

HOUSE OF ASSEMBLY**Thursday, 17 July 2014****ESTIMATES COMMITTEE B****Chair:**

Mr L.K. Odenwalder

Members:

Hon. P. Caica

Hon. I.F. Evans

Ms A.F.C. Digance

Mr S.P. Griffiths

Mr E.J. Hughes

Mr S.S. Marshall

*The committee met at 09:00**Estimates Vote***DEPARTMENT OF TREASURY AND FINANCE, \$49,379,000****ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,
\$1,392,192,000****Minister:**

Hon. A. Koutsantonis, Treasurer, Minister for Finance, Minister for State Development, Minister for Mineral Resources and Energy, Minister for Small Business.

Departmental Advisers:

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

Mr D. Reynolds, Executive Director, Budget Branch, Department of Treasury and Finance.

Mr A. Blaskett, Executive Director, Government Accounting, Reporting and Procurement Branch, Department of Treasury and Finance.

Mr P. Williams, Director, Financial Services, Department of Treasury and Finance.

Mr G. Goddard, Deputy Under Treasurer, Department of Treasury and Finance.

The CHAIR: The estimates committee, as we all know, is a relatively informal procedure and, as such, there is no need to stand to ask or answer questions. The committee will determine an approximate time for consideration of the proposed payments to facilitate a change of departmental advisers. I ask the minister and the lead speaker for the opposition if they could indicate whether they have agreed on the timetable for today's proceedings and, if so, provide the Chair with a copy. Changes to the committee membership will be notified as they occur.

Mr MARSHALL: I would like to note that we found it very inconvenient in the opposition that the government would not agree to schedule the Premier's estimates and the Treasurer's estimates at different times. Of course, I represent the Hon. Rob Lucas on Treasury matters, and it seems an extraordinary departure from the standing practice of this parliament to work with the opposition to ensure that all committees can be represented by their rightful representative. In this case, the government did not agree to this and we find it very disappointing and would like it noted.

The CHAIR: Member for Dunstan, it is duly noted. If the minister undertakes to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 26 September 2014. This year, the *Hansard* supplement, which contains all estimates committee responses, will be finalised on Friday 10 October 2014.

The minister and the lead speaker for the opposition are allowed 10 minutes each for opening statements, if they so wish. There will be a flexible approach to asking questions based on about three questions per member, but I am happy to be flexible about that. 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.

As I said, we are here for the Treasurer's estimates committee. I declare the proposed payments open for examination and refer members to the Agency Statements, Volume 4. I call on the Treasurer to make a statement, if he wishes, and to introduce his advisers.

The Hon. A. KOUTSANTONIS: Thank you very much, Mr Chairman. I think it is again important to place on the public record the context in which the budget was framed. The commonwealth in its budget of 13 May forced upon us, and indeed the nation, some of the most draconian and brutal funding cuts ever witnessed in our federation. It is clear that the commonwealth has decided to walk away from health care and education funding. It is clear it has decided to abandon pensioners and the vulnerable in our community. It is clear that binding agreements signed by premiers and prime ministers were torn up and dishonoured.

These decisions have ripped \$898 million from the South Australian budget over the next four years and will take \$5.5 billion over the next ten years. Cuts include \$655 million to health spending across the forward estimates, \$123 million to pensioner concessions over the next four years, \$47 million to funding for schools and vocational education, and \$45 million to schools funding under the Gonski funding agreement, which will rise to a reduction of more than \$200 million by 2019.

A state of our size cannot absorb these cuts. The Premier and the government made it clear on budget day that we will fight these cuts, but if they are not reversed, we will be forced to take action to repair our budget. This fight continues. On a positive note, in this budget the government has fully funded our election promises, and we will deliver on each and every one of those over the next term of government.

We continue our commitment to infrastructure and will invest \$10.1 billion over the next four years to keep building South Australia. We will continue to provide incentives to business to employ people and grow our economy. We will honour our commitment to increase energy, medical and heating/cooling rebates for pensioners by \$50 to a maximum of \$215. Unlike the commonwealth, we value the contributions of our pensioners and we will shield them from its cuts in 2014-15. The budget returns to surplus, with a surplus of \$406 million in 2015-16, and these surpluses grow in the out years and provide a buffer against the commonwealth government's next round of budget repair, whenever that may be.

This budget has been framed in exceptionally difficult circumstances. The commonwealth's decision to rip funding from the state in such an unprecedented fashion will have profound impacts on South Australia for many years to come. I have said before that the budget I delivered on 18 June was a budget that we were forced to deliver, not the one that we wanted to deliver. We will continue to fight these cuts and we will continue to stand up for the people of South Australia.

I take the opportunity now to introduce, to my left, surprisingly, the Under Treasurer, Mr Brett Rowse. To my right, appropriately, are Mr David Reynolds and Mr Andrew Blaskett. Mr Reynolds is the executive director of the Budget Branch. Mr Blaskett is the executive director. Behind me is

Mr Garry Goddard, the deputy under treasurer, and joining him is Mr Paul Williams. I am the Treasurer and I am happy to take your questions.

The CHAIR: The Leader of the Opposition, do you have an opening statement?

Mr MARSHALL: No.

The CHAIR: Then we will move straight to questions. Are there any questions for the Treasurer?

Mr MARSHALL: Yes. I would like to start with Budget Paper 3, page 6, and in particular look at table 1.3, the commonwealth government budget cuts. Just to clarify how this works, if we take any item there, let's just say the National Partnership Agreement on Preventative Health, there is a \$3.9 million cut for this current financial year. There is not an additional \$3.9 million next year. It is the same \$3.9 million carried through for the remaining years. Is that correct?

The Hon. A. KOUTSANTONIS: I am advised yes.

Mr MARSHALL: You have presented this with cuts to the forward estimates of \$885 million over the forward estimates. These are the cuts. Have you done any modelling on whether there have been any increases in commonwealth government revenue to South Australia over those same four years?

The Hon. A. KOUTSANTONIS: The increase in funding, I am advised, is what was previously known as nation building. I am not sure of the new term that the current government is using. That was an increase in funding. That is obviously to meet—

Mr MARSHALL: Are they capital items?

The Hon. A. KOUTSANTONIS: Yes and GST.

Mr MARSHALL: Are they the only items that increase? So, the only recurrent item is GST?

The Hon. A. KOUTSANTONIS: Like I said on budget day, there are some special-purpose payments that do increase over the forward estimates, but not by what the agreements were. For example, as I made very clear, there is a discrepancy between what commonwealth ministers are saying and what I am saying. The actual fact is that we are both right. You may have heard assistant minister Briggs and minister Pyne saying that they are actually increasing funding for health and education over the forward estimates. That is true but they are not increasing it by what they promised to increase it by, by the agreements. The commonwealth's own budget papers show that, while there is a gradual increase, it is not by what we had agreed, so in real terms it is a cut.

Mr MARSHALL: Yes, but I suppose my question really is regarding table 1.3. It is not headed commonwealth government budget impacts. It is headed Commonwealth government budget cuts. Is there a corresponding model that shows increased revenue that needs to net off to actually show the net position, because here you are saying that there is \$885 million worth of cuts—well, we would like to know what the net position is.

The Hon. A. KOUTSANTONIS: I think what you are asking me is that, on the basis of the commonwealth budget brought down in May, where have we highlighted the increases? I think the best way I can explain it to you is that we are comparing our last year's budget, our Mid-Year Budget Review, and now. So we are looking at our forward estimates and what we had estimated that we would receive rather than what the commonwealth is doing. Remember, they are two separate budgets but they both impact on each other.

Mr MARSHALL: But if we take that Treasurer—

The Hon. A. KOUTSANTONIS: Can I just finish. I do not mean to interrupt you. We will not be asking any questions so you will have the full time to ask.

Mr MARSHALL: Okay, thank you.

The Hon. A. KOUTSANTONIS: When the commonwealth increases a specific-purpose payment or a national partnership, it is spent on what they ask us to spend it on. We do not take it

necessarily and distribute it elsewhere. So I think that is probably going to answer your question but I think you are probably looking for a political answer rather than a finance answer.

Mr MARSHALL: No, not at all, sir.

The Hon. A. KOUTSANTONIS: I like you calling me 'sir', that is very respectful of you.

Mr MARSHALL: What I am failing to understand—no, well, he is the Treasurer of the state, like it or not, so we have to offer the due respect to the position.

The Hon. A. KOUTSANTONIS: I want to thank you for your efforts in making me Treasurer.

Mr MARSHALL: What is that?

The Hon. A. KOUTSANTONIS: I want to thank you for your efforts in making me Treasurer.

Mr MARSHALL: That is not in the spirit, so we might have to go to the second folder of questions! I suppose what I am failing to understand is the reconciliation between what you have said we were going to receive from the commonwealth with table 1.3 on page 6 of Budget Paper 3, because if I take a look at what you provided in last year's budget for total grant revenue—take, for example, this financial year—there you said that you would be receiving \$8.235 billion from the commonwealth.

Your own table on page 6 shows that that will be cut by \$101 million, so one would assume that the revised commonwealth revenue would be down to \$8.132 billion. Well, it is not: it is significantly higher and that is the point that I am trying to make. In fact, if we look at what it is, your revised money coming in is \$8.269 billion. In fact, from that, we can ascertain that that budget cut of \$101 million is grossly overestimated because of some other items which are coming in to net off against it.

The Hon. A. KOUTSANTONIS: The advice I am receiving is that while, yes, the figure does show an increase, the cuts that have been made by the commonwealth are real. You can look at their own budget papers; they do not walk away from them. Things change throughout the year and I can probably give you on notice the detail of what has changed throughout the year. But again, the specific purpose payments and the other national agreements we have are spent on the commonwealth's priorities, not ours, so the cuts that we have made to health and education are real. But, yes, there has been an increase in GST, but a corresponding reduction in the state's finances and state taxation. I suppose if you are getting at the point that the commonwealth's cuts are only about \$100 million, no, that is not right. The cuts the commonwealth are making over the forward estimates are \$889 million and the commonwealth budget papers bear that out.

Mr MARSHALL: What are you saying they are cut by?

The Hon. A. KOUTSANTONIS: I think it is \$889 million.

Mr MARSHALL: Is it 885?

The Hon. A. KOUTSANTONIS: It is 898 over the forward estimates.

Mr MARSHALL: That is over five years, though, isn't it?

The Hon. A. KOUTSANTONIS: Over four years.

Mr MARSHALL: I think that is over five years in your table.

The Hon. A. KOUTSANTONIS: Yes, over five.

Mr MARSHALL: Over five years, so what is it over four, because you have repeated that it is 897 over four years. It is actually not. That is over five years.

The Hon. A. KOUTSANTONIS: 885.

Mr MARSHALL: 885—yes, that is my number. If I am right on that one I might be right on this one as well. This table really only presents the budget cuts. It does not present the net situation. I have reconciled it against last year's budget numbers and I am happy to do the same reconciliation over the Mid-Year Budget Review because you said there may be an update. I have done that calculation as well because, originally in the Mid-Year Budget Review—the most recently updated

figures from you—you said we would receive \$8.274 billion in revenue from the commonwealth. In your own table, it says this will be diminished by \$101 million.

Therefore, we would assume that the budget from the commonwealth this year would diminish to \$8.173 billion if your table was the net rather than just the gross cuts. But of course when we go to table 3.13 on page 55, we see quite clearly that the budget revenue from the commonwealth is actually \$8.269 billion. In other words, the net is not there at all. There is not \$101 million. There might be \$101 million worth of cuts. I am not doubting that, but the net situation is that there is an increase over and above—

The Hon. A. KOUTSANTONIS: Remembering that the commonwealth specify where their money is spent.

Mr MARSHALL: That has nothing to do with my question.

The Hon. A. KOUTSANTONIS: Well, it does, because in terms of the cuts to health and education, if we have national partnership arrangements that are not being honoured, then that money is taken out. I cannot move specific payments that the commonwealth has made for other measures and move them into these lines to make up the difference. I suppose the point you are getting at—I am guessing; I could be wrong—is that you are saying that the cuts that the government has said the commonwealth have made are not real and in fact—

Mr MARSHALL: No, I've never said that.

The Hon. A. KOUTSANTONIS: —that there are windfall gains for us, but the reality is that when the commonwealth assigns money, I cannot move South Road money, for example, onto anything else. I cannot move specific purpose payments from national partnerships to my priorities. They are spent on agreement with the commonwealth, so I suppose we will just agree to disagree.

