

HOUSE OF ASSEMBLY**Friday 1 July 2011****ESTIMATES COMMITTEE B****Chair:**

Hon. M.J. Wright

Members:

Mrs R.K. Geraghty
Hon. S.W. Key
Mr A.S. Pederick
Ms M.G. Thompson
Mr P.A. Treloar
Mr T.J. Whetstone

The committee met at 10:00

DEPARTMENT OF PRIMARY INDUSTRIES AND RESOURCES, \$112,648,000
ADMINISTERED ITEMS FOR THE DEPARTMENT OF PRIMARY INDUSTRIES AND
RESOURCES, \$3,589,000

Witness:

Hon. M.F. O'Brien, Minister for Agriculture and Fisheries, Minister for Forests, Minister for Energy, Minister for the Northern Suburbs.

Departmental Advisers:

Mr G. Knight, Chief Executive, Department of Primary Industries and Resources SA.

Dr D. Plowman, Group Executive Director, Primary Industries and Biosecurity, Department of Primary Industries and Resources SA.

Mr S. Archer, Group Executive Director, Portfolio Services, Department of Primary Industries and Resources SA.

Dr M. Doroudi, Executive Director, Fisheries and Aquaculture, Department of Primary Industries and Resources SA.

Mr M. Williams, Manager, Budget Strategy, Department of Primary Industries and Resources SA.

Mr S. Johnke, Director, Finance and Asset Management, Department of Primary Industries and Resources SA.

Mrs E. Ranieri, Group Executive Director, Strategy, Policy and People, Department of Primary Industries and Resources SA.

Mr W. Zacharin, Executive Director, Biosecurity SA, Department of Primary Industries and Resources SA.

The CHAIR: Good morning. The estimates committees are a relatively informal procedure and as such there is no need to stand to ask or answer questions. The committee will determine an approximate time for consideration of proposed payments to facilitate changeover of departmental advisers. I guess the minister and the shadow minister have done that; you have agreed to times?

The Hon. M.F. O'BRIEN: Yes, as printed.

The CHAIR: If the minister undertakes to supply information at a later date, it must be submitted to the committee by no later than Friday 30 September. I propose to invite both the minister and lead speaker for the opposition to make brief opening statements if they so wish. There will be a flexible approach to giving the call for asking questions based on about three questions per member. 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. All questions are to be directed to the minister, not the minister's advisers. The minister may refer questions to advisers for a response. I also advise that for the purposes of the committee, television coverage will be allowed for filming from both the northern and southern galleries.

I declare the proposed payments open for examination and refer members to the Portfolio Statements, Volume 3. I now invite the minister to make an opening statement if he so wishes, and also to introduce his advisers.

The Hon. M.F. O'BRIEN: I have an opening statement which gives an overview of the substantive movements in the budget this year as compared with last year, and I think the opposition would be interested in these observations given that they figure fairly prominently in *The Stock Journal's* treatment of the budget.

PIRSA's core goal remains sustainable resource development, and the agency continues to be focused on this. PIRSA has long been known amongst its clients and other government departments as a successful agency that has instigated and adapted to change throughout its history and remained current, and that will not change. I think the department of agriculture in its many iterations is the oldest of the state's government departments, established in the very early years of the colony.

PIRSA has identified opportunities where it can do with less, including partnering with other agencies and also asking industry to help share the load. Where industry benefits from our activities, it is reasonable that industry contributes more. This session examines Program 3, Agriculture Food and Fisheries. The sub-programs under this category are agriculture, food and wine, aquaculture, fisheries, SARDI, rural services and biosecurity.

I draw your attention to the format of the budget papers this year, where under each sub-program there is a financial commentary that breaks down the major variances in the published figures. Despite this transparent presentation, there has been an amount of misleading commentary and speculation about the size of the budget reduction in this program.

Today I want to set the record straight. The 2011-12 budget for Program 3, Agriculture, Food and Fisheries is \$182 million, a reduction of \$44 million from the 2010-11 budget of \$226 million. I am pleased to advise the committee that this variation comprises a reduction of \$46 million for three major one-off items that will not require funding to continue in 2011-12.

These are due to, firstly, a reduction of \$28.9 million due to a fewer number of areas declared for drought exceptional circumstances; secondly, the completion of the state drought program, which means that \$4.3 million is not required in 2011-12; and, thirdly, the success of the plague locust eradication program, which has seen the removal of the one-off allocation of \$12.8 million.

I am sure that everyone in this committee would agree that these reductions are not consistent with the headlines around budgets slashed for the sub-programs as reported recently in the media. After a decade of very difficult seasonal conditions, South Australia experienced good rainfall across most of the state during 2010, probably a little too much in the first week in December, but the rainfall resulted in record grain harvests, excellent conditions for livestock production, and adequate water for irrigation of horticultural crops along the Murray River.

The state's crop alone was a record 10.34 million tonnes and contributed around \$3.4 billion to the state's economy. This has been achieved under the threat of a major locust incursion, a significant mouse threat and difficult conditions for harvest. Where much of South Australia was declared as being in drought—exceptional circumstances up to 2010—there is currently only one region still declared: the Murray corridor.

The very effective state government response to the drought has clearly allowed primary producers to quickly recover from the difficult situation they were in. We have made provision for the South Australian contribution to drought measures in the EC declared area. During 2010-11, the government invested \$12.8 million to mitigate the locust plague, which was the most serious plague threat in 40 years. I am delighted to report that PIRSA Biosecurity led an extremely effective

response in association with other divisions of PIRSA and other government agencies. I particularly acknowledge and thank landowners who collaborated with government in mounting this response.

I am happy to report that the big ticket items in the 2010-11 state budget for the portfolio have been achieved. These include:

- extensions to PIRSA's existing cost recovery policies, with a particular emphasis on animal health, fisheries and aquaculture activities. This includes a new property identification code for all livestock and horse properties to better track livestock movements and tackle disease outbreaks more effectively;
- funding of \$12.8 million for fighting the looming locust plague;
- funding of \$1 million a year to support food and wine industry development for the next four years;
- introduction of full commercial pricing by Rural Solutions SA as previously planned. Rural Solutions SA will continue to operate in areas where commercial viability exists, with savings to accrue from the withdrawal of state funding from previously subsidised areas of Rural Solutions' business;
- continuation of SARDI's reprioritisation of its R&D expenditure in line with the national R&D framework. SARDI will continue to lead national research and development for the pork, poultry, aquaculture and fisheries, grains, biofuel and wine sectors;
- rationalisation of programs to coordinate regional primary industries-related community development, capacity building and skills development. This initiative involved the removal of a subsidy to the Advisory Board of Agriculture and a reduction in programs such as the rural leadership program and related development programs; and
- rationalisation of industry development programs. This savings measure saw a reduction of grants to industry bodies and support to the wine and food councils.

The targets for 2011-12 are outlined in the budget papers. I would like to highlight some of these:

- Contribution to a national food plan. This will build on the success of the South Australian food plans, the general interest in food security and critical market access strategies.
- I am keen for the work we have initiated this year in the establishment of the new industry body Food SA (the new initiative to increase funding to the food and wine sectors) and establishment of the Agribusiness Council to be capitalised on in forming a base for South Australia to continue a national leadership role in the food and wine areas.
- We will be amending the Aquaculture Act and ensuring the regulatory and compliance programs in fisheries and aquaculture maintain their leading position nationally.
- SARDI will be initiating new research and development programs in the climate change and food industry.
- The integration of the NRM Biosecurity Group into Biosecurity SA has seen a significant support to NRM boards and underpinning of the mouse plague, feral animal control and weed management programs. These programs will be continued into 2011-12.

In conclusion, I reiterate that the government recognises the contribution that our primary industries make to this state's economy and wellbeing and that PIRSA's role in supporting this sector remains vital. This commitment is demonstrated by over \$182 million being spent on the agriculture, food and fisheries program in 2011-12.

The CHAIR: Does the shadow minister wish to make an opening statement?

Mr PEDERICK: No, thank you, chair. I am ready to go.

The CHAIR: You have the call.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 185, the first chart, Expenses. Total expenses budgeted for 2011-12 are \$181.7 million. The 2010-11 estimated result is \$216.3 million from an estimate of \$225.6 million. In 2009-10, the budget was \$285.6 million. Does this drop in three years of \$104 million, 'To deliver specialist services and advice across South Australia, fostering growth and development, prosperity, quality of life, while supporting environmentally sustainable development of the state's resources,' to quote the objective

description at the top of the page, reflect the Labor government's attitude to the importance of agriculture to South Australia's overall economy?

The Hon. M.F. O'BRIEN: Member for Hammond, probably the most significant movement over those years has been the one-off payment of \$57.167 million in the Jervois to Langhorne Creek and Currency Creek irrigation pipeline. That could be seen as capital expenditure, but the treatment has been that it has been expensed. The most significant component in that movement has been the \$57 million one-off in 2009-10.

In passing over to the Chief Executive, I will also make note of the fact that we had the plague locust emergency response, the state drought response measures and the exceptional circumstances interest rate subsidy program measures embodied in those figures. Now we are out of drought and, hopefully, we have dealt with the locust issues. In my opening statement, I mentioned that that was largely responsible for budget movements, and that is also reflected in expenses, but the Chief Executive may have more to add.

Mr KNIGHT: The member for Hammond is right in pointing out that the movement between the 2009 actual figure published this year and the 2011-12 budget does look to be of the order of \$100 million but, as the minister has just indicated, there are some very large one-off movements in there that contribute to the greater part of the \$100 million.

The biggest component relates to the payment that PIRSA made for the construction of the pipeline from Jervois to Langhorne Creek, but also there were significant payments in the 2009-10 year that related to payments for drought, including the EC payments to landholders. As the minister said in his opening speech, there is very little funding in the 2011-12 budget for that purpose, because there is there only one area any longer in EC.

So, there is very little in the 181, but there is a lot; I do not have the figures in front of me, and I would be happy to provide a table that shows the detail. Behind all of that, of course, there are some savings over what represents two financial years, but nothing like \$100 million. I would be guessing, but it might be \$10 million in actual real savings. So, there is no suggestion that there are no savings in that, but to suggest that there is a \$100 million reduction would be fairly misleading, I think.

Mr PEDERICK: It is straight there on the budget line, and it is a \$104 million drop. It does not matter how you couch it; it is there.

Mr KNIGHT: Had the pipeline not happened, it would not have been 250. In fact, the 285 was not the budget. If you go back to the actual budget (we do not have them in this year's papers), the budget would not have been 285, because we were not budgeting to make that payment. What in fact happened is that that money came back to us from the commonwealth in the end. We had not received it in the year in which we had expended it. That 285 is an extraordinarily high year; it is not representative of the ongoing level of expenditure for this program.

Mr PEDERICK: That money for the Langhorne pipeline: I understand you are indicating \$52.7 million was already funded by the commonwealth?

Mr KNIGHT: Yes; it was all paid for by the commonwealth. Mr Archer has just handed me some figures that show that the movement between those two financial years just in EC payments alone was another \$42 million. In other words, there is \$42 million in the 2009-10 payments that is not in the 2011-12. If those figures were comparable between 2009-10 and 2011-12, we would suddenly have \$100 million up our sleeve that we could spend on new initiatives.

Mr PEDERICK: But 90 per cent of the EC money would have been commonwealth.

Mr KNIGHT Correct.

The Hon. M.F. O'BRIEN: If I might just come in here, member for Hammond, if you have page 185 open, and the table to which you referred, you have concentrated on the expenses. If you have a look at the income, you will find in that particular year not only were expenses the highest over the several years we are considering but also income. Income for 2009-10 was \$229 million, as opposed to \$98 million for the budget 2011-12.

The significant variance between those years is largely due to commonwealth revenue and intergovernment transfers and other grants. So, you are right; it was commonwealth money, it comes in as revenue and is ultimately expensed. Looking at things on balance, for that particular year expenses were up, but so was revenue and, if you look over that table, there is a significant reduction in commonwealth revenue over that period. That is largely your explanation.

Mr PEDERICK: Thank you. Are you finished?

The Hon. M.F. O'BRIEN: I think the chief executive wants to make a comment.

Mr KNIGHT: Maybe one way to illustrate that is if you look at the very bottom of that table, where it says, 'Net cost of providing services.' That is the true measure of how much money the state government has put in here through the budget, leaving aside all the revenue side. You can see that between those two years in 2009-10 it was \$55 million and that in the budget year coming up it is \$83.6 million. There are all sorts of influences driving that, but it is totally the opposite movement from what we have in the gross payments.

I think to try to pull out that \$100 million movement and describe it as being reflective of what is happening in the budget would be a bit inaccurate, given that the level of one-off movements between those two years explains most of that. The biggest parts are EC, and we had a number of regions in EC in 2009-10, and immediately under that first line where it is talking about the expenses you will see the line of commonwealth revenues the minister referred to. You can see that in 2009-10 it was \$53 million, and in 2011-12 it is only \$16 million, so there is a significant reduction in the commonwealth money flowing through our accounts for EC, which is a big contributor to that \$100 million reduction.

I might just add that if you turn over the page you will see the financial commentary. The minister mentioned in his opening statement that there is now provided in these papers (this is a new feature for this year) a list of explanations of all these movements, and most of the things that we have commented on are listed in those dot points on page 186.

Mr PEDERICK: I appreciate that, but I guess for simplicity, and for people going through estimates questions and answers who do not have the budget in front of them, it is nice to get them out during estimates. How much flexibility does the government have in accessing funding? Whichever way you look at it, this is a huge, savage cut to primary industries. It is the biggest single earning industry in this state, and if we need to access money in a hurry, whether exceptional circumstances come into play, a locust plague or other issues that need funding, how quickly—because I know the government is strapped for cash—can the primary industries department access funds to fund this very vital contributor to the state economy?

The Hon. M.F. O'BRIEN: I think the rapid response to the locust plague indicates that we will move rapidly and that we will put whatever resources are required into whatever immediate issue is facing the primary production sector. We certainly did not dillydally on that. It was done really within a very short period of time: a matter of weeks.

As you are aware, we put out the initial proposition, and I think the member for Flinders may have come back and asked that one particular component of the program that was confined to one section of the state, which was the rebate for on-farm use of insecticide, be broadened. We resolved that matter, I think, within a week. We were very fast on our feet, and cabinet did not dillydally around in allocating the necessary funding. The budget context is identical to the one with which we are currently dealing.

Ms THOMPSON: My question relates to Budget Paper 4, Volume 3, page 186, Sub-program 3.1: Agriculture, Food and Wine. Can the minister please inform the committee how the South Australian food industry has now taken responsibility for leading in its own development through the establishment of Food South Australia and how the government is supporting the establishment of this organisation?

The Hon. M.F. O'BRIEN: I thank the member for Reynell for this particular question. This is a project that I have been intimately involved in. I have had an association with the finished food sector for probably four or five years. Well in advance of becoming minister with responsibility for agriculture, as a parliamentary secretary I was a convenor of the Premier's Food Council, so I have a good understanding of the activity that is undertaken by the private sector and the role that government has taken.

The food industry is an important industry in South Australia, and it contributes \$12.4 billion to the state economy and employs more than 135,000 workers, or 17 per cent of the state's employed workforce. Those figures are drawn from the 2010 PIRSA ScoreCard. Since 1998 the government and industry have taken a planned approach to the development of the food industry through a succession of food plans and direct government support to food industry development initiatives. This was an initiative of the then Liberal government, and I think it was a very important initiative at the time and a major economic driver.

The food industry was supported by two industry associations, namely, Flavour SA, which was a self-funded industry body representing the smaller to medium sized food processing companies in the state; and Food Adelaide, which was an industry and government partnership with membership consisting of larger food exporting companies. Food Adelaide had a number of offices throughout the world, particularly in Japan and China, and it may have at one stage had a presence in the UK, but I am not sure of that.

During 2010 the members of Flavour SA and Food Adelaide decided that the food industry had matured to a level where it could support its own development through the amalgamation of Flavour SA and Food Adelaide to form a new single entity known as Food SA to form a peak industry body for the South Australian food industry. Food SA is now positioned as the state's new peak industry body for the food industry and is aiming to help grow the value of the industry by providing central delivery of key services, including industry capacity and market development activities and opportunities for all in the South Australian food industry.

We are talking about fairly significant levels of activity in the finished food sector. This is all about value-adding. It is very important to drive on-farm production, but I think it is beneficial to the South Australian economy and it makes a lot of sense to also add value in as significant a sense as we can before these products go interstate or overseas. This development is very welcomed and will support the continued development of this state's food production and processing sector by providing a single point of contact and also a critical mass for food businesses across the state.

PIRSA has continued to promote the successful partnership with the food industry by directly supporting the development of Food SA through a commitment of \$2.2 million over four years commencing in 2010-11. These funds will support the continued growth of a strong, innovative and resilient food sector in South Australia, specifically through the ongoing efficient delivery by industry of capability development programs, market intelligence and market development programs.

Further to this, PIRSA has placed two full-time equivalents within Food SA to support the existing program delivery during the establishment of Food SA. The outposted PIRSA staff will remain with Food SA until 30 September 2012. Interestingly, we have also located Food SA on the SARDI site at Urrbrae and, talking with the Chief Executive Officer of Food SA yesterday, she believes this has been a very beneficial move for Food SA and has further integrated her particular activities with that on the R&D side of the industry.

The program of funded activities focuses on industry engagement, education and awareness utilising consumer insight and market intelligence to position the industry competitively interstate and internationally, and improving the capabilities of food companies, increasing jobs and sustainability. As we reach the conclusion of the first year of the partnership, I am heartened by the collaboration and the level of achievement across the industry. I was told yesterday that the membership of the new entity doubles that of the two separate entities prior to merging, so it is being embraced by the private sector and, within four years within the envelope of state government support, I am of the opinion that it will become a fully self-sustaining operation and a major driver of domestic and international food sales for the South Australian finished food sector.

The Hon. S.W. KEY: This is going to sound like a strange question from a member who is in the urban areas, but I refer to Budget Paper 4, Volume 3, page 196, Sub-program 3.6: Biosecurity. What I would like you to advise the panel of, minister, is the work that is being done by the government in regard to fruit fly—and, as I said, it might sound like a strange question from a city slicker, but certainly in the seat of Ashford we have had our problems with fruit fly—and perhaps an urban response to that issue, as well as the well-known devastation that fruit fly can bring to the industry. I understand that more recently there have again been some problems in urban South Australia in regard to fruit fly.

The Hon. M.F. O'BRIEN: I thank the member for Ashford for her question and I would also like to commend the member for Chaffey for his ongoing interest. It is of vital concern to the Riverland, and he has always been a source of some wise counsel on this particular issue. I always heed his input. Fruit fly is the world's most economically significant horticultural pest. Fruit fly destroys fruit and vegetables, both in commercial crops and those grown in home gardens. The member for Ashford actually referred to the impact it can have in the metropolitan area. Fruit fly appears on nearly every continent, and millions of dollars are spent annually on their control and eradication.

Two of the most economically damaging species which have relevance to Australia are the native Queensland fruit fly found in the Eastern States and the Northern Territory and the

introduced Mediterranean fruit fly in Western Australia. I can advise that South Australia is the only mainland state free of these significant pests and, as the member for Chaffey is aware, this gives us access into a number of significant markets and also does not impose the same type of cost impost that other Australian exporters have to endure in getting into international markets.

If the fruit fly became established in South Australia, it could jeopardise our local horticultural industry and export markets. I can confirm that there has been an unprecedented number of fruit fly incidents in both New South Wales and Victoria over the past eight months, with the number of outbreaks exceeding 100. One can only postulate that the significant number is due to the weather conditions, rainfall and easing of drought along the Murray River.

The incidents of fruit fly in the Eastern States has tested our neighbouring jurisdictions, and department staff from Biosecurity SA have been in close communication with those jurisdictions to monitor what additional action may be required by the South Australian government to manage the risk of incursion spreading to our state. I note that a Japanese delegation is going to be in the Riverland over the next few weeks just checking on the status in the Riverland. The international community takes a very keen interest in the way in which we manage this particular issue.

We have not experienced an above average incidence of the fruit fly pest in the current season. There are normally around eight to 18 single fly detections per year and an average of four outbreaks per season, although, in the past eight years, this has significantly reduced to an average of one outbreak per year for that period. Biosecurity SA eradicated four outbreaks of Mediterranean fruit fly in metropolitan Adelaide in 2010 in Wingfield, Woodville North, South Brighton and Seaton. Quarantine was lifted in each of these areas on 22 December 2010

Successful eradication of fruit fly is critical to South Australia's status as the only mainland state to be free of fruit fly. This season there have been five single fly detections of Queensland fruit fly and one incursion of Mediterranean fruit fly, which has led to an outbreak response. In terms of the Mediterranean fruit fly incursion, the outbreak response was declared in Port Augusta West on 18 April 2011. The response to this outbreak by Biosecurity SA has again been successful and it is anticipated that response activities will be wound up on 30 June, with the subsequent lifting of the localised quarantine zone occurring in November.

Eradication programs are labour intensive and costly, ranging from \$150,000 to over \$1 million, depending on the nature of the incursion. Again, I would like to assure the member for Hammond that the money will be found when required. Response activities are funded from PIRSA's biosecurity fund. Biosecurity SA has a number of strategies which, combined, are continuing to provide success in managing the risk of fruit fly entering South Australia. These include:

- permanent quarantine stations on key routes into South Australia at Yamba, Pinnaroo, Oodlawirra and Ceduna;
- quarantine signage and disposal bins at all major roads entering South Australia;
- quarantine disposal bins and signage advising of SA's quarantine restrictions at airport, rail and bus terminals;
- the strategic operation of random roadblocks at border entry points;
- a monitoring and detection program involving more than 3,800 fruit fly trap sites across metropolitan Adelaide, horticultural production areas and key strategic towns;
- the fruit fly hotline, which continues to be successful, with residents reporting around half of the fruit fly incursions which occur in South Australia;
- an extensive annual fruit fly media campaign and the highly successful fruit fly community awareness program, which was acknowledged in 2009;
- a proven eradication process when a fruit fly infestation is declared;
- quarantine detector dogs operating at Adelaide Airport;
- specific measures for the Riverland Quarantine Zone, including quarantine signage and disposal bins on all major entry roads, random roadblocks and participation in the Tri-State Community Awareness Program;
- scientific and technical research and support provided by SARDI; and

- the use of sterile insect technology, which has been an alternative to the use of chemicals in eradication programs.

South Australia's status as fruit fly free has significant benefits for all our horticultural sectors, providing access to fruit fly free sensitive markets without the cost of post-harvest chemical treatment or cold storage. This is particularly important for the Riverland region, which has significant overseas export markets, and hence the visit of the Japanese.

However, as part of the eradication response to the current Port Augusta West outbreak of Mediterranean fruit fly, random roadblocks have been operated at Blanchetown in both December and early June to mitigate the risk of transporting fruit fly into the Riverland production area.

The random roadblocks were successful in identifying a large commercial consignment of fruit and vegetables being illegally transported during the December operation, resulting in the confiscation of 600 kilograms of produce and in the prosecution and conviction of an individual, with a \$5,000 fine. Identifying the carriage of fruit and vegetables into the region resulted in four expiation notices issued from the December operation and 34 expiation notices issued as a result of the June operation.

The assistance of local councils and South Australian residents continues to be critical in managing fruit fly, and I would like to place on the record my strong support for the role taken by the citrus industry in alerting us to the importance of the random roadblocks, and the fact that there were potential issues with local producers carrying fruit down from the Riverland into the metropolitan area and returning with the same fruit.

