a fair degree of support, in my experience, from district directors, principals and teachers who at last have seen a government which means business when it comes to education and is prepared to invest in educational infrastructure. That investment is not about saving money; it is about investing money. And there are industrial entitlements. The industrial entitlements relate to the number of children and the size of classes, and they will not change.

All permanent teachers will be permanent teachers and employed. There will be changes to structures, and there might be changes to leadership teams, but this is about investment. This is not in any way anything but a strategy to improve public education. In my view, parents want the best for their children. Parents are delighted that this government is investing in new schools. Parents are overjoyed that they will not have to worry about the backlog of maintenance that was left and that we inherited from the last government. Parents are delighted if their children have more choices, and they are really pleased that we have integrated services for children's centres. They are delighted that we have invested in the basics of literacy, and they are overwhelmed that, at last, after the last government, they have a government that knows about the problems of poor retention and youth engagement and is prepared to address those issues.

**Dr McFETRIDGE:** I refer to the same educational works reference. Even this morning you said on the radio that there was no particular planning in place for the structure or placement of schools, so how can you be confident? You said that schools will not close if the communities do not want them, so how can you be so confident?

**The Hon. J.D. LOMAX-SMITH:** You are right; we do not believe in closing schools without consultation. You are absolutely spot-on. Our view is that you should consult communities about the future education needs and opportunities in their area. Our view is, however, that we have made a commitment to build six schools. We have identified an area where we believe they would be well served by the new schools. We know that we are in the middle of a massive reinvestment and rebuilding campaign through the Playford North area, and we know that we need new schools in that area. We have also identified adjacent suburbs where there are opportunities. Why are those opportunities there? Because 75 per cent of our schools are extremely old. We have problems of capital maintenance. We inherited \$250 million of maintenance backlog. We expect that to blow-out to \$460 million, even at our current rate of investment within the next six years.

We also know that a child who goes to school with only 250 children in year 12 has the choice of only 18 SACE subjects. Most of our children in this room presumably go to schools where they have choices, with a school of more than 500 children with 40-odd choices. Children deserve and need subject choices. Parents want the best for their children, and we understand that. We want the best for all our children. That means decent facilities that, when people drive past, they do not make drive-by judgments and not realise that what happens within the walls is world-class.

We want buildings that are not a burden but that are a joy to operate in. We want places that are good for staff to work in; we want places that are good for people to learn in, but most of all we want children to have options. The worst brain drain is not children moving to Sydney; the worst brain drain is children not reaching their potential. We know that, and we are investing. I would have hoped that you would understand and want to be part of it.

**Dr McFETRIDGE:** It is quite easy to chuck out the old rhetoric that the Libs do not care. We did not have any money when we came to government in 1993; we should all remember that. But, in 1990, exactly the same issues were being raised about the movement from the public sector to the private sector, and school retention rates: they are exactly the same things that were being raised in 1990. In 1993, when the Liberal government came to power, we had no money—we

had a \$10 billion debt—so we can be forgiven for not having done as much as we would have liked. With a government that has \$2.7 billion extra in GST every year, it is a bit tough not to say that you cannot invest in schools. You are actually closing at least 17 schools. My information is that it is a much larger number than that. If these 17 schools do not wish to close, where are you going to put the new schools? Do you have plans for the new schools? How big are they going to be? There is more planning and talking here than actual—

**The Hon. J.D. LOMAX-SMITH:** Let us get the facts right. Retention was not an issue in 1990, because we had much better retention in the early 1990s; the slide has only occurred in more recent years, and that has been redressed since we came into government. The problem is that no-one has paid attention to school retention until now. We are improving the senior secondary structures with new schools, we are building 10 trade schools for the future, we are investing in basic skills from literacy to children's centres and those coordinations of services, and we are also focusing on a SACE review. The reality is that there is a massive reform agenda in our schools. It is untrue to say that there is an enormous decline in enrolments. In fact, the enrolment decline—that is encouraged by the constant carping and aggressive denigration of public education—has been slowed, despite the best efforts of federal ministers and some of those opposite. Despite these efforts to undermine public education, our enrolment decline has slowed significantly since we have been in government.

The reality is that we are offering six entirely new schools—and I believe that parents want the best for their children, the best in buildings, the best without maintenance backlogs, and the opportunities of multiple career choices and options. We have offered this investment of six entirely new schools and, unlike previous governments, are consulting and discussing the issues with the community. Over the next two weeks I will have public meetings across these suburbs; I will attend every single school council and discuss the matters. I have already discussed the issues with every district director, every school principal and every kindergarten director, and I have to say that their enthusiasm about this investment is obviously not something you can engage in or respect—you cannot imagine why we would do it and you want to denigrate it.

The catchment areas for our proposed six new schools involve 13 current schools and four kindergartens. The problem is that it would be like saying to someone, 'I understand that you have built a new house but you are going to carry on living in the old one.' You cannot build a new school and have the children still attend the old ones—it is silly, and I do not know how to explain that any more simply. It would be quite extraordinary if we built new schools but said to people, 'Don't go to them; still attend the old schools which are run down and which have a maintenance backlog.' We are offering entirely new schools—collocated, one-stop shops, no transitions, whiz-bang state of the art buildings—and we will not have to maintain the old premises. Better still, those buildings will be a joy to work in, they will be great to learn in, and the children will have choices.

And you want to oppose it—just as the Liberal opposition opposed the reading challenge, the most popular initiative across every public and private school. You bagged it. We can never find anything on which we can join hands and collaborate for the good of our community. They are all our children and we want the best for them, so why don't we be

less aggressive, less combative, and sometimes admit that something we reform is a good idea?

**Dr McFETRIDGE:** I will have to write out 50 times, 'I have been a naughty boy, asking questions.'

*Members interjecting:*

**The CHAIR:** Order!

**Dr McFETRIDGE:** We may as well move on, because we are not getting anywhere there. I want to put on the record that the Labor government does not have a monopoly on being proud of public education. I went to Salisbury High School, Elizabeth South Primary School and Salisbury Consolidated Primary School, and my children attended both public and private sector schools. It is not a matter of supporting any particular interest group; it is about wanting the best for all our children. I just want the money spent in the best way, with proper planning. However, we will move on. I refer to Budget Paper 3, page 2.26, regarding interest on school accounts. How does the government identify whether it is a fund-raising dollar or a government grant taxpayers' dollar that has been spent on buying an item with money from the consolidated school account?

**The Hon. J.D. LOMAX-SMITH:** This item refers to the funds that have been accumulated in SASIF accounts by schools. That amount has risen from about \$100 million to \$200 million over the last year or so and, quite clearly, is a result of government funds going to schools for today's children in today's classes, but some of that money has not been spent in that way. I think every parent who is a taxpayer and who sends their children to school would want the money that government invests in schools to be spent on their children at this time. I do not think any parent would want the money allocated for their children to be spent on their children's grandchildren or nieces or nephews in another year. The reality is that that money was intended for a purpose, and we have decided that one of the ways to more appropriately get that money out and spent on children in today's classes would be to perhaps remove one of the incentives, which is to acquire a high interest rate.

We have made this announcement now in an open and transparent way. The matter will not progress or be implemented until the year after next, by which time we will have had time to consult with principals, discuss models for that money to be expended, and ways to identify funds. However, it should not be beyond the wit of an accountant to work out where those budget lines come from, and I expect the department to do so.

**Dr McFETRIDGE:** I refer to Budget Paper 3, page 2.26, regarding interest in school accounts. When the government takes the interest on the SASIF account, how will the government identify how much money in the SASIF account is from DECS and how much is from governing council fundraising? I am informed that there is no paper trail on the proportion of each source of revenue in the SASIF account. It could all be from fundraising, it could all be from DECS or any proportion in between.

**The Hon. J.D. LOMAX-SMITH:** First, I should say that the increases have occurred probably over the past five years, not the past couple of years, as I said rather loosely. The procedures will be devised and worked upon over the next year or so. They will not be implemented until January 2008, and a consideration will have to be made about the funds made for building funds, library funds, materials and services, fundraising and various activities. Those calculations and agreements will have to be adopted.

**Dr McFETRIDGE:** In the past, there has been no paper trail to say which is a government dollar and which is a governing council dollar. How does the government identify who owns a piece of school property when an item is bought from money from the Consolidated Account?

**The Hon. J.D. LOMAX-SMITH:** I am informed that the minister owns it.

**Dr McFETRIDGE:** How does the government identify what the government insures and what the governing council insures if there is no paper trail for the source of the money? The minister has just said that the minister owns all the property. Why does the governing council have to insure property at the direction of the government in the administrative instructions?

**The Hon. J.D. LOMAX-SMITH:** I believe that the audit trail is not as bad as the member for Morphett implies. I would have thought that there was an understanding of how much money went into each school each year and what went out in terms of authorised payments. The difference would be that money which has been saved. In relation to the insurance, I understand that DECS insures all properties, except things like canteens and perhaps other areas. Ms Riedstra will say which other areas are not run by DECS.

**Ms RIEDSTRA:** As the minister said correctly, the school property and contents are insured by the government but, for governing council-run programs (perhaps canteens or out-of-school hours care), the insurance can be taken out through the South Australian Association of State School Organisations (SASSO).

**Dr McFETRIDGE:** My understanding is that a lot of tangible assets are considered to be owned and insured by governing councils. That was just a comment to educate everybody, but I put everyone on notice that there will be a lot more to come on that issue. I refer to Budget Paper 3, page 2.26. By how much will the amount held in school SASIF accounts be reduced as a result of removing the benefit of earnings on unspent state funds? As at 30 June the amount held in SASIF accounts was \$1.835 million. I think that was the sum you mentioned before.

**The Hon. J.D. LOMAX-SMITH:** I am a little confused. We are not talking about removing money from the accounts. You misinterpret.

**Dr McFETRIDGE:** It would be in the account if you did not take any interest.

**The Hon. J.D. LOMAX-SMITH:** Well, no.

**Dr McFETRIDGE:** The interest accumulates as part of the principal. It is compounding. That is what you are concerned about.

**Mr De GENNARO:** The minister said that the total held in SASIF accounts is approximately \$200 million. That is the principal amount. The measure in the state budget papers refers to the interest earnings on that balance. The measure relates to annual interest earnings and not the principal balance. The principal balance is not affected by this measure. It is the annual earnings from 2008 onwards. There would be interest earnings from 2008 onwards which would be affected, not the principal balance as of today.

**Dr McFETRIDGE:** Why does DECS instruct governing councils to insure property that is clearly owned by DECS and, as the minister said, the minister owns all the property?

**The Hon. J.D. LOMAX-SMITH:** I think that, if you have a directive that is confusing, perhaps you would let us know what it is and we will look into it.

**Dr McFETRIDGE:** In the gold book, Administrative Instructions, there is a directive for governing councils to say

that they may go to SAASSO and have SAASSO act as an insurance broker for them.

**The Hon. J.D. LOMAX-SMITH:** I think Ms Riedstra has explained that.

**Mr PISONI:** My question relates to Budget Paper 4, Volume 2, page 9.17, the expenditure in supplies. Will the minister explain how much of that budget was spent in the previous financial year on the purchase of rainforest timber for tech. studies and how much will be purchased in the new year?

**The Hon. J.D. LOMAX-SMITH:** I knew that you would ask about meranti.

**Mr PISONI:** You haven't answered my question in the parliament, so let us clear it up.

**The Hon. J.D. LOMAX-SMITH:** I think that the member for Unley wishes to criticise the woodwork department at Unley High School.

**Mr PISONI:** It is no criticism at all.

**The CHAIR:** Order!

**Mr PISONI:** It is not Unley High School; it is tech. studies. It does not specifically refer to Unley High School. I have asked you the question.

**The Hon. J.D. LOMAX-SMITH:** I believe that the budget line you are inquiring about is not used to buy wood, but we are checking.

**Mr PISONI:** I am happy to take it on notice.

**The Hon. J.D. LOMAX-SMITH:** We do not believe that we can give you that information at the moment, but we are very happy to seek out Unley High School's expenditures on meranti, if you would like that.

**Mr PISONI:** Tech. studies generally, minister, not just Unley High School. I have said other schools also.

**The Hon. J.D. LOMAX-SMITH:** We will particularly target Unley High School.

**The CHAIR:** Order! The private conversation going on between the minister and the member for Unley will cease. All questions will be directed through me to the minister. Is the minister coming back to the house?

**Mr PISONI:** Through you, sir—

**The CHAIR:** Order! Is the minister coming back to the house?

**The Hon. J.D. LOMAX-SMITH:** We will attempt to find the information.

**Mr PISONI:** I want to clarify that it is not just Unley High School; it is tech. studies in the education system.

**The CHAIR:** The member for Mitchell has asked leave of the committee to ask a question of the minister. Does anyone object to that?

**Mr HANNA:** I have two specific questions in relation to the Mitchell electorate. One is in relation to the schools in Mitchell. Will the minister assure the committee that there are no departmental plans to close or move to close any of the primary schools in Mitchell?