Mr MARSHALL: No. The point that I am trying to make is that your table 1.3, as it is correctly titled, only identifies cuts, but where are the increases? Have you done any corresponding modelling because it just does not reconcile unless there is a corresponding increase? You have identified all of the areas where cuts have occurred and you have added them all up, but there must be a whole pile of areas where there are revenue increases, otherwise those figures that I reconciled against last year's projections and the Mid-Year Budget Review's projections would reconcile, and they simply do not. I presume you have done a reconciliation at some point in your life.

The Hon. A. KOUTSANTONIS: If you go to page 17 and look at table—

Mr MARSHALL: Which paper are we looking at?

The Hon. A. KOUTSANTONIS: Budget Paper 3, table 1.14, will give you the differences in changes since the Mid-Year Budget Review on all the grant lines and you can probably reconcile it from there.

Mr MARSHALL: I did and if you are talking about the special purpose payment grants and the national partnership grants, that set of numbers that you have got between 2013-14 and 2016-17 adds up to a total diminution of revenue to the government of \$202 million, whereas when I go back to your own table, the one that is in question, that number there adds up to a significantly higher amount, in fact, I think it is closer to \$498 million and I have not been able to reconcile those numbers either.

The Hon. A. KOUTSANTONIS: Look, I will get you the discrepancy on notice.

Mr MARSHALL: I think we need to discuss it; it is pretty significant.

The Hon. A. KOUTSANTONIS: You can keep on asking questions; I am not stopping you.

Mr MARSHALL: Do you have any explanation why in the table that you have identified, table 1.14—and this is the whole point that I am trying to make, it is pretty simple, you keep talking about cuts and I want to talk about net—the net cuts in your own table 1.14, not the gross, the net is \$202 million, yet the gross in table 1.3 is \$498 million? It would seem to me that that is absolute proof positive that you are only presenting the cuts in table 1.13 and we need to see the corresponding increases so that we can look at the net effect of the federal budget.

The Hon. A. KOUTSANTONIS: I am happy to offer you a full reconciliation on notice.

Mr MARSHALL: You will accept though today—

The Hon. A. KOUTSANTONIS: I am not accepting anything you are saying. I am saying I will offer you a full reconciliation, so you can satisfy yourself.

Mr MARSHALL: But are you suggesting to me that there are—

The Hon. A. KOUTSANTONIS: I am not suggesting anything to you.

Mr MARSHALL: —increases over and above the cuts?

The Hon. A. KOUTSANTONIS: No, I am saying to you I will offer you a full reconciliation. I cannot be clearer.

Mr MARSHALL: But you cannot provide any explanation for the massive variance? We are talking about a variance of \$300 million.

The Hon. A. KOUTSANTONIS: I do not think you are interested in an explanation. I think you are just interested in making a political point, and that is fine, congratulations, go ahead. I will offer you a full reconciliation. I cannot be more open and clearer than that.

Mr MARSHALL: I cannot be any more open and clear about the fact that one page has only got cuts—

The Hon. A. KOUTSANTONIS: Leader, I am offering you the explanation and will give it to you on notice. I am not trying to hide it from you.

Mr MARSHALL: When is that likely to come through?

The Hon. A. KOUTSANTONIS: Whenever the statutory requirement is, we will provide it to you.

The CHAIR: I think it is before 26 September, so let us move on.

Mr MARSHALL: I have heard that promise year after year, but okay.

The Hon. A. KOUTSANTONIS: You have only been here four.

Mr MARSHALL: That is why I say year after year. I did not say decade after decade.

The Hon. A. KOUTSANTONIS: That is how we measure government.

The CHAIR: Do you have any further questions, leader?

Mr MARSHALL: Yes, I do. If we go to page 28, operating savings, one of the things that concerns me also is that it seems to be a different format for presentations than what you have had previously, so when we compare those to the cuts on table 1.3 and then your own cuts in table 2.6— or as you refer to them, they are not cuts; if you make them they are operating savings, which I think is interesting—if you look at what you delivered in 2013-14, am I reading this correctly that you made \$282 million worth of savings in that year?

The Hon. A. KOUTSANTONIS: The advice I have received from my Under Treasurer is that the \$282 million figure you are pointing to is the new amount of savings we will achieve for that year; it is not the total amount of savings we will have achieved.

Mr MARSHALL: Yes; so in the 2013-14 year there were new operating savings of \$232 million as the delivered estimate.

The Hon. A. KOUTSANTONIS: That's \$282 million.

Mr MARSHALL: Thank you, \$282 million. So the new savings measures to commence this financial year are \$276 million—

The Hon. A. KOUTSANTONIS: Yes; that is correct.

Mr MARSHALL: Just to clarify, the \$282 million achieved last year would be added to the \$276 million in the same way that your table provides for in 1.3. It is not like there is a reduction; it is the 282 plus the 276.

The Hon. A. KOUTSANTONIS: That is correct, yes.

Mr MARSHALL: So the following year, the 2015-16 year, will essentially be the 282 plus the 276 plus the 313 million?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: Okay. If I take that to its logical extrapolation, the government is providing, over the forward estimates, \$4.2 billion worth of cuts; is that correct?

The Hon. A. KOUTSANTONIS: I do not have the full amount—

Mr MARSHALL: I just added them up using your own methodology.

The Hon. A. KOUTSANTONIS: Congratulations. I made no secret of the fact that we are trying to get our expenses down to below 15 per cent of our gross state product by 2017-18. I think it is important to note that the story of the South Australian budget has not necessarily been overexpenditure; it has been us chasing our revenues down. The thing about revenues in the state system is that most of our taxes are transactions, so when transactions stop occurring our revenues drop dramatically, and when our revenues drop it is very hard to correspondingly drop your expenditure.

So what we show over the forward estimates—and I refer you to page 13 of that budget paper, which is a graph showing the story of our revenues and expenditures (the revenue being the solid line and the dotted line is our expenses line)—what we are attempting to do in this budget is to get our expenses down to below 15 per cent of our gross state product. I would have thought that the people who sit on the opposition benches would be applauding the government.

Mr MARSHALL: I am certainly not criticising it; I am just trying to clarify this table, because it is presented in a completely different format from the other ones. So, to read this accurately over the forward estimates you basically need to add them together in a similar way to the other table, which comes up with \$4.2 billion worth of cuts over the forward estimates. I suppose my question is: if there is \$4.2 billion worth of cuts over the forward estimates and only \$885 million is imposed upon it by the commonwealth, is the Treasurer accepting that the vast majority—something like \$3.25 billion—is completely the responsibility of the state government? Because they would therefore pale into complete insignificance.

The Hon. A. KOUTSANTONIS: First and foremost, it is only appropriate that we cut our own cloth. We have always said that we would. Those saving measures or cuts—call them whatever you like—are known; every six months, whether it is a budget or a Mid-Year Budget Review, we talk about it, we know that they are coming, agencies prepare for them. What the commonwealth has done is make cuts without any consultation with us. We have been building capacity, preparing to meet activity, whether it is in our schools or hospitals, and that has been taken away from us without any consultation. So for us to re-profile our own budget to meet the shortfall means that something else has to miss out.

I make no apology for what I have said. Every government is cutting the cloth. The Queensland government is making dramatic cuts to its expenditure, as is the New South Wales government, as is the Victorian government. They have all said the same things that we have said. People in your party have come out and said that these commonwealth cuts are unsustainable. So, are we making our own savings? Yes. Are we trying to get our expenditure down? Yes. Are we trying to push it down to record levels? Yes. Do the commonwealth cuts have an impact? Yes, they do. Are they severe? Absolutely they are. I understand; you are the only Liberal leader in the country defending this commonwealth budget. Congratulations. If you think their cuts are not as dramatic as what Mike Baird says they are or what Campbell Newman says they are or what Denis Napthine says they are, then you are a very brave and loyal Liberal. Congratulations.

Mr MARSHALL: My question is really: what is the magnitude of the state cuts relative to the federal cuts?

The Hon. A. KOUTSANTONIS: Well, if you look over the next 10 years, it is 5½ billion dollars.

Mr MARSHALL: What about over the forward estimates?

The Hon. A. KOUTSANTONIS: It is \$889 million, I think I said to you earlier.

Mr MARSHALL: Versus how much in state cuts?

The Hon. A. KOUTSANTONIS: Well, we are making our own efficiencies, but we knew they were coming.

Mr MARSHALL: But is it not true, Treasurer, that the state cuts are three to four times higher than the federal cuts which are demonising? They are three to four times higher. So all of this rhetoric that you have been putting out there about the federal government budget, you need to times that by three or four to condemn your own budget.

The Hon. A. KOUTSANTONIS: No. I refer you to one of the graphs we gave in South Australia's response document, which was an addendum to the budget. On page 3 there is a graph that Treasury has provided to me. In 2014-15 the cuts to national health reform payments in South Australia are \$37 million. The following year (2015-16) it is \$74 million. In 2016-17 it goes to \$116 million. Then it nearly doubles to \$217 million in 2017-18. When you move forward, in 2018-19 it goes to nearly \$300 million. In 2019-20 it goes to \$378 million. Then we get really serious and it goes up to nearly half a billion dollars in 2021. In 2021-22 it is over half a billion dollars. It nearly reaches \$700 million in 2022-23, climaxing in 2024-25 at \$969 million in cuts. These are annual cuts. So, that is just one reform payment, that is one partnership that the commonwealth has cut.

We have been factoring in our savings measures over subsequent budgets. People know that they are coming. Agencies can prepare for them. We have been planning for them. These are the same problems that the New South Wales and Queensland governments are facing. It is a political question. If you think it is okay that the commonwealth has scrapped a program that would have seen them by the end of a 10-year period reach over 40 per cent of activity funding in our hospitals to drop down to 22 per cent—that dramatic change is fundamental to the way we deliver health care in this state. We run a number of services across South Australia and, if the commonwealth retreats from those, the gap gets larger and larger exponentially and we have to meet them. This may be a problem that you have to face one day.

I would have thought that, rather than trying to make a political point defending the commonwealth government in the first year of your new term as opposition, you would get behind us and do all you possibly could to try to reverse these cuts in the hope that one day you may win an election and you will not be faced with the same problems that I am faced with, trying to meet the shortfall that the commonwealth has given us. However, if you want to be a loyal Liberal, go ahead.

Mr MARSHALL: It is not about being a loyal Liberal; I am here as the Leader of the Opposition to hold you to account. I think what we have already established is that we have no clear picture. You have said that you are going to do a reconciliation, but we have no clear picture—

The Hon. A. KOUTSANTONIS: We do and we will provide it to you.

Mr MARSHALL: You will provide it? Thank you. You have no clear picture on what the net impacts of the federal government budget were. You have only told us what the cuts were. But even if we take your exaggerated situation and we take the cuts and we think there is no offsetting income—and we know immediately that there is \$355 million worth of offsetting GST revenue, but even if we leave that completely aside, even though your figures do not reconcile, let us look at the next four years. Your budget provides for \$558 million worth of cuts this financial year, of which the commonwealth's is \$101 million, and the state's is \$457 million, 4½ times higher. Next year, the commonwealth cuts are 160, the state government cuts are 711, to take it to a total of 871. Of the 871 next year, 711 are your cuts, not the commonwealth's, and the following year it is the same story. You have \$1 billion worth of cuts that year, 223 of them are commonwealth gross cuts (not the net cuts, gross cuts) and 856 at the state level. The following year, your cuts, the state cuts, are \$966 million in a single year.

I mean, it is quite clear to me, it is quite clear to anybody who is reading these, that the state government cuts are in an order of magnitude greater than any federal government gross or net costs that you have provided to date.

The Hon. A. KOUTSANTONIS: I thought that was just a rant. Was that a question?

Mr MARSHALL: Well, is it not true—

The CHAIR: Treasurer, would you like to respond to that question again?

Mr MARSHALL: Is it not true that you have misrepresented to the people the magnitude of the federal government cuts when you have not made any reference to your own cuts, which are four to five times higher?

The Hon. A. KOUTSANTONIS: I have said this before, and I have said it many times, if you do not want to believe me that is fine, I understand that you have your own personal political prejudice, but I would say to you that I do not believe Mike Baird is misrepresenting the impacts, I do not believe that Campbell Newman is and I do not believe that Denis Napthine is.

Mr MARSHALL: I do not think anybody is doubting that there are cuts, it is just the order of magnitude is that your cuts at the state level are four to five times higher.

The CHAIR: Leader, the Treasurer is answering. You had quite a long question, so—

The Hon. A. KOUTSANTONIS: It is okay. He has had a bad year.