It was really on the basis of its advice that we put in place that December roadblock which, in turn, resulted in the confiscation of the 600 kilograms of produce and which, I think, sent a very strong message into the Riverland to other individuals that were carrying on identical enterprises that they would be caught. It was highly irresponsible activity to be carrying on within and without that particular community.

Mrs GERAGHTY: My question follows on from that great answer. I refer to Budget Paper 4, Volume 3, page 196, Sub-program 3.6: Biosecurity. I want to ask about my favourite subject, which is locusts.

An honourable member interjecting:

Mrs GERAGHTY: Absolutely; very interesting. Minister, can you indicate whether the locust control program during spring of 2010 and late summer 2011 was successful, and what the final cost of the control program was?

The Hon. M.F. O'BRIEN: I thank the member for this particular question. I always notice her ears prick up in question time whenever the matter of locusts arises, and there is a flurry of discussion at that end of the chamber. The locust control program launched last spring in response to the worst incursion of Australian plague locusts in 40 years was a significant challenge for the government and communities in rural South Australia.

I am pleased to report that the locust control program met and, indeed, exceeded the key performance indicators set for the program when the response plan was developed. In other words, the control program was a resounding success on every measure and is a credit to the professional staff of PIRSA, the landowners in the Mid North, Riverland and Murray Mallee and the NRM boards in these regions.

I would like to make the observation that when I was making arrangements to meet with the agricultural primary industries ministers in New South Wales and Victoria to swap notes—this is in the very early stages—to see what their particular program was, I got the feedback that, in fact, my visit was unwelcome because their bureaucracies had done very little work in preparing both New South Wales and Victoria, whereas South Australia was way in front of the pack.

Even though this has been prepared for me, I think it is a reasonable reflection of the enormous amount of work that was done by Biosecurity SA. We really were well in front of the pack, and the results, I think, are a reflection of the fact that we were organised in terms of planes, chemicals and on-the-ground organisation.

An honourable member interjecting:

The Hon. M.F. O'BRIEN: They will be there when required. The government made \$12.8 million available for the program response, including a chemical rebate scheme for landowners affected by locusts. I am pleased to report that the control program came in under

budget at \$11.9 million, even though every aspect of the control operation was well resourced for the job they had to do. I think it is a reflection of the sharpness of the pencil that we took to this particular program that we came in so close to budget, both in estimating the cost of what the scheme would ultimately entail and the manner in which we managed it.

The locust program was well planned, well managed and well executed by all involved. Over a 10-week period between late September and early December 2010, a total of 549 aerial targets were sprayed covering an area of 468,000 hectares, while NRM contractors treated 667 ground targets. Producers also carried out spraying on their properties, supported by the chemical rebate scheme. The government also supported 11 councils in February 2011 to treat second-generation locusts by supplying chemicals, survey advice and financial support for hiring spray contractors to treat hoppers on council land and roadsides.

I note that the member for Hammond was a keen advocate of this follow-up strategy, but I can assure him that Biosecurity SA actually had the follow-up program firmly in hand but still acknowledge that he has been very vigilant on this particular issue. An independent economic assessment by the Australian Bureau of Agricultural Resource Economics and Sciences, indicated that the locust control program avoided \$465 million in potential damage to crops, at an average cost of \$44.60 for every dollar spent.

The community education and awareness campaign, implemented as part of the locust response, won the best public relations campaign (public or private) at the recent SA Media Awards. The judges summed up the campaign by saying:

It creatively used diverse media platforms to effectively communicate the gravity of the situation and positively engage the community. The economic return to the State of this carefully crafted, strategic campaign is difficult to calculate, its effectiveness is not, it was outstanding.

I would like to thank *The Advertiser*. I met with the senior management team at *The Advertiser* very early in the piece, and they gave me an assurance that they would throw the weight of their resources behind the campaign and they followed through.

Follow-up surveys of adult locusts and egg laying through autumn indicate that locusts are still in low density in some areas of the West Coast, Mid North, Riverland and Mallee. However, locusts in plague numbers are not expected this spring, nor will further intervention by the government be required. Landowners who may experience moderate densities of hoppers can spray bands as part of their normal pest management operations.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 185, and the chart indicating expenses. I refer also to the announcement in last year's budget which affected three budgets post last year's budget. It was the \$80 million to be found in cuts across those four years as well as 179 jobs, and there are other service cuts programmed in this year.

Does the government expect that the effect of all these cuts on agriculture spending not only affects production and export earning capabilities over time but also will take many years and many millions of dollars to resurrect?

The Hon. M.F. O'BRIEN: The member for Hammond would be aware of the broader budget setting, the impact of the global financial crisis, the reduction in GST receipts, the ageing of our population and the impact that that is placing on our health system. I think it is common knowledge that the commonwealth and the states have to adjust their spending priorities to reflect changes in revenue receipts. The dimension of our cuts are, obviously, nowhere as profound as those facing Greece, the United Kingdom or the United States, but we are facing similar issues.

I acknowledge the fact that the commonwealth government's rapid response to the global financial crisis by way of stimulus spending means that we are not carrying literally hundreds of thousands of Australians on welfare by way of unemployment payments. The fact remains that Australia did suffer the consequences of the global financial crisis and is still suffering the consequences, so budget cuts have had to be made across the board and PIRSA is no exception.

I think we have been extremely proactive, and I will pass over to the chief executive in a minute. We have conducted a review of our operations to ensure that we maintain a high standard of service delivery to the rural sector. I am establishing an agribusiness council to get high level advice as to where the sector ought to be going so that I can better inform the agency of the necessary priorities. I think we are dealing extremely well with the consequences of the global financial crisis. On that note, I will pass over to the chief executive officer.

Mr KNIGHT: As the minister has acknowledged, once you strip out the one-off things that we talked about before that do tend to mask the real impact, as the member said, there are budget

reductions that PIRSA, along with all government agencies, have to deal with. We are a comparatively large agency of government. We spent, in total, well over \$200 million a year, even without one-off things like the drought, and we employ around 1,200 or 1,300 people. So, we are a comparatively large operation and, in an operation like that, we accepted that the government, faced with declining revenues, particularly from GST, needed to make hard decisions.

We took a pretty comprehensive look at everything we do, with the view to identifying areas. We certainly were not going to target those areas that have a big contribution to the economy. At the heart of our mission in life, I guess it is about sustainable economic development and prosperity, particularly for regional South Australia. Most of the industries we work with generate their wealth in regional South Australia, whether you are looking at agriculture, forestry, fisheries, aquaculture and, of course, mining, which is the other part of the portfolio.

We set about the challenge of trying to find ways of achieving those savings, in both FTEs and dollars, in ways that were not going to impact adversely, and that is a pretty big challenge, obviously. It means that you have to become efficient in every possible way you can. It means that you have to find new ways of delivering, and sometimes that means partnerships through NRM boards; it means partnerships with Regional Development Australia bodies around South Australia; and it means being a little more innovative in what we do and perhaps being a bit more selective in where we get involved and where we work in partnerships with organisations such as Food SA.

The minister talked earlier on, in response to a question, about that new partnership. The early signs of that and the relocation of Food SA to co-exist with our SARDI food innovation operations at the Waite campus look very promising. The industry, whenever I met with them, is nothing but positive about that arrangement. They are doing things collectively in terms of managing the intake of graduates into the food industry.

Can you continue to achieve terrific outcomes while managing reduced budgets? Well, the private sector does this all the time, and I do not think that governments have any right to be any different from that. I think you quoted some numbers; they were close to 200. We are reducing our workforce, and we are trying to do it in a way that focuses on those areas that perhaps are administrative areas of the department. We looked very hard at our business support functions in the agency, making them as efficient as we can.

We have engaged some external expertise to assist us in this because we are not alone; we are not the first business or agency of government that has had to go through a belt-tightening exercise like this. So, we have sought some external assistance in that process. We are working through implementing that, and we are very positive about it. We had a very positive response rate to this. We recently surveyed staff, and that clearly showed that, whilst I do hear that there are issues of morale in other parts of government, certainly in my agency morale is still very high. We have a very close relationship with the industries we work with. We have tough challenges, but we expect that we will continue to achieve the sorts of growth targets across the various industry sectors we work with.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 194, 'Financial commentary, 2011-12 Budget/2010-11 Estimated Result'. The first dot points refers to a reduction in service delivery to meet budget savings targets in 2011-12 of \$1.6 million. I am interested in what services are being reduced, what services are ceasing and whether there are any fewer people delivering these services—are the people involved in this being cut as part of the separation packages.

The Hon. M.F. O'BRIEN: I will refer this to the Chief Executive.

Mr KNIGHT: That is Sub-program 3.5: Rural Services, if I am looking at the right page.

The Hon. M.F. O'BRIEN: We are on the right page, Adrian.

Mr KNIGHT: The minister in his opening statement made explicit reference to Rural Solutions, and you can see in there the net cost of the sub-program. There is a reduction of about \$4 million that is referred to in that dot point. The dot point the member refers to in relation to the \$1.6 million is mainly reduced expenditure that is brought about by reduced income.

Rural Solutions provides services to both PIRSA and other parts of government, notably DENR for NRM-type services and, as those parts of government have reduced their expenditure on Rural Solutions services, we have obviously had to reduce our expenditure accordingly. That is why it refers to decreased costs and reduced cost recovery. They are earning less, so they have to spend less, in a nutshell.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 195, the first dot point under Targets 2011-12. The statement under Product development reads:

Provide relevant, innovative and high quality products that integrate economic, environmental and social dimensions into a comprehensive ecologically sustainable development based service package.

Can the minister explain in simple English what this means, how specifically it applies to primary industries and what products are being looked at?

The Hon. M.F. O'BRIEN: That again refers to Rural Solutions and I think, from memory, it has 11 portfolio areas and myriad sub-programs off the 11 portfolio areas. We are going through the process now of basically identifying the ongoing relevance of each of those portfolio offerings, if you like, with a view to seeing which of those we ought to retain and which of those we ought to dispense with. I must admit that my thinking at the moment is that we have great opportunities to be taking our expertise overseas.

We have world-leading expertise in dryland farming in particular, and I think our irrigation technology is world leading as well. We have SARDI and we have the University of Adelaide as probably the pre-eminent agricultural research and teaching university in the southern hemisphere. When we are talking about product development, that is one opportunity which I believe is staring us in the face and which could be a significant revenue generator for the state and also assist in growing our markets.

We had a delegation from Kazakhstan here a week ago with Rural Solutions. They want to develop an international standard beef industry to service the European Community, which we do not currently service in any depth. They can use our expertise, and they can use our breeding stock. These opportunities are arising, and I would like us to seize upon them. There are other areas that we are looking at to consider whether we have an ongoing role. We played a major role with NRM boards during the drought. Now that level of business is dropping back, so we have to look for other opportunities.

Membership:

Mr Atkinson substituted for Ms Geraghty.

Mr PEDERICK: On the same page, page 195, the last target dot point refers to becoming the provider of choice to the entire range of service consumers. This follows on from statements at the top of the same page explaining the \$12.5 million drop in expenses as attributable to a lower level of activities in Rural Solutions South Australia arising from savings measures implemented in the 2010-11 budget and targeted voluntary separation payments in 2009-10. How does the government propose to promote rural services and how can rural services gain and retain market share with such large ongoing cuts from their budget?

The Hon. M.F. O'BRIEN: I will just briefly outline what we are doing, which follows on from the previous question. I think it was in 1990 that the then Liberal government said that it wanted Rural Solutions to basically pay its own way. It might have been minister Kerin who set this particular objective. Should we have hastened more quickly towards that objective? I do not know: we probably should have. However, minister Kerin's objective, I think, is as relevant today as it was in 1990, and we are going to grasp the nettle on this.

We have reduced the numbers employed in that agency, and we have also moved out of business that is not profitable. We have told government agencies that we will be charging on a cost-recovery basis. We are honing our areas of expertise and our commercial focus. There is a body of work currently underway on that set of propositions, but I will hand over to the Chief Executive to go into a little more detail.

Mr KNIGHT: I think it is probably worth pointing out that the budgeted revenue for the forthcoming year is still \$15.4 million, so that is all money that Rural Solutions earns in the commercial marketplace and with government. The target the member has drawn attention to might be considered as somewhat of an aspirational target, but it does say that Rural Solutions aims to become a provider of choice in the marketplace, and it already has a very strong reputation.

I do not say this as a promotional statement but, when you talk to the industry in various regions, the work that Rural Solutions does in areas such as water management and irrigation efficiency, for example, is extremely well regarded. It does work in the international sphere and

continues to win a significant amount of work internationally. As the minister said, a lot of that is on the back of South Australia's world-renowned reputation as a leader in many areas of dryland farming.

Rural Solutions has done quite a bit of work in Iraq, and I think there will be significant opportunities coming up for us not to do it on a gratis basis but on a basis of leveraging the expertise that has come from South Australia in all sorts of areas. The minister mentioned Kazakhstan, but there are other opportunities out there, as well. Rural Solutions continues to do a lot of work in the natural resource management sphere, even though we have probably built in some decline.

I just draw the member's attention to that income line in the table on page 194. In hindsight, we probably took a slightly too conservative view when we set the budget last year. You can see that we budgeted for a very significant reduction in revenue from the \$20 million that we actually earned in 2009-10. We expected that to fall to close to \$13 million in 2010-11. The drop-off was not nearly as marked as that because the estimated result for 2010-11 (it was closing off yesterday, so we do not have the audited figures yet) was some \$3 million higher than that.

We perhaps overestimated the market impact on Rural Solutions and we are now, in the coming financial year starting today, projecting that it will hold that slightly higher level of revenue, so it is not all doom and gloom there. However, the policy position that we have come to is that Rural Solutions has to operate on its own two feet; it cannot be subsidised by taxpayers.

Mr PEDERICK: In Budget Paper 4, Volume 3, page 186, the second dot point up from the bottom of the page refers to targeted voluntary separation packages. I am interested certainly in the commentary on Rural Solutions in this because I believe that there were 27 full-time equivalents hired and I think most of them, if not all, were in Rural Solutions, but there was a cut of around the same number. The question I am asking is: which departments have the voluntary separation packages come from? How many TVSPs were offered by primary industries and the agriculture section? How is primary industries tracking with its staff reduction target? I repeat: was there an issue with cutting the wrong people out of Rural Solutions, because obviously you had a rehiring program?

The Hon. M.F. O'BRIEN: That is very much operational, and I will pass it over to the Chief Executive and let him get into the detail.

Mr KNIGHT: First, I probably should say that we certainly have not rehired anyone that we separated and certainly not anyone that we gave a targeted separation package to. The government, last year, announced a four-year program of savings, and we made reference to that before. The government has also indicated that we have access to that targeted separation arrangement for the entire four-year duration of the program, so we are not rushing into this. We are not doing it in a haphazard way.

We have gone through our workforce and looked at all the areas of key skill that we need to retain. I have been upfront on this and I suspect that, even though at times this has been communicated in emails, these probably do go out and are released outside the agency. I have made it very clear that anyone who has skill areas that we require in the future that relate to a priority for the government will not be receiving a TVSP. It would be irresponsible of us to target employees with offers to leave if they have skills that we require into the future.

So, that forecast where I did say that we were perhaps more conservative than we needed to be in terms of Rural Solutions revenue, that did not result in a hasty exit of staff. In fact, our total approach to employee reduction is quite a measured one. We have used some TVSPs and, as at 30 June 2011 (yesterday), we had in fact separated 31 FTEs from PIRSA in the previous financial year, so that is a reasonably modest number in the total scheme of things. Over the four years the numbers will be a bit higher than that, but it is 31.02 to be precise in that financial year.

We also went through a process of looking at where we had contract employment where those contracts were coming up for renewal. We looked at opportunities not to renew contracts. We also looked at opportunities where vacancies came up. We looked at opportunities where we might strategically not fill certain vacancies. Obviously, if you have a critical vacancy to fill, you have to fill it, but occasionally you get the opportunity to say, 'Someone has left. Do we really need that job filled?'

In a small number of instances, we have probably found that we did not need to. In Rural Solutions' case, we have employed a range of approaches, including TVSPs. I can tell you how

many of the 31 were Rural Solutions: 14 of the 31, so just under half of those were Rural Solutions employees. We have not re-employed any of those, as I said before—neither will we.

Mr PEDERICK: Just a comment on that, referring to Budget Paper 3, Budget Statement, page 26, where the last line refers to an increase in PIRSA staff of 27 full-time equivalents. It is interesting to note that you have just indicated that 14 staff have accepted TVSPs—probably reluctantly—but then 27 other staff were hired. I am interested. Has the targeting gone wrong here? What has gone wrong? We have lost 14, but then you have had to hire 27 other people, and it seems odd because you obviously had an increased fee-for-service demand in Rural Solutions. It seems to me that it was hardly a targeted approach to separation packages.

The Hon. M.F. O'BRIEN: We will get Steve Archer to answer this. The answer is not quite as obvious as the question sounds.

Mr ARCHER: I would refer the member to page 194 of the Portfolio Statements, in particular, under the comparison between the 2010 estimated result and the 2010-11 budget, you will see the very first dot point talks about an expected increase of internally funded projects to \$5 million. That \$5 million represents a grossing up of revenue and expenditure, as reflected in the previous comments by the chief executive. Within that \$5 million reflects 27 people. At no stage did we separate any of those people. That is just an overestimation in the first place of what we were going to separate and we are just reinstating what was previously an overestimation of our reduction.

Mr PEDERICK: I find it hard to quantify that 14 people from Rural Solutions went but you have hired 27 others, which is what you have said today.

Mr ARCHER: No, in fact, we have never hired 27 people at all: we just did not separate 27 people. In the estimates put forward in the 2010-11 budget, we were estimating to reduce our workforce, if I recall, by around about 100 people. We are now saying that we did not need to separate it by that figure; in fact, we need to reduce our workforce by 27 less. We, in fact, retained 27 people who we previously thought we would separate over and above those 14 who left.

Mr PEDERICK: So the calculations were wrong.

Mr ARCHER: Correct.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 192. The first paragraph of the financial commentary describes a \$2.7 million decrease in expenses due to a reduction in research and development activity and service delivery to meet budget savings targets. What concerns me—and I note people from inside SARDI have the same concern—is what the reduction will be in the number of agronomists and scientists employed by SARDI?

The Hon. M.F. O'BRIEN: I will pass this one over, but just to comment on your previous response. It was not a miscalculation: it was that the forecast reduction in the number of voluntary separation packages that would be offered or taken up was not met, so we are not talking about a miscalculation. In response to this particular matter, I will pass that one on to Don.

Dr PLOWMAN: The budget savings that are identified here are those that are a part of the earlier budget savings that were identified and discussed in the last financial year. As with all of the budget savings, we attempt to minimise the impact on, in this case, the output from the science program. Bearing in mind that SARDI is unquestionably the leading research institute in the country and is able to attract quite a bit of industry funding, the aim in looking at implementing budget savings is to identify those areas where the impact will be least.

We do that initially by looking at what we call the national research development and extension framework, which is an agreement across Australia as to where the focus for research and development will be evident. South Australia, for example, has the lead role for grains, pigs, poultry, grapes and wine, biofuels and related. In looking at the balance of the program, we look at the areas which we have a lead responsibility for nationally—and clearly they are where we have a key program for supporting our own industry sectors—and then look at where those reductions will occur.

You specifically mention the crop programs. They are areas which South Australia has a lead responsibility for and the reduction in those programs will be minor, if anything at all. So far reductions have occurred in areas such as dairying, where the dairy research programs are now undertaken primarily out of Victoria, with the information from those programs coming back into South Australia through a range of extension approaches. There are also areas—for example, some of the support areas in coordination of international projects, where some of the economics

work is outsourced rather than done locally—where the reductions in the SARDI budget have occurred and where we will attempt to continue to implement the reductions.

Mr PEDERICK: On the same line, would I be able to get a breakdown on the specific cuts per department and program of the \$2.7 million?

Dr PLOWMAN: We could take that on notice; I do not have it with me at present.

Ms THOMPSON: My question relates to Budget Paper 4, Volume 3, page 190. Moving to a different area, and one of great interest to people in my electorate, what are the benefits of the introduction of possession limits for recreational fishers for South Australia's fish stocks?

The Hon. M.F. O'BRIEN: This is obviously an issue that preoccupies the member for Reynell; I believe she is a keen angler and has a little tinny.

Mr Treloar interjecting:

The Hon. M.F. O'BRIEN: No, but I know that the member for Flinders has a particular interest and may even have made some supporting comments on this issue, as has the member for Hammond. In large part because the initiative for this came out of Ceduna, when I spent three or four days on Eyre Peninsula and ultimately met with the member for Flinders in Port Lincoln, I started my trip in Ceduna and met with the chief executive officer of Ceduna council, who alerted me to the issue. The mayor of Ceduna, Allan Suter was away at the time, but I was made aware of their concerns, and it subsequently re-emerged as an issue. Mayor Suter wrote me quite a comprehensive letter in which he detailed the level of interstate activity on one particular day, and I will be referring to that later.

As members will be aware, possession limits refer to the maximum quantity of fish a person is allowed to have in their possession at one time. The question of introducing possession limits for recreational fishing in South Australia has been brought to my attention and, in particular, I would like to acknowledge the support of the member for Giles in introducing possession limits. It is well known—and I think she made a public acknowledgement through both the *Whyalla News* and on ABC radio—that South Australia is the only state without such a limit, and areas such as Whyalla attract anglers from interstate keen to exploit this fact.

Mr Alan Hall, a local Whyalla resident and the President of the Australian National Sportfishing Association's South Australian branch, was quoted in the *Whyalla News* on 16 June as saying that interstate fishermen taking advantage of the lack of possession limits were a concern across the peninsula. Mr Hall is quoted as saying:

It is happening here, it's happening in Cowell with the blue crabs, it's happening at Arno Bay with the snapper, and it's happening the entire West Coast with whiting.

He continued:

Two years ago, six people fished here legally and ended up with 85 9-kilogram snapper in a freezer trunk. That's beyond recreational fishing.

The mayor of Ceduna, Mr Allan Suter, has also alerted me to the issue of fish stocks being severely depleted by fishers from interstate who are coming to South Australia for several weeks and going home with enormous catches in their freezers. In a letter to me, dated 2 May 2011, Mr Suter indicated that 212 boats from interstate—arguably with more than one angler per boat—had been identified in the Ceduna area in a single day.

He also highlighted the following anecdotal evidence: the purchase of additional second-hand or new freezers because their others are full; a visitor boasting that he had over 2,000 fillets and would not leave until all of his freezers were full; local people being asked in other states whether they had any whiting fillets for sale immediately after saying they were from Ceduna; a credible local person seeing a roadside stall interstate with Ceduna whiting fillets for sale; and some 'freezer-fillers' always tried to get a boat limit of all species, especially squid, whiting and snapper before returning from each trip. I am advised that constraining recreational fishers from the accumulation of commercial quantities of fish has its merits in that it may assist in the long-term sustainability of fish stocks and discourage illegal sales of fish.

In relation to mayor Suter's letter, he also identified the number of cars and trailers with interstate plates. I think it was on six specific sites on that particular day, so it was a very detailed survey that his council officers undertook. It is my intention to fully investigate the impact of introducing possession limits for recreational fishers in South Australia. To that end, PIRSA Fisheries and Aquaculture will conduct a review into implementing possession limits based on the recently published results of the South Australian Recreational Fishing Survey. The survey

results provide us with important information on South Australian residents' participation in recreational fishing activities and the take of our key marine and fresh fish recreational species.