**The Hon. J.D. LOMAX-SMITH:** No, we have no specific plans beyond the 17 schools and kindergartens announced as in the catchment areas of the six new schools. However, we have said that as a government we have given a commitment not to close schools without consultation or without requests. Over the past four years, I believe a handful of schools have requested closure, most recently Croydon high and Mintaro. When those occasions occur, for instance, Croydon, it is one where there is great sadness in the school. They have seen it coming for some years. There has been a slide in enrolments, a loss of options and curriculum choices, and so it has been a slow decline and a painful closure.

We have said to schools across the state that if locally they see that there is a decline, a change or an option to do things differently—and that might mean, for instance, two schools which are collocated choose to have a single leadership team or two organisations close by (either a kindergarten, a child-care centre, a school, or whatever) choose to collocate and rebuild—any economies or savings produced by those activities would be reinvested. The \$82 million which is notionally a budget line within our Education Works strategy is only notional.

We predict that a number of schools might want to come forward to be part of that strategy. I have no idea whether a school wants to do something of this sort within your electorate, but we would look at the project and its proposal and if it were feasible we would help them and reinvest the funds. There is no intention to target or look at any action anywhere beyond the 17 sites we have identified as being in the catchment zones for those six new schools.

**Mr HANNA:** I specifically refer to Reynella Primary School and the safety of children being dropped off by parents in cars. The minister would probably recall that I have written to her about land adjacent to the primary school, and I understand that departmental policy is firmly against supporting any drop off facilities outside the school land. However, there is an option about which I believe I have written to the minister of improving what is currently an informal drop off zone at the side of Reynella Primary School, and I query where in the budget there could be money for such a contingency. I also bring to the minister's attention in raising this question Woodcroft Primary School, where there is a well developed drop off zone for the benefit of the school community. I am asking how it can get one, yet Reynella Primary School is having difficulty achieving the same standard.

**The Hon. J.D. LOMAX-SMITH:** I understand the issue because many schools were designed when children walked to school and they were not designed for either teachers' parking or parents' drop offs and there is an anomaly in the way they were designed. About 75 per cent of our schools are more than 25 years old, and a substantial number are 130 years old, so we do not have those facilities. We focus on providing core business, which is the schooling infrastructure rather than car parking as a focus, and there are probably half a dozen schools where there has been angst about drop offs.

Every school has different conditions. Some problem areas can be solved through a good relationship with the local council and, if the council has the wherewithal or land, it sometimes comes to the party with a donation, and we can put small sums of money into upgrade or whatever. Schools sometimes put in money and you can overcome the problem in that way. You are right: we do not have an allocation.

One of the things our property investigations have told us is that the formulae for schools are quite old. Often schools have too much or too little space. In reality children require more space than they used to, and the allocation of footprint areas is probably out of date. It is probably looking at all those issues about entitlements, and that is something we should do in the future. When I say that children are getting bigger, also their needs are larger in terms of computers. Those computer needs put strain and stress on the air-conditioning units because many schools were built for a certain temperature load and, if you have massive numbers of IT activities, the temperature rises. There are issues of how we manage buildings for contemporary education that we

have to address in future. I do not recall the specifics of your car park and drop off areas, but I will check it out and see whether there is anything clever we can do.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.25, interest revenue. Why has interest revenue almost halved between 2005-06 from over \$14 million to just under \$8 million in 2006-07—a change of just over \$6 million? How will the government's policy on making schools return interest on bank accounts to the education department affect this budget line?

**The Hon. J.D. LOMAX-SMITH:** That is a technical accounting issue and I will ask Mr Bos to answer.

**Mr BOS:** This year the Department of Treasury and Finance decided that agencies should not receive revenue on their accounts as they have in the past. That is an adjustment to accounts through the Treasury's cash alignment policy.

**Dr McFETRIDGE:** On the same reference, financial assets, will the minister provide a list of financial assets included in the 2006-07 budget of \$3.927 million and explain why it has reduced so significantly from the \$8.594 million in the 2005-06 budget?

**The Hon. J.D. LOMAX-SMITH:** Are these intangible assets or other current assets?

**Dr McFETRIDGE:** These are financial assets.

**The Hon. J.D. LOMAX-SMITH:** We have identified the line. We will come back with a response at the earliest opportunity.

**Dr McFETRIDGE:** Will the minister provide a list of what intangible assets are held, giving a total value of \$4.282 million?

**The Hon. J.D. LOMAX-SMITH:** We will come back on the intangibles as well.

**Dr McFETRIDGE:** What are intangible assets?

**The Hon. J.D. LOMAX-SMITH:** They are intangible.

**Dr McFETRIDGE:** At least you are getting goodwill when you sell the schools.

**The Hon. J.D. LOMAX-SMITH:** We think it is something intellectual, but we are not sure.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.8. How much has the government budgeted for the Christian pastoral support workers in schools program for 2006-07?

**The Hon. J.D. LOMAX-SMITH:** We will come back to that amount later. I believe it is unchanged—there is no substantial change, at any rate.

**Mr PISONI:** I refer to Budget Paper 3, page 2.26. How will school capital works project and management fees and costs previously administered through DAIS to rural and regional schools be administered under the new transitional arrangements between DAIS and the DTEI?

**The Hon. J.D. LOMAX-SMITH:** I inform the member for Unley that the information I have just been given is that the amount is unchanged. In relation to management, I think the function will continue, but the department will change.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.8, under 'Investing payments summary' and 'Education Works and school closures'. How many schools were on the preliminary list for closure? Was it 'north of 50', as stated by the Treasurer's former media adviser, Michael Maguire, in the *Sunday Mail*?

**The Hon. J.D. LOMAX-SMITH:** I am sorry, I have no idea what the member is talking about. The Education Works strategy involves 13 schools and four kindergartens.

**Dr McFETRIDGE:** But how many schools were on the hit list (for want of a better description) for closure?

Mr Maguire was quoted in the *Sunday Mail* (and, being a former media adviser to the Treasurer, I would imagine that his information is somewhere on the money) as saying that, with respect to the number of school closures, 'it was north of 50'. So, the government had targeted over 50 schools for potential closure.

**The Hon. J.D. LOMAX-SMITH:** There is no intention to do anything but invest in education. As I have explained, this is an investment strategy. We are spending more money; we are investing 38 per cent more than when we came into government. We are extending our expenditure in this budget to an extra \$76 million over the next four years. This is an investment strategy for six completely new schools. We will spend \$216 million over five years. We will also build 10 trade schools for the future and an additional 10 children's centres, and a \$45.5 million investment has been announced this year in 20 or so major projects. We are about investment, not closures.

**Dr McFETRIDGE:** I again refer to Budget Paper 4, Volume 2, page 9.8. How many other schools are being targeted for closure? The minister and the Treasurer have said that, if the 13 schools and the childcare centres do not want to close, there are plenty of others that do. Surely the government must have a list of other schools. How many other schools are on that list?

**The Hon. J.D. LOMAX-SMITH:** Plenty of communities have contacted the office, and people have suggested that—

**Dr McFETRIDGE:** Was that five, 10, 15?

**The CHAIR:** Order!

**The Hon. J.D. LOMAX-SMITH:** If these schools are not popular in the areas where they have been offered, plenty of other schools would love a new school. A new school is very attractive. They occur rarely, and we are building six entirely new schools.

**Dr McFETRIDGE:** I understand that we will build six new schools if the PPPs work. What I do not understand is how those schools can be conveniently located. If the 17 DECS sites that are targeted for closure do not want to close, how far will children be expected to travel from those other schools that want to close to attend the six schools that will be built? I do not understand that at all.

**The Hon. J.D. LOMAX-SMITH:** I will explain it slowly. If we do not build—

**Dr McFETRIDGE:** Clearly would be nice, not slowly.

**The Hon. J.D. LOMAX-SMITH:** No, slowly. I have said it before clearly; now I will say it slowly. We have offered the communities in these areas the opportunity to have six new schools. I have explained that we cannot build six new schools if we instruct the children to keep attending their old schools, because then we will not have any children in the new schools, and that would be silly. So, we want the children from the old schools to go to the new schools that we build. If the communities would prefer (and I find this hard to believe) not to have a new school and not to have enlarged subject choice (and I think that is unlikely, because I believe that parents want the best for their children), I can assure those opposite that there will be other communities that would like to have new schools.

**Dr McFETRIDGE:** I can assure the minister that I also want better schools and education for the children of South Australia. However, I do not understand how you can build only six schools; they can only be in six locations, but the schools you are going to close obviously will be further away from those locations if the communities do not—

**The Hon. J.D. LOMAX-SMITH:** I will explain it again. If the children in Oodnadatta, for example, want a new school, we would not build the school at Playford, because it would be a long journey to school.

**Dr McFETRIDGE:** There would not be a school bus, anyway. We will move on. I again refer to Budget Paper 4, Volume 2, page 9.8, 'Education Works' and 'PPPs'. How will the PPPs that are about to be set up to build new schools be structured? Will they be the PFPs, which are used in New South Wales?

**The Hon. J.D. LOMAX-SMITH:** We have announced in this budget our intent to build six new schools through a public private partnership arrangement. We have made that announcement, but we have not signed contracts, we have not gone out to tender and we have not further progressed that matter. We have just made an announcement in this budget. We will shortly make the decisions about the shape of those relationships, those tender processes and the way in which they are managed.

**Dr McFETRIDGE:** I again refer to Budget Paper 4, Volume 2, page 9.8, 'Education Works'. Is the minister aware of the cautionary note expressed in the New South Wales Auditor-General's Report on new schools privately financed projects, and can the minister assure the committee that the issues mentioned have been noted, particularly where the Auditor-General notes the lack of comprehensive financial and economic analysis of all alternatives to the PFPs (publicly financed projects), that is, that the PFP may not necessarily provide the best value for dollars?

**The Hon. J.D. LOMAX-SMITH:** I think it is very significant that we intend to build six new schools and invest \$216 million in education works, as well as the 10 trade schools, the extra 10 children's centres, and the \$45.5 million for this year's scheduled announcements for around 20 major projects. We are about investing in schools. We are fortunate, perhaps, in that this first tranche of publicly and privately partnered building programs occurs after many other parts of the world have trialled these activities. It gives us an unprecedented opportunity to benefit from their experience, to avoid some of the early pitfalls, and to take advantage of the best options available.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.8. When will the promised 10 trade schools be started and finished, where will they be located, what courses will be taught, what technology will be available, what will be the difference between these trade schools and the federal government's technical colleges, and will the minister assure us that rainforest timber will not be used?

**The Hon. J.D. LOMAX-SMITH:** I will start at the end of that question. My view is that any building that is undertaken by the government should fulfil our State Strategic Plan targets that relate to sustainability and best practice. We should certainly always progress with renewable energy, recycled water, smart design, and placement on sites to avoid west-facing walls, making sure that our footprint is as small as possible. That would be in keeping with the rest of government strategies. In terms of why they differ from the Australian government's version of a trade school, our schools are public schools and the Australian government's schools are private schools. Our schools are comprehensive schools that will allow a range of activities and programs and are not just trade schools; they will allow a range of options at SACE. In terms of what they will teach, we believe in locally-based directions for our schools.

That is one of the issues about the federal takeover of education, because we would want better local opportunities with business and employers and not be at the whim of a distant federal government, so that locally we would leverage from the great investment opportunities that have been brought to our state by our government. For instance, we would expect to work with the mining industry; we would expect to work with the \$6 billion air warfare destroyer development and IT and defence industry; and we would expect to work with the burgeoning heavy manufacturing sector. On top of that, we would expect our young people to be enabled to take up not just heavy trades and classical trades but also new options through biotechnology and through a whole range of other areas, and they would be locally based with the opportunities. However, if you want to know the exact locations, I will ask Ms Rogers whether she can expand on those matters.

**Ms ROGERS:** We have been working quite intensively with industry, both at a local level and at peak level. We have certainly been bearing in mind a request from industry that we work with them to address areas of skill shortage. We are able to say at this stage that we are able to go forward on the first three regions and will make recommendations to the minister in the next few weeks of some of the specific locations for these trade schools. These are not stand-alone schools but are refurbishment of existing schools, that is, enhancement of what already exists, with a focus on particular skills areas.

The northern Adelaide suburbs is one of those areas that are particularly well advanced, and we are working with them to look at the feasibility of making sure that we can add value to what already exists and focus on particular skill areas there. Clearly, that is an area where advanced manufacturing and electro-technology is a focus. Similarly, in the Upper Spencer region, we have been working closely with the South Australian Centre for Minerals and Energy, individual employers, local school leaders and communities to develop seven pathways into the resources industry. As I have said, the proposal is that we will refine the site during the next few weeks, with a view to establishing operations during 2007.

**Mr PISONI:** Without seeming to be harping on the subject, my question regarding rainforest timber was more to do with student use. Will the minister guarantee that there will be no student use of rainforest timber in the projects worked on in the new trade schools?