The CHAIR: We do not want it to turn into a brawl, Treasurer. It is early; we have all day.

The Hon. A. KOUTSANTONIS: No, it will not be a brawl. He has had a bad year. He is allowed to vent, by all means. I think it is fair to say that nationally in almost every published commentator, most economists realise that this is a watershed commonwealth budget because they are making massive cuts. The one cut that they flag in their budget overview that I think is the most symbolic of what they have done is their \$80 billion in cuts to health and education, which the then federal Treasurer did not even mention in his budget speech.

I am not going to downplay it because the impacts of it are significant. We know what our cuts are. We have planned for them and we have been preparing for them. The cuts the commonwealth made were unseen and unbudgeted for and we had to meet the change. So, I think it is entirely unfair for you to be saying to us, 'You've got your own savings measures in place, you announced them in previous budgets and in previous Mid-Year Budget Reviews.' People have known what they are going to be. Departments are planning for them and communities have prepared for them. We are expecting revenue to come in from the commonwealth, that revenue then disappears and then you say, 'But their cuts aren't as big as yours therefore their magnitude and their impact isn't as large because of the size.'

The first thing I say to you is that most of the commonwealth grants that we get are not just in terms of grants, they are tied, there are functions that we have to perform, so I cannot move that money around. The only money I can really move around is, generally, GST payments and our own state-based revenues that we raise. The rest of the commonwealth payments that we get are tied to specific purposes and national partnerships that we have signed up to. So, we agree to disagree, leader. I do not accept that the commonwealth cuts do not have a dramatic impact on South Australia. I know you do: I don't; I think they have dramatic impacts.

I also accept that our own savings measures have dramatic impacts on South Australians and they are difficult but, as you say constantly, it is important that we achieve a surplus and it is important that we achieve a surplus for a number of reasons. So, on one aspect you criticise me for not achieving surpluses and even today on the radio you were saying that the state had made a loss this year of \$1.2 billion.

Mr MARSHALL: Last year.

The Hon. A. KOUTSANTONIS: Yet, when I am attempting to remedy that and get expenditure down, you try to make a political point to say that the commonwealth cuts are not as big

or as important as ours. Well, which one is it? What is more important to you? Do you want to maintain a surplus? Do you want to reach a surplus? Or do you want to maintain spending? I think—

Mr MARSHALL: Well, anyway, I think we are asking the questions today.

The Hon. A. KOUTSANTONIS: I think your narrative changes, depending on what venue you are in, and that is probably why you don't win elections.

Mr MARSHALL: Table 2.6 on page 28 provides the operating savings or cuts over the forward estimates. Have you done a similar one for major project savings? Presumably this is your recurrent expenditure—you have a capital expenditure?

The Hon. A. KOUTSANTONIS: Can you repeat the question?

Mr MARSHALL: This is your operating savings table. Do you have a capital major projects saving table? For example, you previously talked about trams down Port Road, electrification of the Gawler line and the \$600 million prisons project. You have provided this going back to 2009, your operating expenditure cuts. Do you have one for your capital expenditure cuts?

The Hon. A. KOUTSANTONIS: I am advised that we disclose them individually in the budget, but we have not provided a table, but I can provide you a table if you like.

Mr MARSHALL: I would be delighted, thank you very much. Budget Paper 3, page 55, table 3.13: just so that I have this right—and I think you have made this point, so I am not trying to make a political point here as you say—

The Hon. P. Caica interjecting:

Mr MARSHALL: Well, I'm just asking decent questions here. The budget for commonwealth revenue to South Australia increases from an estimated result this year of \$7.8 billion up to \$8.2 billion this current year, \$9 billion the year after, then \$9.6 billion in 2016-17 and nearly \$9.9 billion in 2017-18. So you are accepting that each and every year of the forward estimates, far be it that there are cuts to revenue to the state, there are increases in commonwealth revenue to the state, but not as large as you would have previously anticipated?

The Hon. A. KOUTSANTONIS: I refer you to page 67, table 3.1—and I will read from the budget papers:

Total GST revenue grants as a proportion of gross domestic product (GDP) have declined since the introduction of the GST. If the 2017-18 projection of GST revenue grants as a proportion of GDP was consistent with the proportion in 2001-02, an additional \$3 billion in GST revenue grants would be available to the states.

Non-GST Commonwealth Government grants to the states as a proportion of GDP have been volatile since 2001-02 due to economic stimulus and infrastructure spending. Nonetheless, if the 2017-18 projection of non-GST Commonwealth Government grants to the states as a proportion of GDP was consistent with the proportion in 2001-02, an additional \$11 billion in funding would be available to the states.

I do not think you can say that South Australia or the states are getting the windfall gains we were promised from the GST. We are getting revenue, but not what we expected to get in 2001-02 as a proportion—

Mr MARSHALL: But revenue is increasing each and every year of the forward estimates.

The Hon. A. KOUTSANTONIS: Yes, and I have said this many times, whether it is the commonwealth cuts or GST: yes, they are increasing, but you also budget year on year. We do not hold one budget in isolation and never again. Every budget you make an assessment about what you are going to get. For example, the numbers you read out, up to \$9.6 billion—

Mr MARSHALL: \$9.9.

The Hon. A. KOUTSANTONIS: As they go up we make an assessment. If they go up to \$9.5 billion that is a \$100 million decrease on what we budgeted for, but you would be right here sitting saying, 'But GST's gone up,' but I'm right in saying, 'Yeah, but also it's less than we thought we'd get.' So that is the dilemma states have across the federation: we always get less than we expect, but it does increase.

Mr MARSHALL: Is it increasing by more than inflation each year?

The Hon. A. KOUTSANTONIS: If you look at the graph you are talking about, grant revenue, table 3.13, you have nominal growth and real growth. Some years it does, some years it doesn't. In you look below it, the revenue grants, excluding GST from the commonwealth, nominal growth—some are real growth, some are above CPI, some are below CPI.

Mr MARSHALL: GST, in the current financial year, is set to increase by 7.3 per cent, is that correct?

The Hon. A. KOUTSANTONIS: Yes. As the Under Treasurer tells me, it is coming off a very low base. We received a series of capital grants through Nation Building which affect our GST payments. They have now finished, so we get a dramatic increase on the basis that those capital grants have now completed.

Mr MARSHALL: When you say 'off a low base', it was above inflation last year and it is going to be significantly above inflation next year, the year after, the year after and the year after, so it is a pretty significant increase in GST revenue each and every year.

The Hon. A. KOUTSANTONIS: You cannot just look at CPI. There are wages growth and population growth.

Mr MARSHALL: There was real growth last year, so there was no diminution, and there is real growth each and every year of the forward estimates, so you are over and above the cost of inflation, every single year, coming from the commonwealth.

The Hon. A. KOUTSANTONIS: Yes, but, as I mentioned to you earlier, it is down on forecasts of what the states were expecting to be getting over that period of time.

The Hon. I.F. EVANS: Treasurer, you mentioned in your answer just then that there was a GST impact of certain capital grants under Nation Building. Could you provide the committee, on notice, a list of all of the capital items that impacted the GST and what the impact was? For instance, from memory, the desal plant was something like a \$228 million grant and there was a clawback of some \$212 million or \$216 million.

The Hon. A. KOUTSANTONIS: I would refer you to the Budget and Finance Committee, where we provided that information but, if you want that same information, we can provide it to you.

The Hon. I.F. EVANS: That would be good.

Mr MARSHALL: Budget Paper 3, page 33 states that there are going to be 200 FTE cuts associated with federal government cuts. Can you tell us how that was arrived at?

The Hon. A. KOUTSANTONIS: As I said on budget day, we have assigned the remainder of the commonwealth cuts to health presentationally in the budget. They have made a calculation—Treasury has made an estimate—on what they think the FTE count is corresponding to the cuts but, ultimately, the government is going to be out there talking to the community about how to implement these cuts. It may not be 200 FTEs. It may be more, but it may be less. We will have a much more concrete figure probably at MYBR or maybe at the next budget.

Mr MARSHALL: Given that there are 200 additional cuts, can you tell us what the total Health FTE cuts are going to be each year of the forward estimates?

The Hon. A. KOUTSANTONIS: I do not have those numbers with me. I can either refer them to the Minister for Health for when he does his estimates, or I can get them for you on notice. Either way is fine by me.

Mr MARSHALL: If you can get them for me, that would be great. In the second to last paragraph on page 33, it talks about a correction in the Department for Health and Ageing's FTE cap. It says, 'The main factors in this increase were a correction in the Department for Health and Ageing's FTE cap, reflecting improved information on staffing levels.' What went wrong there?

The Hon. A. KOUTSANTONIS: I refer you to the Minister for Health.

Mr MARSHALL: It is not something that you know about?

The Hon. A. KOUTSANTONIS: No, I do not have that off the top of my head. I can find out for you but you would be more likely to get more success with the Minister for Health.

Mr MARSHALL: Can we go to page 14 of Budget Paper 3 and look at table 1.1 and, in particular, the GST revenue grants? Can you explain what assumptions led you to the budget for an additional \$320 million worth of GST grants in the forward estimates over and above what the federal government was predicting when it handed down its budget?

The Hon. A. KOUTSANTONIS: Generally the states are much better at estimating their GST receipts on the basis of the way HFE is distributed.

Mr MARSHALL: Really?

The Hon. A. KOUTSANTONIS: Yes, apparently. Traditionally, historically, the states do it much better than the commonwealth Treasury. The commonwealth Treasury accepts that. I have the highest of confidence in my Treasury officials to make those assessments.

Mr MARSHALL: What is the methodology that you use that is different from theirs? They are giving you an estimate of what they are going to send to you and a couple of days later you say, 'Well, actually we think we are going to get another \$320 million.'

The Hon. A. KOUTSANTONIS: I will ask the Under Treasurer, who makes these forecasts, to give you a fuller answer.

Mr MARSHALL: Just for clarification, is it the Under Treasurer who does that modelling work?

Mr ROWSE: The staff who work for me do, yes.

Mr MARSHALL: So there is an economic modelling unit now within Treasury? That was previously in the Premier's department.

The Hon. A. KOUTSANTONIS: I will let the Under Treasurer answer your first question. Subsequent questions will come through me.

Mr ROWSE: The commonwealth Treasury adopts a methodology whereby they adopt the last annual relativity and then roll that annual number forward to derive the three-year average numbers. What we do is a little bit more sophisticated. We know that the last annual relativity may have been influenced by special factors. To give an example, if it was influenced by the fact that we had larger capital grants in the previous three years, we would expect that to roll off in the future.

What we can provide for you is a table which shows our accuracy in forecasting the number versus the commonwealth, and you will see that we have been far more accurate in predicting the numbers. When the commonwealth makes those large changes at budget time, more often than not we have already incorporated those in the previous budget or the previous midyear review. We can give you that reconciliation and show you the performance of the two entities.

Mr MARSHALL: So you are saying that this methodology, which even I understand, is not one that is known to the commonwealth, which you would think would be better resourced than the South Australian treasury modelling, especially given the wild inaccuracies in past models and past forecasts that have been provided by Treasury. On this one issue, you have it all over them?

The Hon. A. KOUTSANTONIS: Remember, because they are not a subnational jurisdiction, all that matters to them is the pool. What goes to individual states is not as important to them as how big the pool is. Because the pool is important but the distribution to the states is much more important, all the states have built up a better understanding of how the distribution from the pool occurs. What the commonwealth is good at is the size of the pool.

Mr MARSHALL: Can we take a look at page 57 on Budget Paper 3? It says here that the Commonwealth Grants Commission has been requested to produce a draft report by 21 June 2014, which will be considered by the Council for Federal Financial Relations. After a final round of submissions on the draft report, a preliminary final report will be produced by the end of December 2014 for further comment, prior to the release of the final report by the end of February 2015. Have you seen the draft report? Have your officers seen the draft report? Is there anything that we should be concerned about here in South Australia?

The Hon. A. KOUTSANTONIS: I have not seen the draft report, because it is still with the commonwealth, but yes, you would be right to be concerned, because if you look at what premiers Barnett, Baird and Napthine are saying—and their Labor counterparts are no better—you will find that they are urging on the commonwealth to change the way GST is distributed to the states. Queensland, South Australia and Tasmania are right to be worried. In terms of—

Mr MARSHALL: Will we get—

The Hon. A. KOUTSANTONIS: I imagine we would.