The review will include PIRSA Fisheries and Aquaculture undertaking internal and external consultation to consider the most appropriate mechanisms for possession limits. Factors that will be considered as part of the review include which species possession limits should apply to and the methodology used to calculate them. Some preliminary methods include: translating existing bag limits into possession limits consistent with Victoria and New South Wales—in Victoria it is 1:1 and in New South Wales it is 1:1 on the coast and 2:1 on bag limits for freshwater fisheries; determining a ratio or multiplying factor for existing bag limits, which is in line with the comment I made in looking at Victoria and New South Wales; kilogram limits which are in place in Western Australian; and placing limits only on recreationally important fish.

Further considerations will be given to any associated impact possession limits could have on regional tourism, as well as compliance complications as evidenced in other states with similar regulations. I have asked that this work be completed as a priority and I expect to be advised of the outcome in the near future. I gave two months for the work to be done. In the meantime, South Australian fishery officers will continue to do the work that they do in reducing the risk to sustainability of our fishing resources, including discouraging illegal sales of fish through both overt and covert patrols and operations.

The Hon. S.W. KEY: With regard to crop performance, I refer to page 186, Sub-program 3.1, Agriculture, Food and Wine. Minister, can you give the house an update on the record rain-damaged South Australian grain crop for the 2010-11 season and what effect that has had?

The Hon. M.F. O'BRIEN: PIRSA's estimate of the 2010-11 grain harvest in South Australia, at 10.34 million tonnes of grain produced, broke all records for South Australian grain production by nearly one million tonnes.

The grain shipping program has seen more grain exported by the 14 exporters using Viterra's port terminal facilities at South Australian ports in the past six months than is normally exported in a year. More than 4.3 million tonnes of grain has been shipped between December 2010 and May 2011, a new record for South Australian grain exports. That is equal to South Australia's 10-year average annual grain export volume.

However, the untimely rain that fell during harvest not only interrupted harvest operations but also made handling, classification and storage of this large crop far more complex, particularly for the main bulk handler in South Australia, Viterra. What should not be lost in all of this is the fact that this grain harvest, despite the rain, was valued at around \$3 billion. That is a major contribution to the South Australian economy and the income of our grain farmers.

As expected, grain delivery, after the rain that fell during harvest, suffered various forms of damage, ranging from sprouted grain, moulding, fungal staining and other forms of discolouration and abnormalities. However, it became apparent as harvest progressed that the damage was not as bad as first feared, generally causing only a marginal level of downgrading in many cases. In this particular matter, I think the outcome in South Australia was far better than along the eastern seaboard.

Viterra received a great deal of criticism during and after harvest, particularly on the issue of grain classification and delays at the silo for farmers and carriers delivering grain into the system. I impress that Viterra took upon itself to establish a post-harvest review working group to consult all stakeholders and grain growers in a comprehensive review of its operational performance.

The intention of the company to run a transparent process was emphasised by including independent external members of the group. The three independent members were the Hon. Rob Kerin as the working group chairman (a highly regarded independent expert and a former premier of this state), the President of the South Australian Farmers Federation, Mr Peter White, and government representation in Mr Dave Lewis, Manager, Grains Industry Development in PIRSA.

The working group was tasked to make recommendations aimed at improving grain handling services to the local industry. I note that Viterra has already responded to the working group consultations by committing publicly to a number of actions. These include:

- purchase of 78 falling number machines at a cost of \$4 million;
- employment of 200 new permanent staff; and

- creating a grain classification training unit within the company.

On 28 June 2011, I attended the launch of the post-harvest review working group report at the invitation of Viterra, and the member for Hammond was also present at that presentation. The working group consulted widely with farmers, private consultants and grain carriers, conducting nine meetings covering every grain-producing region in South Australia. Other key stakeholder groups consulted included: the South Australian Farmers Federation, Grain Industries Committee, the Advisory Board of Agriculture, the South Australian Road Transport Association, and by way responses to a questionnaire sent to every grain farmer in South Australia.

The report of the working group made 30 recommendations and acknowledged that Viterra inherited a range of legacy issues from the former owners of the storage and handling infrastructure in South Australia, ABB Grain Ltd, including poor maintenance and repairs and limited investment in new capacity.

The company plans to address the shortcomings identified during the record wet 2010-11 harvest with the development of a five-year capital expenditure plan which will address elevation, capacity shortcomings, quality of amenities, roadworks and safety on all Viterra sites. Farmers and industry can, and should, take some confidence that Viterra's intentions to commit to improving its operations in South Australia are genuine by the commitments already made regarding the acquisition of new falling number machines, the recruiting program and establishment of a grain classification training unit.

I intend to have discussions with TAFE to see whether TAFE can have some involvement in the development and running of this program. I also note the comments made by Rob Kerin that at least one South Australian high school within its agricultural program was running a unit or a course on classification. I would like to see whether that can be picked up and run in other South Australian high schools.

Viterra is aiming to have as many improvements as possible in place for the coming harvest, due to start later this year. The company is likely to have some carryover grain still in the silo system from their record 2010-11 harvest when the new season's grain harvest commences, so it is important that the storage capacity is sufficient to cope. The grain crop just sown does have the potential to be another large crop, but this particular crop faces many challenges, including mouse damage currently evident in a number of districts and an increased risk of disease carryover from last year's crop.

ABARE released its Australian crop report on 15 June 2011, and it estimated the South Australian crop to be 7.6 million tonnes from an increased area of 4.1 million hectares. The PIRSA crop estimates will be released with cross estimates in early July 2011, which will provide an updated outlook for the crop.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 192. I wonder whether the minister can give me an update of the proposed merger of SARDI and the University of Adelaide, where the progress of that merger is and what part it has to play in the budget for SARDI in the 2011-12 budget.

The Hon. M.F. O'BRIEN: Dealing with the budget implications, there are none. This is really an opportunity, I believe, for South Australian agriculture to lift its level of access to international opportunities, in particular, and also to available research dollars within the Australian economy and, additionally, to allow the university not only to move into the middle of the group of eight in terms of its relative ranking but also to allow the realisation of the vision of the Vice Chancellor of the University of Adelaide, James McWha, for the University of Adelaide to become the Southern Hemisphere's pre-eminent agricultural research and teaching university.

Talking about the repositioning of the University of Adelaide, the university made the approach to me. It was not an approach made by the South Australian government or PIRSA to in any way off-load what is a wonderful asset for South Australian agriculture. They came to me with a proposition that they believe the work they do, particularly at the Waite, could be reinforced by the scientific research activity undertaken by PIRSA.

By combining the research dollars that the university attracts with the research dollars attracted by SARDI, we could ultimately end up with a dollar research outcome for the University of Adelaide far exceeding its current outcome. The increase in research dollars and research activity would take the university from its position at No. 8 in the group of eight potentially up to No. 4 or No. 5, but into the middle of the ranking so that we end up with a university that, rather than sitting

on the very extremities of the group of eight, which are our elite universities, it sits in the middle of the pack.

I think that is a great outcome for SARDI, the university and the state. By having the university also as the attractor of funds, we have the ability to attract additional research dollars into the primary industries sector, because there are constraints on the South Australian government being a recipient of research dollars, particularly commonwealth research dollars.

That is one benefit, and another benefit is in assisting the university to attract both interstate and overseas students to Adelaide to study agricultural courses and also to undertake research. I think education is now either our second or third largest export industry. I believe this move will assist us in further increasing the number of young people wanting to come and study and research in Adelaide.

I also think that there is a significant benefit to South Australian agriculture and Australian agriculture in having an operation like SARDI with greater access to the pure research that is carried out by the University of Adelaide. I think we are seen to be a research and development applier, if you like, whereas I am not sure that the university has quite the same level of expertise in taking its pure research and applying it on the ground; having SARDI in the mix I think is going to allow better utilisation of pure university research.

I think it is a great win-win. It was never driven by budgetary considerations. It was really an initiative that came out of the University of Adelaide that I thought stacked up on a whole range of fronts. It was an approach taken by the University of Sydney. I believe they made an approach five or six years ago to the University of Sydney, which is one of Australia's pre-eminent universities, with a proposal that was similar. I am not sure whether the New South Wales government moved its agricultural research. I am not sure what areas the research carried out by the New South Wales government was in, but this has been done before and has been done with great effect.

To reiterate, it is not a budgetary measure; it never was intended to be. It has been now well and truly embraced by SARDI. They think that it is a tremendous move. We are in the final stages of discussion with the university, and we are now looking at the structure, but it is my intention that the government of South Australia, and PIRSA in particular, will continue to have a fairly tight hold on the reins. We want to retain our role in setting priorities for agricultural research in South Australia, and I certainly will not be signing off on any proposition that significantly dilutes the ability of PIRSA to set research direction.

Mr PEDERICK: I refer to the same budget line. Is there a risk that there will be a gifting of SARDI-owned assets to the university? Is there also a risk, if those assets do change hands, that some of those SARDI assets could be on sold without any benefit to the government?

The Hon. M.F. O'BRIEN: Those issues have yet to be explored. I could make the observation that the assets owned by the South Australian government at Urrbrae actually sit on university land. The arrangement with the university sees those physical assets, the improved value, if you like, sitting on university land ultimately reverting to the university some years hence. So that is the reality: it would happen irrespective of whether we were having these discussions.

As for other assets that do not sit on university land, it would be my intent that there be strict control over the university's ability to deal with those assets—a significant feature of any agreement that we enter into with the university. I am very much aware of concerns that have been expressed by the opposition in the past in terms of the university's treatment of bequeathed land, particularly at Martindale Hall and other locations in the Mid North. I am very much cognisant of the concerns, particularly of the member for Bragg, and I have taken those concerns on board.

Mr PEDERICK: We are certainly concerned with assets like the West Beach site and, obviously, other research facilities throughout the state.

The Hon. M.F. O'BRIEN: That is what I was referring to.

Mr PEDERICK: In the South-East, etc.

The Hon. M.F. O'BRIEN: I was referring to those assets, member for Hammond, yes.

Mr PEDERICK: In Budget Paper 4, Volume 3, page 192, paragraph 2 of the financial commentary refers to reduced funding for the Integrated Marine Observation System and photobioreactor projects. What is the current status or state of progress of these projects, and are they part of a national program or are other states and the commonwealth also reducing their funding?

Dr PLOWMAN: These are large programs that have been funded from a number of sources. They are very similar to some of the discussions we have had right up front, where there is a sum of money injected for a period of time to set up an infrastructure facility or the like. My understanding is that the IMOS system is operational and, in fact, is a very effective system to monitor a whole range of attributes around ocean movements and attributes such as temperature, etc., and that the photobioreactor project has resulted in the establishment of the infrastructure that is being utilised for that purpose.

Mr PEDERICK: Referring to page 193 of the same budget paper, under Highlights, paragraph 2, 'Climate change adaptation' states:

The South Australian Transect for Environmental Monitoring and Decision-making (TREND) network has been established providing the basis of a collective approach to climate change monitoring in South Australian terrestrial and marine systems.

What was the cost of establishing that network and what will be the ongoing cost of maintaining it?

The Hon. M.F. O'BRIEN: I will take that on notice, but it might be informative if I give a brief outline of what the transect will achieve. TREND is an acronym for Transect for Environmental Monitoring and Decision-making. SARDI was a partner with the University of Adelaide in an application to the Premier's Science Research Fund for a three-year project from July 2010 to June 2013. The primary production component of TREND will focus on monitoring crop development, crop diseases and risk management.

Although climate change projections are available for South Australia from the CSIRO and the Bureau of Meteorology, this information is difficult to use in planning. One approach is to use space as a proxy for time—that is, rather than consider what a 1.5 degree Celsius warming and a 10 per cent drying might be at a certain location, to work at a location that is 1.5 degrees warmer and 10 per cent drier, in order to predict what future scenarios will look like.

The project will develop a synthesis and analysis node that gathers existing and new information, include scenario planning to develop evidence-based recommendations and incorporate adaptive management principles and political/socio-economic drivers to help keep recommendations relevant in a rapidly changing world. I have to say that paragraph is probably reasonably irrelevant.

A steering group has been formed and has met, and a policy workshop with key stakeholders from DENR and PIRSA held in April 2011 identified significant policy questions that can be addressed by TREND. I now have some figures. The expenditure on the initiative is budgeted at \$346,700 and revenue is identical.

Mr PEDERICK: What is the ongoing cost per annum for the network, for the monitoring?

The Hon. M.F. O'BRIEN: We will take that one on notice, member for Hammond.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 202. The first item under 'Assets' shows cash assets of \$70.405 million. Previous years show similar amounts. Why is it necessary to hold such substantial cash reserves?

The Hon. M.F. O'BRIEN: I will pass this one over to Steve Archer.

Mr ARCHER: The values that you talk about principally relate to historic cash relating to the Rural Industry Adjustment Fund. That is dating back to the early 1990s, from memory, when the commonwealth provided us with significant funds to implement programs in the rural sector together with a provision for employee entitlements in the future.

Mr PEDERICK: Is that money accruing interest?

Mr ARCHER: It is government practice that we do not accrue interest on agency balances, but Treasury and Finance do invest that fund through the South Australian Financing Authority and does accrue interest on it for the benefit of the budget.

Mr PEDERICK: But the interest just goes back into general revenue.

Mr ARCHER: That's correct.

Mr PEDERICK: On the same page under 'Non current assets', line two notes \$102.182 million for land and improvements. Can you provide me with a breakdown of this amount and a breakdown of the 2010-11 estimated figure of \$105.2 million?

The Hon. M.F. O'BRIEN: Member for Hammond, we will take that on notice.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 187, under 'Highlights 2010-11', dot point two at the first paragraph referring to 'Wine: A Partnership 2010-15'. How much, if any, of the \$1 million—and I guess that is an annual amount—invested into an agreement with the South Australian Wine Industry Association was spent in 2010-11? How was that money spent?

The Hon. M.F. O'BRIEN: That \$1 million, I think, is over four years. The Wine Industry Association is using \$250,000 a year in large part to prepare South Australian wine businesses for opportunities, particularly in the Chinese market. It is very strategically focused. They have put up a program to me for approval which I have approved. In large part, they are running courses throughout the state with wineries so that they can avail themselves of the opportunities. The amount has been allocated and is being expended. I do not think there will be any issues with their not being able to spend their \$250,000 a year.

They brought in a group of Chinese wine purchasers, probably seven or eight weeks ago, and I welcomed them at the wine centre, and then they broke out into groups and went to each of the regions—and a group went to the Riverland. The idea is to get Chinese wholesalers to South Australia and to introduce them to the regions and the winegrowers so that they return to China, effectively, as ambassadors.

We have that particular program running, and then another one which will educate them in managing currency exposure and all the issues that they have to run through in getting into the export market. It is very tightly focused and we keep a close look at it. I think it is money well spent. That is where the opportunity is.

Mr PEDERICK: Minister, how does this program fit in with your government's food and wine industry policy going into the 2010 election, where \$1 million was allocated per year for new export programs to drive the food and wine sector growth? Are you saying that the other three-quarters of a million per annum goes to food? It feels like you have cut money out of a policy announcement.

The Hon. M.F. O'BRIEN: No; the other three-quarters of a million goes into Food SA. I answered a question a little earlier: this is the organisation that was forged out of the merger of the two existing food bodies. There was one that was very much export oriented and represented the larger food producers and then there was the other that looked more at the domestic market and the smaller producers. Those two have been merged. The merged entity is located at SARDI, which has been a good move.

Catherine Barnett, the CE of Food SA, informed me yesterday that she has doubled her membership. The money is in place to encourage the development of the South Australian food market, particularly the finished food market, and there is a view that, if the money is well applied, within four years they will be more than self-sufficient and able to undertake this particular task without the assistance of government.

Mr PEDERICK: Out of that policy of \$1 million per year by your government, \$3 million out of the \$4 million would be food, so the wine industry will only get \$1 million of that; is that correct?

The Hon. M.F. O'BRIEN: Yes, that is correct. The exact breakdown is: Food SA, \$550,000 per annum; the Wine Industry Association, \$250,000 per annum; and then \$200,000 held by PIRSA for investment attraction opportunities.

Mr PEDERICK: Minister, would you be able to bring back a detailed account of how that \$1 million was invested with the South Australian Wine Industry Association; how it was used?

The Hon. M.F. O'BRIEN: I can certainly do that. I can even organise briefings from the two organisations, if you would like. I will definitely give you a report, but at a later stage you might want a briefing as well.

Mr PEDERICK: I appreciate that minister, thank you. Minister, I refer to Budget Paper 4, Volume 3, page 196 and mention the introductory paragraph which states:

Develop and implement policies, legislation, regulatory frameworks, surveillance, preparedness and response programs that protect the economy, environment, communities and human health from the negative impacts associated with the entry, establishment or spread of pests, diseases and contaminants in the areas of animal health, aquatic animal health, marine pests, vertebrate pests, weeds, plant health, food borne pathogens from primary industries and chemical residues.

No doubt the current mouse plague comes under this heading. What is the government doing to expedite the prompt establishment of regional mixing stations to assist farmers with the cost and availability of mouse bait?

The Hon. M.F. O'BRIEN: I will pass this over to Will, but I will make a couple of comments. When I visited Eyre Peninsula some 12 to 18 months ago and met with the member for Flinders in Port Lincoln, I was given a presentation from the NRM board. During the course of that presentation I mentioned that mice were certainly an issue in the northern part of Eyre Peninsula and asked what the response was of the NRM board. The chairman of the Eyre Peninsula NRM Board gave me an explanation of work to date but concurred with my observation that what we were lacking was an off-the-shelf policy position.

I must admit that tended to surprise me; given the fact that mouse plagues come around on a fairly regular basis, why were we all at sea? Why did we not have something to pull off the shelf and get implemented? He asked whether he could set up a working party and I said that I would ultimately have to refer it to the minister for environment, but I thought it was a good idea. That was the commencement of the working party.

They have come down with a series of recommendations. I am not sure whether the members for Hammond, Chaffey and Flinders are aware of those recommendations, but one of them was the possibility of either NRM boards or farmers mixing their own bait. The issue was getting the approval of the APVMA, and we finally received that approval for a Western Australian group called 4Farmers, which intends to set up mixing stations in South Australia. On that note I will pass over to Will Zacharin, who can probably get into a little more detail.

Mr ZACHARIN: As the minister mentioned, the control of the zinc phosphide bait is through the Australian Pesticides and Veterinary Medicines Authority, a federal authority. There are currently two commercial companies in Australia that can provide the zinc phosphide bait, but due to cost and supply considerations there has been a major call for different bait suppliers. So we have been assisting commercial companies that have approached the APVMA for emergency permits. One of those emergency permits has been for the use of unsterilised grain, which we have facilitated to try to assist the two commercial companies to increase their capacity to supply bait right across southern Australia. The second emergency permit is for the establishment of the regional bait mixing stations.

That first commercial company, 4Farmers Pty Ltd, out of Western Australia, is looking at setting up three to four regional stations in South Australia, and PIRSA has offered a case management approach to that company to make sure that we can facilitate the fast tracking of approvals through local government, the EPA, SA Health and whatever else is required to get an appropriate facility for them to set up those regional stations. That will allow farmers to bring in their own grain, have it mixed with zinc phosphide baits and then take it back out to their farm and spread it. We are hoping that will be somewhere between 50 and 70 per cent less in terms of the current cost of mouse baits.

Mr PEDERICK: Where are you likely to propose those mixing stations? Are they going to be spread across the state?

The Hon. M.F. O'BRIEN: It is probably commercial in confidence at this stage, but I can indicate that there is one on Yorke Peninsula and one on Eyre Peninsula. The locations have been identified and conveyed to me and, while I could be proven wrong, I think they are probably the two areas in which we would like to have something happening on the ground fairly quickly. Will, are you aware of other locations?

Mr ZACHARIN: They have mentioned four potential sites, but they are commercial-in-confidence, obviously. There are other parties who have already contacted PIRSA, as well, two other companies which are looking at establishing regional mixing stations. It is not for us to release the areas or where they are putting in planning development applications to facilitate that sort of business.

Mr PEDERICK: I am a bit stunned at the secrecy, since mice are pretty well all over the state. I hope that the people in the business, including the state government, are aware of the plagues through the Riverland and the Mallee, on behalf of myself and the member for Chaffey. We will see how we go.

I refer to the same page, the first point of the financial commentary notes and the \$11.6 million spent on the plague locust emergency response program. Given the stated success of this program, and its ultimate contribution to the grain harvest, is the government considering

subsidising the cost of mouse bait or providing any other cost-saving measures in line with the locust program to reduce the end-user cost to farmers treating their properties?

The Hon. M.F. O'BRIEN: I appreciate the comment from the member for Hammond alerting me to the issue in the Riverland. I was aware some six months ago that the Riverina area of New South Wales was under threat, for me personally, and I am sure Biosecurity SA is well and truly on top of what is going on, but it would certainly—

Mr PEDERICK: Just on that minister, I know that some mice are being fed five times in the Mallee.

The Hon. M.F. O'BRIEN: Okay, right, very generous.

Mr PEDERICK: It is a problem because we have to keep feeding them.

The Hon. M.F. O'BRIEN: Yes, it is. It is good, member for Hammond, because you have raised this with me on a couple of occasions. The APVMA (and I do not want to be disrespectful) is notoriously slow, and I am glad that we have finally got a landing on this so that we can actually see something happen, and that was one of the recommendations of the working party.

Another one of the recommendations was that the status of mice (and I am not sure of the exact description) should remain unaltered, and I think that that has something to do with the territorial nature of mice, and that it not be made a declared pest under the NRM Act. Because that recommendation was made—and there is obviously some strong underlying logic—I think we find ourselves in a slightly different situation with mice as opposed to locusts, but we will review it.

Mr ZACHARIN: The mouse working party that was established by the government came up with 24 recommendations, and it was not just about looking at the bait situation. By the way, the working party did not recommend that any subsidies were appropriate for bait. It was a combination of changing agronomic practices in those years that were conducive to a build-up in mice numbers.

We provided a lot of information through Biosecurity SA to landowners last year and at many of the field days about what they could do to clean up excess grain from the fantastic harvest last year: make sure they put livestock through some of those areas, bash down some of the stubble, and remove some of the conditions that were going to allow mice to build up on properties because, essentially, they do not travel far; they are not like locusts.

If you have a mouse problem, it has originated on your property or adjacent to your property. Good hygiene practices—in terms of looking after spilt grain, removing excess stubble, keeping a good eye out and monitoring your paddocks to look for holes, seeding at a slightly lower depth and not seeding into dry ground; and baiting at the same time as seeding—all these practices were issues that needed to be highlighted to growers. The best practice came out of a large survey we held with farmers last year asking what worked well and what did not work well for you in the mouse impacts that we had on Eyre Peninsula in early 2010. That really highlighted that farmers did need to change their practice.

Getting back to the bait situation, we do have two commercial bait manufacturers. It is not the role of government to intervene in those markets where there are commercial products available—there are commercial products for all sorts of pests and weed management for farmers—but the price has impacted on people who have to bait two or three times, and that is why we have been supporting other commercial entry into the market and perhaps the supply of regional bait stations using unsterilised grain (because there is a cost in sterilising the grain). It looks like the market is playing out, there is high demand, and we have a number of companies that are prepared to mix in these regional stations with unsterilised grain to reduce the cost.

Mr PEDERICK: I think about the only good thing about the mice is that they might be eating locust eggs; that might be the only bonus. The second dot point on that page refers to a reduction in 2011-12 funding for South Australia's commitment to national eradication programs managed by PIRSA. My first question is: was this reduction in funding planned with a knowledge that there would be a push to downgrade the broomrape program from one of eradication to one of containment?