**The Hon. J.D. LOMAX-SMITH:** I think it is most unlikely they would be involved in air warfare destroyer production.

**Mr PISONI:** Building houses; carpenters?

**The Hon. J.D. LOMAX-SMITH:** I think it would be most unlikely.

**Mr PISONI:** I notice in the budget figure for this year that \$2.9 million is allocated for the creation of 10 new trade schools. Will the minister be specific about what that \$2.9 million is for and advise how many schools will be started or built within that amount?

**The Hon. J.D. LOMAX-SMITH:** We are embarking on three within the next year.

**Dr McFETRIDGE:** Minister, they are not new trade schools: they are refurbished technical studies centres. Is that correct? We are going back to re-opening tech schools the Bannon government closed.

**The Hon. J.D. LOMAX-SMITH:** No; we are not re-opening something that has been closed.

**Dr McFETRIDGE:** You are refurbishing the technical studies centres, aren't you?

**The Hon. J.D. LOMAX-SMITH:** I will ask Mr Robinson to answer that.

**Mr ROBINSON:** This concept will do a number of different things to open up new opportunities to students who are enrolled in school. We will be looking to get more opportunities for students in school-based apprenticeships, where the apprenticeship training will be provided by already existing registered training organisations, whether they be TAFE colleges or private training providers. We are working through options around making more places available for school-based apprentices. We will be looking at trying to access students into some other higher level VET program certificate 4 and technician training, where some of the skill shortages are emerging in the labour market. We will be trying to bring together, through these trade schools, a whole lot of options around technical and trade training for students who are enrolled in schools.

At the same time, they will be able to do other subjects through their association with the public school in which they are enrolled. Some of the facilities that will be used by these students exist out there already and are part of the training infrastructure; some of them will be refurbished within school sites themselves through this program. There will be a mixture of offerings to try to make sure that there is a wide range. We are going to work closely with employer organisations and local employers to ensure that it is not just any training but training that will lead to good outcomes for students when they leave school.

**Mr PISONI:** You referred to three new schools in this budget. Can you identify those schools?

**The Hon. J.D. LOMAX-SMITH:** I think it was just explained that there are going to be recommendations made to the minister shortly and then, when those matters are confirmed, they will be announced.

**Mr ROBINSON:** The three sites about which discussions are occurring are in the northern suburbs of Adelaide, in the western suburbs of Adelaide, and in the Spencer Gulf area. There are some discussions going on with local schools and groups and we will come forward with more specific proposals for the minister in the near future.

**Mr PISONI:** They are in existing schools, are they?

**The Hon. J.D. LOMAX-SMITH:** I have not heard the proposals yet.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, pages 9.6 to 9.8: the net cost of services summary. We heard something before about anti-bullying programs in a question from the government. In the new megaschools built within socioeconomically challenged areas such as Smithfield Plains, what extra planning has been done and what extra resources will be put in place to ensure there is no bullying occurring of junior primary students by middle school or senior students?

**The Hon. J.D. LOMAX-SMITH:** Interestingly enough, birth to year 12 schools often have very fine leadership and mentoring programs. I think it would be wrong to assume that there is a greater issue with bullying in large schools than in small schools. The truth of the matter is that research says that those people who are bullied are sometimes disabled, sometimes very bright, sometimes a little slow, sometimes from different ethnic or religious backgrounds.

Our programs have been directed across a whole range of schools towards minimising and having no tolerance for these activities. The suggestion that these things occur only in some

suburbs is something that I do not support. I think bullying occurs in all schools: in the leafy green suburbs as well as in the other more disadvantaged suburbs. It occurs often in teenage girls. It occurs often in a whole range of socioeconomic areas, and it also occurs in the workplace and in domestic situations. So, I think the stereotype of bullies being in one suburb is probably not true.

My view is that the birth to year 12 opportunities are very good for social skills and interpersonal development. I was recently at a school which was a collocated service where the kindergarten, child care and junior primary were all on the same site and I was extraordinarily impressed to see that the year 2 students were reading books every day to a buddy in child care. It was a lovely way to build real relationships so that the transition from child care into kindy and into school was softened. I would reject any idea that you need extra money to stop bullying in disadvantaged areas, because I think it occurs in every walk of life, in every socioeconomic area. It should be stamped out because it is unacceptable, but I do not think you should stigmatise some suburbs.

**Dr McFETRIDGE:** I think the minister has partly answered my next question. Does the anti-bullying policy extend to the minister, ministerial advisers and DECS executives? I assume the answer is yes. The reason I ask the question is because I have been given a copy of an email accusing the minister of psychological bullying over some programs that are supposedly going to be cut. It would be nice if the minister was to come out and not put DECS staff through the stress that they are obviously under in not knowing where the programs are going.

As far as ministerial media advisers are concerned, FIVEaa announcer, Graeme Goodings, said on air when he was talking about swimming programs that a ministerial staffer had phoned and torn strips off him. I have spoken first-hand to a school principal who has told me that he was called in to Flinders Street at short notice and yelled at by a senior DECS executive. All these examples of psychological and physical intimidation surely should be stamped out by the minister.

**The CHAIR:** I call on the minister to defend herself against these so-called allegations. I point out to the member that the same rules that apply in the House of Assembly apply in estimates. I know the member well personally and I know he would not deliberately mislead the house, but I will caution members about making accusations unless they have evidence to back them up. Further to that, I also ask the member, in future, to point to the budget line when he is talking about ministerial advisers calling up radio personalities, who might be having a conversation about government policy. Apart from that, if the minister wishes to defend herself, she may, or she can just ignore it and we can move on.

**The Hon. J.D. LOMAX-SMITH:** I do not think there is any need to defend myself. I think our attitude towards bullying has been second to none. We have taken every conceivable measure and worked assiduously across the three education sectors. We have a strategy to recognise no tolerance towards this sort of behaviour. I reject and am deeply insulted by the assertion made by the member. I am very happy for the CE to speak to this, because I am sure his views about bullying are the same as mine.

**Mr ROBINSON:** Certainly in the department, abusive behaviour between staff members is completely unacceptable. I am concerned by the issue you have raised and, if any matter of this nature is drawn to my attention, I will take



action about it. It is not acceptable practice for anybody to be intimidated in any way, shape or form. Obviously, in a large organisation, there are times when people do not agree with decisions that might be taken in one way, shape or form, but that is not an excuse for abusive and unacceptable behaviour by members of staff against other members of staff. I will act on any issue that is brought to my attention in relation to a matter like that.

**Dr McFETRIDGE:** For the record, the person who sent the email alleging bullying—

*The Hon. J.D. Lomax-Smith interjecting:*

**Dr McFETRIDGE:** It was a copy of an email sent to the minister. A Cc was sent to me, so the minister should be aware of the person. She is not hiding; she put her name on the bottom of the email. Graeme Goodings' comments obviously will be on media monitoring for everybody to read. This was a first-hand conversation that I had with a school principal who relayed to me this distressing incident. I am pleased to hear—and I have great faith in the new chief executive—that he will follow up the policies in the workplace. I certainly reject any assertion that I am in any way misleading the committee or the parliament.

We will move on to slightly more technical matters. I refer to Budget Paper 4, Volume 2, page 9.15: education, early years, grants and subsidies. Expenses, grants and subsidies have been cut by \$218 000 from \$1.703 million in 2005-06 to \$1.485 million in 2006-07. What grants and subsidies have been cut in the early years to bring about this drop of \$218 000?

**The Hon. J.D. LOMAX-SMITH:** We are uncertain whether that was a one-off extra expenditure last year and it has gone back to the same amount the year before or whether there has been a change in commonwealth funding. We will find out and get back to you as soon as possible.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.17: grants and subsidies in years 3 to 12. Under expenses, grants and subsidies for grades 3 to 12, there is a reduction of \$658 000 from 2005-06 to 2006-07. What programs have been cut and what schools have been affected by this budget reduction in grants and subsidies expenditure?

**The Hon. J.D. LOMAX-SMITH:** The answer is the same: we are not sure whether it is a one-off extra expenditure last year over budget which has now gone back to the budgeted amount.

**Dr McFETRIDGE:** I have a similar question on the same reference. Under expenses, the budget line for 'other' has suffered a huge variation of \$23.235 million over three financial years from an actual result of \$24.368 million in 2004-05 to a budgeted figure of \$1.33 million in 2006-07. What is the explanation for this variation in 'other' expenditure?

**Mr De GENNARO:** Through the minister, we will obviously get that information as we will for the other two questions.

**Mr RAU:** I move:

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

Motion carried.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.2. In a highly feminised work force, with 75 per cent of total employees being women and 55 per cent of leadership positions being held by women, what incentives are in place

to encourage men into the teaching profession to act as role models for male students?

**The Hon. J.D. LOMAX-SMITH:** I love the idea that it is a sin to have women employed in teaching. There is nothing wrong with having women; in fact, the under-representation of women in leadership positions is a matter of shame within the department. There is a gross under-representation of women in leadership positions within the Department of Education and Children's Services.

**Dr McFETRIDGE:** To help the minister, the Voices of Women Board on the department's web site points out that over 50 per cent of leadership positions are held by women in, I think, junior primary; it is nearly 50 per cent in upper primary; and it is 98 per cent in preschools. I think the overall figure was 55 per cent of leadership positions in DECS were held by women, and they were actually world leaders.

**The Hon. J.D. LOMAX-SMITH:** There is a gross under-representation of women in leadership positions because—

**Dr McFETRIDGE:** That is not what your web site is saying.

**The CHAIR:** Order!

**The Hon. J.D. LOMAX-SMITH:** There is a gross under-representation of women in leadership positions, because nearly 80 per cent of the staff are female and 50 per cent of the leaders are women. Therefore, 20 odd per cent of men can get 50 per cent of the leadership positions. There is something inequitable about that. If you cannot understand those statistics, I will sit down with a piece of paper and explain it later. The South Australian education department has 23.5 per cent of males compared with, say, 17 per cent in the ACT. There is clearly an issue of the number of men wishing to go into teaching. The trend is worldwide. You might ask why that occurs. Well, one of the issues might be that teaching is not held in as high esteem as it should be; people do not regard teachers as leaders in our community, as they should.

If you listen to the diatribe coming from Canberra—the constant complaints about teachers and their competence, the low TER scores required to get into the courses, the arguments about their Maoist tendencies and left wing ideologies—it is not surprising that young men of the sort you want veer away from this profession. If you compound that with the child protection issues, there are certainly disincentives. However, having said that, we are an equal opportunity employer and would be happy to employ any man we could, provided he was as skilled and experienced as the women in those positions.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, pages 9.6 and 9.8, regarding the supporting elements. Dot point 3 refers to supporting elements—quality teachers. How is quality measured, how is achievement measured, and how much is in the budget to monitor and measure this target?

**The Hon. J.D. LOMAX-SMITH:** I will ask Margery Evans to answer this—and she will tell you that, in fact, it is 69 per cent women, not nearly 80 per cent.

**Ms EVANS:** We have several programs that support quality teaching. We have teacher professional standards that operate at four levels—beginning teacher level, accomplished teacher level, accelerated teacher, and teacher leader level. We also have an AST1 and have just introduced an AST2 classification (AST stands for advanced skills teachers). Teachers go through a rigorous external assessment to achieve an advanced skills teacher standing which they hold for five years, and for that they are rewarded with slightly more salary.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.8, regarding school vandalism. What has the government budgeted for school vandalism, arson and security matters in 2006-07, and what was the cost to DECS of school vandalism and break-ins in 2005-06?

**The Hon. J.D. LOMAX-SMITH:** I do not believe we hope to spend the same amount each year; it fluctuates. In the past year we had a large fire at Wallaroo which lifted our expenses significantly. It was approximately \$1.7 million in 2005 and \$4 million in 2006, boosted by the Wallaroo Primary School fire, which was \$2.5 million.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.8, and the solar schools program. What is the total cost of the solar schools program to date? I will ask the other parts of the question in a moment.

**The Hon. J.D. LOMAX-SMITH:** I think we allocated \$1.25 million to that project. We have installed 74 schools with a further 23 to be completed by the end of the year.

**Dr McFETRIDGE:** How much money was credited against electricity bills to schools through the solar schools program in 2005-06?

**The Hon. J.D. LOMAX-SMITH:** I do not believe we credit through the solar schools program. The solar schools program installs solar panels; I do not believe it credits. Do you mean a reduction in expenditure?

**Dr McFETRIDGE:** Last week the Premier announced that schools would be paid twice the retail price for the electricity they put back into the grid.

**The Hon. J.D. LOMAX-SMITH:** That is a new program to do with the electricity companies; it is not the solar program.

**Dr McFETRIDGE:** Well, the only way that schools can put electricity back into the grid is through solar panels, I would have thought.

**The Hon. J.D. LOMAX-SMITH:** I know, but that program is an intention to provide a yield for the energy sold to the grid. Is that what you mean?