Mr MARSHALL: I would like to have a look at the table that is on page 9, table 1.8, which is really all about your fiscal targets and in particular your target to return to surplus. You promised a surplus in 2016-17 which I think will be \$776 million. Will that be the largest surplus in the history of the state?

The Hon. A. KOUTSANTONIS: I do not know; I will have to check.

Mr MARSHALL: Can you envisage another year where we would have got anywhere near \$776 million?

The Hon. A. KOUTSANTONIS: I do not know; I will have to check.

Mr MARSHALL: Do any of your officers know whether that is the largest surplus in the state's history?

The Hon. A. KOUTSANTONIS: I will get back to you.

Mr MARSHALL: With the 2013-14 result, can you confirm that the deficit achieved last financial year is the largest deficit in the state's history?

The Hon. A. KOUTSANTONIS: I do not have the final result as yet from the end of the financial year but as soon as we have that we will know.

Mr MARSHALL: If the estimated result is realised, though, will that be the worst result in the history of the state?

The Hon. A. KOUTSANTONIS: I think the worst result in the history of the state was the State Bank disaster.

Mr MARSHALL: That was a significantly lower amount, wasn't it?

The Hon. A. KOUTSANTONIS: It was a different accounting method but I think it is fair to say that the biggest financial disaster ever to have befallen the state was the State Bank disaster and I think wiser heads would agree. Do not poke the bear!

The Hon. I.F. EVANS: Can the Treasurer confirm that in the historical record of the budget—which is usually in Budget Paper 3 at the back, there is a historical record of surpluses and deficits—that the deficits recorded during the State Bank years were around \$300 million a year, not \$1.2 billion?

The Hon. A. KOUTSANTONIS: I do not know what they are as a percentage of gross state product but I will find out for you and let you know.

Mr MARSHALL: How does the Treasurer plan to convince the people of South Australia that he is going to take the state's finances from the worst deficit in the state's history to the best surplus in the state's history in just a three-year period?

The Hon. A. KOUTSANTONIS: In the same way we defeated you at the last state election: we will go out and campaign, we will talk to people and show people what the facts are, and I think they will judge us on what we deliver.

Mr MARSHALL: If we do judge you on what you deliver, you have actually promised a surplus in each of the last seven years, and you have only delivered a surplus in one year. When we do the reconciliation, that is because of a range of issues as covered off in this and we will not go into that at the moment but, essentially, you achieved one surplus in seven years in which you promised that there would be a surplus.

The Hon. A. KOUTSANTONIS: Yes, you also said that you would win 27 seats and you did not, so we all make estimates—

Mr MARSHALL: Do not be so defensive. I am just asking a question.

The Hon. A. KOUTSANTONIS: I am not defensive. I have waived all of our questions and I am answering all of your questions. I am just saying to you that this is my first budget as Treasurer—

Mr MARSHALL: I think you are talking after each of the questions but I am not getting too many answers.

The Hon. A. KOUTSANTONIS: —and I have pinned my colours to the mast. We want to achieve surpluses and we are going to do our very best to do so, but I have also prefaced that with the fact that Treasurer Hockey has said this is stage 1 of his budget repair. He is making increasingly erratic statements about his budget and its passage through the Senate. I am very concerned about what is next.

Mr MARSHALL: Budget Paper 3, page 31, how is it that only three out of 28 government agencies have an estimated result coming in under their budget this year? Three out of 28. How extraordinary. Do you have any checks and balances in place?

The Hon. A. KOUTSANTONIS: We do have checks and balances in place.

Mr MARSHALL: They are not working, are they?

The Hon. A. KOUTSANTONIS: We do not turn people away. We express our values.

Mr MARSHALL: How do you express your values in the Treasury department because you are \$15 million over there, so people come along and say, 'Look, I want some more money.'

The Hon. A. KOUTSANTONIS: They do exceptional work in Treasury.

Mr MARSHALL: Why are they \$15 million over budget?

The Hon. A. KOUTSANTONIS: I will find out what it is and get back to you.

Mr MARSHALL: Okay. I want to take a look at page 126 where you talk about the establishment of the future fund. I am interested to know how this is going to operate and when the legislation is going to be introduced? In particular I would like you to address comments by the Under Treasurer sitting to your left—as inappropriate as you say it is for him to be sitting to your left. The Under Treasurer said any new revenues, including those received from mining, should be committed to paying off existing obligations in the first instance. Are you going to proceed with the establishment of this future fund as you have previously talked about, and when will you introduce the legislation?

The Hon. A. KOUTSANTONIS: You will have to wait and see, but the government is entitled to its own views about the importance or otherwise of a future fund. Putting money into the future fund does net off debt, so I am not as concerned about it as anyone else may be. I think it is a good and prudent thing to do. I think future funds are a great way of preserving prosperity for future generations and, when the state can afford to do so, we will start implementing it.

I do not think it is fair to say that future funds are not the appropriate use of moneys. Former treasurer Costello established a future fund that is many multiple billions of dollars now that is doing good work. He is now chair of that, I understand. I have to say that at the time I was a supporter of it. I thought it was a very good idea and it is something that I think the state should embark on.

Today we had a decision to open up the Woomera Prohibited Area. Over the next decade or so, there are going to be more mines discovered and more prosperity will come to the state. Our oil and gas sector is going to take off. We are going to come out of the current situation that we are in now and the question that will have to be asked is: what do we do with that prosperity? The future fund will be a very good option for us, and for future governments, to have in place and I hope that when that legislation does come to the parliament, the opposition supports it.

Mr MARSHALL: The difference with the commonwealth and the state future funds is that the commonwealth had money in the bank. Do you stand by the fact that we should essentially have significantly higher debt levels in South Australia and, rather than pay that off, when we return to

surplus, we should put that money in the bank, make investments on it and try to generate funds in that way?

The Hon. A. KOUTSANTONIS: This is the fundamental difference between the conservative parties and Labor parties. You believe that if we cut taxes, that generates growth and stimulates the economy and creates more revenue.

Mr MARSHALL: Hear, hear.

The Hon. A. KOUTSANTONIS: Former president George Bush called that voodoo economics.

Mr MARSHALL: What is their debt level in the US?

The Hon. I.F. EVANS: I didn't realise you were a backer of Bush.

The Hon. A. KOUTSANTONIS: George Herbert Walker Bush was a good man. He is a good man. I think it is fair to say that if you think that by cutting taxes you increase revenues, it just does not add up and it does not work. That does not mean you should have high taxes for the sake of having high taxes either, but future funds do net off debt. Again, it is the story of the last election campaign. We were investing in productive infrastructure to keep South Australians working and using debt to do that and I think South Australians accept that. I think if you look at debt levels in South Australia in comparison to other jurisdictions around the world, we are in a very good position in comparison to them.

Mr MARSHALL: How does it net off? Just run through how that works.

The Hon. A. KOUTSANTONIS: If you look at the way it is calculated, we look at net debt and if you have a financial asset, it is rounded off against it. I suppose it is a difference in priorities. If you were premier, you would do something different from us. We have made the decision that we want to have a future fund. If you were successful, you would do something different. Either one is appropriate for the people who are in power at any one time. For us, we believe in future funds.

Mr MARSHALL: But you are at odds with your own Under Treasurer's advice.

The Hon. A. KOUTSANTONIS: So?

Mr MARSHALL: He made it clear that it does not make any sense.

The Hon. A. KOUTSANTONIS: That is why I am elected and he is not, and that is the way it works.

Mr MARSHALL: I have been wondering why that is.

The Hon. A. KOUTSANTONIS: I am not his rubber stamp. That is just how it is. The idea of this parliament, just to give you a lesson, is that the elected representatives govern, not the unelected bureaucrats.

Mr MARSHALL: Okay, so you think it is a good idea though, essentially, when we return to surplus, to stick that money in the bank and earn interest on it rather than reduce our debt that we pay interest on which is directly in contrast with the advice of the Under Treasurer?

The Hon. A. KOUTSANTONIS: The Under Treasurer gives advice all the time on many things—

Mr MARSHALL: Should you not take it?

The Hon. A. KOUTSANTONIS: Not always.

Mr MARSHALL: Should you sack the Under Treasurer?

The Hon. A. KOUTSANTONIS: No, absolutely not. He is probably one of the most talented treasury officials in the country.

Mr MARSHALL: You are not taking his advice. He is telling you not to do this.

The Hon. A. KOUTSANTONIS: Let me finish. If you look at the fiscal outlook you will notice over the forward estimates that we are paying down debt. We have paid down debt dramatically.

After we peak in 2015-16 with the NRAH coming online we do start paying down general government debt, so I do not think it is fair to say that we are not paying down debt. We are paying down debt, but, look, you and I have different philosophies.

Mr MARSHALL: Hear, hear! I think it is incredible that you are ignoring the advice of the Under Treasurer but, nevertheless, what we are going to do is clear; that is, not pay down debt with any return to surplus, we are going to stick the money in the bank.

The Hon. A. KOUTSANTONIS: That is not what I said. I am happy to have an intelligent conversation with you in this estimates hearing, waive all of our government questions, where you can ask questions and if I do not know the answer I will get back and give it to you, but what you are attempting to do is to put words in my mouth and verbal me. I never said that. I said we are paying down debt, but I also believe in future funds. We can do both; I can walk and chew gum.

Mr MARSHALL: So the \$776 million that you plan to have as a surplus, will that all be applied to the future fund?

The Hon. A. KOUTSANTONIS: We will have to wait and see.

Mr MARSHALL: What about the \$406 million surplus that you are going to make next year, is that going to be applied to the future fund?

The Hon. A. KOUTSANTONIS: As I said on budget day, I am building capacity within the budget because I do not know what the commonwealth is going to do next.

Mr MARSHALL: Sure.

The Hon. A. KOUTSANTONIS: One of the reasons we are privatising the Motor Accident Commission, which I am sure you will have questions about in the next line of questioning, is that I need to build capacity.

Mr MARSHALL: Sure.

The Hon. A. KOUTSANTONIS: And building that capacity means having operating surpluses and paying down debt, and we are doing that. That is why I am not going to commit one way or another right now about how those surpluses will be spent because I do not know what is going to be in the MYEFO and I do not know what is going to be in the next commonwealth budget.

Mr MARSHALL: I understand that point, so what you are saying is the \$406 million is an estimate at the moment, it might vary, but the question is: will all of the surplus be applied to the future fund?

The Hon. A. KOUTSANTONIS: I just said, you will have to wait and see.

Mr MARSHALL: I see, not what the number is, but what you are going to do, so the future fund might just be a fraction. It might be \$5 million of the \$406 million.

The Hon. A. KOUTSANTONIS: It depends on what the legislation is that passes through the parliament. How do I know what amendments you will move in the upper house?

Mr MARSHALL: What are you envisaging at this stage? You have been out there talking about it for more than a year.

The Hon. A. KOUTSANTONIS: I have also envisaged revenue from the Transport Development Levy.

Mr MARSHALL: You do not really believe in this future fund, do you?

The Hon. A. KOUTSANTONIS: Yes, I do.

Mr MARSHALL: No right-thinking person does, do they?

The Hon. A. KOUTSANTONIS: I think Peter Costello is a right-minded thinking person.

Mr MARSHALL: He was in surplus—

The Hon. A. KOUTSANTONIS: Yes, he was.

Mr MARSHALL: —and there was no debt at the commonwealth level. We have got record levels of debt.

The Hon. A. KOUTSANTONIS: No, we do not have record levels of debt as a proportion of our gross state product and, in fact, they are quite moderate. Again, these political points you are trying to make did not serve you at the last state election and you obviously have not learned your lesson.

Mr MARSHALL: Can we just have a quick exploration of interest expenses, so Budget Paper 3, page 167, interest expenses. There seems to be a significantly different methodology for looking at interest expenses over the Mid-Year Budget Review. If we look at the Mid-Year Budget Review, interest expense in 2016-17 was over \$1 billion and now in the budget it is down to \$805 million. Now, there is a footnote there that says that you are netting off this expense. What is the reason for that? Just to make it look smaller?

The Hon. A. KOUTSANTONIS: The advice I have received is that much like a family may have an offset account for their mortgage, the arrangement between the Treasurer and SAFA is the same, so as much as I have interest earnings, I can offset them against liabilities and offset the payments, therefore the lower cost, but if you want to delve deeper into it I can give you the exact methodology through a briefing or an answer on notice.

Mr MARSHALL: I think a briefing would be great, thank you. One quick question while we are here: you say in note (b) on page 167 that that is netted off but, of course, it is not all netted off. There is \$37 million in the 2016-17 year of interest income. You have not netted it all off; why have you chosen to net off some and not all of it?