The Hon. M.F. O'BRIEN: No, it was not. It was well in advance of that particular decision, and this is a moving policy area. The recent PIMC meeting, the meeting of ministers for primary industry ministers in Brisbane, spent some time dealing with this issue. The scheme is more or less a national insurance policy. A state will have a particular issue—we have branched broomrape; Queensland, unfortunately, has four or five issues; and Western Australia has a particular pest.

For one state to try to deal with the eradication of that pest would be financially onerous, so all the states combine their resources, and that reduction would be a reduction in a national program. I will ask the chief executive to give you a bit of a flavour for where the reductions were in terms of the pest and the drop in contribution from South Australia.

Mr KNIGHT: All of this refers to programs in other states, so there is no impact in terms of branched broomrape. As it turns out, the reason there is a reduction between 2010-11 and 2011-12 is that, in relation to certain diseases that were being dealt with interstate in the course of the year, assessments have been made that eradication is not feasible, and that brings to an end the national cost-sharing arrangements.

I can give you a quick overview of that \$400,00. It means that some of these things that were national programs in 2010-11 will not be national programs in 2011-12. Asian honey bees is an example. We contributed \$158,000 to the national eradication program in Queensland and we will not be contributing in 2011-12 under current policies. Myrtle rust is another one that impacted New South Wales and Queensland in 2010-11 but has recently been declared technically ineradicable, so there is a reduction.

There is no change of policy on the part of government and there is no impact on any activity happening within the borders of South Australia. It is purely that, as these things come and go, our contribution to these national programs can go up and down, depending on what those programs require. Out of interest, one that does not change between years is our contribution to red imported fire ants, which has been quite a significant program over a number of years. In dollar terms that remains unchanged between 2010-11 and 2011-12.

If there are new pests that come up in 2011-12 we do not budget for that, by the way, because it is impossible to budget for these things. If something new crops up during the course of the year, either in South Australia or in another state, we may well have to go to cabinet for an increase in funding. The reductions that are noted there (\$0.4 million) are purely related to those programs that are no longer national eradication programs in the coming year. It has nothing to do with a change of policy, or certainly nothing to do with branched broomrape at least.

Mr PEDERICK: I refer to the same budget line. In regard to the branched broomrape program and the national body saying that it cannot be eradicated, I think they really need to have a good look at it because I think it can be; it will take a lot of time. I am very concerned that, if we take the foot off the foot pedal, we will end up with a few hundred farmers having to bear the cost in the Murray Mallee and maybe losing access to markets, apart from other issues. If the federal government withdraws its funding (I think it is about \$2.6 million per annum), will the state government put in more money to keep the program of eradication of branched broomrape on the agenda?

The Hon. M.F. O'BRIEN: There are a couple aspects to that question. At that PIMC meeting in Brisbane, the Queensland minister, in particular, was concerned that these decisions that are made by an independent panel of experts could lead to a situation where Queensland has to basically pick up the burden for a whole range of pests, and that is the unfortunate thing for Queensland in that I think there might be eight or nine programs and five of them are occurring in Queensland.

He asked for a review because at the moment we do not have a defined post-eradication strategy. If the team of experts determines that the pest cannot be eradicated and we go into containment mode, what does that mean for the state that has the issue? He placed particular concern on the Asian honey bee, and that does pose issues for the rest of the nation, as does branched broomrape.

The officials were to come back with a funding proposition for containment, which we do not have at the moment. It is basically, 'Well, you're on your own. We've tried eradication, and it hasn't worked.' He is very keen to see some post-eradication containment decision to attract some national funding. So, there is an uncertainty on that particular aspect at this point in time.

Also, the final decision has not been made on whether branched broomrape will no longer to be deemed to be eradicable. On my reading of the report, it tends to indicate that the time lines have slipped. What has occurred in the last 12 months is that the level of infestation increased, and we concluded that the viability of the seed was a lot longer than we envisaged (I think it was nine years) and in areas that we thought were pretty well free of the pest—paddocks that we thought were branched broomrape-free threw up plants. So, that threw out a lot of the assumptions.

One of the propositions was about whether it could be finally eradicated; I think it was 60 years hence and then we are not even sure. You would have to maintain a \$10 million a year program for 60 years, and even then you would not be sure whether you had dealt with. So, that is \$0.6 billion. One of the reasons that we are not sure whether you could ultimately eradicate it is that a lot of the infestation occurs outside areas of cultivation, and the landowners, the shack holders or the graziers do not have the financial imperative, if you like, to get on top of the issue.

It may well be that we come down on the side of a containment program, which I am adamant will have the same outcomes in terms of properties or paddocks being brought out of quarantine, as is the current regime. The way that we fund that we have yet to determine. Are we still going to have in place a national funding regime, or are we going to have to fall back on our own resources?

Is there a role for national private sector funding, given the fact that if this pest were to get out into our major grain growing areas in New South Wales and Victoria the consequences are quite severe? Should there be a role for national funding in addition to state or commonwealth funding? We have yet to explore those, but I could not see that under any circumstances would we not commit to a vigilant containment program and the letting out of areas over time as they prove that they no longer have the infestation.

Mr PEDERICK: Yes, minister. The new infestations might have, I think, coincided with the good, wet year.

The Hon. M.F. O'BRIEN: Yes, I thought the same.

Mr PEDERICK: That obviously helped, or did not help, depending on how you want to look at it. I guess the minimum I am asking for is: does the government guarantee its annual contribution of I think it is \$1.9 million per annum going into the future?

The Hon. M.F. O'BRIEN: There is nothing in the forward estimates. There is a process, but you can rest assured that I will certainly be making cabinet aware of the implications of not having a very robust containment strategy, and I am sure that Biosecurity SA officers and I will also be making the national bodies representing grain and horticulture aware of their obligation, if you like, to assist in containing what could be an unmitigated disaster for Australian grain and horticulture.

Mr PEDERICK: Bearing in mind that answer, minister, are you saying that the government is walking away from any financial commitment to the control of branched broomrape?

The Hon. M.F. O'BRIEN: No, I am not. What I am saying is that I do not draw up budget lines in estimates and nor does the member for Hammond as the opposition spokesperson on agriculture make potential budget commitments for his side of politics by way of the media. There is a process, and this is not part of the process.

Mr PEDERICK: I refer to the last dot point in the same budget paper, page 196. The 2010-11 estimated result describes \$300,000 spent on biosecurity-related surveillance and control programs funded under the state natural resources management program. What specifically were these programs?

The Hon. M.F. O'BRIEN: I will pass that over to Will. I will ask the chief executive to deal with this question.

Mr KNIGHT: That dot point that the member has asked about relates to the \$2.3 million increase in expenses between the 2010-11 budget and the 2010-11 estimated result. The important thing that contributed to that was—and elsewhere in these papers we talk about—the transfer of responsibility for NRM biosecurity arrangements from the former department of water, land and biodiversity conservation across to PIRSA. That was the important change that contributed to Biosecurity SA, and with that came funding associated with those programs and, of course, one of those was branched broomrape.

As to the exact details of why there is a \$300,000 increase, I will take that on notice, but I can assure you it is purely related to a transfer in of responsibility. NRM biosecurity issues were formally dealt with by DWLBC prior to the last change. What has been quite an important initiative is the government's decision to bring all biosecurity functions together under the one minister, so some things have transferred in from other parts of government.

Mr PEDERICK: Can a list of those programs be brought back to the committee?

The Hon. M.F. O'BRIEN: Yes, I will take it on notice and we will come back to you.

Mr PEDERICK: In Budget Paper 4, Volume 3, page 197, the third dot point down talks about a delay in the biosecurity cost-recovery levy until January 2012. Will the delay in the introduction of that levy by the government enable the minister to fulfil his promise, made in January 2011 to the *Stock Journal*, that his objective was to make the levy cost neutral by investigating other levies that farmers pay and look for opportunities to rationalise them? That is to say, what other levies will be removed from farmers; if some are to be removed, which ones and when?

The Hon. M.F. O'BRIEN: We undertook that body of work largely at SAFF's behest, and it seemed like a good idea at the time. What we have discovered is an unwillingness by industry bodies to see the application of their levy moneys reappropriated. SAFF asked for it, I thought it was a good idea at the time, we went out and asked and the feedback we got was, 'Hands off. We (being the industry bodies) are quite strategic in the application of our levies money,' and the matter now rests.

Mr PEDERICK: On the same budget line, has it finally been determined who will pay this biosecurity levy? Will it be property owners with one or more livestock, 20 or more livestock? What criteria have you set in place?

The Hon. M.F. O'BRIEN: We are at the point now where ACIL Tasman has returned with a cost-benefit analysis of private benefit, as opposed to public benefit, of our biosecurity activities. I have been asked by industry if that can go out for public comment, and I am more than agreeable—I think it is a useful exercise. When we have a firm landing on what is the public and private benefit of our activities in biosecurity, we will be in a position to take it to the next step. I have been informed that it might be a matter of several weeks before we can get the ACIL Tasman work out into the wider community, and that will then inform subsequent debate.

Mr PEDERICK: In the same budget paper at page 197, the 2010-11 estimated result at dot point 1 refers to the \$11.6 million spent on the plague locust emergency response program. Noting that you have already identified the \$12.8 million that was allocated, what happened to the \$1.2 million left over? Has that been put back into general revenue?

The Hon. M.F. O'BRIEN: I have been advised that, yes. Sorry, no, apparently—

Mr PEDERICK: Is it yes or no?

The Hon. M.F. O'BRIEN: Steve can answer that.

Mr PEDERICK: He's got the biggest pocket there.

Mr ARCHER: I would like to have that biggest pocket. I refer the honourable member to page 194 of the same document. If you look at the third dot point under the financial commentary, the balance of the 12.8 sits within Rural Services. That reflects the fact that, under the biosecurity eradication program, the services of Rural Solutions SA are used to manage the project and to provide hands-on services throughout the community.

Mr PEDERICK: What are you saying? It was rationalised through Rural Solutions?

Mr KNIGHT: No, we are saying it is split across two sub-programs.

Mr PEDERICK: I refer to a new budget line: page 198, under the biosecurity targets for 2011-12 at dot point two paragraph one, 'Consolidate training of staff across PIRSA for the Biosecurity First Response Team'. What specific training is referred to by this budget line?

The Hon. M.F. O'BRIEN: Mr Zacharin will take that.

Mr ZACHARIN: One of the initiatives we have been undertaking since the machinery of government changes to put Biosecurity SA together was to create what we call our First Response Team, which is a team of trained people within Biosecurity SA and broadly within PIRSA, which can respond to Level 1, 2, 3 or 4 animal health or pest emergencies. That is about undertaking foundation training for a number of staff under the Australian Institute of Management emergency management arrangements so that we have the capability and capacity within South Australia to respond to a serious disease outbreak.

If we were to get something like foot and mouth disease in this country, which is considered a Level 4 incursion, within a week or two we would have to mobilise hundreds of people to be in a position to effectively respond to this type of outbreak. So, this is about ramping up our training and creating a first response team that can be put on the ground within a matter of hours because, as you know, with any new pest or disease incursion, the more rapidly you can respond, the more likely you are to get on top of the situation and reduce the costs of that response.

Mr PEDERICK: So, it is across a broad range of threats, is it? The training?

Mr ZACHARIN: Yes, this will allow people to respond to whether it is a pest or an animal disease or a plant disease emergency. These are generic skills which people are being trained in, so it does not matter if they are currently an animal health officer or someone working on the fruit fly program. For example, they could be mobilised within a number of hours to respond to something like another locust incursion, if possible, or to an animal health emergency like equine influenza or foot and mouth disease.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 198: Targets 2011-12. This is under 'Cost recovery', paragraph one: 'Investigate cost sharing options for plant health program'. Which particular plant health program or programs are referred to in this and how will beneficiaries of each program be identified?

The Hon. M.F. O'BRIEN: I will read from the briefing notes because they are a little more succinct. As you have clearly identified, we have savings objectives under the plant health program, and after initially announcing the intended closure of night shifts at Yamba and Ceduna would take place on 31 December 2010, Biosecurity SA entered into consultation with industry via the minister's Horticulture Plant Health Consultative Committee to seek industry's view on potential cost savings and a cost-sharing model for the plant health program.

Closure of the night shift operation at Yamba and Ceduna was revisited on 30 June 2011, on the proviso that the horticultural industry provided a proposal detailing cost-sharing arrangements between industry and government for plant health programs. The extension also allowed the horticultural industry time to consider cost-sharing approaches to assist in supporting South Australia's plant health programs. In April 2011, it was decided to extend indefinitely the opening of both the Ceduna and Yamba quarantine stations. This meant that all investigations into identifying potential cost savings efficiencies associated with the night shift at the 24/7 quarantine station ceased.

Biosecurity SA is engaging with the Western Australian Department of Agriculture and Food in respect of the potential for reallocating quarantine station operations at Ceduna to a joint WA/SA operation at the existing WA facility on Eyre Peninsula at the border. I spoke with Terry Redman the night before last on that particular issue and a couple of other issues that were of interest to both Terry and me, one of which was the live cattle issue which, obviously, is of great interest to him. Terry is looking at that particular proposal and he is going to get back to me to give me an indication of where things sit with WA.

In relation to the live cattle trade, I subsequently had a couple of discussions with the federal minister. We are now widening our brief—and I have yet to have a discussion with Terry Redman—because of possible implications for the live sheep trade, which is currently off the radar but which I have a feeling may come back on the radar.

On the other issue of recovery, the Horticultural Coalition presented me with a very detailed and robust report and set of recommendations, which we are currently investigating, but I think it is fair to say that we are getting considerable engagement from industry. I will be able to come back to the member for Hammond when I have worked through all of those recommendations and had further discussions with the horticultural sector.

Mr TRELOAR: I refer to Budget Paper 4, Volume 3, page 196, and particularly to the comments you made in answer to the last question. My question refers to the accommodation at the quarantine station at Ceduna. I am wondering why the government is considering potential relocation, given that it has just spent \$300,000 on new office accommodation. What would be the perceived benefit in relocating? If it is relocated, will current staff be offered TVSPs?

The Hon. M.F. O'BRIEN: I will pass it over to get into the detail. We check on traffic coming one way at Ceduna and, several hundred kilometres further west, Western Australia has a similar facility checking on traffic coming the other way for another pest (which I think is a wood-borer), but common sense would indicate that, if you could have the one facility basically monitoring vehicles travelling both ways, it would have a cost benefit for both WA and South Australia.

What we are now doing is seeing whether there is actually a cost benefit for WA and whether there is a cost benefit for SA. Until that work is done, we are not really in a position to talk about TVSPs or the like. In terms of the new premises, I visited the old one some six or eight months ago and thought it was a bloody disgrace, to be perfectly honest.

Mr TRELOAR: Agreed.

The Hon. M.F. O'BRIEN: I have asked about it and been advised previously that it is temporary and can be relocated. Irrespective of the discussions, I think there was just a view that it is a pretty shabby front-of-shop exposure for the South Australian government for people coming from interstate. The place was literally falling down around our ears. Will can probably offer a little more detail.

Mr ZACHARIN: Members are probably aware of a number of developments that have been proposed around Ceduna over the last few years as well, so that has led to a delay in capital expenditure on the Ceduna roadblock. However, it got to the stage where there were occupational health and safety issues with maintaining the roadblock in its current state, and we made the decision to bulldoze it, get rid of it. That new accommodation is a temporary mobile facility. It comes at a cost, but because those development applications may still proceed in the Ceduna area, and would require a diversion to the national highway, we did not think it was appropriate to put in a permanent facility there at this time.

As well as the investigation we are now doing with the WA government about collocation, as the minister intimated there are two roadblocks on Highway 1. They are less than 400 kilometres apart, and we are doing the same work at ours that WA is doing at theirs. The last time we reviewed the possibility of collocation was back in 1996, so we have a joint team across both jurisdictions at the moment. They have dusted off that review, and they are looking at what the benefits and costs of may be of having another look at collocation.

Mr TRELOAR: As a supplementary question to the minister, are the existing staff at Ceduna being consulted in this process?

The Hon. M.F. O'BRIEN: I will pass that over to Will.

Mr ZACHARIN: Of course, the existing staff at Ceduna are well aware that we are talking to the WA government about the possibility of collocation. We have also advised the public sector union of this. A number of questions have been put to us by the staff, and we are answering them to the best of our ability at this point but, until we get into the nitty-gritty of whether any collocation has a positive cost benefit, we are not in a position to tell them whether or not it will go ahead. It will depend on the review.

Mr TRELOAR: With all due respect, that is not what I asked. I asked whether the staff were being consulted, not whether they were being advised.

The Hon. M.F. O'BRIEN: I suppose there are two points. At this stage, it may well be that the outcome is that the Western Australian operation is handled by ourselves. It is no lay-down misère that the South Australian function has to go to WA; they might figure that it makes more sense to locate it at Ceduna. I think the WA facility is probably in the middle of nowhere. I have not travelled across the Nullarbor—

Mr TRELOAR: It is at Border Village.

The Hon. M.F. O'BRIEN: Yes, so it could go either way. At this stage, other than flagging that discussions are occurring, there is really not a great deal to convey. As I said, it may well be that they are doing work for WA in due course.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 197. The third dot point from the bottom refers to increased cost recovery from industry for resources which are of benefit to the industry in 2010-11 and a figure of \$0.4 million. Which industry or industries are referred to here, what are the resources and what are the benefits?

The Hon. M.F. O'BRIEN: We will have to take that one on notice.

Mr PEDERICK: Thank you. Page 198, Highlights 2010-11, dot point 3, paragraph 3, refers to the eradication of four fruit fly outbreaks. What is the cost of managing these outbreaks, and what resources, money, training, manpower and equipment are needed to contain and eradicate individual outbreaks, whether they are in the Adelaide metropolitan area or in a regional area where there has recently been an outbreak, like Port Augusta?

Mr ZACHARIN: It really depends on how aggressive the incursion is, but each of these outbreaks costs in the region of about \$150,000 for us to address this year. Some of them can be more persistent than others. The funding is provided for out of the biosecurity fund, so it really depends on how long it takes us to get rid of the flies, how many sterile fruit flies we may have to release and how many times that occurs. It is different for each incursion. Some incursions we can eradicate fairly quickly and, at other times of the year, it can be quite persistent, so the cost can increase. On average it is costing us about \$150,000 per event.

Mr PEDERICK: How many staff does that involve, and how much equipment?

Mr ZACHARIN: We have a number of permanent staff within the plant and food standards area of Biosecurity SA which will pitch in, but we also have the capacity to get a number of casual staff in. We employ somewhere in the region of 40-50 casual staff as required to assist with baiting arrangements, knocking on doors, advising the community that we have a fruit fly outbreak in the area and assisting in the removal of fruit from any fruit trees within the quarantine zone. Again, it depends on how aggressive the incursion has been, how broad the initial quarantine zone has to be and how long it takes us to get around the area and do a lot of baiting and removal of fruit.

Mr PEDERICK: Thank you.

Mr WHETSTONE: Minister, has the government done an analysis on what funds would be needed to contain and eradicate an individual fruit fly outbreak in a commercial fruit growing area—particularly in the Riverland—obviously within a national Fruit Fly Exclusion Zone? You have expressed that you have enough resources to deal with any number of outbreaks, whether it be locusts or fruit fly. Have you done any modelling on what it would cost the government with one outbreak in the commercial Fruit Fly Exclusion Zone?

The Hon. M.F. O'BRIEN: Member for Chaffey, I will pass that over to Will, but I am sure that we have.

Mr ZACHARIN: If we had an outbreak within the Riverland area, we anticipate that that could cost us up to \$2 million in terms of the response but, again, it depends on how many gravid female flies were found within the area. If it was just one single fly we would have to implement a quarantine area of up to two kilometres, I think, around the current area, and up to 15 kilometres within the outbreak area.

That would require the stripping of a lot of fruit, and it would require a huge amount of surveillance and setting up of supplementary traps within the area. So, again, depending on how aggressive the incursion was, it could cost us up to \$2 million and it could last over several months. That funding has always been provided as an emergency response through the Biosecurity Fund and, if it put pressure on that fund, we always understand that we have the capacity to go back to cabinet to consider what the cost may be in terms of eradication.

Mr WHETSTONE: Through the minister: with consultation with the commodity groups, has there been some form of costing or analysis as to what impact there would be to that industry with a fruit fly outbreak?

The Hon. M.F. O'BRIEN: I will pass that over to Will. I have obviously had discussions with the Citrus Industry Development Board and they have alerted me to the consequences, particularly for certain select markets; I think Japan and Korea would be under threat. As I said, I think there is a Japanese delegation in South Australia; either there has been or will be in the very near future. Similarly, discussions with the Horticulture Coalition have alerted me to their particular concerns, but I will pass over to Will.

Mr ZACHARIN: I cannot specifically describe the emergency response planning that has been undertaken with the citrus board in that area, but I am happy to take that on notice and get back to you in terms of the planning that has been undertaken with the industry.

Mr WHETSTONE: Considering the amount of fruit that was detected in vehicles at Yamba and the random roadblock at Blanchetown over the Queen's Birthday long weekend, does the government accept a need for greater resources to be put into detection and community awareness programs in regard to fruit fly?

The Hon. M.F. O'BRIEN: The Citrus Industry Development Board brought to my attention the necessity to have a mobile strategy in terms of roadblocks and alerted me to the fact that a lot of producers in the Riverland were taking fruit outside the Riverland, then returning with it, which posed a biosecurity threat. They are also of the view that there should be a greater emphasis on education and that the fruit fly awareness program probably is in need of a refresh.

It has become very much part and parcel of the broad South Australian social setting. I have taken on board those concerns, and we will certainly be acting on them. The two most recent uses of the mobile roadblock strategy I think were, in large part, a response to the CIDB discussions that were held with me.

Mr WHETSTONE: Is the government seeking a greater contribution from industry to fund fruit fly programs, considering the advantage in the markets that particularly the Riverland has, being a fruit fly free status area?

The Hon. M.F. O'BRIEN: We are looking for greater cost recovery right across the primary industry sector. This is the strategy that the government has adopted. There are very few sectors of the South Australian economy that receive substantial ongoing government support once they have moved beyond the stage of some degree of maturity. I think an example of where the government has made a contribution is Bio Innovation, which was an initiative of the previous government, and we are facilitating the development of the defence sector in South Australia; but, ultimately, a point is reached where those industries should be able to stand on their own two feet. Our view is that the primary production sector is very mature and well and truly at a point where it does not require substantial injections of government money.

Where we have arrived at with this process is determining what is the public benefit and what is the private benefit. This is a methodology that was worked up by the Productivity Commission, from memory. It has been taken on board by the commonwealth and, I believe, increasingly, by all the other states, so there will be an ongoing role for government to make a contribution to the sector, but it will be to cover the costs of the public benefit. The private benefit costs, in large part, should be subscribed to by the private sector.

In relation to the fruit fly issue, there is a significant benefit that accrues to the citrus industry in the Riverland because they do not have to undertake the pre and post-harvest treatment that their interstate counterparts have to undertake in the treatment of fruit. They actually accrue a dollar benefit, and I think we are aware of what that dollar benefit is. Our view is that a proportion of that ought to be paid back to cover in part the cost of providing the benefit that gives them the extra dollar for their fruit. I have a note here that says that the benefit that accrues to Riverland producers has been quantified at between \$3 and \$5 per carton because of state government expenditure.

Mr WHETSTONE: I guess the citrus industry would welcome the extra dollars at the moment with the price of fruit. I am worried about the near-sightedness of the government projecting the benefit to the fruit industry. We are looking at the benefits to the wine industry (particularly with Yamba and Ceduna), the grain industry and livestock and the disease and weed biosecurity risk the whole state is facing, yet the fruit industry seems to be picked out as the main beneficiary.