**Dr McFETRIDGE:** The Premier said that schools would be paid twice the retail price, so we must know how much is going back into the grid so that we can say we are going to budget on paying—

**The Hon. J.D. LOMAX-SMITH:** I am sorry but I cannot answer that; I do not have that information. I do not know what you are talking about.

**Dr McFETRIDGE:** I understood that solar panels had been put on school roofs around the place not only to demonstrate the need to use green energy but also that in some cases there would be some electricity put back into the grid (exactly the same as with private homes and business). The Premier has said that schools would be paid twice the going retail electricity price for any electricity put back into the grid—and I assume it is from the same programs. If the minister cannot answer that now, that is fine; however, it would be nice to get more detail on it because it is obviously a good program, and if schools can benefit from selling power to the grid that is even better.

I refer to Budget Paper 4, Volume 2, pages 9.6 and 9.8, regarding school-based new apprenticeships. Of the 1 385 school-based new apprenticeships or traineeships, how many were apprenticeships and how many traineeships?

**The Hon. J.D. LOMAX-SMITH:** I will get that detail for you.

**Mr ROBINSON:** Apparently they are all apprenticeships.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.8. Why have minor works programs been reduced by

\$10.976 million from \$40.796 million in 2005-06 to \$29.820 million in 2006-07? Can the minister provide details of what schools have received minor works program funding and how much funding each school has received?

**The Hon. J.D. LOMAX-SMITH:** I will get Ms Riedstra to explain. You need to look at the line underneath, the investing payments.

**Ms RIEDSTRA:** The minor works line on that page, the reference is to capital works projects which are under \$4 million. It is not actually the minor works program of small works that are under \$150 000. It is simply Treasury's reference to smaller capital works. To interpret this, it is not that there has been a reduction in minor works funding; it is that there are fewer projects under \$4 million than there were in the previous year.

**Mr PISONI:** I refer to Budget Paper 5, pages 38, 39 and 40, and Budget Paper 4, Volume 2, page 9.8, investing payments summary, capital works 1. Why is there a discrepancy of \$96 000 between the total investing payments of \$62.357 million listed in Budget Paper 4 on page 9.8 and the \$62.453 million, portfolio total spending on education works summarised on page 40 in Budget Paper 5, Capital Investment Statement?

**The Hon. J.D. LOMAX-SMITH:** The sum of \$96 000 is the difference: \$62.357 plus \$96 000 equals \$62.453. That is the difference.

**Mr De GENNARO:** Page 40 of the Capital Investment Statement, Budget Paper 5, shows that the total education spend is \$62.357 million. SSABSA has an annual amount of \$96 000, and that is the difference between the two numbers that have been cited. So, all the expenditure is accounted for on page 40.

**Dr McFETRIDGE:** It is there, but it is certainly not in other areas.

**The Hon. J.D. LOMAX-SMITH:** Which was the other area that did not correspond? Can you give us the other number? They are jolly complicated.

**Dr McFETRIDGE:** They are very complicated. In Budget Paper 4, Volume 2, page 9.8, the total under New Works is \$11.8 million to be spent this year, in 2006-07. In Budget Paper 5, pages 38, 39 and 40, particularly pages 37 and 38, listed are Children's Centres and Craigmores High School, Education Works of \$7.3 million this year, and the trade schools are \$2.9 million this year.

**The Hon. J.D. LOMAX-SMITH:** I know that it is terribly complicated, and I struggle as well.

**Dr McFETRIDGE:** It is, minister.

**The Hon. J.D. LOMAX-SMITH:** It states \$62.357 million on page 9.8, and it states \$62.357 million on page 40. The difference is \$96 000, and that is at SSABSA. Does that make sense?

**Dr McFETRIDGE:** I am glad that you have explained that, minister. I have described these budget papers as the height of prestidigitation (for those who do not know, that is sleight of hand) because they become more and more complicated.

**The Hon. J.D. LOMAX-SMITH:** I know that it is hard.

**Dr McFETRIDGE:** The reference to New Works lists, amongst others, Blair Athol Primary, Children's Centres, Craigmores High, Education Works, and a series of other schools. Budget Paper 4, Volume 2, lists only Craigmores High School, Children's Centres and Education Works. I do not understand why.

**The Hon. J.D. LOMAX-SMITH:** They go over several years, and that is why it is so tetchy. Ms Riedstra will explain.

**Ms RIEDSTRA:** Again, it is a presentational matter. In the investing payments summary table in Budget Paper 4, the new works are those that have a total cost of over \$4 million. The rest of the new works described in detail in Budget Paper 5 are included in that category of minor works because they are under \$4 million.

**Dr McFETRIDGE:** Craigmore High School is only \$100 000.

**The CHAIR:** If the member wishes to ask questions of staff, the minister has to direct questions to them. They cannot respond to other questions.

**The Hon. J.D. LOMAX-SMITH:** I think that Ms Riedstra can answer that question. It is to do with the size of the capital investment. She will explain it again.

**Ms RIEDSTRA:** The \$100 000 for Craigmore is the amount of money, cash flow, for 2006-07, but the total estimated cost of that project is actually \$4.42 million, which is shown on page 37 of Budget Paper 5.

**Dr McFETRIDGE:** I admit to being a tad perplexed over this budget presentation on this issue, but I will move on. One particular school that has been mentioned a number of times in parliament is Roseworthy Primary School. Under Capital Works, it states that \$100 000 is in the 2006-07 budget for Roseworthy Primary. I understand that the total budget is \$3.1 million. When will building actually start on Roseworthy Primary? It is a school where the only brick building is the toilet.

**The Hon. J.D. LOMAX-SMITH:** It is due to be completed in 2008, but I will ask Julieann Riedstra to answer.

**Ms RIEDSTRA:** The start of construction will be determined after we have gone through the community consultation period with the school and after the architect has been appointed and has had an opportunity to work with the school to determine their needs.

**Dr McFETRIDGE:** I refer to Budget Paper 5, pages 38, 39 and 40 and then Volume 4, page 298—they are similar references to capital works. Can the minister list all the programs included within the minor works funding and outline the funding for each program and when each of these projects will begin?

**The Hon. J.D. LOMAX-SMITH:** We believe that most of them are under way already. The small projects category includes: Aldgate Pre-School, \$200 000; Amata Anangu School, \$552 000; Ceduna Area School, \$1.252 million; Kalangadoo Kindergarten, \$600 000; Kapunda High School, \$1.7 million; Kapunda Primary School, \$1.325 million; McDonald Park Primary School, \$511 000; McLaren Flat Primary School, \$1 million; Mount Gambier High School, \$369 000; Port Lincoln Schools, \$2.087 million; Prospect Primary School, \$786 000; Whyalla project, \$534 000; Fraser Park Pre-School, \$600 000; Woodside Primary School, \$1.212 million; Ernabella Anangu School, \$700 000; and Pitjantjatjara Anangu School, \$1 million—and we include some capacity for escalation should that occur.

**Dr McFETRIDGE:** This is the same reference: capital works, Paringa Park Primary School. Can the minister explain why many of the schools which are listed in last year's budget as new works are again listed in this year's budget as new works, and why the completion dates have been delayed for another year? For example, Paringa Park Primary School was listed in the 2005-06 capital investment for a completion date of 2006 and now it has gone out to 2007.

**The Hon. J.D. LOMAX-SMITH:** In general, it is the overheated building market. That particular project is also

affected by the fact that the school and DECS have decided to extend the scope, and the project now is larger than the one originally envisaged. Initially, the budget announced in the 2004-05 capital works program was \$2.5 million, and additional funding has been approved now of \$1.2 million, bringing the total budget to \$3.7 million. The final documentation has now allowed us to go for tender call in November of this year, with construction due to start in January. We have changed the plans, essentially. In general, some of the delays have been caused by the overheated building market, and we have struggled sometimes to tender effectively.

**The CHAIR:** I want to ask the minister about school zonings and how it is done. Could you give me a brief outline on who decides which children go to which school?

**The Hon. J.D. LOMAX-SMITH:** It is one of the most contentious areas, particularly in our most attractive schools such as Brighton High, Adelaide High, Glenunga, Marryatville and Norwood Morialta. Those schools are under enormous pressure because everyone wants to attend them. Believe me, I am just as enraged as other members that my constituents cannot get into close schools.

**Ms DAY:** School zoning always creates a lot of interest. We have a school zoning policy around enrolment in secondary schools in order to ensure students' enrolment at their school of right and to enable us to manage the capacity issues. Of course, there are special interest schools which have particular entrant enrolment policies, so students can apply for them. In enrolling for a secondary school, secondary school students can list their first, second and third preferences. There are particular criteria which are used for addressing issues of students wishing to enrol in an out-of-zone school, and that is managed at the district level.

**The CHAIR:** Without trying to be offensive, I did not understand that. I know it has since changed, but some children in my electorate can see Adelaide High School from their home, yet are not entitled to attend that school. It used to be the case that there were children living in Unley whose zone was Adelaide High School and not Unley High School. I am concerned that perhaps distance is not taken into account as much as it should be.

**The Hon. J.D. LOMAX-SMITH:** I have been concerned that not only distance but also bus routes are not adequately taken into account. One of the issues that vex residents in Prospect is that its zone school is three buses away and Adelaide High is one bus away, and it is the same issue. I think that it is worth pursuing.

**The CHAIR:** Perhaps you should expand Adelaide High.

**The Hon. J.D. LOMAX-SMITH:** That possibility would be a very good idea. It gives me great joy to find that public schools are so attractive that people are fighting to get into them.

**Mr PISONI:** Both my children attend public schools. How many zones are divided in the middle of a road? For example, the zone lines for Glenunga and Unley High Schools are in the middle of Opey Avenue. If you live on the northern side of Opey Avenue you go to Glenunga High School and if you live on the southern side you go to Unley High School. How can that happen, and what is the reason for a road being divided in the middle for a school zone?

**The Hon. J.D. LOMAX-SMITH:** I suspect that we have to find a way of rationing places. Sometimes there are eight applications for each place and it is difficult, as they are popular schools. It shows that the public wants subject choices. They want excellence and they like the larger schools because, interestingly, the zoned schools are always

the largest schools and are always the ones with the most subject choices. It is an interesting observation.

**Mr PISONI:** How often is a zone determined in the middle of a street and why is it so?

**The Hon. J.D. LOMAX-SMITH:** I cannot give you that information, but we can find out for you. I do not think it would solve your problem if we take in the other side of the road. I seek leave of the committee to respond to issues raised earlier that we took on notice.

**The CHAIR:** Absolutely.

**The Hon. J.D. LOMAX-SMITH:** We have the matter of the intangibles and the Christian pastoral workers. I mention on the record the small program efficiencies were 'Let's Go Be Active', small school grants and off campus enrolment programs. I will ask Rene Bos to tell us about intangibles.

**Mr BOS:** The adjustment in intangible assets was an adjustment to recognise the value of the Valeo HRMS system and to bring those values on to the books.

**The Hon. J.D. LOMAX-SMITH:** The amount for the Christian pastoral workers Sherry Thompson will tell us about.

**Ms THOMPSON:** The last contract for the Christian pastoral workers was for 2005-06, and funding was for \$58 000. The Heads of Christian Churches have reconfirmed their support for a state schools ministry coordinating group as their representative voice in all matters relating to the school Christian pastoral support working program. As mentioned earlier, the funding for that in the coming year is unchanged.

*[Sitting suspended from 6.26 to 7.33 p.m.]*

**The Hon. J.D. LOMAX-SMITH:** Mr Chair, I ask your permission for Mr Robinson to give an explanation with respect to a matter that was discussed earlier.

**The CHAIR:** Of course.

**Mr ROBINSON:** It relates to an answer on the school-based new apprenticeships. The new apprenticeships describe both trade apprenticeships and people doing traineeships while they are still at school. I want to clarify an answer that I gave previously about the break-up of that. In 2005, in terms of commencements in school-based new apprenticeships in the government system, about 1 500 young people were involved in such a program, where they would be at work part of the time undertaking a traineeship or an apprenticeship, and also at school. Of those young people, 191 were involved in the trade areas at either Certificate 2 or Certificate 3 level in an apprenticeship situation. I just wanted to clarify that. The term 'new apprenticeship' covers both apprentices and trainees, but not all of those were in trade apprenticeships.

**Dr McFETRIDGE:** I will now read the omnibus questions.

1. Can the minister provide a detailed breakdown for each of the forward estimate years of the specific administration measures as listed in Budget Paper 3, Chapter 2, Expenditure, which will lead to a reduction in the operating costs in this portfolio?

2. Will the minister provide a detailed breakdown of expenditure and consultants and contractors for 2005-06 for all departments and agencies reporting to the minister, listing the name of the consultant and contractor, the cost, the work undertaken and the method of appointment?

3. For each department or agency reporting to the minister, how many surplus employees are there as at 30 June 2006 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 2004-05, for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2005-06?