The Hon. A. KOUTSANTONIS: I will take that on notice and get back to you.

Mr MARSHALL: Also, is it correct to show, in this Table B.9: Non-financial public sector operating statement, that interest expenses, for example in the 2016-17 year, are \$805 million when it is clearly not? It is clearly considerably higher. It seems an extraordinary thing to do to just net these things off; it diminishes what people would think we are paying in interest in these entities. We are paying significantly more—hundreds and hundreds of millions of dollars extra per year—than what is being presented in these statements. I understand the netting off, but it does not present a very clear picture to the people of South Australia as to what interest they are actually paying on the debt that Labor has run up.

The Hon. A. KOUTSANTONIS: Again, you are just trying to make a political point. I understand—

Mr MARSHALL: It is the point of transparency, sir.

The Hon. A. KOUTSANTONIS: Yes, sure. I understand why you are doing it, but I have answered it.

Mr MARSHALL: You might need to take this on notice as well, but what financial instruments is the interest income earned upon that still appear in the table under the revenue? What sort of things would that be?

The Hon. A. KOUTSANTONIS: I am advised that is essentially deposits for SAFA.

Mr MARSHALL: But aren't they the ones that (b) says are netted off?

The Hon. A. KOUTSANTONIS: No; I am advised they are the deposits.

Mr MARSHALL: Can we also get a reconciliation of what the change is between the Mid-Year Budget Review and the budget—

The Hon. A. KOUTSANTONIS: I will get you a full methodology and reconciliation.

Mr MARSHALL: I will just finish the question: a reconciliation between what is due to netting off and what is due to increased debt?

The Hon. A. KOUTSANTONIS: Sure.

Mr MARSHALL: Thank you. While we are talking about debt transfers, can you just walk me through the issue related to the SA Water debt transfer? You have said that this will have no future impact upon water price decisions. Can you just walk me through that statement? If you want a reference, Mr Chairman, it is page 8 (and welcome back).

The Hon. A. KOUTSANTONIS: The advice I have received from Treasury is that it will have no impact on ESCOSA's pricing determinations.

Mr MARSHALL: So even though in other points in your budget it makes it clear that there is an increased interest expense for SA Water, somehow you are going to net that off against the interest expense that was previously borne by the general government sector?

The Hon. A. KOUTSANTONIS: ESCOSA, when they are calculating their price determinations, assume levels of debt. So that assumes something like about 60 per cent gearing; SA Water's gearing is about 27 per cent, and we have increased that to 45 per cent and it had no impact. I understand there is a slight benefit to the budget of about \$5 million in interest payments, but that is neither here nor there.

Mr MARSHALL: Five million, neither here nor there; okay. Is it correct that the government is undertaking a scoping study to sell some of the assets within SA Water? That's Budget Paper 3, page 8.

The Hon. A. KOUTSANTONIS: As I have said in the House of Assembly, judge the government on its actions. The government has no plans whatsoever to privatise SA Water.

Mr MARSHALL: It is not about privatising SA Water; I think you have ruled that out previously. It is about selling assets. We have already had the transfer of one asset; is there any plan to transfer or divest or sell any of the other assets within SA Water?

The Hon. A. KOUTSANTONIS: Not at this time, no.

Mr MARSHALL: That was not really the question. The question was: has the government undertaken a scoping study?

The Hon. A. KOUTSANTONIS: Again I say, regardless of what Treasury does or does not do, the elected government, the parliament, and the cabinet will decide what we do with the state's assets. Thus far the cabinet and the parliament have not decided to privatise SA Water, and we won't.

The Hon. I.F. EVANS: Just on that, Treasurer, you said that what Treasury does Treasury does, and to consider what the cabinet does. However it is true, isn't it, that Treasury only scopes the sale or divestments of some of SA Water's assets at the request of the Treasurer of the day? It may not have been you, but a request of the Treasurer of the day. That is true, isn't it, that Treasury would not have been scoping the sale of SA Water assets without a request from the Treasurer of the day?

The Hon. A. KOUTSANTONIS: Let me put it to you this way: I am not going to talk to you or the parliament about any cabinet deliberations. I am allowed to answer the question the way I want to answer it.

The Hon. I.F. EVANS: So you are confirming that cabinet has discussed it.

The Hon. A. KOUTSANTONIS: No.

The Hon. I.F. EVANS: Well, if cabinet has not discussed it, you do not have to say that you are not going to discuss it. The only reason you would say that you are not going to discuss it is if cabinet discussed it.

The Hon. A. KOUTSANTONIS: Sure. You can verbal me all you like.

The Hon. I.F. EVANS: I am not verballing you.

The Hon. A. KOUTSANTONIS: You are. The reality is that governments are judged on what they do. We have not sold SA Water, nor do we plan to.

The Hon. I.F. EVANS: Can you rule out divesting any of SA Water's assets?

The Hon. A. KOUTSANTONIS: I have no plans to divest any of SA Water's assets but, again, if a board owned assets, like any other pieces of property, if they wished to divest, that is their choice. But in terms of our controlling interests in the assets, no decision has been taken to privatise any of those assets.

The Hon. I.F. EVANS: Are you concerned then that the SA Water board, to reduce the \$2 billion debt that you have transferred to your sector, will divest assets such as water treatment plants, sewerage plants or desal plants to reduce their debt?

The Hon. A. KOUTSANTONIS: No, I am not.

The Hon. I.F. EVANS: Are you saying that that will not happen or that you are not concerned about it?

The Hon. A. KOUTSANTONIS: I am not concerned that it will happen and I do not think it will happen. I am not sure they can even do it without my express permission anyway, or the parliament's.

The CHAIR: The member for Goyder has a question.

Mr GRIFFITHS: Treasurer, you have identified as part of your budget speech that there is a reduced cost of \$5 million as a result of the transfer to SA Water.

The Hon. A. KOUTSANTONIS: Yes.

Mr GRIFFITHS: Are you able to confirm what the cost of borrowings to SA Water is? Because of the increased debt, is that increasing their exposure? Is there a higher interest rate?

The Hon. A. KOUTSANTONIS: I am advised that they borrow through SAFA, so they would be paying the same rates that we would.

The Hon. I.F. EVANS: Plus a guarantee fee.

The Hon. A. KOUTSANTONIS: Plus a guarantee fee.

The Hon. I.F. EVANS: So you would make money out of the guarantee fee?

The Hon. A. KOUTSANTONIS: Yes.

The Hon. I.F. EVANS: Right, that is what I thought.

The Hon. A. KOUTSANTONIS: Yes, that is right. That is the benefit of owning these assets in government hands, unlike ETSA. When ETSA borrows money to prune trees or do works, they borrow from the market and pay a higher rate and they pass on those costs to consumers. Because we own SA Water, we do not have those problems. The benefits that SA Water achieve and their profits come back to the taxpayer and we spend that money here in South Australia. That is the benefit of government ownership of monopoly utilities.

The Hon. I.F. EVANS: On that basis then, why are you privatising the MAC?

The Hon. A. KOUTSANTONIS: Because the MAC is not a utility. The MAC is a provider of insurance policies. The experience we have had with monopoly providers such as SA Power Networks is that when you have a regulated monopoly like the Motor Accident Commission there is no guarantee we are getting the best value for money from compulsory third-party premiums. Also, they are building up substantial surpluses. I think those surpluses should be spent on state assets that motorists use because they have paid for it. It is only proper. I have to say that if you had been successful and you were sitting here, I would probably be where you are asking you questions about your plans to privatise the Motor Accident Commission.

The Hon. I.F. EVANS: Well, you could have answered the question.

The Hon. A. KOUTSANTONIS: I am sure I could have, because I have met with a number of insurance companies and I have had some interesting discussions with them about who they have met with previously.

Mr MARSHALL: Just getting back to the SA Water restructure, whose advice did you receive to restructure the debt from the general government sector to SA Water's balance sheet?

The Hon. A. KOUTSANTONIS: I understand it was the Under Treasurer's.

Mr MARSHALL: So you are listening to the Under Treasurer on this one?

The Hon. A. KOUTSANTONIS: I think it is fair to say that on most things he agrees with me entirely and I agree with him about most things some of the time.

Mr MARSHALL: It is in the contract. Did the advice provided to you regarding the debt restructure include reference to the potential impact that the restructure would have on the sale price of any SA Water assets in the future?

The Hon. A. KOUTSANTONIS: Not to my memory, no.

Mr MARSHALL: You could ask.

The Hon. A. KOUTSANTONIS: I could. Given that we are not planning on selling SA Water, it is redundant.

Mr MARSHALL: No, but we are trying to clarify—

The Hon. A. KOUTSANTONIS: Unless you are planning on selling SA Water and you would like some information to plan for that.

Mr MARSHALL: No.

The Hon. A. KOUTSANTONIS: If you are successful in four years—

Mr MARSHALL: No, we have ruled it out.

The Hon. A. KOUTSANTONIS: That is what it sounds like you are doing.

Mr MARSHALL: We are talking about SA Water assets.

The Hon. A. KOUTSANTONIS: You have ruled it out? You have ruled out privatising SA Water?

Mr MARSHALL: I think what we have clarified here today is that you have sought a report regarding the potential sale of SA Water assets—not SA Water but SA Water assets. You have considered it. You have not taken anything to cabinet, cabinet has made no decision and you say you do not have any plans. Nevertheless, somebody has requested this scoping study to be done, and it has been received. Subsequent to that report being received, you have actually transferred assets, on the advice of the Under Treasurer, to the SA Water—

The Hon. A. KOUTSANTONIS: No; I think I can cut you off there and say that is not accurate. I do not think it is accurate.

Mr MARSHALL: Well, that is just a recap of what you said.

The Hon. A. KOUTSANTONIS: Hang on. I am saying it to parliament, so when I speak in this place it has to be accurate. The idea that the Under Treasurer did some scoping study on the sale of SA Water and then said, 'Look, I know you can't do it right now but to prepare SA Water for sale why don't you do this regearing,' that is not how it operated at all, and I am saying that in parliament. The gearing change was a presentational representation that the Under Treasurer said we should make to make our utilities more comparable to our interstate counterparts. This government has no plans to privatise SA Water.

Mr MARSHALL: So, the only reason why the Under Treasurer recommended to you to restructure the debt was so that there could be more equitable comparisons with other state utilities?

The Hon. A. KOUTSANTONIS: To the best of my knowledge, yes.

Mr MARSHALL: Surely not?

The Hon. A. KOUTSANTONIS: Why? I do not see the great conspiracy here, I am sorry. There is no change to overall debt.

Mr MARSHALL: And that is the total reason—

The Hon. A. KOUTSANTONIS: It is neither here nor there.

Mr MARSHALL: —that you were provided with by the Under Treasurer, the complete and total reason?

The Hon. A. KOUTSANTONIS: I will go back and check, but I think it is pretty clear to say that the government's view on the privatisation or sale of assets is that we do not support it. We have owned SA Water now since 2002 (since we have been in office) and we have not sold it, so I am not sure why we would do it now.

Mr MARSHALL: But it is true to say that you have received some—

The Hon. A. KOUTSANTONIS: The government receives advice on all sorts of things.

Mr MARSHALL: Correct; and you have received some on the potential sale of SA Water assets, not the entire entity?

The Hon. A. KOUTSANTONIS: I am not confirming anything. I am just saying to you—

Mr MARSHALL: Well, you are not ruling it out.

The Hon. A. KOUTSANTONIS: I am ruling out the sale of SA Water.

Mr MARSHALL: Thank you; but you are not ruling out the sale of SA Water assets?

The Hon. A. KOUTSANTONIS: What is the difference? It is the same thing.

Mr MARSHALL: No; I think you have made it fairly clear in the parliament on many occasions that assets come and go. If the government sells a building—

The Hon. A. KOUTSANTONIS: If SA Water has bought a building and they want to move buildings and rent rather than own, that is different. I am talking about the function of delivering water, the function of processing sewage, the pipes that go along with it. The government has—

Mr MARSHALL: So, you rule out all of those things, you rule out—

The Hon. A. KOUTSANTONIS: The government has no plans to privatise.

Mr MARSHALL: No; but you rule it out is a bit different from plans. You could have no plan today but a plan tomorrow. You are ruling out, for example, the sale of the desal plant?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: You are ruling out the sale of the wastewater treatment facilities? You are ruling out the sale of the pipe network in South Australia? You are ruling all of those things out?