The Hon. M.F. O'BRIEN: Member for Chaffey, I think the process that we have undertaken with the Horticultural Coalition is to say that the benefit to South Australia extends beyond the Riverland, because the way that the program operates is that it is run in the metropolitan area. I think the strategy is that, if an infestation occurred in the metropolitan area, given population density and the fact that people still have fruit trees in their backyard and they travel interstate, and we do not control it in the metropolitan area, it will ultimately ravage the Riverland.

But there are also benefits for horticulture on the Northern Adelaide Plains and in the Adelaide Hills. Our discussions with the horticulture sector are: let's look at this in a broader sense and not try to impose the cost impost on the Riverland, even though it is a significant beneficiary, because fruit growers in the Adelaide Hills and horticulturists on the Adelaide Plains also have a benefit. We are trying to get a reasonably equitable distribution of effort across the state, and that is the discussion at the moment.

The CHAIR: The member for Hammond has some omnibus questions to read into the record.

Mr PEDERICK: Thank you, Chair. The omnibus questions are:

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2009-10 for all departments and agencies reporting to the minister—listing the name of the consultant, contractor or service supplier, cost, work undertaken and method of appointment?

2. For each department or agency reporting to the minister how many surplus employees were there as at 30 June 2011, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

3. In financial year 2009-10 for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2010-11, and how much was approved by cabinet?

4. Between 30 June 2010 and 30 June 2011, will the minister list the job title and total employment cost of each person (with a total estimated cost of \$100,000 or more)—

- (a) which has been abolished; and
- (b) which has been created?

5. For the year 2010-11, will the minister provide a breakdown of expenditure on all grants administered by the departments and agencies reporting to the minister—listing the name of the grant recipient, the amount of the grant and the purpose of the grants, and whether the grant was subject to a grant agreement as required by Treasurer's Instruction No. 15?

6. For all capital works projects listed in Budget Paper 5 that are the responsibility of the minister, will the minister list the total amounts spent to date on each project?

7. For each department or agency reporting to the minister, how many Targeted Voluntary Separation Packages (TVSPs) will be offered for the financial years 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15? I have one last question, if that is all right, Mr Chair.

The CHAIR: As long as you start right away.

Mr PEDERICK: I will get right onto it. I refer to Budget Paper 4, Volume 3, page 190. Under 'Fisheries: Description/objective, it states:

The management and administration of the living marine and freshwater resources of South Australia, as required under the Fisheries Management Act 2007. This includes the development and implementation of appropriate management plans for commercial fishing, recreational fishing and charter fishing; development of government policy for sustainable resource access; and allocation and the administration of licensing and compliance services.

I refer to some words from the Fisheries Management Act 2007, which provides:

An Act to provide for the conservation and management of the aquatic resources of the State, the management of fisheries and aquatic reserves, the regulation of fishing and the processing of aquatic resources, the protection of aquatic habitats, aquatic mammals and aquatic resources and the control of exotic aquatic organisms and disease in aquatic resources; and for other purposes.

This is a crunch question, minister. Given the wide-ranging influence and effect of the proposed marine parks legislation, will the Minister for Fisheries be fully responsible now and in the future for all aspects of this sub-program, as described above and as laid down in the Fisheries Management Act, or will the environment department be taking over this role?

The Hon. M.F. O'BRIEN: I have been advised yes and no.

Mr PEDERICK: So, yes, you are; and no, the Department of Environment is not getting it: is that correct, minister?

The Hon. M.F. O'BRIEN: That is right.

The CHAIR: I thank the minister and I also thank the members of the committee. Thank you to the advisers for your assistance. There being no further questions for the Minister for Agriculture, Food and Fisheries, we will now adjourn until 13:45.

[Sitting suspended from 13:01 to 13:45]

Membership:

Mr van Holst Pellekaan substituted for Mr Whetstone.

Departmental Advisers:

Mr G. Knight, Chief Executive, Department of Primary Industries and Resources SA.

Mr R. Robinson, General Manager, Forest Strategy, Department of Primary Industries and Resources SA.

Mr I. Robertson, Chief Executive, ForestrySA.

Dr D. Plowman, Group Executive Director, Primary Industries and Biosecurity, Department of Primary Industries and Resources SA.

Mr S. Archer, Group Executive Director, Portfolio Services, Department of Primary Industries and Resources SA.

Mr M. Williams, Manager, Budget Strategy, Department of Primary Industries and Resources SA.

Mr S. Johnke, Director, Finance and Asset Management, Department of Primary Industries and Resources SA.

The CHAIR: We are going to ForestrySA and forest policy. Minister, do you wish to make any opening remarks?

The Hon. M.F. O'BRIEN: No, thank you.

The CHAIR: Shadow minister, you have the call.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, at the top of page 199 the objective states:

Support the sustainable development of an internationally competitive forest industry, regional development and the provision of services from state government forest reserves.

How does the intended forward sale of three rotations of timber equate with this objective?

The Hon. M.F. O'BRIEN: My understanding is that the previous Liberal government put up a proposition to cabinet that called for the full sale of those assets, and the treasurer of the day was unsuccessful in that attempt. We are not privatising the assets; we will retain ownership of the land on which the forest sits, and in the initial period, which I believe is five years, ForestrySA will continue to manage the asset with the possibility of that being extended. It is pretty well business as usual in terms of the management of the asset and the sale of the product, which is the timber, so I think actually having a private sector owner of the timber is going to have a negligible impact on the objectives of our forestry policy.

Mr PEDERICK: In regard to that answer, minister, how are you ever going to guarantee that sawmills will not close and that regional jobs will be protected with the forward sale of these three rotations—since they are most likely to go to an international buyer, and I note that they are swarming over the South-East as we speak—especially in the event that the buyer is likely to be an offshore entity and also in view of the increased threat, as I indicated, that round logs could be illegally exported in containers, as recently happened in Victoria?

The Hon. M.F. O'BRIEN: There are several points. Firstly, it was the previous Liberal government that actually sold the milling facilities in the South-East, thus placing the possibility of their being on the market either for further onselling or for closure. The other comment is that, even under the current structure that is in place, mills are closing the South-East. Mills will open, mills will close, depending on the prevailing economic conditions and the ability to rationalise.

I think the most recent closure was the Mount Burr facilities within the last 12 months. The state government had total ownership of the forward rotations. It did not stop a decision being made that a mill would be closed. Our intention is that there will be an expansion in the South-East of the overall softwood plantation, either by the private sector or through government initiative, an increase in the size of the plantation by 30 per cent, which we believe is necessary to attract one if not more major investors to put in place one or more world-class timber milling facilities in the South-East. Sorry, it was not Mount Burr, it was the downscale of Nangwarry. Without that increase in the size of the plantation there will not be investment in milling facilities.

Mr PEDERICK: But in regard to the forward rotation and in regard to that response, how are you ever going to guarantee that an overseas investor will not export round logs illegally under a contract of sale of the forward rotations?

The Hon. M.F. O'BRIEN: The structure of the Australian market is such that the bulk of product is used domestically. The product coming out of the South-East is of an extremely high quality; it is an exceptionally good structural timber. Australia is still experiencing significant population growth and growth in the housing sector. There is a lull at the moment but the industry, by and large, services domestic demand, and the forecasts are that population growth will continue over the next couple of decades.

I think it was the World Bank that forecast that population growth would continue in Australia, largely by way of skilled migration. This, in turn, will maintain a high demand for new housing which, in turn, will underpin milling activity in Australia. On occasions, if there is a temporary lull in building activity, which does occur from time to time, it has been the practice of all

softwood milling operators and plantation owners to export. The reason that is done is to maintain a level of economic activity in their communities.

In the case of the South-East, it is to maintain activity for loggers and also for the timber transport companies. If the export activity did not occur, then there would be a lull in that particular activity. This has been part and parcel of the way in which plantation managers in the South-East have managed their businesses and will continue to be so into the foreseeable future. If timber is going to be exported, it will be because domestic demand has come off a little bit, as a result of a temporary lull in building activity, and export will fill the gap.

Mr PEDERICK: In response to that answer, are you saying that there will not be a clause in any contract with a buyer forbidding them from selling round logs overseas? Because it is cheaper to mill overseas and bring back as finished product it puts at risk all those jobs in the South-East.

The Hon. M.F. O'BRIEN: I am going to receive advice, as is the Treasurer, from the round table regarding conditions. That may well be a condition. It may well be that there is a contrary view that, as I said, export in some circumstances is a sensible thing to do and it basically keeps truck companies in business and gainfully engages logging operators. However, that is something that would have to be bound up in advice from the round table, and I do not think there is an opinion either one way or the other.

As I said, it is something that has been part and parcel of forestry management in the past and probably will continue into the future. As for exporting log and having it milled and returning it to the Australian market, the advice that I have received is that, if we can get the 30 per cent increase in the sites of the plantations in the South-East, we will attract investment into the world class milling facilities and we can hold our own with any region anywhere in the world.

Mr PEDERICK: On the same budget line, will the decision to forward sell three rotations of south-eastern timber be reconsidered in the light of the recent sale by Gunns of its own timber in the region at what is considered to be less than half its true value?

The Hon. M.F. O'BRIEN: I think you made the comment, member for Hammond, that buyers were swarming over the asset in the South-East, which tends to indicate no shortage of interest in the asset. The way of the world is the greater the interest, the higher the potential level of demand, if you like, the higher the price. As for the sale of the Gunns assets, we are really not talking about comparable assets. We are talking about the sale of land in the South-East.

Gunns has a necessity to realise on value to secure adequate finance for their pulp mill. They have one interested international party, and my reading of the situation a few weeks ago was that they wanted to be able to strike out on their own if the deal with the potential international partner did not come through or the conditions that the international partner was attaching to the joint venture were unpalatable.

They wanted to be in a position where they could forge on independently, and for that reason they were realising on what they described as 'non-core assets'. They wanted to do that quickly. The Treasurer has indicated that we have a hurdle figure in mind, and if that hurdle figure is not leapt, then the asset, the forward rotations, will not be sold. From what you have said, member for Hammond, there is a high degree of interest in the asset.

Mr PEDERICK: Buyers might sense a bargain.

Ms THOMPSON: I refer to Budget Paper 4, Volume 3, page 200. Will the minister provide the committee with information on the integration of forestry with other primary production?

The Hon. M.F. O'BRIEN: If you can just bear with us, we are awash with information here.

Mr PEDERICK: You could have done that one on notice.

The Hon. M.F. O'BRIEN: I will have to wing this one. Planting trees for natural resource management outcomes and voluntary carbon offset markets are examples of forestry producing financial and environmental benefits for landowners and society at large.

Forests that are planted on previously cleared agricultural land can yield multiple benefits including: wood and wood products; diversification of rural economies, including participation in emerging carbon bioenergy and eucalyptus oil markets; sequestration of atmospheric carbon which offsets greenhouse gas emissions; and NRM outcomes, including protecting primary production land from soil erosion, mitigation of salinity, improved water quality, provision of shelter, and enhancement of biodiversity through improved habitats.

PIRSA Forestry has led the way in the promotion of the multiple benefits that arise from integrating forestry with other primary production systems in order to achieve sustainable landscapes. PIRSA Forestry has taken the initiative to provide landholders with up-to-date information on emerging carbon and non-traditional wood product markets to help prepare them for a carbon-constrained economy.

Stakeholder groups and landholders alike are also provided with the resources to encourage the use of forestry to achieve multiple benefits at a regional scale. In line with the International Year of Forests, PIRSA Forests will continue to support NRM boards and other key regional bodies to educate landholders as to the multiple benefits of trees through community events, publications and media opportunities. I thank the member for the question.

The Hon. S.W. KEY: My question relates to the timber industry in the Mount Lofty Ranges. Minister, can you advise the committee on any positive developments in the timber section of the Adelaide Hills?

The Hon. M.F. O'BRIEN: I thank the member for Ashford for the question. It is actually quite timely. As you would be aware, ForestrySA is a state government owned company. That will not come as a revelation to some. It also manages timber plantations in the Mount Lofty Ranges. The focus has been on the South-East, but there are considerable holdings in the Mount Lofty Ranges. In a positive development for the timber sector in the Adelaide Hills, ForestrySA has scaled up its thinning operations in the ranges after securing a new market for small diameter pine log.

In recent years, lack of demand has meant that only limited thinning operations have been carried out in the Adelaide Hills pine plantations. However, ForestrySA has scaled up thinning operations to deal with the backlog of previously unthinned and underthinned forest areas after securing a two-year log contract at 100,000 tonnes per year. Through this operation it is hoped to produce higher volumes of larger sawlog for local customers sooner.

ForestrySA has already engaged the services of an additional harvesting and transport contractor to assist with the increased workload. I have been advised by Mr Gary Pearson, the Mount Lofty Ranges District Forest Manager, that thinning operations have a number of benefits. The targeted removal of individual trees from within the established pine plantations not only improves the health, vigour and diameter growth of remaining trees, it also provides an improved quality log product derived from subsequent thinning and harvest operations. Thinning operations also lead to the more timely supply of saleable sawlog and plylog and a reduction in residue left on the ground following harvest.

Despite this wide range of benefits, I have been advised that delayed thinning operations require careful management. Any catch-up program also presents risks to the stability of plantations when they are finally thinned. Mr Pearson has said that ForestrySA would work to complete the backlog of thinning operations over the next two to three years.

Mr VAN HOLST PELLEKAAN: I refer to Budget Paper 4, Volume 3, page 199. Minister, can you please confirm for me and the people of Stuart that the Bundaleer and Wirrabara Forests will definitely be excluded from the proposed forward selling of offtake?

The Hon. M.F. O'BRIEN: Yes, I can.

Mr VAN HOLST PELLEKAAN: Can you also please confirm that they will definitely be retained as commercial forests under ForestrySA operation?

The Hon. M.F. O'BRIEN: That is my understanding, yes.

Mr PEDERICK: I refer to Budget Paper 4, Volume 3, page 200: Targets 2011-12, particularly dot point two which states 'Industry development: initiate implementation of the South Australian Forest Industry Strategy through engagement with forest industry stakeholders'. On the subject of engagement with forest industry stakeholders, we learn from the Treasurer's response to a question in estimates A on 29 June 2011 that certain information about the forward sale proposal was not shared with ForestrySA as it was considered to be commercial-in-confidence. My question is: does the government not trust its own board to treat such information with absolute confidentiality?

The Hon. M.F. O'BRIEN: I expect to receive the South Australian Forest Industry Strategy within a fortnight. My understanding is that it has been developed with wide engagement with forestry industry stakeholders. I have just been advised that some 428 copies of the draft strategy were distributed. There were 21 media interviews and articles, which obviously would have gone to

other individuals and businesses with an interest in the industry. There were seven stakeholder forums involving more than 100 people, and 21 submissions were received. I have been advised that I will receive the final strategy within the fortnight, and it is then my intention to consult further on the key recommendations.

Mr PEDERICK: You have not answered the question, minister. Regarding the forward sale of the three rotations, certain information was not shared with the ForestrySA board, and I am wondering whether the government does not trust its own board to keep things in confidence.

The Hon. M.F. O'BRIEN: Member for Hammond, you referred to a dot point that referred to the forest industry strategy and engagement with forest industry stakeholders, and I have answered the question.

Mr PEDERICK: I do not think you have but it sounds as though that it is all we are going to get. It sounds like the ForestrySA board is out in the wind. How can the government explain its decision not to share the detailed financial information and modelling of the forward sale proposal of three rotations of forestry in the South-East with the ForestrySA board?

The Hon. M.F. O'BRIEN: That is not a budget line within my portfolio area. It is one that sits squarely within the budget responsibilities of the Treasurer and I thought the Treasurer made himself available through this process to answer any questions on the forward sale.

Mr PEDERICK: Surely, minister, referring to Budget Paper 4, Volume 3, page 199, Program 4: Forestry Policy, as far as forestry policy, I would have thought the ForestrySA board would have something to do with the Minister for Forests.

The Hon. M.F. O'BRIEN: They do, in the sense that it manages and advises within the policy settings. The policy settings are in the process of being determined, in large part by the round table. Once they are determined, they will inform the management practices of ForestrySA and the advice that will be given to me.

Mr PEDERICK: A policy decision of forward selling three rotations of forest, you do not think that is a policy decision that ForestrySA should be involved with?

The Hon. M.F. O'BRIEN: It is a policy decision that is made by government.

Mr PEDERICK: Obviously, as the Minister for Forests, you are right in the thick of the forest, I would think with regard to this matter, and I would have thought it would be appropriate that ForestrySA's opinion was sought on the advisability of the forward sale. I am advised that their opinion was not sought before the decision to sell was announced. Can you clarify that one way or the other, minister?

The Hon. M.F. O'BRIEN: I have made the comment that it is not a budget line for which I have responsibility. It falls squarely within the Treasurer's ambit of responsibilities. He has given evidence and I think these issues may have been canvassed. If they were not, that was a decision the opposition made at the time. We are talking about my budget lines, areas over which I ultimately have responsibility, and that is not one of them.

Ms THOMPSON: My question relates to Budget Paper 4, Volume 3, page 199. Will the minister provide the committee with information on the impact climate change is expected to have on the forestry industry in South Australia?

The Hon. M.F. O'BRIEN: As you are well aware, for South Australian rural areas the CSIRO predicts a drier and a warmer climate. This increases the risk of drought, fire, pest and disease incursion, with potentially adverse impacts on biodiversity, agriculture and forestry. The federal government's climate change policy has three pillars: the first is adaptation to unavoidable impacts, the second is mitigation of greenhouse gases, and the third is international agreements.

A National Climate Change and Commercial Forestry Action Plan is being implemented to guide government and industry action on forestry's role in climate change. The potential loss in the forestry sector may reduce regional economic activity. Significant changes in management may be needed to minimise costs, maximise benefit and ensure environmental sustainability. Adaptation opportunities in the forestry sector include:

- the use of drought-tolerant strains or different species;
- new harvesting patterns;
- rotation periods;

- improved fire management; and
- adopting risk management in business planning.

In preparation for climate change, PIRSA Forestry has facilitated investment in plantations and small-scale farming forests for carbon sequestration and timber production. Adapting to the unavoidable impacts of climate change is also important. PIRSA Forestry supports long-term research trials to demonstrate the suitability of various low rainfall tree species and improved genetics and silviculture regimes for low rainfall areas in order to facilitate investment in plantations for carbon sequestration and timber production.

Mr PEDERICK: In the light of the Treasurer's statement in Estimates A on 29 June that the government was aware that ForestrySA considers the regional impact statement flawed, has the minister or the government since discounted all the problems that ForestrySA has picked up in the regional impact statement in regard to the forward sale of forestry in the South-East?

The Hon. M.F. O'BRIEN: The government has established a round table, the membership of which is probably known to opposition members sitting in here today. It is a highly credentialled and representative group of individuals largely drawn from the South-East. Any concerns, observations or comments that the board or executive team of ForestrySA have can be fed into the round table, which in turn will advise both myself and the Treasurer. In answer to your question, the mechanism is there, and I am sure that all those who want the best possible outcome on this particular proposition will avail themselves of the opportunities that the round table affords.

Mr PEDERICK: In regard to a decision being made on the forward sale of forests, which minister, the Treasurer or yourself, will bear responsibility for making a decision which could be based on what might eventually prove to be a report full of flaws and problems? I refer to the ACIL Tasman report.

The Hon. M.F. O'BRIEN: I have two observations; one is that the ACIL Tasman report is not flawed. Individuals or organisations may take case against some of the propositions but, by and large, it is a robust proposition in its own right. The decision will be a cabinet decision; it will be an informed decision, and it will be one in part informed by the deliberations of the round table, which will take on board any comments made in relation to the veracity of propositions contained within the ACIL Tasman report. This will be extremely thorough, and I am sure it will adequately advise cabinet in its deliberations.

Mr PEDERICK: I refer to Budget Paper 5, page 48. In Annual Programs there is an allowance of \$12 million for acquisition of land. This is the same amount that was budgeted for land acquisition in 2010-11, as described on page 47 of the 2010-11 budget. My question is: how much of last year's \$12 million was spent, and where was the land that was purchased?

The Hon. M.F. O'BRIEN: I will pass that over to Islay, who is basically running the land acquisition program.

Mr ROBERTSON: In the last two weeks, in fact, we settled on about 1,550 hectares of land and plantation purchases in Victoria. A month earlier I think we settled on a small area of land just outside Mount Gambier. So, in terms of total capital expenditure on land in the last year, it amounts to about \$6 million of the \$12 million. There was a further \$4 million of purchase of plantations, because some of the land had radiata plantations on it that we purchased. While the market for land purchase has been improving, it is still a tough market. The opportunities are arising, though.

Mr PEDERICK: Was that \$12 million expended in the previous financial year, minister?

The Hon. M.F. O'BRIEN: Again, I will pass that to Islay.

Mr ROBERTSON: I am afraid I cannot pull a number out of my head for the previous year. We did make some limited purchases, but I believe we struggled that year. In some years we have been more successful than in others.

The CHAIR: You can take that on notice if you need to come back with more detail.

Mr ROBERTSON: I am happy to take that on notice.

Mr PEDERICK: Could I get the detail of the properties and how much was spent in those two financial years?

The CHAIR: One last question from the shadow minister.

Mr PEDERICK: Minister, I refer to Budget Paper 4, Volume 3, page 199. Does the minister accept the argument that part of the reason for the increase in timber imports is due to a slowdown in construction in other world markets, particularly the US, and that this has caused other timber exporters to look for new markets, including Australia, which has led to a drop in timber prices through increased competition?

The Hon. M.F. O'BRIEN: I believe that is one of the reasons. The other reason, as I understand it and as it has been put to me, is that that has produced a concerted effort by Canadian and US timber companies to get into the Australian market because the US domestic home construction sector is not as robust. There has been a development in Europe, particularly in the Scandinavian forests, because of the high EC demands on energy efficiency, that has led to the Scandinavians entering into the generation of electricity through the burning of timber offcuts.

This, combined with the high Australian dollar and the fact that most exports from the Asian area, particularly China, are exported to Europe by way of container and those containers have been coming back to China and the Asian region carrying very little freight (in most cases, coming back empty), the Scandinavians or the Europeans have been able to freight timber, particularly from Scandinavia, into the Australian market at a very low freight rate.

In addressing those particular challenges, I am keenly looking at the opportunities for us to use biofuel as a by-product of plantation forest activity to actually drive down our costs of production, as the Europeans have. RenewablesSA has made a grant to the new owner of the Kangaroo Island plantations and mill to pilot an electricity-generating plant on Kangaroo Island to use timber offcuts. If that is successful, I think it is their intention to go from pilot stage to a larger generating capacity, which could potentially deal with a lot of the electricity issues on Kangaroo Island and also, if successful, could give us some pointers as to what we can do in the South-East ultimately to be able to compete with the Americans, Canadians and the Scandinavians by having another revenue-generating activity sitting alongside our forest plantations and our mills.

The CHAIR: Thank you, minister, and I thank the members of the committee and the advisers. There being no further questions, I declare the examination of the proposed payments for the Department of Primary Industries and Resources and the administered items for the Department of Primary Industries and Resources adjourned to committee A on Monday 4 July.

DEPARTMENT FOR TRANSPORT, ENERGY AND INFRASTRUCTURE, \$168,429,000
ADMINISTERED ITEMS FOR THE DEPARTMENT FOR TRANSPORT, ENERGY AND
INFRASTRUCTURE, \$13,704,000

Witness:

Hon. M.F. O'Brien, Minister for Agriculture and Fisheries, Minister for Forests, Minister for Energy, Minister for the Northern Suburbs.

Membership:

Mr Williams substituted for Mr van Holst Pellekaan.