5. For all departments and agencies reporting to the minister, what is the estimated or actual level of under-expenditure for 2005-06, and has cabinet already approved any carryover expenditure into 2006-07? If so, how much?

6. What was the total number of employees with a total employment cost of \$100 000 or more per employee and 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 2006? Between 30 June 2005 and 30 June 2006, 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?

I refer to Budget Paper 5, page 39, 'Capital Works. Henley High School'. Does DECS have a guideline that specifies that there should be fencing around disability units and, if so, on what premise is that based?

**The Hon. J.D. LOMAX-SMITH:** This matter was raised by one parent, who discussed the type of fencing. As far as I recall, it was debated extensively by the school community. It was discussed in the build-up to the development, and a decision was made by the school community (which we supported) in terms of the fencing, which is necessary around some facilities in order to guarantee safety for schoolchildren. Can the member reiterate what other issue he is concerned about with respect to fencing?

**Dr McFETRIDGE:** The issue, as I understand it, was that there was no consultation with the school. The issue was also that—

**The Hon. J.D. LOMAX-SMITH:** That is not the information that I have been given. The information I have is that there was consultation, and that the development was in accord with the requirements of the community. It may be that Ms Riedstra can comment on that.

**Ms RIEDSTRA:** My understanding is that there was extensive consultation with the community about fencing the flexible learning unit.

**Dr McFETRIDGE:** That is not my understanding, minister, but I will agree to provide the information I have received so that the best outcome can be had by all, both in the flexible learning unit and in the mainstream school at Henley High. I refer to Budget Paper 4, Volume 2, page 9.8, capital works for the Andamooka Primary School. What were the reasons for not rebuilding an R to 7 school at Andamooka, as requested by the Andamooka community, the school governing council and the AEU?

**The Hon. J.D. LOMAX-SMITH:** That is a school with a current enrolment of about 29, I believe it is. It is a school with fewer than 30 children, if I have the current enrolments correct. This school was the subject of massive arson attacks. We started to rebuild after several fires, and, during the process of rebuilding and reconfiguring the school and the debate about how it should be rebuilt, all of the children were sent to Roxby Downs. Clearly, those children who are in the most senior years, be it six or seven, have settled and are about to transition into secondary school.

It is most important in rebuilding that we look after the most junior students to the highest degree. The decision we have made is that we will have a centre that will deal from

birth through the early years. It will give the parents the option in the year 4/5 category of deciding which school their children will attend but will leave those 6/7 children who are currently in Roxby Downs in that school. That is the most sensible thing, because those students have spent a year there already, and they have made that big transition.

I think that, if we were economic rationalists and we were hardnosed and would do what perhaps a Liberal government might have done, we would have closed the school; it is a very small school. But we gave a commitment that after each of the fires we would rebuild and that after each of the traumas, which were enormous, we would re-invest—and I think we have re-invested about \$1 million to date. We have made a commitment that we will rebuild and invest another close to \$1 million to rebuild that community school. However, we have made a decision for small children to have local resources. It is best for small children in child care that a family day centre, kindergarten, play groups and junior primary be close to home.

We have rebuilt, initially, facilities for the junior years. I suspect that there may be a building boom in that vicinity. It is possible that the population could grow dramatically, and it is possible that enrolments could enlarge significantly. However, at the moment we are talking about a handful of children in years 6 and 7. If there is massive enrolment, we will reconsider, but for the moment we have now fulfilled our commitment to rebuild the school and facilities. We are dealing with the youngest children first, because we realise that the senior children in the junior school have already gone to Roxby, and they have settled. We can build only so much at a time, and it is smartest to deal with the smallest children's needs first.

**Dr McFETRIDGE:** Minister, can I draw from your answer, then, that, if the government's expectations for 23 000 jobs (obviously not all at Roxby), with the expansion of BHP Billiton, is realised, there will be a significant expansion in the population of both Roxby and Andamooka—and I also understand that a new community will be developed between Andamooka and Roxby, and that you have not ruled out going back to a R to 7 or a birth to 7 school? My understanding is also that the current school enrolment is 45. The school community—and I mean the whole community—is right behind expanding the school.

**The Hon. J.D. LOMAX-SMITH:** You can expand the school only if the children are there. I am behind the school; the local member is behind the school; and the community, the parents and the teachers are behind the school. Everyone is behind the school; that is not in doubt.

**Dr McFETRIDGE:** Surely, the insurance cover for the school should have come somewhere near to the cost of replacing the school.

**The Hon. J.D. LOMAX-SMITH:** I am not talking about insurance cover: I am talking about what is best for the children. This is not just about money. I am saying that the year 6/7 children have spent a whole year at Roxby Downs. They have moved to Roxby Downs and, if they go back and forward, back and forward, it would be quite disruptive. It is rational to invest money to build new facilities for small children who can be best served by that experience.

**Dr McFETRIDGE:** The minister will obviously differ on this, but the information I have been given is that the children in years 6 and 7 have not settled as well as the minister might portray. There are a number of behavioural—

**The Hon. J.D. LOMAX-SMITH:** At the moment we are still in a building phase. If you think that we should build for

years 6 and 7 children ahead of small children, that may be your opinion. However, my opinion is that you start with small children, you save them the long journey—

**Dr McFETRIDGE:** You build a new school, minister; that is what you do. That is what the community wants.

**The Hon. J.D. LOMAX-SMITH:** We are building a new school.

**Dr McFETRIDGE:** You consult with the community.

**The Hon. J.D. LOMAX-SMITH:** We have consulted extensively and, for your information, we self-insure.

**Mr PISONI:** Minister, you say that you consulted extensively. I wonder whether you can give us an idea as to the increase in numbers you are expecting in schools in Andamooka and surrounding areas, with the expansion of Roxby Downs.

**The Hon. J.D. LOMAX-SMITH:** We do not know how many children will be there. We do know that some of the families who are likely to move into Roxby may move into Andamooka. We know that some of them are living as far away as the Lower Flinders and travelling in each week. We are not able to make a complete prediction. The last time I was told, it was fewer than 30 children were enrolled at Andamooka. Is that correct?

**Ms ROGERS:** I think it is closer to 37 at this point in time, but that includes the years 6 and 7.

**The Hon. J.D. LOMAX-SMITH:** So, we are up to 37 children now. There is a possibility for expansion, but development is not easy in either Roxby Downs or Andamooka. We do not know the size of the expansion in those areas. We do not have precise details of where those people might move. The other issue is that the families who move into the area may not send all their children (particularly in the senior years) to the local schools. There may still be some leakage into the city schools.

**Dr McFETRIDGE:** Minister, talking about schools burning down, I do not have a specific budget line, but I could probably find one if you want. It was my understanding that Trinity Gardens Primary School's governing council has to find another \$150 000 to put towards the rebuilding of the gym.

**The Hon. J.D. LOMAX-SMITH:** No, it does not.

**Dr McFETRIDGE:** Good; thank you. So it should all be covered by insurance. Thank you for that.

**The Hon. J.D. LOMAX-SMITH:** I will explain again that we are self-insured.

**Dr McFETRIDGE:** Not everything, though, minister.

**The Hon. J.D. LOMAX-SMITH:** I am sorry?

**Dr McFETRIDGE:** Not everything. Governing councils have to insure some things. I refer to Budget Paper 4, Volume 2, pages 9.35 and 9.2, targeted voluntary separation packages. The number of full-time employees as at 30 June 2006-07 budget estimates was 20 289. The estimated result for 2005-06 was 20 262, and the actual result for 2004-05 was 20 102, representing an increase of 186 full-time employees in the past three years. How many are teachers and how many are permanent teachers?

**The Hon. J.D. LOMAX-SMITH:** We have had a process of employing temporary teachers as full-time employees. It is a strategy that we took up when we came into government, because we were shocked at the number of fine teachers who struggled to get permanency and who could not get things like mortgages—it affected their lives substantially. We have clearly moved very aggressively to make permanent many temporary teachers who had been left languishing in a sort of no-man's land by the previous government. The exact details

about the additional positions I can ask Margery Evans to speak to.

**Ms EVANS:** A total of 42 TVSPs were accepted by DECS as employees as at 30 June; 30 of those were for teachers, eight were for Public Service Management Act employees and there were four others. The employees separated on 28 June 2006 and the total gross cost for TVSP payments was \$4 778 835.81.

**Dr McFETRIDGE:** The same reference: of the \$3.2 million decrease in expenditure due to TVSPs taken in 2005-06, what was the total cost of the TVSPs over the past three years, and from what areas within the education department did these employees leave? That is, were they teachers, education department employees or children's services employees?

**The Hon. J.D. LOMAX-SMITH:** I am not sure we have the information for three years ago.

**Dr McFETRIDGE:** Over the past three years.

**The Hon. J.D. LOMAX-SMITH:** I am informed that this is the first year that this process has occurred, and we do not believe (from my advice) that this has occurred previously. For the past three years you could take the last year as indicative of that sum, I am informed.

**Dr McFETRIDGE:** Thank you, minister.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.8. Has the Department of Education and Children's Services cleared the general ledger credit card accounts for the 2004-05 and 2005-06 financial years? Have credit card payments made by terminated employees also been cleared?

**The Hon. J.D. LOMAX-SMITH:** I should hope so.

**Mr PISONI:** According to a document from Mr Marshall to the Auditor-General dated 9 June 2004, it was stated that payments recorded in the general ledger credit card clearing accounts of some units had not been cleared since 2001, resulting in one clearing account having an uncleared balance of \$235 000.

**Mr De GENNARO:** Through the minister, we will seek further clarification on that point. Credit card arrangements are very well controlled, and there is a monthly process of having them signed off and verified and accounted for by the various credit card holders in the department. There is a very clear and rigorous process that is undertaken. As for the matter of \$200 000 in an account, the advice I have received is that that particular matter has been cleared, so that is no longer the case.

**Mr PISONI:** Minister, can you advise how many purchases, in dollar terms, are made on credit cards per year?

**The Hon. J.D. LOMAX-SMITH:** I will ask Mr De Gennaro to answer that.

**Mr De GENNARO:** Going through the minister, we would have to seek that information back in the department.

**Dr McFETRIDGE:** I refer to employee expenses in Budget Paper 4, Volume 2, page 9.17. Under 'expenses' employee benefits and costs have blown out by \$35.634 million. Is this the result of the government's enterprise bargaining agreement, or have other factors contributed to this \$35 million employee expenses blow-out?

**Mr De GENNARO:** Through the minister, if I understand the question correctly, it is the increase in employee expenses from the last budget year to this budget. Is that the question?

**Dr McFETRIDGE:** Yes; it is a billion dollars plus in each one, and there is a \$35 million increase.

**Mr De GENNARO:** The increase in employee expenses is explained by wage increases and the salary component of new initiatives. That is a gross increase offset by the enrol-

ment decline that has been occurring and has been factored in since 1999 in our budget. Enrolment decline leads to understaffing, and there are fewer teachers, therefore fewer salary expenses. Some of the efficiency measures have been factored in as well. Some of those efficiency measures have a salary impact.

There have also been adjustments for one-off increases in 2005-06. To summarise, the movement between the two years of expenditure in salaries is wages increase and the salary component of new initiatives, 100 extra year 3 teachers and those sorts of initiatives that have been factored into our budget offset by enrolment decline, which means fewer teachers. Efficiency measures have been factored and some are one-off adjustments.

**Mr PISONI:** I refer to Budget Paper 3, page 2.26: Learning Assistance Program grant. How much will the government provide in assistance to the Learning Assistance Program Association incorporating this financial year?

**The Hon. J.D. LOMAX-SMITH:** I do not know how much LAP money there is. We will get that data. I am not sure whether it is in that budget line.

**Mr PISONI:** It is in Budget Paper 3, page 2.26, showing education and children's services savings and expenditure initiative.

**The Hon. J.D. LOMAX-SMITH:** The Learning Assistance Program Association receives \$10 454.

**Mr PISONI:** Will the government increase funds over that grant to further support the tens of thousands of students involved in the Learning Assistance Program?

**The Hon. J.D. LOMAX-SMITH:** That is the budgeted sum in my advice.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.9: grants revenue. Under 'income', grants revenue has gone from \$38.412 million to \$28.83 million, a reduction of \$9.582 million over the past financial year. Why is this so?

**The Hon. J.D. LOMAX-SMITH:** You are quoting the budgeted amount against the result of 2005-06 compared with the budget of 2006-07. So, the question is: why did we not spend the budgeted amount?

**Mr De GENNARO:** Through the minister, I will interpret these figures. My officers will seek more details. In the early years of education, as members would be aware, South Australia receives commonwealth grant payments for family day care and those sorts of services. This grant line is dominated by commonwealth funding that comes into the department and then passes through and is paid out for services such as family day care and the like. It appears from the numbers in the table that \$30 million to \$28 million mark is about the usual rate of funding that we receive. The 2005-06 budget was a higher number. I need to seek clarification on that number. Most of that revenue will be commonwealth money coming in and then going out to pay for family day care services and the like.