The Hon. A. KOUTSANTONIS: I think that is an interesting admission from the Leader of the Opposition because during the last election campaign, and subsequently, when you have been asked directly about whether you will privatise SA Water you said you had no plans to. Just in your explanation then you said that plans and ruling it out are two very different scenarios. So, that is a very interesting admission you have just made. What I think you have just told the committee and the public and the media is that while you may not have any current plans now you do not rule it out, do you, if you are successful in 2018?

Mr MARSHALL: Will you answer the question though?

The Hon. P. CAICA: That is what I heard.

The Hon. A. KOUTSANTONIS: I think that is what everyone heard, clearly.

Mr MARSHALL: But will you answer the question rather than giving a commentary on my pre-election comments?

The Hon. A. KOUTSANTONIS: I could go for hours on your pre-election comments and your conducting of your election campaign.

The CHAIR: Let us not, Treasurer. I think you have answered the question, to be fair. I think the member for Davenport has a question.

The Hon. I.F. EVANS: There is a \$2 billion increase in SA Water's debt, which is, essentially, transferred across to the general government—

An honourable member interjecting:

The Hon. I.F. EVANS: 2.7, okay—transferred across to the general government sector. The pricing mechanism for water is capped by ESCOSA; they are limited to an amount of revenue to collect. So, if they have \$2.7 billion extra in debt, if you work on about a 4 per cent interest rate, they are paying something like about \$100 million to \$110 million extra in interest. If they cannot collect extra revenue because of their price cap, which ESCOSA sets, does that not mean they have to find \$100 million to \$110 million in savings in their operations and will that not lead to less capital works and less maintenance and repairs as a direct result of the increase in the interest payments?

The Hon. A. KOUTSANTONIS: You are not factoring in that we have also announced there will be lower dividends to government on the basis of this transfer.

The Hon. I.F. EVANS: How much is the lower dividend?

The Hon. A. KOUTSANTONIS: The reduction in dividends is \$96 million, and a reduction in income tax equivalents of \$43 million. We receive an increase in guaranteed fees from SA Water of \$27 million and a decrease in interest on the Treasurer's debt of \$117 million. So, while there is a decrease in dividend, there is a benefit for us in decreased interest payments, which basically levels them out.

The Hon. I.F. EVANS: What is the net position for SA Water?

The Hon. A. KOUTSANTONIS: For SA Water I do not have that here, but the net position for us is \$5 million.

The Hon. I.F. EVANS: Can you get the net position for SA Water for us?

The Hon. A. KOUTSANTONIS: I will, yes. Remembering that in ESCOSA's price determination they assume a gearing of 60 per cent of the assets. From memory, SA Water's gearing rises from 27 per cent to 45 per cent.

The Hon. I.F. EVANS: Okay, then the dumb question is: why stop at 45 per cent? Why did you not take 55 per cent and put the other 10 per cent into your future fund if it is costing you nothing?

The Hon. A. KOUTSANTONIS: Because we wanted to make SA Water more comparable to its interstate counterparts, and 45 per cent gearing is the average.

Mr MARSHALL: I have a question from Budget Paper 6, page 110, relating to the Festival Centre car park. We have an investment payment in 2015-16 of \$16.5 million for the provision of a new car park there. Is the government letting the contracts for this work or is it paying the Walker Corporation to do so?

The Hon. A. KOUTSANTONIS: Can you repeat the question, leader?

Mr MARSHALL: On page 10 you have \$16.5 million for the Walker Corp. Will you be letting the contracts for the revision of the upgrade of the car park or will it be done by Walker Corp?

The Hon. A. KOUTSANTONIS: My advice is that that is not for the Walker Corporation. That \$16.5 million, I am advised, is for ancillary works to be done for the Festival Centre Plaza to interface with the new plaza. As you come out the back of Parliament House you notice that the plaza stops and then there is a gap between the shells where the lowered road is, the underpass. My understanding is that the festival plaza will use the \$16.5 million to facilitate new entries into the shells from the plaza entry.

Mr MARSHALL: So this is from street level: where is the gap, the gap will be gone?

The Hon. A. KOUTSANTONIS: There is the gap. I think the festival plaza is envisaging that, if the plaza is upgraded and there is a new entertainment precinct, piazza or square, the festival plaza, rather than its main entry being underground or below level, they would like to have a plaza-level entry, so that money is there for that.

Mr MARSHALL: So that money will be administered by who? Will that be given to the Festival Centre to do the work?

The Hon. A. KOUTSANTONIS: I will have to refer you to minister Mullighan.

Mr MARSHALL: Very good. Budget Paper 3, page 25—one of my favourite pages in the document—under Savings it talks about \$200 million over four years by reducing unallocated provisions for major capital projects. What capital projects does this \$200 million include?

The Hon. A. KOUTSANTONIS: It is being held in contingency for programs and we have reduced it by \$200 million.

Mr MARSHALL: So is that money held centrally and just applied as a single provision or is there a separate provision per capital project?

The Hon. A. KOUTSANTONIS: We plan for contingencies. Sometimes it is allocated to various projects, other times it is unallocated.

Mr MARSHALL: Can you give some clarity over the \$200 million that you have listed there as savings on page 25? Which of these—

The Hon. A. KOUTSANTONIS: Unallocated contingencies.

Mr MARSHALL: It is all unallocated?

The Hon. A. KOUTSANTONIS: That is.

Mr MARSHALL: The \$200 million is all unallocated?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: Can you provide the committee with what the unallocated provisions for major capital projects are for each of the 2014-15, 2015-16, 2016-17 and 2017-18 years?

The Hon. A. KOUTSANTONIS: I will endeavour to find out for you.

Mr MARSHALL: What are you now budgeting in unallocated provisions for major capital projects in each of those same years?

The Hon. A. KOUTSANTONIS: I do not have those numbers here.

Mr MARSHALL: For clarity, those \$200 million worth of unallocated cuts would not be linked to any federal project, so there would not be any flow-on problem for us. If we are cutting funding for a project, there would not be a corresponding cut in a federal government project?

The Hon. A. KOUTSANTONIS: No, it is unallocated.

Mr MARSHALL: Can we take a look now at Budget Paper 5, page 35, and it is to do with the \$36 billion 30-year state transport plan that was announced before the election. You said that, over the next 30 years, \$23 billion will be spent between state and commonwealth grants on infrastructure. By my calculation, this equates to about \$770 million a year. As the budget for DPTI capital works is about \$200 million short of the required figure, can you advise what capital works spend is in each of the remaining three years of the forward estimates?

The Hon. A. KOUTSANTONIS: First of all, it is important to note that the Integrated Transport and Land Use Plan that we announced before the election also envisaged commonwealth funding. You will notice one of the key recommendations in that plan was the north-south corridor. What you are seeing in the north-south corridor is upgrades to Darlington and Torrens to Torrens but, again, I refer you to minister Mullighan for the complete answer.

Mr MARSHALL: You may refer me there on this one as well but, given that the following projects were listed as priorities for the next five years in your own budget—the building of a tram loop around Adelaide, for example—do you have a cost?

The Hon. A. KOUTSANTONIS: Sure, but we also have the O-Bahn extension in there, the electrification to Salisbury is in the forward estimates, and a whole series of road and rail and infrastructure. You are asking why trams are not in here. The whole idea of the ITLUP was that governments of either persuasion, Labor or Liberal, could pick and choose.

For example, we know that the commonwealth government has made a decision that they will not be spending money in public transport. They say public transport is purely a state responsibility so there will be no public funding for that. That is a dramatic change from the previous

government. I will not make a comment about whether that is the right thing or wrong thing to do, but what the ITLUP is trying to do is a lot like what you are asking us to do, that is, have an independent process where we can say, 'What are the plans for the next 30 years?'

It gives governments the ability to still be political in what they choose, because politicians make decisions. We think there is a need for more public transport infrastructure: you may make a decision there is more need for more freight movements. What we have decided is that we want a mixture of both, so we have decided on freight in the north-south corridor, public transport for the O-Bahn and the electrification to Salisbury. So we have a mix. If you are successful in 2018, you may change those priorities and you may say, 'For us, it is more rail lines out to the Mid North,' it may be a port, or it may be something else. That is what we have tried to do.

Mr MARSHALL: In your own document, though, you say there is a range of projects that are priorities for the next five years, that is, from 2013 to 2018. I list them now—build a tram loop around the Adelaide CBD, complete the electrification of the Gawler train line, convert the Outer Harbor train line to a tram service, convert the Grange train line to a tram service, the Mike Turtur Bikeway and Goodwood overpass, and others that are all in your own document taken to the election to be delivered by the end of 2018. Of course, when we look at the capital statement over all but six months of that time frame there is no mention of anything in there. It could come in next year and be delivered in a two-year period.

The Hon. A. KOUTSANTONIS: Exactly, but also we are not factoring this. Again, what I said to you earlier is that the integrated transport and land use plan also calls on and expects commonwealth funding. Given we have lost a funding partner who does not want to fund public transport, it makes doing things like the tram loop and the tram down to the Outer Harbor line a lot more difficult. That does not mean we cannot do it or we will not do it; it just means that we have to work within the means we have available. Given it is a partnership between the commonwealth and the state, they are more interested in freight than they are in public transport, so Darlington comes on line.

Mr MARSHALL: But have you got money held in contingency in those years for these projects?

The Hon. A. KOUTSANTONIS: The government has made no decision on a tram loop and made no decision on extending the tram to Outer Harbor.

Mr MARSHALL: No. What about the Grange train line?

The Hon. A. KOUTSANTONIS: A very worthwhile decision. My personal view on it is that, given that AAMI stadium is now almost redundant, other than the Crows training there (which is probably redundant also), you probably will see some development of land at West Lakes. You would want to look at some sort of mass transit system. I think light rail, or rail, works well, but we have not made a decision yet, because it is not going to be a matter of build it and they will come; let's wait and see what development occurs there first. What is the nature of the development? It could be retirement living. If it is retirement living, it will be a different type of public transport need. I suppose what the ITLUP does is give us the flexibility to make decisions as needed, but of course the overwhelming factor that we keep in mind is the state's finances.

Mr MARSHALL: Hear, hear! I just want to ask one question regarding something which I have never understood, which is the GST offset for commonwealth capital that comes in for a project.

The Hon. A. KOUTSANTONIS: HFE.

Mr MARSHALL: Sorry?

The Hon. A. KOUTSANTONIS: Horizontal fiscal equalisation.

Mr MARSHALL: Budget Paper 5, on the same page. What are the implications, for example, of the Torrens to Torrens money that is coming in? If we have the money coming in for Torrens to Torrens, or if we did not have the money coming in, what would be the difference in the GST distribution?

The Hon. A. KOUTSANTONIS: As long as we are receiving what our per capita share of infrastructure spending is, whether we will receive above it or below affects the way GST is distributed, but for a more fulsome answer, I will ask the Under Treasurer to give you an explanation.

Mr MARSHALL: Thank you.

Mr ROWSE: What the Treasurer says is totally correct. There can be some timing differences because different states will get their funding from the commonwealth at different points in time, so that can move the GST relativities around between years. As long as over the total program length a state only receives its per capita share it will balance out over a longer period, but there can be impacts between years depending on the timing of when you receive those capital grants.

Mr MARSHALL: But my question was really: what would be the impact if we did not go ahead with the Torrens to Torrens? Let's put it in the reverse. If we did not go ahead with the Torrens to Torrens, what would be the uplift in GST that we would receive by forgoing that capital that came?

The Hon. A. KOUTSANTONIS: One, it is difficult to answer because it is hypothetical. Two, the commonwealth is funding 50 per cent of it, so the only way we get the capital is by matching their spend. It is difficult to say what the impact would be, but I can do some analysis for you and get that to you.

Mr MARSHALL: I just ask that question because if they are giving us on a project \$1 billion, I would like to know how much we forgo from receiving that \$1 billion as a grant rather than as a GST distribution.

The Hon. A. KOUTSANTONIS: The federal treasurer and the federal cabinet have the ability to exclude certain payments from the Commonwealth Grants Commission's consideration. So if we started strategically saying to have an increased windfall in GST, we will not be building this infrastructure, they can exclude certain payments from CSG which means we have a net detriment to our GST payments. So, while I know people applaud the impacts of GST, it can be used by the commonwealth as a stick to make us do certain pieces of infrastructure like, for example, Darlington.

Mr MARSHALL: I do not seem to be getting an answer to my question but maybe I do not understand it in its complexity. It is a difficult area, I appreciate that, but I suppose I want to know what is the incremental gain to a state from receiving money as a grant for a capital project versus receiving it as recurrent—

The Hon. A. KOUTSANTONIS: It depends—

Mr MARSHALL: People are saying to me it is as low as 7 per cent.