Departmental Advisers:

Ms R. Knights, Director, Energy Markets, Department for Transport, Energy and Infrastructure.

Ms T. Meakins, Acting Chief Executive, Department for Transport, Energy and Infrastructure.

Mr V. Duffy, Executive Director, Energy Division, Department for Transport, Energy and Infrastructure.

Mr K. Jervois, Director, Demand Management and Advisory, Department for Transport, Energy and Infrastructure.

Mr. R. Faunt, Director, Energy Regulation, Department for Transport, Energy and Infrastructure.

Mr. B. Cagialis, Chief Finance Officer, Department for Transport, Energy and Infrastructure.

Ms J. Formston, Acting Manager, Department for Transport, Energy and Infrastructure.

Mr M. Leane, Manager Energy Programs, Department for Transport Energy and Infrastructure.

The CHAIR: I declare the proposed payments open for examination and refer members to the Portfolio Statements, Volume 4, and I offer an opportunity for the minister to make a brief statement if he so wishes.

The Hon. M.F. O'BRIEN: I will not avail myself of the opportunity to make an opening statement.

The CHAIR: Thank you; we appreciate that.

The Hon. M.F. O'BRIEN: They weren't that bad!

The CHAIR: We will now go to the shadow minister: I presume you do not want to make a statement either?

Mr WILLIAMS: I have a very lengthy statement—

The CHAIR: All right, well you are in order. You have the call.

Mr WILLIAMS: —but I am not going to make it. I will move straight on to questions.

The CHAIR: Thank you.

Mr WILLIAMS: Thank you, Mr Chairman. I refer to Budget Paper 4, Volume 4, page 60. This lists the minister as the Minister for Energy and has the program of energy policy and regulation under his ministerial responsibilities. Minister, how many staff do you have in your ministerial office, and how many of these have responsibilities in the energy policy and regulation area?

The Hon. M.F. O'BRIEN: I would have to sit down and use my fingers and thumbs, but—

Mr WILLIAMS: You are sitting down, minister, and you have got your fingers and thumbs, and I won't mind if you take your shoes off, actually!

The Hon. M.F. O'BRIEN: In terms of ministerial advisers, I do not have a ministerial adviser for energy. I have a ministerial liaison officer for that particular area.

Mr WILLIAMS: That officer is out of the department?

The Hon. M.F. O'BRIEN: That is right, yes.

Mr WILLIAMS: And that is the only departmental officer in your office?

The Hon. M.F. O'BRIEN: No; I have another—

Mr WILLIAMS: For this function?

The Hon. M.F. O'BRIEN: For this function, yes. I have another MLO, who works back to PIRSA. So I have two MLOs, two policy advisers and a chief of staff and a media person. We run it lean and mean.

Mr WILLIAMS: I am sure, minister. Is the LMO cost (that is one FTE, I presume) borne by the department?

The Hon. M.F. O'BRIEN: That is correct, yes.

Mr WILLIAMS: Does that include anything other than salary? Does it include IT costs or any of those sorts of costs?

The Hon. M.F. O'BRIEN: It is coming out of my ministerial office budget.

Mr WILLIAMS: All of those other costs?

The Hon. M.F. O'BRIEN: Yes.

Mr WILLIAMS: And the salary cost?

The Hon. M.F. O'BRIEN: No.

Mr WILLIAMS: All the other costs?

The Hon. M.F. O'BRIEN: Yes.

Mr WILLIAMS: So only the salary cost is borne by the department?

The Hon. M.F. O'BRIEN: Yes.

Mr WILLIAMS: I refer you to page 65 of the aforementioned budget paper which lists annual programs. There is one there for energy, an annual program submitted of \$340,000. Can you or one of your officers explain what that program is?

The Hon. M.F. O'BRIEN: That is the capital expenditure program for the Remote Area Incentive Scheme (RAIS).

Mr WILLIAMS: Sorry, I missed that because of the noise in the chamber. That is capital expenditure associated with the RAIS program?

The Hon. M.F. O'BRIEN: Yes, that is right.

Mr WILLIAMS: I now refer you to page 99. Minister, I must congratulate whoever is responsible for the presentation of this function in the budget this year. Generally, it has been my task to question a minister for two hours over about three lines in the budget, but I have about 3½ pages this year—it is a lot easier.

The CHAIR: We do not need to take the full two hours, if you do not mind!

Mr WILLIAMS: We will see how we go. It will all depend on how fulsome the minister is with his answers and how forthcoming he is.

The Hon. M.F. O'BRIEN: Chair, I think we will be reverting to the previous arrangement.

Mr WILLIAMS: There is considerably more detail in the budget.

The Hon. M.F. O'BRIEN: Yes, I agree.

Mr WILLIAMS: If you are responsible for that, minister, I congratulate you. I refer to page 99, Program 10: Energy Policy and Regulation. I want to ask you about wind power, and I will make a short a statement before I ask you a series of questions. The exposure of the state's total generating capacity to wind has a reliability level such that only 5 per cent of its installed capacity can be relied upon during peak summer demand periods. These numbers come out of the AEMO document which was published yesterday, so it is fairly up to date.

For example, on 31 January this year at 4.30 in the afternoon the record demand for the state was reached at 3,433 megawatts. Only 60 megawatts of that demand (a mere 1.7 per cent) were contributed by wind. The total nameplate rated capacity of all other generators in the state is 3686.8 megawatts, with a summer peak rating being 3,414 megawatts—that is, if my maths is right, about 19 megawatts below that peak demand on that day—Murraylink and the Heywood interconnector provide additional capacity for the state.

Is the government happy with the mix of generation types currently, and is there an upper limit as to the level of wind generation which the state's power supply can stand?

The Hon. M.F. O'BRIEN: The simple answer is that, with the further integration of the national energy market, South Australia can increase its capacity to generate electricity by way of wind if we have the necessary transmission infrastructure in place to carry that over our border into Victoria and New South Wales and, alternatively, to draw power from both of those states when the wind is not blowing. You may be aware of the feasibility study that was done into the green grid and, in turn, the possibilities offered to South Australia by virtue of us having, probably, the richest wind resource in the nation on the upper Eyre Peninsula. It runs literally for hundreds of kilometres.

There is a study conducted by the South Australian government, at a cost of around \$1 million, that indicates we could substantially increase our wind generating capacity, but we have to be able to feed that back into the rest of Australia. So, the constraint is the transmission constraint into Victoria, particularly into New South Wales.

Mr WILLIAMS: Minister, I understand that one of the conclusions of that green grid study was that, to enable this to happen, there had to be a rule change made so that the assignment of costs of such transmission lines could be made to those who are the ultimate benefactors of any investment in green power. You may be able to help me here, but I understand an interim determination was made, I think, about a week ago, that that proposed rule change was not going to be proceeded with. I think a final decision was due to be made yesterday. Are you aware of whether there has been any change of heart with regard to that specific rule change?

The Hon. M.F. O'BRIEN: I will take advice on that. Things may change once a price is put on carbon and once the viability, if you like, of the hot rocks technology is proven and also what are the outcomes, particularly in Victoria and New South Wales, on constraints to the construction or erection of wind turbines. So, a decision may be made, but I do not believe that that is the end of the matter.

I have a note that states that the final rule change is the same as the draft rule change. On 10 March, the AMC released the draft rule determination. In reaching its decision, the AMC considered that market participants are best placed to manage the cost risk associated with the efficient connection of generation clusters. Accordingly, under the draft rule determination, the cost risk for extension of networks to generation clusters remains with market participants.

The new rule determination requires that, on request, the transmission networks service provider will complete and publish a specific locational study to reveal the potential for efficiency gains from the coordinated connection of new generators into a particular area. The requesting entity would be required to fund the cost of the locational study.

The draft rule determination, which is now the rule determination, does not provide any new funding arrangements for the efficient connection of generation clusters. Therefore, funding would need to be provided by a consortium of generators, the transmission network service providers off their balance sheet, or the state or federal government.

I am aware that a transmission group has formed in South Australia to look at the possibility of a collaborative effort, so this is a work in progress. With the construction of Olympic Dam there may be opportunities to run transmission lines out of Eyre Peninsula through Port Augusta, up through Olympic Dam and all of the mining activity in the north of the state, through the hot rock prospect area and directly into the New South Wales grid. That is a proposition that was put to me by Professor Garnaut, and it is just one of a range of possibilities that are open to us.

Mr WILLIAMS: Minister, do you really think that BHP Billiton are going to build an expanded operation at Olympic Dam based on electricity supplied from wind farms which, during the summer period, can rely 85 per cent of the time on about 5 per cent of their output. Again, they are numbers directly out of the 2011 South Australian Supply and Demand Outlook from AEMO:

The methodology for calculating the expected wind farm contribution during peak demand has been revised—

and this has been revised upwards—

with the summer and winter peak contribution now anticipated to be 5% and 3.5%—

and that is 5 per cent in the summer and 3.5 per cent in the winter—

...of their installed capacities.

This is the dilemma for relying on wind power.

The Hon. M.F. O'BRIEN: Yes, and that was a proposition that was floated by Professor Garnaut that probably picked up on the obvious. If the nation is to meet the nationally agreed target of 20 per cent of power by renewables by 2020, it would make sense for the nation to look to Eyre Peninsula because it is energy-rich in terms of wind power—and this is ultimately a decision for BHP Billiton as to where it sources its power. It has the option of providing its own power or drawing from elsewhere. It might well be that it determines that it will take power from Port Augusta.

Alinta, as you are well aware, will probably, if the price is attached to carbon—and there was discussion in today's media about a compensation package for the power plants in Port Augusta to enable them to put in place gas turbine capability. If BHP Billiton want to draw in part or in full from Port Augusta, it may make sense, if the wind farm proposition for Eyre Peninsula were to become economically feasible, for that power to be picked up in Port Augusta and transmitted to Olympic Dam—that is the wind power.

But you always have the fallback of gas turbine-generated electricity and then linking it with the hot rock area in the underbelly, as you could describe it, of Moomba so that BHP Billiton will then have the option of drawing heavily on renewables both by way of wind and hot rock geothermal, but also having the capacity of gas turbine-generated electricity from Port Augusta. Also, one might assume that they would also have some capacity on-site. Rather than being reliant on the fact that wind power is not always available, you have Port Augusta but you also have the

basic capacity that geothermal would ultimately give us. There are a whole range of possibilities that are available to BHP Billiton and the state.

Mr WILLIAMS: Minister, your comments have opened up a whole range of questions just there. Can I just go to hot rocks geothermal? I think you made a statement a few minutes ago to the effect that 'once the viability of hot rocks is proven'. What is your advice as to the earliest possible time frame in which geothermal power might be available in quantities to impact on our power supply in South Australia?

The Hon. M.F. O'BRIEN: Geodynamics was within a day or two of doing a one megawatt power station to supply Innamincka when they had what they describe as an explosion in the well shaft and it has put it way behind. The most recent discussion I had with them is that they were hoping they might be able to have something proven up within the next 12 months. It has certainly put them way behind schedule. I think it is extremely disappointing when you are a matter of days away from getting a power plant up and operating and supplying a South Australian township to have an explosion in the casing of your well shaft.

Ms THOMPSON: Thank you, minister, for that information about hot rocks. These things take a very long time to get there. I refer to Budget Paper 4, Volume 4, page 100, Sub-program 10.1: Energy Policy and Programs. Can the minister provide information on the availability of home energy toolkits in South Australia?

The Hon. M.F. O'BRIEN: Home energy toolkits have been developed by the Department for Transport, Energy and Infrastructure to enable householders to conduct their own home energy audit. These toolkits assist householders to understand where significant energy is being used in their homes and how to minimise this use whilst maintaining their comfort. The toolkit resources include a comprehensive home energy audit guide, work sheets and audit tools. These tools are:

- an appliance energy consumption meter (known as a Power-Mate), which records appliance energy consumption and greenhouse gas emissions, as well as the dollar cost of the energy used at the time over an hour, quarter and year;
- an infra-red thermometer which accurately determines temperatures—particularly useful for measuring hot water and general heating and cooling temperatures;
- a stopwatch for measurement of showerhead water delivery;
- a spirit thermometer for measuring refrigeration temperatures;
- a compass to determine house orientation for the application of passive design action such as shading over north-facing windows to exclude heat during summer.

The toolkits are purchased by local government libraries and energy partner organisations at a 50 per cent subsidised cost of \$170, including GST. The public borrow these toolkits free of charge in the same way books are borrowed.

The number of South Australian libraries offering the toolkits for loan has increased from 93 in June 2010 to 114 by mid-June 2011. All metropolitan libraries have toolkits for public loan, as well as 60 out of 92 regional/remote South Australian libraries. A number of libraries have purchased multiple toolkits to meet public demand. The toolkit now contains a new do-it-yourself energy audit guide and action plan work sheets. The Department for Transport, Energy and Infrastructure is currently liaising with those remaining regional and remote SA local government libraries that do not have the toolkit to assist them in providing this resource within their community.

The new DIY energy audit guides summarise energy use in South Australian homes and provide a clear and comprehensive step-by-step guide for householders to conduct their own home energy audit, including instructions on how to use the toolkit tools in carrying out their audit. The new action plan work sheets are for householders to record the energy saving actions the audit reveals as being recommended for the householder's particular situation.

In addition to local government libraries, the Department for Transport, Energy and Infrastructure is actively promoting effective collaboration and support to our energy partners, such as welfare and not-for-profits. These partners act as strategic intermediaries in delivering energy efficiency auditing advice widely in the South Australian community, in particular to low income/disadvantaged households.

The home energy toolkits are now being offered to energy partners in the same way they are promoted to local government libraries. To complement the toolkits, the Energy Division has

now developed an easy-to-use, online 'do your own home energy audit', which can be accessed via the web or mobile phone, or printed and sent out to those without access to a computer.

This resource refers to the toolkits and to the library locations where they can be borrowed if householders wish to conduct a more rigorous audit. Housing SA is currently working to increase the energy efficiency of its homes and will distribute 50,000 copies of the hard copy audit to tenants.

The Hon. S.W. KEY: My question refers to Budget Paper 4, Volume 4, sub-program 10.2: Technical and Safety Regulation, on page 102. What has South Australia done in response to the recommendations of the 2009 Victorian Bushfires Royal Commission, particularly with respect to powerlines and trees in South Australia?

The Hon. M.F. O'BRIEN: The South Australian government has looked closely at the recommendations relating to electricity coming out of the royal commission. It is important to note that, as result of the fires on Ash Wednesday in the early 1980s, South Australia implemented a comprehensive framework that sought to minimise the risk of bushfires arising from electricity infrastructure.

While the design and management of the electricity infrastructure, as well as vegetation clearance, in South Australia are different from the Victorian model, there were several recommendations that came out of the royal commission that were relevant to South Australia. For instance, the commission recommended that Victoria amend the regulatory framework for electricity safety to require that distribution businesses adopt, as part of their management plans, measures to reduce the risks posed by hazard trees, that is, trees that are outside the clearance zone but that could come into contact with an electric power line, having regard to foreseeable local conditions.

I am pleased to advise that the Energy Division and the Office of the Technical Regulator are currently preparing a cabinet submission to amend the Electricity Act 1996, including amendments to address hazard trees and to make consequential amendments to the Electricity (Principles of Vegetation Clearance) Regulations 2010. The proposed amendment will take a similar approach to the Victorian legislative changes that have already been implemented.

The other most notable issue contained in the recommendations that could apply to South Australia was a recommendation for distribution businesses to inspect their assets in areas of high bushfire risk at least once every three years. Currently, ETSA Utilities and ElectraNet are required, under South Australian legislation, to have approved safety, reliability, maintenance and technical management plans (safety plans). Those plans require them, prior to the bushfire season each year, to ensure the safe condition of their powerlines in bushfire areas.

In addition, the Office of the Technical Regulator each year seeks written assurance that both entities are prepared for the bushfire season. This includes a reassurance that their assets are in good condition and, if necessary, that the circuit re-closers are set to one shot to lock-out on days of extreme or catastrophic fire danger. This minimises the fire-start potential caused by automatic re-closing of the circuit breaker should there be an issue when the network. A similar recommendation regarding automatic circuit re-closers was made in recommendation 32 of the commission's report.

To further support this approach, amendments to the Electricity (General) Regulations 1997 are also being prepared. They will require that electricity entities patrol their powerlines in the bushfire area prior to the start of the bushfire season as part of their safety plan. The patrol will check and ensure that there are no potential fire start issues, that is, the powerlines are in good mechanical and electrical condition and that vegetation has been cleared to the required distance.

Unlike Victoria, ETSA Utilities uses steel and concrete construction Stobie poles with steel cross arms in the bushfire areas. This type of construction is far more reliable than the wooden construction materials used in much of Victoria and most other states. The failure of a wooden cross arm and the insulator support were identified as one of the causes of Victorian fires. The design and spacing of cables in South Australia is also much less likely to cause problems from clashing conductors.

The commission also made recommendations to underground many of the powerlines. The commission, however, did not address the engineering and financial aspects of this recommendation. South Australia has been strategically undergrounding or replacing bare conductors with insulated cables or insulated aerial bundled cables in areas of high risk for some time. The commission also recommended the use of insulated cables to minimise fire risks. An

important feature of the South Australian framework is that ETSA Utilities has the power, in consultation with the fire services, to disconnect customers on days of extreme fire danger so as to minimise the risk of bushfires.

In summary, the South Australian government has considered the recommendations of the Victorian royal commission and, where appropriate, legislative change will be made to ensure the safe and continued operation of electricity infrastructure throughout the state.

Mr WILLIAMS: We will go back to my earlier reference, Budget Paper 4, Volume 4, page 99, and I want to continue with the line of questioning we were indulging in earlier concerning wind power. Might I say in the lead-up to my next question that I have been posing something to your predecessor for a number of years now, and your predecessor, for want of a better description, has 'played dumb', but maybe I have been overgenerous suggesting he was playing dumb, I don't know.

Minister, as you correctly pointed out, we have a fantastic wind resource here in South Australia—substantially better than most places on this planet, the populated places, at least. The investment in wind farms is obviously driven by the commonwealth's MRET scheme, and a few years ago the ante was upped by the New South Wales government which, again, saw another input of investment into wind farm development.

One of the problems I believe we have had in South Australia, and one of the reasons possibly why we have not been successful in getting the necessary rule change, is that we do not appear—certainly, I have not been able to find it in any published data, and your predecessor refused to even entertain the idea when I posed it to him—to be honest with ourselves about what is driving investment in wind farms in South Australia.

The reality is that the beneficiaries of a lot of the investment in wind farms in South Australia are electricity consumers principally in New South Wales and Victoria who, to meet their MRET standards, have to purchase renewable energy out of South Australia. Notwithstanding, as your predecessor pointed out, the actual electrons do not go very far, the investment that sits behind it has been driven out of New South Wales.

It seems (I say 'seems' because I have never received a satisfactory answer to this question) that we do not monitor how much green energy is purchased in South Australia. In the budget, on page 101 there is a performance indicator which talks about the proportion of renewable electricity generated and the proportion of renewable electricity consumed in South Australia. When it says 'consumed', I think that is quite misleading; it does not talk about how much is purchased as green energy.

Until we start to monitor and then are able to publish figures to prove that a lot of the green energy that is produced in South Australia is produced for the benefit of the retailers and, consequently the consumers in New South Wales and Victoria, we are never going to win the argument about getting this rule change and working out exactly who will be paying for these transmission lines, which are absolutely necessary before we can get further investment, as proposed under the green grid. I would like to have your comment on whether you agree that there is a failure by us to highlight the reality that a lot of the energy produced in South Australia is being produced for consumers in other states.

The Hon. M.F. O'BRIEN: Getting back to your comment about my predecessor, I think I have been equally dumbfounded, which is equivalent to being found dumb. It is a complex area, and the issues you have identified are perfectly valid and something we will ultimately have to explore. The possibility that I see in the arrangement is that there are constraints, particularly in Victoria and equally in New South Wales, to the expansion of the wind generating industry just because people do not want wind farms close to their communities, for whatever reason.

The incoming Liberal administration in Victoria passed responsibility for the approval of wind farms back down to local government, and the indications were that that would bring to an end any further wind farm development in that state and, similarly, in New South Wales. So, there are advantages for us under the arrangement and I think great potential on Eyre Peninsula for all of those reasons. For a more technical explanation, I will give it over to Vince Duffy.

Mr DUFFY: We had this discussion last year, and I think the target—

Mr WILLIAMS: And the year before and the year before that as well.

Mr DUFFY: —in the strategic plan has been calculated on the basis of the total amount of renewable energy generation divided by the total consumption in South Australia. That number is

what we have been reporting on for a number years under the strategic plan targets, and that number is likely to be met this year. On the question about where the RECs go that are created from each megawatt of generation, it is quite true that they go back to meet liabilities across the country, with the retailers meeting their liabilities to the Office of the Renewable Energy Regulator. I think both points are equally valid, and I do not think I can add a lot more to the discussion.

Mr WILLIAMS: We have moved a million miles beyond where we have been over the last at least three years and possibly four. I thank you both, minister and Mr Duffy. This is a serious issue because, as I pointed out earlier, the wind industry is notoriously unreliable in South Australia if you want 100 per cent reliability. The problem we have in South Australia, as I see it, is the weakness of our interconnects.

When the wind farms go offline for one reason or another, particularly high temperatures, we do not have the capacity in those interconnects to back them up, so we need to continue to build conventional-type power stations to keep the lights on during those days when the wind is not blowing or it is extremely hot. Recent experience indicates that, apart from wind generation, the only other investment in power generation in South Australia is in peaking plants, and even the proposed plant by TEPCO will be designed as a peaking plant.

Has your agency done any analysis as to the impact that what I can only refer to as market failure, to be quite honest, has had on the power prices in South Australia? The only investment we are getting is either in wind or in peaking plants which are designed to only come into operation when the power price is quite high. As a consequence, in my limited economic knowledge, that suggests that we are missing out on getting low-cost baseload generation capacity in South Australia.

The Hon. M.F. O'BRIEN: My understanding is that we have the peakiest demand profile in the nation, largely driven by our hot summers and the high take-up of air conditioning. I cannot remember the percentage, but a high percentage of our generating capacity sits idle for most of the year, and our transmission and distribution network also has a day-to-day capacity far in excess of its general utilisation. I think it was put to me that about 25 per cent (and I can clarify that) of our transmission and distribution network is utilised on 3 per cent of time, if you like.

It has also been put to me that our baseload capacity is fine. The real challenge is to take the peakiness out of demand so that we do not have to put enormous amounts of capital investment into peaking facilities that are only required for this 3 per cent of the time and effectively in over-engineering poles and wires. The way that we intend to deal with this particular issue is the Smart Grid proposition, where you try to reduce energy demand during heatwaves, in particular, so that you do not have to continue to make these exceptionally large investments in peaking capacity and in the poles and wires.

ETSA is trialling a proposition in North Adelaide to manage air conditioning usage with a view to closing down the systems remotely for every five minutes in 60 minutes during the course of the heatwave but keeping the compressor in play so that no-one is aware that the refrigerating component of the air conditioner has been closed down remotely.

You asked if this has a price impact on electricity prices, and it is our belief that it does. I think we have a reference to the ACCC in relation to the pricing behaviour of one peaking plant in South Australia that we were concerned was manipulating prices during a heatwave. I am not sure that the ACCC has responded, but the AMC is looking at a real change at the moment in relation to this. It is an issue and we are very much aware of it. As I said, you have the issues in relation to the peakiness of the South Australian power demand, but you also have the way in which the market is operating and the opportunities for people to take advantage of extreme power demand.