**The Hon. J.D. LOMAX-SMITH:** Mr Chair, we now have response on the credit cards.

**Mr De GENNARO:** I will add to a previous question with more information. I think the question was: is there more information about credit cards? As at 31 August, in the department we have 341 staff who hold purchase cards. They are officers in the state and district offices. Any purchase or credit cards held by school staff are managed by the school and are not included in that count; they are school-based arrangements. The total expenditure on purchase cards in 2005-06 in state and district offices was \$1.834 million. They are predominantly purchases of minor goods and services; for

example, when our services officers are on visits to schools to provide rural services they may stay overnight, so they purchase accommodation and incidentals, which are related to the work that they are undertaking.

As I said earlier, we have comprehensive policies and control mechanisms which are mandated by Treasury to ensure that there is acquittal and verification of that expenditure by line managers. There are instructions to staff about using those cards only for approved, official business purposes and not for personal use. That is an edict that commonly other agencies issue from time to time, and it is part of staffing requirements. Finally, as members will know, purchase cards were introduced some time ago by government for agencies to streamline procedures, to simplify purchase of minor goods and services and to speed up repayment to suppliers. There are dollar transaction limits on various cards, so there is also a cap on the type and amount of a transaction that staff can undertake. That is a bit more information, I think, following on from the previous question.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.25: borrowing costs. Why have borrowing costs increased by \$167 000? Borrowing costs increased from \$678 000 in 2004-05 to \$845 000 in 2006-07.

**The Hon. J.D. LOMAX-SMITH:** I will ask Mr De Gennaro to respond.

**Mr De GENNARO:** You will see that the estimated result in the latest budget is \$845 000. I do not have the explanation for the increase from 2004-05 to 2005-06 at my fingertips, but this commonly relates to the fact that we do not have any external borrowings, and as our financial arrangements are with the Treasury I think this would be an arrangement between ourselves and Treasury. I will seek clarification on that, but I think that is the position.

**Dr McFETRIDGE:** I refer to the same reference: sales of goods and services. What goods and services have been sold to raise department income levels by \$2.454 million between 2005-06 and 2006-07? It was a bit over \$98 million in 2005-06 and a bit over \$100 million in 2006-07. I suppose I should be asking what have been and will be sold.

**The Hon. J.D. LOMAX-SMITH:** Mr De Gennaro will answer that question.

**Mr De GENNARO:** That line includes the estimates for school-based revenue. Taking the committee through those numbers on the sales of goods and services line, the 2005-06 budget was \$90.396 million. The growth from that figure to \$98 million was \$7.7 million, and that was schools data—that means fees and other income that schools earn through various arrangements and activities they undertake. Therefore, that estimated result is \$98.097 million. The latest budget is \$100.551 million. The difference is \$1.768 million for further school data—that means a further increase in school-based revenue—and adjustments for prior years of \$686 000 (an accounting adjustment). Those numbers reflect the potential change over time in school-based revenue-raising efforts.

**Dr McFETRIDGE:** On the same reference (other expenses), will the minister explain why there are such large variations in other expenses between the 2004-05 actual results of \$34.879 million and the 2005-06 budget result of \$206 million?

**The Hon. J.D. LOMAX-SMITH:** I think it may be intangible.

**Dr McFETRIDGE:** Yes, I think this is another intangible one. I might put this question on notice because it is a

complicated one and I do not think it could be answered tonight anyway.

**The Hon. J.D. LOMAX-SMITH:** We do not have data going back three years, so we will take it on notice.

**Dr McFETRIDGE:** On the same reference, page 9.30: appropriation income. Why has appropriation income increased by \$7.771 million since 2005-06? The estimated result for 2005-06 is just over \$136 million and the budget amount for 2006-07 is \$143.779 million.

**The Hon. J.D. LOMAX-SMITH:** That is a growth in funding to schools; increased investment in non-government schools.

**Dr McFETRIDGE:** I would expect no other answer, minister; well done.

**Mr PISONI:** I refer to Budget Paper 4 Volume 2, page 9.37: multicultural grants. What are the reasons for the \$215 000 reduction in state multicultural grant payments between the 2005-06 estimate result of \$913 000 and the 2006-07 budget amount of \$698 000? The cash flow statement shows that the commonwealth multicultural grant payments increased by \$17 000 in the same period.

**The Hon. J.D. LOMAX-SMITH:** I think it is a cash flow issue, because the committee asked for some roll-over funds. Mr De Gennaro, can you help?

**Mr De GENNARO:** To add to what the minister has said, if you look at those numbers you will see that the 2004-05 actual was \$280 000 and the 2005-06 budget was \$681 000 but the estimated result was \$913 000. So the expected expenditure was \$681 000 and the payments turned out to be \$913 000. That implies that a cash flow effect was happening, which has been referred to. The normal budget is again being set in 2006-07 at \$698 000.

**The Hon. J.D. LOMAX-SMITH:** It relates to the calendar and the school year not lining up. Sometimes funds come in at the wrong time and get into the wrong year.

**Mr De GENNARO:** Through the minister, you can see that there is a \$17 000 growth in the budgeted amount, but what actually happens is that a cash flow pattern emerges.

**Mr PISONI:** I was just thinking about the cash flow. I am new at this and I am happy to learn, but—

**The Hon. J.D. LOMAX-SMITH:** If I could just explain. I think it is that sometimes funds come after the end of June, and because they are for a school year it still is in the school year and we still give them out in the school year, but it comes in the wrong financial year. So, if you look at the average through the several years on the page, you will see that one year was unnaturally low. That was because some of the money slurped into the next financial year by accident. That is not a very technical way of explaining it.

**Mr De GENNARO:** ‘Slurping’ is an accrual accounting term.

**The Hon. J.D. LOMAX-SMITH:** There is a better way of explaining it, but that is my interpretation.

**Mr De GENNARO:** If we need to, obviously we will clarify that, but that appears from the analysis. We do not have the 2004-05 figures to hand.

**The Hon. J.D. LOMAX-SMITH:** We will get a technical update on that for you.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.17: Education: Primary and Secondary Education (3-12). Will the minister explain why there are such large variations in the budget lines under ‘income’? Sale of goods and services has increased by \$1.827 million from nearly \$74 million to nearly \$76 million; grant revenue has de-

creased by \$2.881 million; and investment revenue has almost halved from \$10.58 million to \$5.76 million.

**The Hon. J.D. LOMAX-SMITH:** I think it may be to do with commonwealth grants.

**Mr De GENNARO:** We may have to clarify that. You have raised questions around movements between budget, estimated result and latest budget on a number of lines in our income statement for a part of the department's operation—that is, education, years 3 to 12. That is only a subset of our total income statement, and I will need to get more detail on that.

**Dr McFETRIDGE:** Thank you, Mr De Gennaro. It would be great to get the detail, because it is obviously significant if it has been put in the budget papers. I refer to Budget Paper 4, Volume 2, pages 9.17 and 9.20: student enrolments. Is the target for the total number of students for the 2006-07 financial year, which has declined by a projected 2 061 student enrolments, due to a decrease in student enrolments as a result of changing enrolment patterns or shifts to the independent Catholic sector? If so, what is the projected number?

**The Hon. J.D. LOMAX-SMITH:** Over the past decade, I think the number of children between the ages of five and 17 has declined by 26 000. If nothing dramatic happens in the next decade, it is projected to decline further by 28 000 children. This is not 28 000 in our sector; it is 28 000 across three education sectors. We have a decline in family size and a slowing down and later age of reproduction in our community. In fact, during the previous government's time in power, 13 300 students left public schools and went into the private sector. We have noticed that the decline has slowed during our period in government.

The latest level of enrolment decline was only 0.6 per cent in 2006. We believe that is because the public sees our commitment to education in public schools. We have restored confidence in the system, with lower class sizes; better school facilities; investment in literacy, retention and engagements; reform of the SACE; our intent to build 10 trade schools and 20 children's centres; and our massive investment in Education Works. The community can see that we are a government that means business, and we believe that education is paramount.

**Dr McFETRIDGE:** I am disappointed that the member for Stuart is not here, because this morning's paper had Ororoo and Carrieton as the most fecund communities in South Australia.

**Mr ROBINSON:** One of our issues is that, although federal Treasurer Peter Costello has invited everyone to have one for mum, one for dad, and one for the country, it has not actually happened. Perhaps people will be extolled into action.

**Dr McFETRIDGE:** There is plenty of practice going on. I refer to Budget Paper 4, Volume 2, pages 9.17 and 9.20. Performance indicators are provided in the budget as percentages, but the total number of student enrolments has dropped by 1 040 between 2004-05 and 2005-06, and it is projected to decrease again by a further 2 061 in 2006-07. Therefore, even if the percentages stay the same, or improve slightly, the actual number of students has reduced. Will the minister consider reviewing the misleading method of reporting performance indicators for future education budgets?

**The Hon. J.D. LOMAX-SMITH:** I do not understand the question.

**Dr McFETRIDGE:** Performance indicators are provided in the budget as percentages, but the total number of student enrolments has dropped by 1 040 between 2004-05 and 2005-06. This is projected to decrease again by another 2 061 between 2005-06 and 2006-17. Therefore, even if the percentages stay the same, or improve slightly, the actual number of students involved in each performance indicator has dropped.

**The Hon. J.D. LOMAX-SMITH:** My understanding of percentages (and it may be different from yours) is that the percentage reflects the number of individuals within the cohort. A percentage result is a valid and sensible way of describing outcomes.

**Dr McFETRIDGE:** I did university maths, minister, but that is not my interpretation. I refer to Budget Paper 4, Volume 2, pages 9.5 and 9.17: indigenous student enrolments. In the highlights, the budget refers to indigenous student enrolments increasing from 500 in 2004-05 to 530 in 2005. Will the minister explain why indigenous student enrolments for the calendar year reached an all time high of 530 students compared with only 500 students in the financial year 2004-05; and will the minister provide the indigenous student enrolments for the 2005-06 financial year? Once again it is a matter of the way things are being reported.

**The Hon. J.D. LOMAX-SMITH:** We have to comply with the reporting requirements within the text, but the reality is that there tends to be an increase in the number of self-identified indigenous students over time.

**Dr McFETRIDGE:** But you are comparing calendar years and financial years, and it just does not add up.

**The Hon. J.D. LOMAX-SMITH:** I think the problem is that children go to school in a calendar year, and therefore it is difficult to talk about enrolments over a financial year. One of the challenges—

**Dr McFETRIDGE:** But you do; you report 500 students in the financial year.

**The Hon. J.D. LOMAX-SMITH:** The challenge in education is to identify the fact that we work through the calendar year.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, pages 9.5 and 9.17, indigenous student enrolments again. Under the target for 2006-07, dot point 4, increasing the performance of indigenous students, years 3, 5, and 7, students in literacy and numeracy, will the minister provide details about the levels of performance in indigenous students in years 3, 5 and 7 in actual numbers, rather than percentages, as shown in the performance indicators?

**The Hon. J.D. LOMAX-SMITH:** I am sorry, did you want the raw data instead of percentages?

**Dr McFETRIDGE:** You have it in percentages and it would be nice to have it in actual bodies on the ground.

**The Hon. J.D. LOMAX-SMITH:** It is quite easy to calculate back from the raw numbers.

**Dr McFETRIDGE:** There are 530 in the calendar year and 500 in the financial year.

**Mr De GENNARO:** We undertake a census of school enrolments in February—that is, the first and second weeks of the school year, from memory—and also again in August, which is term three. We count the total number of students and total different types of categories of students—Aboriginal students, students who have English as a second language and other types of students. We officially count them and we do that for a number of purposes, including staffing, special needs funding and those sorts of reasons. We also collect that information and it is published by the ABS.



The ABS provides data about the number of students in South Australia in different sectors and the like. We do it for official purposes and official statistical reporting purposes. That is the census arrangement that we have and we operate that set of data on a school year basis. These reports are based on a financial year basis, which is the official financial reporting time line for the department, but a school year is the financial year for schools. The data about the numbers of students is based on school year time frames.

**Dr McFETRIDGE:** Run that by me again.

**The Hon. J.D. LOMAX-SMITH:** The school year runs as a calendar year and the financial year is July to June.

**Dr McFETRIDGE:** The school year has an American style financial year and the department has an Australian style financial year.

**The Hon. J.D. LOMAX-SMITH:** Can I make it quite clear that the school year is like a calendar year and the financial year is July to June. It is complicated because the budget runs from July through to June, yet the school year is from January to December effectively. We have to take that into account, so all our programs start off in a budget as a half year allocation because we only implement change according to the half year.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, pages 9.7 and 9.21, the footnote 'language background'. What is the new definition of 'language background', other than English, and why was the definition changed?