The Hon. A. KOUTSANTONIS: It depends on how they issue the grant. It depends on how they allocate the grant.

Mr MARSHALL: We could just do it on the example I have asked.

The Hon. A. KOUTSANTONIS: For example, the South Australian Medical and Health Research Institute was exempted from HFE principles, so we got that grant and it did not affect our GST payments, whereas other payments we receive do affect our GST payments. So it depends entirely on the nature of the grant and what it is used for. For example, the 15 per cent Asset Recycling Fund will be exempt from the Grants Commission process. As Treasurer, I would have preferred it to have been subject to the Grants Commission process. So, for example, we are not selling SA Water so we cannot benefit from the 15 per cent asset recycling program. Other states who are privatising their assets will, but we get no benefit through the HFE process.

Mr MARSHALL: Is it true to say, apart from the exemptions, that a state almost gets an opportunity to say what would they value more highly, capital or recurrent income?

The Hon. A. KOUTSANTONIS: Yes, but they can be punitive by the way in which they treat the grants so you have to be very careful about what you say yes to and what you say no to.

Mr MARSHALL: Sure.

The Hon. A. KOUTSANTONIS: Usually what you say yes to rather than what you say no to. If you accept too much, you see your GST receipts down and you are spending your funding on a capital project that is their priority rather than ours. Luckily for us, in the past it has been on our priorities and we have been quite lucky, but if you have a commonwealth government for example that decides that everything that you want to build is irrelevant and only offers funding for other projects, it can have a detrimental effect.

Mr MARSHALL: What commonwealth money did we receive from the superway?

The Hon. A. KOUTSANTONIS: I would have to check and get back to you. I cannot remember what it was.

Mr MARSHALL: But it was a significant sum and I suppose at that point when—

The Hon. A. KOUTSANTONIS: The problem occurs when you get these big capital infrastructure grants, if you get above your per capita share in the pool. So, South Australia's per capita share in whatever nation building projects there were was about 7 or 8 per cent based on our population. If you receive above that, you get a detrimental impact on the GST. So with the superway, I think the funding was a fifty-fifty arrangement through Nation Building, but at that point it was about our per capita share within the pool so there was not a detrimental impact.

Mr MARSHALL: But if we did not have that project then we would have essentially received the lion's share of that money anyway, but as operating income rather than as a capital grant.

The Hon. A. KOUTSANTONIS: Basically, if you attempt to game the system, which I think is what you are politely getting at, the commonwealth can exclude payments from the system and be punitive and we would also miss out on a piece of infrastructure that is a once-in-a-generation build that is going to free up freight.

Mr MARSHALL: Is one of the reasons our GST distribution is so high relative to other states that the commonwealth is not investing in capital projects in South Australia as evidenced by the fact that in the most recent federal budget there was \$50 billion worth of capital projects announced by the government and we received two?

The Hon. A. KOUTSANTONIS: If that will not show up now, it will show up in the forward estimates and in future years because of the lag effect, but you are right, the commonwealth government is spending a considerable amount of money on infrastructure and a relatively small amount of that is being spent in South Australia. That is very disappointing given that we have such high-ranking cabinet ministers from this state sitting in and around the cabinet table.

Mr MARSHALL: But, minister, if we did get more capital investment from the commonwealth into South Australia, that would immediately diminish the GST which flows to our income statement and massively increase our deficits; is that correct? You are probably delighted that we got very little from the commonwealth.

The Hon. A. KOUTSANTONIS: What the Under Treasurer is advising me, and he is absolutely right, is that it depends on the nature of the grant and it depends on the nature of the project and how it is assessed, so I really cannot give you an overarching general answer to the question.

Mr MARSHALL: Alright. Referring to Budget Paper 3, page 33, I would like to look at the employee expenses. You have said on page 4 of the budget that you will limit future wage growth to 2½—

The Hon. A. KOUTSANTONIS: Is that this one—the overview?

Mr MARSHALL: We are still on Budget Paper 3. It is one of my favourites in the set.

The Hon. A. KOUTSANTONIS: I thought that was page 25. You have moved to page 33, now.

Mr MARSHALL: I was oscillating.

The Hon. A. KOUTSANTONIS: Do you have numerous favourite pages?

Mr MARSHALL: I was oscillating between pages 33 and 4. Page 4 is where you say that you will limit growth to 2½ per cent and of course page 33 is where we are provided with the detail in table 2.9. Really, just to go through this, what you are saying is that you would like to contain wages growth to 2½ per cent; is that correct?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: Does this take into account a practice that the state government has had in the past of having a wage increase as well as a lump sum or, in your calculation of the 2½ per cent, are those two calculations added in together?

The Hon. A. KOUTSANTONIS: Ideally, I would want it be overall and if there is any increase above the 2½ per cent, as we said in the budget, there would have to be corresponding offset savings within the department.

Mr MARSHALL: If the wages negotiation does negotiate for one of these \$1,000 payments, as has happened in recent years, the wage increase would be significantly less because you basically want the 2½ to be the total wage package increase?

The Hon. A. KOUTSANTONIS: That is what I want. Often if it goes to arbitration or goes to the commission, it is out of my hands, but that is generally what I would like it to be.

Mr MARSHALL: What have been the wage growth figures in the past in South Australia? Can you give us the last 10 years of wage growth figures?

The Hon. A. KOUTSANTONIS: Private or public? I would love to have the private sector wages growth figures factored into the budget. I know retail workers and hospitality workers get just about CPI, so I would like to see the same for the public sector, but I can get that for you.

Mr MARSHALL: How often has the government successfully limited wages growth to 2½ per cent?

The Hon. A. KOUTSANTONIS: I will get back to you and check.

Mr MARSHALL: Thank you. On page 26, where we talk about the efficiency dividends, health is not excluded from that additional dividend in this year's budget. Is there a reason for that? It has been excluded in the past.

The Hon. A. KOUTSANTONIS: Why should it be excluded?

Mr MARSHALL: Your practice in the past has been to exclude it.

The Hon. A. KOUTSANTONIS: No, I think it should be included. We all need to make efficiencies. I am sure it is a good discipline to have on departments to always try to make efficiencies. It is very hard in the health system, given that doctors drive a lot of the activity, as well as patients. It is only proper that we have an efficiency dividend on them as well.

Mr MARSHALL: On page 30, your first dot point says that \$94.1 million in employee expenses was associated with an increase in targeted voluntary separation packages, of which \$80 million was provided after the 2013-14 Budget Update. How does this reconcile with table 2.10 on page 33, which indicates that the FTE reductions have again slipped behind schedule since the 2013-14 budget? In one area, you are saying that you are having to take a hit of \$94 million associated with an increased payment of TVSPs, \$80 million of which was provided after the 2013-14 Budget Update. On the very next table, it says you have not got anywhere near achieving what you said you were going to achieve.

The Hon. A. KOUTSANTONIS: I am advised that we had an incorrect FTE count in health and that accounts for the discrepancies.

Mr MARSHALL: How far was that out?

The Hon. A. KOUTSANTONIS: I do not know, but I can get it for you.

Mr MARSHALL: It must be pretty significant because basically what it is saying here is that you have paid \$94 million more than you envisaged and it actually had less of the effect that you

were seeking in terms of reducing the number of full-time equivalents. Are we are talking about hundreds and hundreds of health employees that you just did not know you had?

The Hon. A. KOUTSANTONIS: I will take the first part of the question first. It is a good thing that the packages were taken up earlier. We are attempting to meet our targets but also, at the same point, there was an incorrect assessment of the FTE numbers and I will get those for you so you know exactly what they are. I am not attempting to hide them in any way.

Mr MARSHALL: On page 20—

The Hon. A. KOUTSANTONIS: Sorry, there you go, we published them in the Mid-Year Budget Review. On page 20 of the Mid-Year Budget Review, chapter 1, it states:

Since the 2013-14 Budget, the Department of Health and Ageing's FTE cap has been reviewed to ensure it remains consistent with the level of agency expenses. This resulted in a parameter increase of around 620 FTEs in 2014, rising to around 760 FTEs in 2017. There is no adjustment to employee expenses associated with this correction of the FTE cap. The department has also had its cap revised up by around 180 FTEs in 2014, reducing to around 70 FTEs from 2017 associated with the continuation of programs covered by National Partnership Agreements.

So, we published it just before the election in the Mid-Year Budget Review.

Mr MARSHALL: I do not know what you were saying then. You are saying that you found 700 additional employees in the health department?

The Hon. A. KOUTSANTONIS: It is always difficult to know FTE equivalents in health—

Mr MARSHALL: Is it?

The Hon. A. KOUTSANTONIS: —given the nature of the work, people come in—

Mr MARSHALL: So, you do not know how many people work in the health department?

The Hon. A. KOUTSANTONIS: We announced in the Mid-Year Budget Review, which you obviously did not read—

Mr MARSHALL: So, you said you had it wrong by 700, was it?

The Hon. A. KOUTSANTONIS: Hang on, we announced this before the election—

Mr MARSHALL: Sure.

The Hon. A. KOUTSANTONIS: —so I would imagine that opposition strategists would have gone through the Mid-Year Budget Review, but obviously you missed it. We talked about trying to get that, so we have a figure we worked out. I do not have the exact numbers on me now, but I would refer you to the Minister for Health for the answer. We are not trying to hide this; we made it public in the Mid-Year Budget Review.

Mr MARSHALL: How many?

The Hon. A. KOUTSANTONIS: I just referred you to the Minister for Health.

Mr MARSHALL: Sorry, you just answered a question and I think you gave us a number. I not have that document that you referred to in front of me.

The Hon. A. KOUTSANTONIS: It is the Mid-Year Budget Review.

Mr MARSHALL: You have it in front of you, how many extra staff did you find in the health department?

The Hon. A. KOUTSANTONIS: 'This resulted in a parameter increase of around 620 FTEs in 2014.'

Mr MARSHALL: So, the reason for the \$94 million we are referring to in this in terms of additional TVSPs is because we found 630 additional full-time equivalent employees in the health department that we did not know were there at the beginning of the year?

The Hon. A. KOUTSANTONIS: I am advised it is unrelated.

Mr MARSHALL: Alright, well, then let us go back to the question then. So, we found those employees—that is good, I am glad we found them—but what is the reason for the increase in the \$94 million in TVSP payments?

The Hon. A. KOUTSANTONIS: An increased demand for them.

Mr MARSHALL: But you have more people than you planned to. You set your TVSP budget based upon how many people you thought that you were going to actually be reducing it down by, you reduce it by significantly less than what you planned for, but your TVSP payments went through the roof.

The Hon. A. KOUTSANTONIS: That is good because we want people to come forward and take the packages.

Mr MARSHALL: But they did not?

The Hon. A. KOUTSANTONIS: They did, that is why the increased costs.

Mr MARSHALL: But at the end of the year you are left with more people than you planned to. You set a budget for the TVSPs that you were going to make to reduce that number. You did not reduce it, so you would think that you would actually have a positive variance on your TVSP payments but, in fact, you had an \$80 million increase.

The Hon. A. KOUTSANTONIS: Yes, and I mentioned this on budget day and I suppose for a fuller answer I would refer you to the Minister for Health, but what I would say is when we do have a larger than expected uptake in TVSPs, that is a good thing because what it means is that we are reducing the size of the public sector.

Mr MARSHALL: Which you did not do.

The Hon. A. KOUTSANTONIS: Well I suppose you will have to wait and see. We have made a commitment to a 4,100 reduction in the public sector and I think we will meet that target. It is a lot less than the 20,000 you were planning.

Mr MARSHALL: On 1 July the tenure disappeared. How does this work then? How do you decide, and at what period of time do you decide, that someone is no longer required? If they are already on deployment—so you have already identified that you don't need them—can they be terminated immediately now?

The Hon. A. KOUTSANTONIS: I refer you to the Minister for the Public Sector, minister Close.

Mr MARSHALL: Alright. Can you, though, clarify whether those people who are made redundant will receive a termination payment commensurate with the TVSP?

The Hon. A. KOUTSANTONIS: I would refer all those questions to minister Close. She is best placed to answer all those questions, and it is appropriate that she does.

Mr MARSHALL: Budget Paper 3, page 25. You have said that, as a new initiative, you are going to freeze executive numbers for two years, except in special circumstances. Can you explain what those special circumstances are?