Mr DUFFY: The only point I would make is that, given we have a very peaky demand profile, to meet peak demand it is probably more appropriate to invest in peaking generation because, while they will have higher operating costs they have a lower capital cost, so the total bundle when they are only operating for a very short period of time, the total cost of supply is actually lower by investing in low duty cycle peaking plant.

Ms THOMPSON: My question refers to Budget Paper 4, Volume 4, Sub-program 10.1: Energy Policy and Programs on page 100. Can the minister please explain how the government is reaching more people within the community with home energy efficiency and sustainability advice to assist with managing household budgets?

The Hon. M.F. O'BRIEN: I thank the member for Reynell for her question. As members will know, the South Australian Government Energy Advisory Service has a long and proud history

of providing quality, free, independent energy advice to South Australian households. A recent customer service survey found that 88 per cent of respondents were satisfied with the overall quality of the service, with 71 per cent rating their satisfaction as 'very satisfied', and 66 per cent of customers saying that interaction with the Energy Advisory Service had motivated them to implement energy efficiency and/or renewable energy actions. This is a very strong commendation for the service.

The Energy Advisory Service celebrates 30 years of operation in 2011, and I am pleased to announce an extension of the service—the Energy Partners Program. The Energy Partners Program works in partnership with community-based organisations across the state to educate, motivate and empower South Australians to apply sound residential energy and sustainable living practices. The Energy Partners Program is a way to better leverage the government's resources, especially in conjunction with the latest communications technology. In essence, it is a way of working smarter to assist South Australian households.

The program offers residential energy efficiency support and assistance to organisations, their staff and volunteers in return for actions that extend the reach of this information and support to their clients and customers. The program works with organisations dealing with a wide range of clients and customers. However, the program has a particular focus on assisting organisations in touch with low income and disadvantaged households because these households are disproportionately affected by rising energy prices.

Householders, particularly those having trouble paying their bills, are often motivated to adopt energy efficiency measures but do not know where to start or whom to approach for assistance. Energy Partners helps organisations to help these householders with their energy questions. The Energy Partners Program works with non-commercial organisations and has commenced working with a wide range of local government councils, social welfare sector organisations, peak groups and South Australian government agencies.

The Energy Partners Program provides energy information and advice in a range of formats, home energy audit kits and other interactive resources, training for staff and volunteers, speaker attendance at events, and signposting to help demystify the energy sector. The program is flexible and responsive to the many differing goals, objectives, business plans and resource levels of partner organisations.

Ms THOMPSON: Given my interest in our constituents being able to access information in a form that suits their needs, minister, can you please explain what the government is doing to improve access to online information about energy and climate change? My question derives from Budget Paper 4, Volume 4, Sub-program 10.1: Energy policy and programs on page 100.

The Hon. M.F. O'BRIEN: I stated earlier that the state government is currently undertaking a project to improve access to online information which includes information about energy and climate change. I made reference to the improvements sought by respondents in a survey where they said that they would like to use the web to gain government information but 42 per cent were unable to find their way through the website and 28 per cent said that, when they found it, it was a little too hard to understand.

The South Australian government website, sa.gov.au, tackles both these difficulties providing people with the information they need in a way that is easily understood and accessible for everyone. It has been developed as part of the state government's Ask Just Once strategy, focusing on making it easier for people to transact with government. The website takes a customer-centric approach to the provision of information and services. Information is presented by key topics of interest—for example, transport, seniors, employment—rather than by government agency. The benefits for citizens, businesses and state government agencies, and staff include:

- easily accessible information for customers online, with the customer being the central focus;
- customers experiencing a reduction in time, effort and costs when transacting with government, and can access online services 24/7, not just during business hours;
- reducing the need for people to move from one department's internet site to another in search of information;
- the reduction of red tape by providing more streamlined and integrated information, focusing on the service required by the customer rather than on a government department.

In May 2011, new energy and climate change topics were added to information on sa.government.au.

The existing online information and websites for the Department for Transport, Energy and Infrastructure's Energy Division under the Department of the Premier and Cabinet, Sustainability and Climate Change Division, were reviewed and the information consolidated into two customer-centric topics on the sa.government.au website. The original website will subsequently be taken off line at an ongoing cost saving to the government. Now, whether a customer is looking for information to help understand their energy bills, to find out about energy concessions, installing solar panels or even electrical and gas safety advice, the information is all in one place. If people have concerns about energy prices the sa.government.au website has a wide range of advice to help.

Customers can get a detailed snapshot of how they use energy in the home by completing an online home energy audit. The audit asks people questions to help them understand where they are using electricity in the home and provides practical tips and advice about what they can do to reduce that use, which, in turn, may help minimise their energy bills. The audit has been well received by users and, in July, Housing SA will distribute 50,000 printed copies to all their tenants. Online visitors can also tour an interactive energy efficient home and find out about ways to improve energy efficiency, including solar energy, efficient water heating and insulation. I think that is about it.

Ms THOMPSON: I refer to Budget Paper 4, Volume 4, page 102, Sub-program 10.2: Technical Safety Regulator. It is a simple question: does South Australia maintain a good electrical safety record?

The Hon. M.F. O'BRIEN: This is reasonably topical, with a little bit of media interest particularly in relation to solar panels over the last couple of days. In South Australia, the Office of the Technical Regulator has responsibility for electrical infrastructure and installation safety through the Electricity Act 1996.

Network operators initially investigate any incident that involves an electric shock. If the investigation reveals an infrastructure fault, the network operator repairs the fault and refers it to the regulator. If the investigation determines that the shock was caused by an electrical installation connected to the network, it becomes the responsibility of the property owner to have the installation made safe.

Electric shock reports from ETSA Utilities and electrical contractors are submitted to the Office of the Technical Regulator. Records help to identify trends relating to faulty electrical equipment and unsafe work practices so that remedial action can be undertaken. All electrical fatalities are investigated by the Technical Regulator, as are incidents on the electricity transmission and distribution network.

The Technical Regulator also prepares reports to the Coroner on electrical fatalities. The number of electrical fatalities per million of population in South Australia compares favourably with the national average and that of other states. One of the strengths of the South Australian approach to regulation is striking a balance between safety promotion via education and enforcement.

The industry has responded well to the collaborative approach to safety developed by the OTR. The many activities of the OTR include:

- utilising various forms of media;
- safety promotion to the public and information on the OTR website;
- a presence at home shows to promote electrical safety to the public;
- responding to phone and email inquiries from the public and the electrical industry.

There are probably another 14 dot points that I can supply to the member, but I have covered the major points.

Mr WILLIAMS: I refer to Budget Paper 4, Volume 4, page 99, Program 10: Energy Policy and Regulation. Has your agency undertaken any modelling to, I guess, get ahead of the game with regard to the imposition of a carbon tax both on the price of electricity in this state to domestic consumers and the impact on business?

The Hon. M.F. O'BRIEN: We have relied on the commonwealth Treasury modelling at this stage, and, given the uncertainty as to what the price will be, we will have to wait until a starting point is settled upon.

Mr WILLIAMS: Given that answer, that you are relying on modelling done by commonwealth Treasury, have you done any lobbying on behalf of the trade-exposed, high energy-using businesses in South Australia?

The Hon. M.F. O'BRIEN: I have. I am a Whyalla boy; I did my high school education in Whyalla, and it was then very much a company town. The community has tried to widen its economic base and now has a significant development at Point Lowly/Point Bonython, which has given it more economic irons in the fire. There are also a couple of other major projects, including a rare earth proposal which we sighted just outside OneSteel on the approach to Whyalla. Despite the widening of Whyalla's economic base, it is still very much dependent on the production of steel, and I have raised it on several occasions with a commonwealth parliamentary secretary and a commonwealth minister.

Mr WILLIAMS: I am somewhat pleased to hear that, minister, because my next question was going to be about OneSteel, and you have possibly answered it. Do you agree with the notion of a carbon tax? Should businesses such as OneSteel have permanent exemptions, or permanent holidays, from paying such a carbon tax, or do you agree with the proposals—certainly under the previous proposals of the federal government—that any relief to the trade-exposed, high carbon-producing businesses would be only a transition measure? I might point out that I think Nyrstar at Port Pirie is at least as exposed, as are the Kimberly-Clark paper mill in my electorate, at Snuggery, and probably Adelaide Brighton Cement, down at Port Adelaide.

The Hon. M.F. O'BRIEN: As I said, I have expressed my concerns not only about Whyalla but also about Port Pirie, and I have raised the issue of the power plants in Port Augusta, and I am glad that the member for MacKillop has alerted me to industries in the South-East. I am not really in a position nor do I wish to engage in a running commentary on the deliberations within the House of Representatives on this particular issue. I believe they are close to settling on all the components of a carbon pricing mechanism which will, within a matter of years, transmute into a cap and trade scheme. All I can say is that it is the position of the South Australian government that we want our trade-exposed industries to remain internationally competitive.

Mr WILLIAMS: I am pleased to hear that, minister, because, as I travel around the state, there is a lot of concern out there. While we are talking about Whyalla and Port Pirie, I was in Port Pirie quite recently and the matter of the gas pipeline into Port Pirie, which I understand continues under the gulf to Whyalla, was raised. Is that at capacity? Are you aware of that? Have you had any representations and, if so, are any plans contemplated to provide additional gas capacity into those two cities?

The Hon. M.F. O'BRIEN: I was aware of that particular issue. Our view is that if additional capacity was required, if there was a demand, the private sector owner would increase the capacity. It would be a commercial decision, and they would be alert to market opportunities.

Mr WILLIAMS: The Regional Development Australia people there are quite concerned and raised it with me as a very important issue for the future of that city. I now draw your attention to Budget Paper 4, Volume 4, page 101, sub-program 10.1: Energy Policy and Programs. My next series of questions is particularly about the REES program. Are there to be any significant changes to the REES program in its second phase, which I understand is due to begin on 1 January next?

The Hon. M.F. O'BRIEN: I have quite a substantial answer, but it ranges over a whole range of matters so I will just go to the question. The heading is 2011 and 2012 Targets: Next step—Issues. The Residential Energy Efficiency Scheme regulations provide that the Minister for Energy must set Residential Energy Efficiency Scheme targets for the second phase of the REES 2012 to 2014 before 1 January 2012.

Officers are currently developing proposed targets for consideration. Once approved, these targets will be published in the South Australian government *Gazette*. An important consideration in setting targets is the cost of the scheme, as energy retailers typically pass on the costs associated with REES to its customers.

The Essential Services Commission of South Australia is responsible for managing the approved list of Residential Energy Efficiency Scheme activities and has consulted on a revised list. It is understood that the Essential Services Commission of South Australia will make a

recommendation on REES activities in mid 2011, so it is a work in progress, but we have got it under way.

Mr WILLIAMS: Minister, a report into the REE Scheme was released today from, I think, the Essential Services Commission. It states that, over the two-year life of the REE Scheme, some 456,000 tonnes of CO₂ emissions have been abated. How is this measured?

The Hon. M.F. O'BRIEN: I will let Mr Duffy answer this one; he is across the technical details.

Mr DUFFY: As it was just indicated by the minister, the Essential Services Commission will be releasing deemed values for activities, so the Essential Services Commission will calculate lifetime abatement for the technology. As an example, if you replaced an incandescent light bulb with a compact fluorescent light bulb, the estimated greenhouse benefits would be calculated on the lifespan of the article and then that value would be deemed. As each activity is undertaken, retailers get to claim the deemed value of CO₂. It works similar to the way in which RECs are created under the small-scale solar and small-scale PV, where a deemed value is calculated and attributed to the activity.

Mr WILLIAMS: So, in the case of a light bulb, it is the lifetime reduction and, in the case of ceiling insulation, it is the lifetime of the ceiling insulation not the annual reduction?

Mr DUFFY: No.

Mr WILLIAMS: The figures we are talking about are not the annual reductions, though?

Mr DUFFY: They are the deemed value of reduced over the lifetime.

Mr WILLIAMS: Again, from the report, it is noted that just under 46 per cent and just over 30 per cent of the CO₂ reductions achieved in each of the last two years were achieved by ceiling insulations. I am quite fascinated that the state government claims that this is a REES achievement when the vast proportion of these ceiling insulations, if not all, were achieved under the commonwealth Pink Batts scheme. Isn't this a case of double dipping?

The Hon. M.F. O'BRIEN: I will let Vince answer this one as well.

Mr DUFFY: The way the scheme was set up was that because the retailer was able to claim the benefits where they coordinated with the commonwealth, they leveraged off the commonwealth program when it was implemented. So, it lowered the overall cost of achieving the targets.

Mr WILLIAMS: You acknowledge that it is the commonwealth Pink Batts scheme that has provided most of the insulation?

Mr DUFFY: It provided assistance to the scheme, yes.

Mr WILLIAMS: Minister, further on in the same report, it indicates that some 33 per cent and 58 per cent of the claimed CO₂ reductions were due to changes in light globes. I make the assumption that this is the changing of incandescent light globes for low-energy light globes. Again, is it not reality that these claims have been made as achievements of the REE Scheme, whereas the commonwealth government's law has banned the use of incandescent light globes and these light globes were going to have to be changed, anyway?

The Hon. M.F. O'BRIEN: In answering that, I think the merit of the REE Scheme is that, in a large number of cases, it brought forward replacement. On the matter of ceiling insulation, irrespective of who funded it, it did occur. What this scheme sets out to achieve is some guidance in terms of reducing energy consumption. Who ultimately funds the equipment or the methods employed is important, but the more important thing is that the activity occurs and that in large part it is the result of some form of guidance, in this case the RAE Scheme.

Mr WILLIAMS: Another interesting number in the same report suggests that the cost of CO₂ abatement under the RAE Scheme is about \$35 per tonne—that is obviously dividing the total cost of running the scheme by the CO₂ abatement achieved—and it notes that this is within the commonwealth's range of \$20 to \$40 per tonne for CO₂ abatement or cost of carbon. Given that most of this seems to be achieved by commonwealth government programs, not by REES programs, that \$35 per tonne might be wildly inaccurate, I think.

In fact, I would suggest it would probably be of the order of well over \$100 a tonne if we were not doing this double dipping, because the commonwealth government has been claiming great success for some of its schemes as well. What we are doing is giving a wrong picture of the

actual cost of the carbon abatement under this scheme, and therefore we are skewing policy decisions on what is a good scheme and what might be a better scheme or a worse scheme.

The Hon. M.F. O'BRIEN: Apparently, we only count the additional benefits. Just a comment: I think the view of the opposition would be similar to ours in that, if we can leverage off commonwealth expenditure, then it is a smart way to go, and in this case we are leveraging off commonwealth money and getting a maximum result.

Mr WILLIAMS: I just find it difficult to understand how you only cost the additional benefits when to my mind, within a very short space of time, every incandescent light bulb in Australia will be replaced by a low energy light bulb.

The Hon. M.F. O'BRIEN: I will pass that over to Vince Duffy, who is very learned in this particular area.

Mr WILLIAMS: You are lucky to have him, minister.

Mr DUFFY: The light bulbs that have been banned are for replacement, so you still have existing inefficient light bulbs operating in houses. The REES comes through and replaces them, so it accelerates the transformation to having energy efficient light bulbs. You cannot replace energy efficient light bulbs with energy efficient light bulbs, because they have no deemed value, but you can accelerate the removal of inefficient light bulbs, and the deeming value takes that into account to the extent of how much lifetime benefit you gain from replacing it. So the fact that you bring it forward is a legitimate additional benefit that is calculated, and that is what you get to claim under the REES.

The CHAIR: Deputy leader, I think you have had a reasonable series of questions.

Mr WILLIAMS: I think that is most unreasonable.

The CHAIR: I ask the member for Reynell whether she would like to ask any questions.

Ms THOMPSON: Yes, of course. I refer to Budget Paper 4, Volume 4, Sub-program 10.1: Energy Policy and Programs, again on page 100. Can the minister please advise what progress has been made in improving energy efficiency of equipment and appliances in South Australia? I think we have touched on that, but not comprehensively.

The Hon. M.F. O'BRIEN: I thank the member for the question. The Council of Australian Governments signed a national partnership agreement in July 2009 which included a commitment to a package of energy efficiency measures under the National Strategy on Energy Efficiency. The National Strategy on Energy Efficiency is a 10-year strategy which aims to accelerate energy efficiency across all governments and all sectors of the economy.

A key measure of the national strategy is to expand and accelerate the introduction of energy efficiency requirements for energy consuming appliances and equipment. Minimum Energy Performance Standards set mandatory performance requirements for energy-using devices. Minimum Energy Performance Standards effectively limit the maximum amount of energy that may be consumed by a product in performing a specified task. This form of regulation removes from sale appliances and equipment with comparatively poor energy efficiency. Minimum Energy Performance Standards are a key element of Australia's response to climate change.

Appliances and equipment may also be subject to energy labelling requirements. Labelling involves the provision of information on the energy performance of energy-using products. This includes the familiar star rating labels on whitegoods and air conditioners. Any Minimum Energy Performance Standards and labelling are subject to public consultation, including a publicly-released regulatory impact statement.

Recent studies commissioned as part of the Minimum Energy Performance Standards program have found that the energy efficiency of appliances increases sharply when MEPS are introduced and when Minimum Energy Performance Standards levels are increased, directly demonstrating the effectiveness of the measures.

The implementation of the Minimum Energy Performance Standards program is coordinated through a national committee under the auspices of the Standing Council of Energy and Resources. In South Australia the requirements are implemented through the Electrical Products Act 2000. The government introduced into the House of Assembly on 23 March 2011 a bill—the Electrical Products (Energy Products) Amendment Bill 2010—that will enable Minimum Energy Performance Standards to be applied to gas and other electrical products. I think most members would be aware of the intent of that legislation, so I will leave it at that.

Ms THOMPSON: I refer to the same reference, Energy Policy and Programs, page 100. What benefits has the Renewable Remote Power Generation Program provided to the people of South Australia, particularly to those in remote areas?

The Hon. M.F. O'BRIEN: I thank the member for Reynell for her question. The commonwealth-funded Renewable Remote Power Generation Program currently provides the following:

- significant subsidies for energy audits, up to 70 per cent of audit cost for larger commercial enterprises located in community served by the RAES Scheme;
- significant subsidies to procure energy-efficient technologies, up to 35 per cent of installed costs, as recommended within such commercial energy audits;
- significant subsidies to domestic consumers in Coober Pedy to replace older, inefficient appliances with modern, efficient equivalents, with up to 35 per cent of installed costs; and
- 50 per cent of the retrofitted cost of solar hot water for approximately 85 Aboriginal community houses across RAES communities and the APY lands.

In the past, the commonwealth-funded Renewable Remote Power Generation Program provided incentives to off-grid electricity consumers to replace existing fossil-fuelled power generation with renewable energy technologies. This program has been administered by the energy division within South Australia since its inception until its closure by the commonwealth in June 2009.

Approximately 680 rebates, valued at approximately \$14 million, with a total installed capacity of 1,256 kilowatts, have been approved since the program began in 2000. The recipients of these rebates continue to enjoy significant long-term ongoing savings created by this program. Under a sub-agreement signed by the commonwealth government in February 2009, about \$0.9 million has been dedicated to energy efficiency initiatives for outback communities.

This program is subsidising solar hot water, principally installed in Aboriginal community housing, and subsidised energy audits, and is providing incentives for the domestic and commercial sectors to invest in energy efficiency measures. The energy efficiency rebates, comprising 70 per cent of the cost of energy audits and 35 per cent of the cost of subsequent technology upgrades, remain undersubscribed. The energy efficiency rebates remain available until September 2011 to assist residential and commercial customers in REES to reduce energy bills in the long run.

Mr WILLIAMS: Has the government undertaken any investigations into the potential for embedded generation within South Australia's network to augment our energy supply? Last year I raised fuel cell technology in estimates and I do not think the previous minister had even heard of this technology. I note that the Victorian government is sponsoring trials of about 30 small-scale fuel cells in what would be the equivalent of our housing trust homes. Has the South Australian government caught up with this technology yet? Has it done anything to trial the technology?

The Hon. M.F. O'BRIEN: Again, I will pass it over to Vince. Member for MacKillop, you have raised it, and I have noted it. Vince has informed me that the Adelaide City Council have a fuel cell. We will take note of it. You have mentioned this on several occasions, and there seems to be some inherent good sense in the proposition.

Mr DUFFY: Just to say, I think the biggest movement in embedded generation has been embedded PV systems in the local household driven from the feed-in. The City Council is trialling the BlueGen system in the city in the Central Market. We have had presentations from them but we have not done a specific study on encouraging embedded generation.

Mr WILLIAMS: I raised the technology because we have just had a debate on the PV technology, particularly in regard to the feed-in scheme. Minister, you mentioned earlier about the cost of having a distribution network which is only fully utilised for part of the time. Of course, the problem with PV generators is that they do not do anything to alleviate that problem because the peak demand is generally at a later hour of the day than the peak production from solar PV systems to the BlueGen systems which are being trialled. I think it is fair to say that they are probably still a little way away from full commercial release, although I think it is fairly close from what I have gleaned within the last few days.

The Hon. M.F. O'BRIEN: Would you like me to comment on other alternatives that have been brought to my attention?

Mr WILLIAMS: Certainly. I welcome that. I want to make that point, minister, that the state is spending a lot of money—and when I say the state, I mean the community of South Australia—subsidising rooftop PV systems which really only deliver a private benefit. They do not deliver much public benefit, whereas the BlueGen system (this fuel cell technology) does provide, I believe, a significant public benefit as well. I am wondering why we have put all of our resources as a community into rooftop PVs and not gone down the path of some of these other technologies.

The Hon. M.F. O'BRIEN: I had a presentation from an Australian-based company that installs a large number of PV panels—and it will remain nameless at this stage. It has entered into an arrangement with an American company which is pioneering this and which has a large number of sites in operation in the US. The principle is that, with household use in particular of electricity, there are two peaks: there is a minor peak in the morning when people get up, shower and make breakfast and then a peak later in the day when people return home, cook an evening meal, watch television and the like. The peak production with PV panels is in the middle of the day, so the production of electricity with the PV panels is not occurring at the time when it is required in the household.

A large part of the production by way of solar panels would be picked up by commerce, because basically their use is between the hours of nine and five. This particular proposition is reasonably similar, I think, to the fuel cell proposition. In the US they have been using large shipping containers (probably a little unsightly, but if you can hide them somewhere) which are secure and which are packed with advanced battery technology and energy management tools—it is all computerised. The electricity is gathered locally during the peak of generation during the day and then it is held for evening use.

The argument is that, if this was employed on a significantly large scale, it would, in turn, significantly reduce the cost of provision of distribution and transmission. They want to trial it in South Australia on the fringes of the city because they believe that would reduce the necessity for a large investment, particularly in transmission into new suburbs: it could be generated within the new suburb and distributed within the new suburb. They are working up a proposal, which, ultimately, they will come back to us with, but this has been worked up, I believe, fairly extensively along the western seaboard in the United States with reasonable success.

Mr WILLIAMS: I think I have probably had a briefing from the same group and I thought they were talking about Kangaroo Island.

The Hon. M.F. O'BRIEN: I actually suggested to Kangaroo Island to them.

Mr WILLIAMS: They probably spoke to you before they spoke to me.

The Hon. M.F. O'BRIEN: Yes, they did. I said, 'Here is a challenge. If you want to apply this somewhere, if you want a test bed, go to Kangaroo Island because they desperately need it.'

Mr WILLIAMS: I refer to Budget Paper 4, Volume 4, page 100, sub-program 10.1. I need some explanation as to what exactly is happening regarding the Remote Area Energy Supplies (RAES) program. I have drawn some little circles, squiggly lines and arrows and things on my copy of the budget to try to get my head around what is happening. Let me paraphrase what I read in the budget and you might be able to tell me exactly what has been going on.