**The Hon. J.D. LOMAX-SMITH:** Can you explain to which footnote you are referring?

**Dr McFETRIDGE:** Page 9.21, footnote (j).

**The Hon. J.D. LOMAX-SMITH:** I am not sure why the LOTE classification has changed its terminology. I do not think that it is ominous, but we are happy to get back to you with that information. It is a bit like 'mother tongue'.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.1, family day care. Why was the government unable to meet the family day care target of 12 810 children in family day care in 2005-06, and why has that target been considerably reduced to 9 964 children in 2006-07?

**The Hon. J.D. LOMAX-SMITH:** I think that it may relate to a commonwealth funding problem. The honourable member might like to refer it to his colleagues. Ms Sherry Thompson will explain how we have been enormously disappointed with this funding manoeuvre.

**Ms THOMPSON:** Across the whole country of Australia there has been falling utilisation of the family day care program and, on top of that, the commonwealth has dramatically changed the way in which it funds the program. In the past, it funded it on the number of spaces available for children and it has changed that to count the hours that children are in the spaces and the number of children who are in spaces for hours, changing the whole way that it is administering the program across Australia. So, in a way it has played havoc with the data and the result has been a dramatic reduction in funding to South Australia—perhaps \$1 million.

**Dr McFETRIDGE:** I am more than happy to take it up with my federal colleagues because like the state government the federal government is also pushed for money with cuts in family day care. Are government occupational health and safety, training, and fencing requirements making it less attractive for people to even consider providing family day care?

**The Hon. J.D. LOMAX-SMITH:** There are costs of business that have to be accounted for and if anyone is in a

business they have to pay those proper costs. To give extra information about TVSPs, the information we have is that 2005-06 had 47, 2004-05 had zero and 2003-04 had 82.

**Mr PISONI:** Further to the minister's comment that businesses should pay the extra costs, from where do they get the extra money—from their customers?

**The Hon. J.D. LOMAX-SMITH:** A business plan should have an allocation of costs and outgoings.

**Mr PISONI:** So, from its customers?

**The Hon. J.D. LOMAX-SMITH:** Well, you have run a business and that is how you operate a business.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.15. Under 'Other' expenses the budget line has been reduced from an actual result of \$7.552 million in 2004 to a budgeted figure of \$46 000 in 2005-06 and increased to an estimated result of \$351 000 for 2005-06, and reduced again to \$348 000 in 2006-07. This represents a \$7.204 million decrease in the past three financial years. Why has the other budget line varied so much over the past three financial years and why has it reduced so considerably since 2004-05?

**The Hon. J.D. LOMAX-SMITH:** It may be intangible, but we may be able to answer that.

**Mr De GENNARO:** As I have indicated, I will seek clarification on some other numbers that are raised in the 2004-05 year. This question relates essentially to the 2004-05 year being a number in the other category that has been relatively large compared with the others. We are seeking clarification from the office, but my memory tells me that that was the first year the school based data was brought into the figures in a budget context. If you go back to the budget papers you will see that. We had to bring in a range of school based data. It is about bringing in that data and including it for the first time. We are seeking clarification from the department about what happened in that year with those data incorporations.

**Dr McFETRIDGE:** Some good news here. I refer to Budget Paper 4, Volume 2, page 9.9, grants and subsidies. Under expenses, grants and subsidies have increased from \$633 000 in 2005-06 to \$852 000 for 2006-07. Will the minister provide a breakdown on those grants and subsidies and advise to which organisations, schools or preschools they have been provided?

**Ms THOMPSON:** I do not have a list of all preschools that have had grants and subsidies with me today.

**Dr McFETRIDGE:** We will take it on notice then.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, page 9.18, literacy and numeracy. What is the total government expenditure provided for literacy and numeracy assistance to children who do not meet the national benchmarks in reading, writing and numeracy and how does the government intend to increase this assistance?

**The Hon. J.D. LOMAX-SMITH:** I am glad you asked about that because we have the most comprehensive literacy program in our state. We have invested \$35 million in an early literacy program, which includes extra teachers and specialist programs and begins in preschool, teaching first the preschool teachers how to develop literacy and moving up with courses through the early years. There are strategies for running records to pick those children who are failing to learn literacy skills in even their pre-literate stages. Those running record tests identify those young children as likely to be planning to be failing to learn to read and then we have a range of strategies in terms of reading recovery and other ways of improving and early intervention to help those children learn to read and write. We have had the much

derided program, the Premier's Reading Challenge, which is not supported by the opposition, although it is one of the most popular programs amongst parents and children.

**Dr McFETRIDGE:** I have given out medals.

**The Hon. J.D. LOMAX-SMITH:** That is generous of you, because the member for Bragg spent much time saying that it was a waste of time. We have brought extra books for schools. We are about to invest \$1 million in books for preschools and child care facilities. The results from two of six state literacy and numeracy tests conducted in August potentially will show another improvement because, together with our small class sizes, the reading challenge and the literacy programs we are optimistic will continue to show increasing improvements.

There has been steady improvements to date in reading, writing and numeracy, with the lowest ever percentage of children in the lowest skill band in both literacy and numeracy in 2005. The percentage of year 3 students in the top level school bands that same year was the equal highest achievement recorded. Aboriginal children in year 3 have improved as well, with the mean skills in literacy and numeracy the highest ever recorded. We are beginning to make a difference and our investment is paying off.

**Mr PISONI:** Thank you, minister, for reading that into *Hansard*, but my question related to government expenditure. Can you give a dollar figure?

**The Hon. J.D. LOMAX-SMITH:** I think \$10 million this year goes into our early years strategy for literacy.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, pages 9.17 and 9.21 on speech pathologists. What is the total government expenditure provided for speech pathology services, how many speech pathologists are currently employed by the education department and has the number of speech pathologists employed changed from last year? So, it is a question about money and numbers.

**The Hon. J.D. LOMAX-SMITH:** I cannot give the member the number or the value or the cost of speech pathology in government, because the speech pathologists are employed by at least three departments—health, families and communities and education—and I do not have that data available. Perhaps the member can ask the representatives of the other departments. What I do know is that, in relation to our speech pathologists, since being elected we have invested an extra \$3.2 million for additional speech pathology services. We have developed six new inclusive preschool facilities for students with special needs, and we have speech pathologists across all districts. They are responsible for dealing with speech impediments from the age of four upwards. It is essential that that early intervention starts as soon as possible and that it begins, we hope, in the children's services end of the spectrum.

We have 71.2 FTE speech pathology positions, with 69.2 providing services to preschools and schools and two FTEs based centrally, who provide professional leadership and support. Since 2002, there has been a 13 per cent FTE increase, from 63 in December 2002 to 71.2 in August 2006. We have extended and invested in this area.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, pages 9.17 and 9.22, 'Student attendance and monitoring systems', expenses. What is the total cost of introducing the new electronic leave pass system this financial year, which schools will have this system, how much will it cost to maintain over the forthcoming years and how will it allow for easier identification of school truants?

**The Hon. J.D. LOMAX-SMITH:** I think I described this earlier; it was one of the questions asked by the member for Florey. I am very happy to repeat the answer, if that is of any use to the member.

**Dr McFETRIDGE:** I am aware of the time. I will read it in *Hansard*, thank you—unless there is anything that the minister wishes to add.

**The Hon. J.D. LOMAX-SMITH:** I think I said it all before, but I am happy to repeat it, if the member would find it edifying.

**Dr McFETRIDGE:** No, it is quite all right. There are other questions that we would like to explore. I again refer to the same budget line (I do not think that this was identified). With respect to the expansion of the student identification system, how will the minister assure the privacy of school students?

**The Hon. J.D. LOMAX-SMITH:** Privacy from their parents?

**Dr McFETRIDGE:** From people who should not know about any particular engagements or attendances. If there are no privacy issues, that is fine.

**The Hon. J.D. LOMAX-SMITH:** It is an interesting idea, but when a parent gives their mobile phone number to a school and that mobile phone number is used as an SMS destination for the information that the child has not turned up for school in the morning and that they are a non-attendant child, it is hard to know how that would breach privacy.

**Dr McFETRIDGE:** I do not believe that it does, as long as that phone number is not used inappropriately.

**The Hon. J.D. LOMAX-SMITH:** But that is the parent's phone number. So, we have to guarantee the parent's privacy.

**Dr McFETRIDGE:** I think that all records held by the school should be covered by some sort of privacy protocols.

**The Hon. J.D. LOMAX-SMITH:** I am a little confused, because we are talking about student attendance systems, and we are worried about the parent's privacy.

**Dr McFETRIDGE:** I think the parents might be.

**The Hon. J.D. LOMAX-SMITH:** I am sure that they would be.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, pages 9.5 and 9.17, 'Overseas students'. Under 'Targets for 2006-07', dot point 5 states that the aim is to significantly increase South Australia's share of overseas students. How many primary and secondary schools have fee-paying overseas students, what are the average fees paid and what is the expected increase in overseas students in 2006-07?

**The Hon. J.D. LOMAX-SMITH:** One of the great success stories of our government has been the reinvigoration of Education Adelaide and the increase in the number of overseas students. I think the targets are well and truly currently being met by that organisation. Of course, I am not the minister in charge of Education Adelaide, but I must praise his efforts in this area. The number of full fee-paying children in primary schools is quite a low number. As one would imagine, most parents are unwilling to send their primary school children to an overseas destination. It is less than 100 in primary school and almost 800 in secondary school. The largest cohort of secondary international students is from China, followed by Korea.

I can indicate the list of schools involved. As of 3 July 2006, the following government schools (and I am not including non-government schools) provide education to full fee-paying international students: Aberfoyle Park High School, Adelaide High, Adelaide Secondary School of English, Australian Science & Maths School, Banksia Park

International High School, Birdwood High, Blackwood High, Brighton Secondary, Charles Campbell Secondary, Findon High, Glenunga International High, Hallett Cove Schools, Hamilton Senior College, Heathfield High, Henley High, Kapunda High, Marryatville High, Mount Barker High, Mount Gambier High, Norwood Morialta High, Nuriootpa High, Ocean View College, Parafield Gardens High, Pasadena High, Reynella East High, Salisbury East High, Salisbury High, Seaton High, Seaview High, Underdale High, Unley High, Victor Harbor High, William Light R-12, Willunga High, Woodville High, Wirreanda High, Aberfoyle Hub Primary School, Athelstone Primary, Brighton Primary, Burnside Primary, Campbelltown Primary, Clovelly Park Primary, Colonel Light Gardens Primary, Coorara Primary, East Torrens Primary, Fulham North Primary, Gilles Street Primary, Glen Osmond Primary, Highgate Primary, Kirton Point Primary, Linden Park Primary, Lonsdale Heights Primary, Magill Primary, Marryatville Primary, Mount Barker South Primary, Norwood Primary, Walkerville Primary and West Lakes Shore Primary.

The economic contribution to the state from 879 international students has been estimated at over \$23 million, including over \$8.1 million in tuition fees, which was returned to schools.

**Mr PISONI:** Minister, are you able to advise whether those international students are included in the numbers that are used in the zone system? A number of those schools you read out participate in the zone system. I would like to know whether those international students are included in the numbers counted that exclude those residents of South Australia who cannot attend those schools because they do not live in the zone and because of the international students attending those schools. Can the minister confirm whether international students are included in the numbers?

**The Hon. J.D. LOMAX-SMITH:** I understand that there is an element of xenophobia in the community which would exclude international students. However, I think that for many of our best schools it actually contributes to the sense of internationalism, the learning and the experience of students, and it is a contributory factor, not a diminishing factor, in their education.

**Mr PISONI:** The question was whether they are counted in the numbers for zoning purposes.

**The Hon. J.D. LOMAX-SMITH:** I would have thought that most children living in Korea would be outside the zone. They are not in the zone, and they are not counted as a zone child; they are an additional child.

**Mr PISONI:** Minister, a number of international students are the children of people working here on visas and are living in suburbs in and around Adelaide, not necessarily in the zone.

**The Hon. J.D. LOMAX-SMITH:** Are you counting for the staffing levels?

**Mr PISONI:** I am asking whether those international students the government—

**The Hon. J.D. LOMAX-SMITH:** I am sorry; I misunderstood the question.

**Mr PISONI:** The question is: are those international students who pay money to the state government to attend state schools—

**The Hon. J.D. LOMAX-SMITH:** Do they have to live within the zone?

**Mr PISONI:** No. My question was: are they included in the calculation of student numbers when determining whether

to exclude South Australian residents who live outside the zone from attending the school.

**The Hon. J.D. LOMAX-SMITH:** I will ask Mr Kilvert to explain that.

**Mr KILVERT:** If they are full-fee paying overseas students and they are residing within that zone and the school has the capacity to take those students, they are included within their numbers.

**Mr PISONI:** They are included in their numbers?

**Mr KILVERT:** Yes.

**The Hon. J.D. LOMAX-SMITH:** While I have a moment, can I contribute something about the language background change?

**The CHAIR:** Yes.

**The Hon. J.D. LOMAX-SMITH:** I am informed, sir, that it was based on location and geography of the child and parent. It is now based on the question: does the child use a language other than English at home? That is, it is not about background so much as about use. Does that help?

**Mr PISONI:** Going back to the zone numbers and national students: if they do not live in the zone, are they still entitled to attend that school at the expense of a South Australian resident?

**Mr KILVERT:** The overseas students who pay full fees are interested in attending those schools that are often in demand in South Australia. Those schools tailor their programs for international students and certainly welcome their inclusion for a whole range of benefits to that school. The school will negotiate with the department as to the numbers so that we can ensure there is a capacity there. According to their capacity to take those students, they will consider their inclusion from outside the zone. I will also clarify that, if there are students within the zone who wish to go to that school, they have that entitlement to attend the school.

**The CHAIR:** Minister, if I live in a zone and I want to go a school I am zoned for, I will not miss out because of an international student?

**The Hon. J.D. LOMAX-SMITH:** If you live in an area, it is your school of right. It does not matter what anyone else does; you can go straight to that school tomorrow, in the middle of the term, or in the middle of the year; they cannot turn you away. The other issue that was not clear from the list of public schools that take international students is that many of those students may be only on short course programs. For instance, Adelaide High makes an art form out of taking students for two-week programs. That school has Japanese, Italian and Creek students just for two-week short course programs. That is a really developmental issue for the local children, because they experience children from another culture. They have them on home stay, and it is a deeply enriching experience for them. Although it might mean that there is a lot of activity for those two weeks, it is a valuable experience for all the children. So, it should not be looked as a negative; it is actually a really positive move for those young people.

**Mr PISONI:** Minister, I am certainly not looking at it as a negative. You have raised a new issue here. Are those students who are here for two weeks counted in your numbers of international students who attend every year?

**The Hon. J.D. LOMAX-SMITH:** They are international overseas students. They are counted in different ways. The numbers of people, because they are not all children, are also counted in visitor numbers to the state.

**Mr PISONI:** When you quote a number of international students attending South Australian schools, are you quoting students who are here for a term, students who are here for two weeks—

**The Hon. J.D. LOMAX-SMITH:** I think they are all aggregated together.

**Mr KILVERT:** The full-fee paying students who attend South Australian schools are just over 1 000 in number. We have a separate way of counting those students who do short-term visits. We can give those aggregate figures, but we are also careful to give separate reporting of those figures.

**Mr PISONI:** Can we have those figures on notice?

**Mr KILVERT:** Yes.

**The Hon. J.D. LOMAX-SMITH:** About 879 students overall enrolled for a whole year, but there are other students who were involved only for a fortnight. Is that right?

**Mr KILVERT:** That is right. In the year to the end of June 2006, 1 764 overseas students were hosted in 128 South Australian government schools under the study tour program in addition to those overseas full-fee paying students who enrolled for the full year.

**Mr PISONI:** I understand the enormous cultural benefit there is for our students in having international students attending their school, but is there any financial benefit for the schools or their communities in hosting international students?

**The Hon. J.D. LOMAX-SMITH:** I think that different schools will see it differently. They do get some financial returns for those students. There is a service fee that is paid to the department, so they do not get the entire fee, but there is obviously a financial benefit. That would have to be offset. I think the financial benefit reflects the fact that the building is there, the overheads are there, the services are there and so the fee has a high yield.

**Mr KILVERT:** The minister is correct in what she said, but I can add to the detail. The department charges the overseas families a fee to attend. Of that fee 70 per cent goes to the school; the remaining 30 per cent goes to the department to actually manage the process. That 70 per cent can be used by the school to purchase additional teachers. They can provide further support. They often run language support programs for those students when they enter classes that do have English language skills. They can also provide tutorial or homework services after school. That money is primarily directed towards those overseas students for their benefit. As the minister said, it also creates a capacity within the school to offer additional services to those existing enrolled school students, and that does occur as well.

**Dr McFETRIDGE:** I refer to Budget Paper 4, Volume 2, page 9.30, consultancy expenses. In 2004-05 the consultancy expenses were \$5 000; in 2005-06, \$30 000; and in 2006-07 the budget is \$31 000. Can the minister let the committee know who was employed or paid as a consultant and how much they were paid, and what they were paid for?

**The Hon. J.D. LOMAX-SMITH:** I am sorry, could I ask the member for Morphett to repeat the number that he just read out?

**Dr McFETRIDGE:** It is probably covered in the omnibus questions, when I think about it. I have doubled up with it. If you want to answer it tonight, as the Chairman says, I will take it. It is on page 9.30 of Budget Paper 4, Volume 2. The consultants' expenses in 2004-05 were \$5 000; in 2005-06, \$30 000; and the budget expense in 2006-07 is \$31 000.

**The Hon. J.D. LOMAX-SMITH:** I think we may be able to answer that.

**Mr De GENNARO:** Yes, through the minister, page 9.30 is administered items, and I am advised that that increase by \$30 000 is due to separate consultancy expenses incurred by SSABSA. This is the administered items budget and not the departmental budget. I am just locating that number.

**The Hon. J.D. LOMAX-SMITH:** It is administered items in 9.30, not DECS.

**Mr De GENNARO:** Again, through the minister, to clarify: the estimated result was \$30 000 for 2005-06, and the budget for this year is \$31 000. That line relates to consultancy expenses in SSABSA.

**Dr McFETRIDGE:** So you can tell me who it was paid to and why they were paid that.

**The Hon. J.D. LOMAX-SMITH:** The SSABSA officers have gone, so we will have to take that on notice.

**Dr McFETRIDGE:** Mr DeGennaro was part of that budget line.

**The Hon. J.D. LOMAX-SMITH:** No, it is not to do with him. I am sorry, it is an administered item.

**Dr McFETRIDGE:** I will put it on notice.

**Mr PISONI:** I refer to Budget Paper 4, Volume 2, pages 9.17 and 9.18, Premier's Reading Challenge. As a parent of pre-teenage children I must commend the Premier on the success that the challenge has had. The commentary states that an 80 per cent participation rate target has been achieved for the Premier's Reading Challenge. Why are 20 per cent of students not participating? What percentage of the 20 per cent of non-participants are in non-government schools? What system or process does the minister have in place to try to increase the participation rate? Can the minister explain why that 20 per cent are not participating?

**The Hon. J.D. LOMAX-SMITH:** I think it is hard to explain why people would not participate in this because it is singularly attractive for children. I have to say that we were amazed at the extent of the interest and the enthusiasm and how quickly it took on. In the third year of the reading challenge the interest has risen, with over 90 per cent of schools participating, an increase of 10 per cent over 2005, and well in excess of the strategic plan target of 80 per cent. In 2005 there were 71 249 students completing the challenge, a 30 per cent increase from 2004. Whilst the final results from this year are not available, because the challenge only ended in September, we sense from schools that the reading challenge has been even more popular.

This year there are seven Aboriginal schools with students participating in the challenge—an increase from five last year. If we imagined why people might not join we would have to say that, for some schools, it has not been part of their programs. Some non-government schools have been very actively engaged. Certainly some of the private schools that I have been to have had 100 per cent involvement with a very active and enthusiastic engagement. The results have been so stellar that it is hard to imagine how much more we can improve the outcomes for this program.

**Mr PISONI:** I suppose my concern is that in some of the outer suburban public schools you often saw students who perhaps were not coping, or had difficulty in moving forward—at times I was one of those students—and my concern is that perhaps there should be something in place here to pick these kids up. Is there something in place and, if not, why not?

**The Hon. J.D. LOMAX-SMITH:** We have a \$35 million early literacy strategy, which is a comprehensive strategy that includes preschools, the early years, reading recovery, running records. We have extra books for public school

libraries; we have books for child care; and we have the Premier's Reading Challenge. We have reading ambassadors who are sports stars who engage young children, and we also have book writers who explain to children the process of writing. We also have a challenge which engages boys. I think this is particularly successful for boys.

I have been amazed at how, traditionally, one imagines that boys are, let us say, more sluggish learners as far as reading is concerned but, when you hand out the certificates and medals, a good 50 per cent of the recipients are boys. We have noticed that, by having the competitive edge of the bronze, silver and gold medals, boys are more enthusiastic about this than they might otherwise be. In addition, we have the Footy Challenge whereby each year we have the game of working out which of the Crows and Port Power read the most books, and that again—

**The CHAIR:** That is easy.

**The Hon. J.D. LOMAX-SMITH:** It is generally Port. That again is one of the areas that engages boys. We have invested substantial sums of money. We have had a range of really creative ideas, from Little Big Book Club through to the Reading Challenge, and actually buying books. We have gone a long way towards explaining to families that reading is very important. There was a time when people did not realise that it was important to read to small children, and even more important to read to babies when they clearly cannot respond to the written word. A lot of those reading activities with babies are, in fact, more than just reading; their impact reflects the socialising, the love, the contact, the communication, and having a baby on your lap.

Reading is more than just the book and literacy; it is actually also a bonding exercise. Those sorts of lessons, I think, are increasingly being learnt well. I am genuinely pleased that you like this program, because it is one that we are generally proud of, and one which we think has had a great impact. I am pleased that you support it. I think that we have done really very well, and I am concerned that we may struggle to get any higher results than we already have.

**Dr McFETRIDGE:** I have the penultimate question, and it goes back to the intangible assets that we had before, or the thing that has generated the intangible asset—the VALEO system. I refer to Budget Paper 4, Volume 2, page 9.2: group certificates. Will the Department of Education and Children's Services comply in forward financial years with Australian Taxation Office legislative requirements by issuing group certificates on time to teachers and departmental employees by the required deadline of 14 July?

**The Hon. J.D. LOMAX-SMITH:** I think that this is not the issue that you imply. I know that this year there was a challenge because we sought some exceptions to this matter relating to the end of the school term. As you will realise, school term ends and temporary teachers tend to disappear. I will ask Mr De Gennaro to explain what has recently happened in respect of group certificates.

**Mr De GENNARO:** The Australian Taxation Office rules require that employees are issued with their payment summary no later than 14 July each year unless an exemption has been issued by the Australian Taxation Office. DECS applied to the Australian Taxation Office for an exemption for this year. It was granted an issue date for those payment summaries of 14 August 2006. DECS was not and never has been in breach of the Australian Taxation Office rules and will not be fined. We were exempted by the ATO based on our application because this year the last payday fell on 29 June 2006, and that was one week prior to the end of term

two. This left insufficient time to produce and distribute around 60 000 payment summaries by 14 July; therefore, a circular was sent to sites—to schools and preschools—advising employees that the payment summaries would not be available until 24 July, that being the first day of term three. We wanted to ensure that payment summaries arrived in school on the first day that the staff returned from the school break. To send them earlier, of course, would mean that the payment summaries would be at school when there would be no teachers. All DECS employees had the payment summaries sent to them by 24 July.

I note that, in sending out those payment summaries, 83 out of 60 000 were returned to DECS because of unknown addresses. That is primarily because the employee did not keep their address information up-to-date, so the payment summary was not sent to their current address; it was sent to their previously recorded address. That is a situation which occurred this year with the payment summaries and the ATO.

**The Hon. J.D. LOMAX-SMITH:** Mr Chair, may I ask permission for Sherry Thompson to give details about the operating grants to children's preschools?

**Ms THOMPSON:** I believe your question earlier was about operating grants to preschools and play centres? I now have a list of the grants. Would you like it?

**Dr McFETRIDGE:** Is it a long list?

**Ms THOMPSON:** Moderate.

**Dr McFETRIDGE:** I will take it on notice, if you like.

**The Hon. J.D. LOMAX-SMITH:** How long is it?

**Ms THOMPSON:** Four pages.

**The CHAIR:** He will take it on notice.

**Dr McFETRIDGE:** Yes; I trust the department.

**The CHAIR:** Thank you very much for your efforts. Sorry about the hard work you did.

**Dr McFETRIDGE:** As this is the last question, Mr Chair, can I take the liberty of thanking all the minister's staff for their hard work. I was on that side of the house in government for two hours and 55 minutes before Peter Lewis did his bit. I would like to thank the minister and the new Chief Executive—Chris, welcome to estimates in South Australia—and the other staff for the fine work that they have done. I have received a lot of cooperation from them. The minister and I actually do like each other, although we do get into each other a bit—at least I think she does, anyway; she may not after this last question, though.

The last question does have a budget line. I refer to Budget Paper 4, Volume 2, page 9.2: ministerial staff. What is the role of the communications advisory in your office, and why are you the only minister who has a communications adviser listed in the ministerial directory? The past 5½ hours have made that quite clear.

**The Hon. J.D. LOMAX-SMITH:** I think that, in my office, I like to have someone who spends time writing documentation. It is just the way we divide the office work.

**The CHAIR:** Minister, you have answered 111 questions today. So, if there is any inference that the government is not open and accountable, it cannot be the truth.

*An honourable member interjecting:*

**The CHAIR:** No; you did not. You asked only 102; we asked the rest. There being no further questions, I declare the examination of the vote completed.

## ADJOURNMENT

At 9 p.m. the committee adjourned until Thursday 19 October at 11 a.m.