Referring to the table, it seems that there is a \$7.1 million increase between the actual cost of the program in 2009-10 to the estimated result in 2010-11. There is actually a \$5.7 million increase in the budget for 2010-11 to the estimated result of 2010-11, and then there is a \$4.5 million reduction between the estimated result 2010-11 to the budget for 2011-12. I know that, in the last budget, the government made some cost savings with the RAES program.

Then there was an outcry from the communities. The loudest part of that outcry probably came from Coober Pedy, and you more recently announced that you would leave the subsidies for another 12 months—or that is what I thought you announced—or there would not be a huge price increase in the first 12 months, and then it would be phased in over two years. That does not seem to marry in with the figures in the expense line in the table in the budget. Can you explain exactly what is happening with the RAES program? What is the cost for the last financial year and for the one we are just entering?

The Hon. M.F. O'BRIEN: I will give an explanation of the financials and then other areas, if you want an explanation for them, because it was a fairly long question. The \$4.5 million decrease in expenses is primarily due to additional expenditure for fuel (\$2 million) and subsidy agreements with the independent owner-operators (\$3.3 million) within the Remote Areas Energy Supply scheme.

The \$5.7 million increase in expenses is primarily due to additional expenditure for fuel (\$2 million) and subsidy agreements with the independent operators, which is \$3.3 million, within the area of the scheme. Talking about estimated results for 2009-10 and actual, the \$7.1 million increase in expenses is primarily due to additional expenditure for fuel and subsidy agreements with the independent owner-operators within the area.

In a nutshell, I think we have committed in the vicinity of \$5.4 million to service 2,600 customers at a level which I think, for domestic customers, falls within 5 per cent of what they would pay if they were on the grid. There was a shortfall (if you could describe it that way) of \$1 million, which we are asking a handful of large businesses in the area to pick up. They still get a high degree of subsidy as they step up through their energy usage, but at the upper level we are asking them to pick up the full cost.

Our view is that companies, in large part, should look after themselves. We want to send a price signal to manage down energy usage. We also want to sort out a situation that has existed for several decades from the time of the privatisation of ETSA. We have sought to put in place an agreement that gives some certainty to the generators in the area and to Coober Pedy council as to what the financial arrangements should be, and as part of that I think Coober Pedy was \$2.4 million and \$1.1 million to Andamooka.

We believe that settles things in terms of moneys that should have been provided for maintenance and upgrades of generating capacity and the failure on the part of parties, including the state government, to recognise that there should be a profit margin attached to generating activity in remote areas.

So we believe that we have arrived at an agreement with electricity generators and council that gives some surety, if you like, to their ability to maintain and upgrade their infrastructure and to get a return on investment. The issue of the difficulty of some businesses to deal with the increase we believe we have addressed by way of now phasing in that increase over a period of three years.

Ms MEAKINS: Perhaps I can add that the best explanation of how the phase-in increase feeds into the budget figures is in Budget Paper 6, Budget Measures, on page 75.

The CHAIR: Have you read that?

Mr WILLIAMS: I have, indeed, and it actually confuses the matter even more. Minister, I was hoping you were going to stop, and in the first part of your answer you basically read the explanation which is in the budget papers which I found confusing, and I was going to suggest to you that I hoped you were as confused as I am.

You referred to the two principal reasons for the expenditure being the fuel, \$2 million, and subsidy agreements, \$3.3 million; that is mentioned three times as the primary reason, but there are three different amounts of money: \$7.1 million, \$5.7 million and \$4.5 million. Now that I have been referred to Budget Paper 6 and page 75, it indicates the reinstatement of the subsidy for the current year and, again, I am somewhat confused but, according to my reading of it, \$761,000 as opposed to the \$7.1 million, the \$5.7 million and the \$4.5 million.

I remain somewhat confused. I think I have got a handle on what is happening, that you are reinstating the subsidy and how it is going to impact on the consumers—that is probably the important thing—but I have no idea about these numbers in the budget paper, to be quite honest. There is one important thing. You mentioned the subsidy payments and the agreements with the Coober Pedy council and the Andamooka Progress Association, I think it is. Have those payments been made?

Mr DUFFY: It is not the Andamooka Progress Association. It is Jeril Enterprises, The Lions, which runs the system in Andamooka. So the payment has been made for them of the \$1.1 million and the amount to Coober Pedy council has been paid to council, which operates the system up there.

I think the confusion is in the way they have presented it in the budget papers. They are comparing 2009-10 with 2010-11, and then they are comparing estimated and actuals and estimated with 2011-12 as well. The primary drivers are the difference in each of those comparisons because of the numbers, but you are working off slightly different bases because of the different years you are working over.

The number that refers to the three years is just a reflection of the \$1.3 million in extra resources being spread over three financial years, even though it is over two years, because the

tariff increases occurred not aligned with financial years, so it splits the money over three financial years. That is why the numbers are quite difficult to track.

Mr WILLIAMS: I think at the beginning of this session I congratulated the minister on the presentation of the budget relative to the way it has been presented previously. I do not want him to think he has got it perfect.

The Hon. M.F. O'BRIEN: We will take that on notice and give you an explanation, because it is difficult to follow. Vince hit the nail on the head. When I was trying to explain to the media, it became a little confusing as well because we talked about a step-down over three years and the impact was over two. We will set it out in plain English for you, both for you and for me.

The CHAIR: There is time for a couple more questions.

Mr WILLIAMS: Minister, can you confirm that, given that the renewable energy provider to run the desal plant will simply offset the requirement for other consumers to purchase green energy in South Australia—I do not know that this is written very well. I will ad lib. Minister, my question is: can you confirm that, notwithstanding the desal plant being run on green energy, the total percentage of green energy purchased in South Australia will remain as our commitment under the commonwealth legislation; that is, the MRET?

Mr DUFFY: No. They have purchased green power, which is all additional to the MRET power, but I do not know the exact details.

The Hon. M.F. O'BRIEN: We will take that on notice. We are not across the arrangements SA Water has entered into, but we believe that it is additional to the MRET targets.

Mr WILLIAMS: Your understanding is that it is an addition to?

The Hon. M.F. O'BRIEN: Yes.

The CHAIR: I will just get clarification here, if I may, not so much about that question—

An honourable member interjecting:

The CHAIR: No, the time is okay. There were some omnibus questions read in earlier, and it is probably fair to say that they will cover all of your portfolio areas in this line. Are you happy with that?

The Hon. M.F. O'BRIEN: That is fine, yes.

Mr WILLIAMS: Minister, on page 100, at the same reference, Sub-program 10.1, the percentage change in energy efficiency of government buildings since 2000-01 is listed under the performance indicators. How do you assess the energy efficiency in government buildings, and what steps are taken to increase energy efficiency in government buildings? For example, is it only when an agency or an office relocates into a new building or when an office accommodation is significantly refurbished that you can make a stepped change in the energy efficiency, or are there other methods that can be entailed on a day-to-day or week-by-week basis? There are two parts to the question: how do you measure it, and what do you do to improve it?

The Hon. M.F. O'BRIEN: The key strategies that are used by agencies in achieving the target involved are giving preference to new leases in five-star buildings, upgrading plant and equipment in new and existing buildings as well as major refurbishments, increasing staff awareness of energy efficiency and maximising the use of energy-efficient equipment across government.

Mr WILLIAMS: Minister, going to the same table, note (b) underneath that table states:

The 2010-11 Estimated Result is derived from a linear extrapolation from the baseline and the 2009-10 Actual.

I think I am right in saying that you are an economist by trade or by learning or something. No? I have that wrong.

The Hon. M.F. O'BRIEN: No. I did an MBA. I think that Vince is an economist.

Mr WILLIAMS: Well, Vince might answer the question.

The Hon. M.F. O'BRIEN: He probably wrote that.

Mr WILLIAMS: I am wondering: is it fair to use linear extrapolation in such instances? I would have thought that the laws of diminishing returns would have come into effect there.

Mr DUFFY: We chose the simple approach.

Mr WILLIAMS: That is a simple answer.

The CHAIR: I thank the members of the committee and I also thank the advisers. There being no further questions, I declare the consideration of the proposed payments are adjourned until Monday.

[Sitting suspended 16:14 to 16:30]

DEPARTMENT OF PLANNING AND LOCAL GOVERNMENT, \$14,692,000
ADMINISTERED ITEMS FOR THE DEPARTMENT OF PLANNING AND LOCAL GOVERNMENT,
\$2,313,000

Membership:

Mr Griffiths substituted for Mr Treloar.

Witness:

Hon. M.F. O'Brien, Minister for Agriculture and Fisheries, Minister for Forests, Minister for Energy, Minister for the Northern Suburbs.

Departmental Advisers:

Hon. L. Stevens, Director, Northern Connections, Department of Planning and Local Government.

Dr B. O'Brien, Deputy Director, Northern Connections, Department of Planning and Local Government.

Mr A. McKeegan, General Manager, Corporate Services, Department of Planning and Local Government.

The CHAIR: I declare the proposed payments re-opened for examination and refer members to the Portfolio Statements, Volume 3. I invite the minister to make a statement if he so wishes.

The Hon. M.F. O'BRIEN: No.

The CHAIR: Thank you. I will go straight to the shadow minister. I think he has also forsaken a statement and will go straight to questions.

Mr GRIFFITHS: Only a very brief statement.

The CHAIR: You are going to make a statement?

Mr GRIFFITHS: Only very briefly because I want to recognise that, while I do not hold shadow responsibility for this, the Hon. Lea Stevens understands that I have an interest in the north. I was very pleased that upon her appointment she rang me to confirm the fact that she had been appointed to the role. I offered my congratulations then, as I do now, on her appointment to the role. A briefing was provided to some interested members in the Balcony Room a few months ago also about the operations of the office, so I put that on the record. I congratulate her.

The CHAIR: Thank you.

Mr GRIFFITHS: I refer to Budget Paper 4, Volume 3, page 72, where I note that there is some allocation for \$5,000 for staff recruitment costs. Minister, can you provide me with some details on whether that was the recruitment cost involved with the appointment of Lea Stevens as director or other staff?

The Hon. M.F. O'BRIEN: We are trying to locate that, but it would have. It was advertised in *The Advertiser*, and as you are aware, a full process was engaged in Lea's selection.

Mr GRIFFITHS: I should have explained that it was based on information provided by freedom of information, which provided a breakdown of the employee expenses, and that is where the staff recruitment cost of \$5,000 was detailed.

The Hon. M.F. O'BRIEN: Yes, but it would have—

Mr GRIFFITHS: I note also in the financial notes on page 72 that the previous director of the office was paid as a contractor for the 2009-10 financial period, but that has now changed and the director is a formal employee. Can you explain to me why those previous arrangements were in place and why the subsequent change has been made? Is it a different thought process that has gone into it, or is it just a preferred arrangement that the previous director had?

The Hon. M.F. O'BRIEN: My understanding was that it was a preferred arrangement for the previous incumbent. I am not really privy to why that was entered into. Whether he operated as a private company I am not really sure.

Mr GRIFFITHS: It was Mr Hemmerling, was it not?

The Hon. M.F. O'BRIEN: It was Mr Hemmerling, yes. I am not privy to the reasons, but I think he entered the role with certain stipulations in terms of the employment conditions that he desired. When Mal moved on we thought that we would basically structure it as a Public Service position which was fully contestable.

Mr GRIFFITHS: Again, this has been provided to the opposition as part of a freedom of information application. A breakdown for the 2010-11 financial year budget highlighted that salaries were some \$232,000; payroll tax was \$14,000; superannuation was \$29,000; annual leave was \$10,000; long service leave was \$5,000; and staff recruitment, as I mentioned before, was \$5,000. Are you able to provide a breakdown for the 2011-12 budget which I understand is some \$302,000—on the different components of that—for employee benefit services as shown on page 72?

The Hon. M.F. O'BRIEN: We will take that on notice but we can provide it.

Mr GRIFFITHS: Again, the freedom of information request provided details and a breakdown of \$196,000 for supplies and services for the 2010-11 year budget. Less detail was provided, but the response did state that the budget line included Northern Connections office accommodation, corporate support, office supplies, travel, sponsorships, and staff training and development. Are you able to provide me with a list of the top 10 expense areas under that budget line, starting with the largest, if you have that detail?

The Hon. M.F. O'BRIEN: Effectively, I have the chart of accounts and the budget line against the chart of accounts, but it is not in the desired order. We can supply it and, if you give me a minute, I can probably pick it out.

Mr GRIFFITHS: Even if you just provide some of the larger more obvious ones now and then maybe provide the rest of the 10 at a later date.

The Hon. M.F. O'BRIEN: The major budget line is \$60,000. This is accommodation. There is \$6,000 for cleaning, \$40,000 for contractors, \$5,500 for phone and \$36,000 for the agreement with the department to provide services and corporate support.

The Hon. S.W. KEY: I refer to Budget Paper 4, Volume 3, page 73. I am wondering if you can talk about some of the work that has been done by the office. I am particularly interested in the work around the implementation of regional strategies and also perhaps the image and public perception of northern Adelaide. Can you take us through some of the work that has been done by the office.

The Hon. M.F. O'BRIEN: I thank the member for the question. The achievements based on targets in 2010-11 were the progression of the development of a regional government structure which will meet the identified needs of the region. We have put in place the structure, Northern Connections, on the basis that there are certain issues confronting the northern suburbs that require some attention.

Without delving into the statistics, we know that the level of unemployment is three times the national level and the rate of youth unemployment is extraordinarily high. We are getting very poor numeracy and literacy outcomes in a number of our state schools. The health outcomes as per the health atlas are worrisome in terms of indicators like life expectancy, heart disease and lung disease, and that was one of the compelling reasons for the establishment of the office of Northern Connections.

We were of the view that there were sufficient resources in the northern suburbs but there was a lack of coordination. By way of resources, I am not only talking about state government resources but also commonwealth government, local government and the resources that the not-for-profits bring into the northern suburbs. So, we have the resources and we have some significant issues.

How do we coordinate those resources to deal with things like poor health, poor education and poor employment outcomes? I think one of the drivers was a realisation that over the last two decades at least there has been very little improvement in a number of key performance indicators. Some of this is intergenerational poverty, and we really have to apply the resources to break the nexus between generations.

Having determined that we had a task at hand and that we probably had adequate resources, it was a question of how to apply them. I was of the view and the director was of the view that we needed a structure to bring the three tiers of government together basically to bring about the coordination of application of resource. This was a realisation also picked up in a blueprint for skills and employment.

The Northern Adelaide Skills, Workforce and Employment Blueprint was done by Northern Futures under the chairmanship of Rod Keane, who ran the Holden plant—an individual with great capacity and great commitment to the northern suburbs. The board was of the view that we also needed a governance structure, so what we are doing is bringing together the mayors of the councils in the northern suburbs and the state and federal members of parliament to provide the elected member governance structure, and then that will probably meet on an annual basis to review progress towards agreed tasks.

We will try to use the South Australian Strategic Plan targets as the targets to which we aspire. The executive arm will be made up of the chief executives of the councils of the northern suburbs, selected chief executives from a number of commonwealth government departments and state government departments, some representation from the not-for-profits, and some representation from the private sector. We are now in a position where we can get on with the task at hand and bring a high degree of coordination.

I will give an example of what this would entail. We are not getting the literacy outcomes. The commonwealth is devoting considerable resources on a national basis, and the northern suburbs have picked up a reasonable amount of that funding to improve literacy outcomes. Local government has libraries and some councils have mobile libraries. Health, through the Lyell McEwin, ran a program through the maternity ward (if that is the description) where new mothers were given a little calico dilly bag with a stencil on the outside 'Baby's first book', a book and an instruction to the mother on the importance of reading to her young child.

We have Health dealing with literacy, local government dealing with literacy, and DECS and the private schools dealing with literacy, yet not a degree of coordination exists—and it should—to ensure that all efforts are mutually reinforcing. That is an example of how we believe we can get a better application of resources in the northern suburbs and address these particular issues.

Mr GRIFFITHS: I have a supplementary question. I do respect the fact that the challenge is a significant one, there is no doubt about that, and the resources need to be allocated. When you talked about the governance structure and bringing together, on a yearly basis, those key drivers who have influence, I presume that the on-the-ground work to ensure that the structural change happens and the actions happen needs to be implemented on a day-to-day basis.

Is it the responsibility of the director to ensure that that occurs; and who is ensuring that the authority exists for that, because I am sure walls are put in your way and that you need to jump over hurdles sometimes when dealing with people who might not like change but it needs to happen? Can you give some examples of the day-to-day impact of how that structural change is happening via the governance areas which you have mentioned which will help these young people have a better life?

The Hon. M.F. O'BRIEN: This is a work in progress and it will be the role of the director, but, I suppose, ultimately me, if I am of the view that we are not getting the degree of cooperation from the commonwealth. Our experience is that the commonwealth likes to be effectively a law unto itself, which is rather unfortunate, and it wants to operate as per a national blueprint. It has very little on-the-ground experience of high degrees of coordination with state government agencies and local government.

We believe that we can, through various actions, bring the commonwealth closer to what we are doing. In a practical sense, that might be the director meeting with the director of the commonwealth agency or me meeting with the minister to emphasise that we are running programs in northern Adelaide and the commonwealth is running programs, and there ought to be some mutual recognition of the fact that both tiers of government are running programs, to a very large extent, with common objectives. There should be a high degree of collaboration. I will pass it over to the director to give one example in the early childhood area.

The Hon. L. STEVENS: We have already been doing some work over the last couple of years trying to improve the outcomes in the early years for children in the local government areas of Salisbury and Playford. What we have done is establish a steering committee which is comprised of regional managers, and all the members of the steering committee are of sufficient seniority to be able to commit their agencies to particular courses of action.

We have the regional directors of Education, Families and Communities, and Health, we have the two ICs of both councils, the state managers of DEWR and FaHCSIA, and the three largest non-government providers. I think I have everyone in the group. We have input from Professor John Glover and Professor Di Hetzel from the University of Adelaide in terms of data collection.

What we have done is determine just where the major issues are and in which suburbs in Salisbury and Playford we have the most significant issues in terms of five year olds. We are now working to a select subregion in Salisbury, the suburb of Salisbury North, and in Playford it will be a group of suburbs: Elizabeth Grove, Elizabeth Vale, Elizabeth South and Elizabeth itself. We are now working with service providers to carefully look at what they are doing and how they can work more cooperatively together. This is state plus non-government providers, who get a lot of federal government money coming through to them.

What we know happens is that everyone does their work in their own frame of reference, often without reference to the other tiers of government or other workers, so it is often not about needing more money but using what you have more effectively. That is what we are doing. It has been an interesting journey and quite challenging at times, but we have been really pleased that just a couple of weeks ago the steering committee received funding for a national trial.

There were four pilots funded by FaHCSIA across Australia, and Northern Connections, through the Northern Adelaide Early Childhood Development Steering Committee, has received one of those pilots. It is to trial a common assessment tool to be used across families and communities, health and education to make dealing with clients' children and their families easier and more seamless. So that is an example.

The Hon. S.W. KEY: I want to clarify the scope of the Office of the Northern Suburbs. I understand that the member for Goyder is part of that group. You are one of those MPs, I think, in that group of state MPs, so I was wondering—

The Hon. L. STEVENS: He is just out of it.

The Hon. S.W. KEY: Well, his interest is exemplary if he is here on the estimates committee.

The Hon. M.F. O'BRIEN: There are lots of issues and limited resources, so the members of parliament are meeting in two weeks—and they are not all Labor members; there are members of the Liberal Party and Glen Docherty, the mayor of Playford, is a member of the Liberal Party, and I think the member for Goyder attended the wedding, so this is—

Members interjecting:

The Hon. M.F. O'BRIEN: There is probably a misconception that high levels of social disadvantage are located in rock-solid Labor electorates, but we know that nationally a lot of regional Australia has similar issues in terms of poor educational outcomes, high levels of unemployment and all the rest of it. If this works well this may well be a model that we can ultimately apply elsewhere. The resources that go into it are reasonably modest, but I think it is a good framework to try to coordinate the activities of the three tiers of government.

What we are doing in two weeks is getting the members of parliament and mayors together to map out what our priorities are. Our view is that if you can get a job then a lot of life's difficulties tend to disappear. If you have got money coming into the household, life becomes a lot easier.

So, my view is that we will set that as our objective to get people into work and then step back, and I have described it as life's journey. What are the steps in a person's life that basically

get them ultimately in a position of employment? We are going right back to early childhood services, and I think the Director was largely responsible for Fraser Mustard coming to Adelaide and doing all of that important work on early childhood services. We will try to deal with that very important formative age zero to five.

The Director is doing a lot of work, and one of the issues she has identified is that zero to five is the crucial age; and primary school teachers tell me that, within a matter of a day or two of a child commencing school, they can tell whether they are ultimately going to be successful. The Director has identified that the young mothers with children most at risk because of their own personal situation are the ones least likely to avail themselves of the services. So the Director and Deputy Director are working up a strategy at the moment to get to that at-risk group.

We are going to map out life's journey, the zero to five group, and work out how we will engage that group and commence them on the path to full literacy and numeracy and then stepping through the other stages so that we ultimately get them either directly into employment or into training or higher education.

The other cohort that we have to deal with is a reasonable way down life's passage when they have arrived at early adulthood or middle age and are unemployed and have all those issues that tend to accompany a large number of individuals in that predicament. They are illiterate, innumerate, may have drug and alcohol problems and are in need of an enormous amount of investment in terms of getting them to a stage of fundamental numeracy and literacy so that they can get a job, giving them the training required to get them into employment.

So that is going to be the task. We have decided that, rather than trying to deal with all of the issues—health issues and the like—we will just basically confine ourselves to ultimately getting people into employment, because we know that employment not only gives them financial security but also a sense of worth, and it makes our job a little easier.

The CHAIR: Minister, I am mindful of the time. I think the shadow minister might have one last question.

Mr GRIFFITHS: I was going to build upon the same theme. Lea Stevens in her answer referred to five-year-olds. I am pleased that the minister has talked about the teens, the late teens and the different age groups that are through the system, because that challenge exists across all spectrums of our age demographics. Is it even using simple things like trying to engage the disengaged with positive role models and mentors? I know, in my case, I wanted to do things in life because I was inspired by the achievements of others. Are you able to get the message out that, indeed, your destiny is not predetermined: it is there for you to achieve still?

The Hon. M.F. O'BRIEN: I will pass that to the Director.

The Hon. L. STEVENS: Certainly. Bev O'Brien is handing me a brief summary of the action plan from the Northern Adelaide Skills Workforce and Employment Blueprint. The minister referred to that blueprint, worked under the auspices of Northern Futures but supported by Northern Connections. That really analysed the whole area of employment, skills and workforce development and came up with six pillars of activity with action plans.

The six pillars are: engagement and aspiration; learning and literacy; coordinated career development; links between industry, education, training and employment providers; an accessible evidence base; and an authoritative resourced regional governance body. So, essentially that really good work has been done. When we establish our new agreement with the five councils, that will be a plan to start with, working in those five different areas.

Mr GRIFFITHS: Minister, is there going to be something like an annual report on the achievements of the office?

The Hon. M.F. O'BRIEN: There will be. One of the recommendations was an accessible evidence base, so we do have KPIs so that we can keep track of where we are making strides.

The CHAIR: I thank the minister and the members of the committee. Also, to the minister's advisers, thank you very much. There being no further questions, I declare the examination of the proposed payments completed.

At 17:01 the committee adjourned until Monday 4 July 2011 at 10:00