The Hon. A. KOUTSANTONIS: Well, if the cabinet decides that we need more executives or there is some—

Mr MARSHALL: So it is a cabinet decision?

The Hon. A. KOUTSANTONIS: It could be a cabinet decision or it could be a recommendation—

Mr MARSHALL: From whom?

The Hon. A. KOUTSANTONIS: It could be from the department chief executive—

Mr MARSHALL: To the minister or the cabinet?

The Hon. A. KOUTSANTONIS: To the minister or the cabinet.

Mr MARSHALL: So only a minister or the cabinet can—

The Hon. A. KOUTSANTONIS: I will have to go back and check, but these are all questions for the Minister for the Public Sector.

Mr MARSHALL: Can we go to page 146? I could be reading this incorrectly but, when we look at the net cash flows from operating activities, in the middle of that table, we have a negative cash flow of \$290 million. Does that indicate to you, Treasurer, that we are continuing to borrow money to pay wages in South Australia?

The Hon. A. KOUTSANTONIS: No.

Mr MARSHALL: Why is that?

The Hon. A. KOUTSANTONIS: Because there are a number of expenses in there, not just wages.

Mr MARSHALL: But are there any that are non-cash items in that list? I cannot see any that are non-cash items.

The Hon. A. KOUTSANTONIS: I will get you a full list and provide it to the committee.

Mr MARSHALL: So you are saying unequivocally that we are not borrowing money to pay wages?

The Hon. A. KOUTSANTONIS: If you look at this table, as the Under Treasurer points out, there are payments for goods and services, there are grants and subsidies paid, there are interest payments, and there are other payments. I do not think it is fair to categorise it the way you put it.

Mr MARSHALL: Well, they are cash payments. We do not have non-cash items in there and depreciation. You have your net cash flow; it is negative—

The Hon. A. KOUTSANTONIS: I have answered the question.

Mr MARSHALL: So you are saying that we are definitely not borrowing money to pay wages?

The Hon. A. KOUTSANTONIS: I have answered your question.

Mr MARSHALL: Well, can—

The CHAIR: Leader, the Treasurer has answered your question. Do you have another question? I should point out at this point that we are going to move on to some other agencies soon; does the Treasurer want to change his advisers at 11 o'clock?

Mr MARSHALL: Do we also need to read in the omnibus questions at each session?

The Hon. A. KOUTSANTONIS: I would not have thought so, but I am happy—

The Hon. I.F. EVANS: Once per minister.

Mr MARSHALL: Once per minister?

The Hon. A. KOUTSANTONIS: If you want to read them out, go ahead.

The CHAIR: He will remember them, whenever you read them.

The Hon. A. KOUTSANTONIS: They will be the same as last year, and the last 12 years before that.

Membership:

Mr Knoll substituted for Hon. I.F. Evans.

The CHAIR: Treasurer, would you like to change your advisers? When you are ready you can introduce your new advisers and, if you wish, make another opening statement.

Departmental Advisers:

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

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

Mr M. Walker, Commissioner of State Taxation, Revenue SA, Department of Treasury and Finance.

Mr G. Goddard, Deputy Under Treasurer, Department of Treasury and Finance.

Mr D. Reynolds, Executive Director, Budget Branch, Department of Treasury and Finance.

Mr R. Smith, General Manager, Funds SA.

Mr A. Blaskett, Executive Director, Government Accounting and Reporting Procurement, Department of Treasury and Finance.

The Hon. A. KOUTSANTONIS: I have no opening statement and the government will not be asking any questions.

The CHAIR: Does the leader wish to make an opening statement or does he want to head straight into questions?

Mr MARSHALL: I think we will just go to questions.

The CHAIR: Excellent.

Mr MARSHALL: My question relates to Budget Paper 3, page 46 and in particular to guarantee fees under property taxes in that table. Guarantee fees paid into the budget by government businesses such as SA Water and the Housing Trust to offset the cost advantage they gain from access to cheaper finance of government has been something that you have spoken about in the past. You told estimates last year—sorry, it was not you, it was a different treasurer. We have had so many lately, three in the last—

The Hon. A. KOUTSANTONIS: It is like leaders of the opposition.

Mr MARSHALL: Don't worry, you are my favourite.

The Hon. A. KOUTSANTONIS: And can I just say: you are mine.

Mr MARSHALL: Thank you.

The Hon. A. KOUTSANTONIS: Because without you, I would not be here. You are like my lucky charm.

Mr MARSHALL: Thank you, Treasurer.

The Hon. A. KOUTSANTONIS: You are welcome.

Mr MARSHALL: I feel so reassured.

The Hon. A. KOUTSANTONIS: Long may you prosper.

Mr MARSHALL: The treasurer last year told estimates that guarantee fees paid into the budget would drop because of the loss of the AAA credit rating. The 2011-12 SA budget predicted guarantee fees of \$87 million for the 2013-14 year. This was forecast prior to the loss of the AAA and the subsequent ratings downgrades. The 2014-15 budget indicates \$76 million as the 2013-14 estimated result. What part of the \$11 million difference is the result of the ratings downgrades?

The Hon. A. KOUTSANTONIS: The Under Treasurer points out to me that on page 46, on that table, last year we said the guarantee fees would be \$77 million, and this year's estimated result is \$76 million.

Mr MARSHALL: Yes, but it was the 2011-12 budget that was the comparator because that was before the drop of the AAA credit rating.

The Hon. A. KOUTSANTONIS: I do not have those figures here.

Mr MARSHALL: There is no point in doing it after the credit rating change, with respect, Treasurer.

The Hon. A. KOUTSANTONIS: The rate remains the same, but it depends on the level of debt.

Mr MARSHALL: Yes, but that is really not my question. My question is whether or not that \$11 million difference is the result of the ratings downgrade. What proportion of it is due to the ratings downgrade?

The Hon. A. KOUTSANTONIS: I will have to take that on notice.

Mr MARSHALL: Okay. Has the government done any work—and we will just stay in the same area, table 3.4—to compare the interest rate spreads of SA's debt compared to Victoria's debt or other jurisdictions that have a AAA credit rating?

The Hon. A. KOUTSANTONIS: I will get Mr Cantley to give you a more fulsome answer over the spread.

Mr CANTLEY: Thank you, Treasurer. SAFA's spreads to other states—and I will use our August 2019 bond maturity and take the last 12 months. So 30 June 2013, for example, our margin to the commonwealth bond was about 84 basis points. By 30 June 2014 it had fallen to 30 basis points. New South Wales, for the same period, 30 June 2013, we were 24 basis points higher; that has now fallen to around nine. Victoria was around 25 basis points, we were 25 basis points over. It has now fallen to about 10 and, relative to Queensland, Tasmania and WA, we are on about the same borrowing rates now. So, our spreads over the last 12 months have come down a lot, but that has really been driven by improvements of credit around the world and demand from banks for SAFA's paper to meet some of the new Basel III APRA liquidity requirements.

Mr MARSHALL: Can you provide that spread before and after the ratings downgrade?

The Hon. A. KOUTSANTONIS: We will endeavour to get you something.

Mr MARSHALL: Thank you. In 2012, the Queensland Audit Commission's interim report states on page 16, and I quote, 'Debt servicing costs are approximately \$100 million per annum higher than if Queensland had a AAA credit rating.' Queensland, at that time, had borrowings of about seven times our size here in South Australia and they had a AA+ rating. South Australia now has the AA rating. Can you make some comment about the likely additional costs to South Australia of being with the AA rating rather than the AAA rating?

The Hon. A. KOUTSANTONIS: First and foremost, I do not know and I do not think you explained in your question how the Queensland government or the Audit Commission in Queensland came to that figure.

Mr MARSHALL: No, I did not.

The Hon. A. KOUTSANTONIS: We do not know how they have measured that. So, if you are trying to make a comparison with Queensland's results and South Australia's results, I do not think you will get an accurate one. In terms of getting a number, it fluctuates so dramatically throughout the year it would be very difficult to give you a number about what the cost or benefit otherwise is, whether you have a AAA or AA+, whatever it might be, on the difference, but we will endeavour to do so for you.

Mr MARSHALL: Just for clarity, the benefit of having the AAA, from a bottom line perspective, would be two things: lower interest costs and higher guarantee fee—

The Hon. A. KOUTSANTONIS: No. I think the benefit of a AAA credit rating is just good discipline on a government. It is prestige.

Mr MARSHALL: Hear, hear!

The Hon. A. KOUTSANTONIS: It talks about the government's handling of its finances, but let us be clear about this: we made a decision to abandon the AAA. It did not happen to us, we decided to remove it and the reason we did so was a prudent one. We did so because there was an economic downturn, we had debt down to, basically, zero and we were not going to see South

Australians lining up around welfare agencies looking for work. We decided that now was exactly the time to start investing in productive infrastructure. I think that what you are seeing in Victoria, where they have maintained their AAA credit rating, is the private sector clamouring for the Napthine government to start spending on productive infrastructure to maintain their levels of growth.

So, while you might argue that the AAA rating is important for a cost analysis, what we have done is we have chosen jobs. I would hate to think what our unemployment rate would have been if we had maintained our AAA credit rating and what good it would have been to anyone if we had maintained it and had unsustainable levels of unemployment without the economy being diversified and without us investing in productive parts of the economy.

Mr MARSHALL: Budget Paper 2, page 9, the second paragraph, on your capital spend that you have just been talking about you said that you are spending \$10.1 billion across the forward estimates to support 4,700 jobs per annum. This is an average of \$2½ billion a year. By my calculations that works out at \$537,000 per job. Is that not a huge amount of public money to spend per job?

The Hon. A. KOUTSANTONIS: I know that you and I disagree on this. You think government spending money on infrastructure is a false economy, you said so publicly, because you do not believe that the government plays a role in our economy: we do, and we won the last election on the basis that we offered a vision to keep building South Australia. The reason we believe that is because if we withdrew from the economy now it would be a disaster. The infrastructure in which we are investing is in productive infrastructure—it is roads, schools, hospitals and things that improve our productivity, so I do not accept your assertion, but it is a political difference between Labor and Liberal.

Mr MARSHALL: So at \$537,000 per job, how much would we need to spend on capital investment to create the 100,000 jobs that you promised at the 2002 election?

The Hon. A. KOUTSANTONIS: Again that is typical of someone who does not believe in public spending on infrastructure. What you have simply done is said that the government has created 4,500 jobs based on infrastructure. You are forgetting all the associated small businesses and economic activity it does. Those workers have an income, they pay their mortgages, they go off and spend money. They go to Barossa Fine Foods and buy a nice cut of meat and take it home to their family: that gets the butchers working. They might even buy some furniture. They might go out and spend some other money, they might go to a McDonald's—

Mr MARSHALL: Wok in a Box.

The Hon. A. KOUTSANTONIS: —or Hungry Jacks, because the burgers are better at Hungry Jacks, apparently. Or Wok in a Box. I do not think it is a fair assessment to say that we are a planned economy, we will spend X, yet we are only creating 4,500 jobs and no more. That is not right, because we know that indirectly we create more jobs and that money washes through the economy and we get a benefit from it. You and I disagree. You believe that all public expenditure on infrastructure is a false economy.

Mr MARSHALL: I don't—

The Hon. A. KOUTSANTONIS: They are your words, not mine. I did not say 'false economy', you did.

Mr MARSHALL: Anyway, the government made it clear that they were going to lose the AAA credit rating to create jobs; we have actually lost jobs, not created jobs.

The Hon. A. KOUTSANTONIS: Well, I would say to you again: what would it be if we had not done that?

Mr MARSHALL: What would it be if we actually had lower taxes and less regulation?

The Hon. A. KOUTSANTONIS: We probably would have a larger deficit.

Mr MARSHALL: Give me a break.

The Hon. A. KOUTSANTONIS: Well, that is the question. We can revert to voodoo economics again, where you say that if we cut taxes we will get more revenue.

Mr MARSHALL: Works for every other state in Australia. Has the government investigated the increased interest costs of further credit rating downgrades?

The Hon. A. KOUTSANTONIS: Not to my knowledge, but if we have I will get back to you, but I do not think we have.

Mr MARSHALL: Moody's made a comment immediately after the budget was brought down and they made it quite clear: 'We now think it is a high risk that Moody's will change its credit outlook to negative.' Has the government met with Moody's since the budget?

The Hon. A. KOUTSANTONIS: That's not a downgrade.

Mr MARSHALL: Well, AA negative versus AA.

The Hon. A. KOUTSANTONIS: No, the outlook.

Mr MARSHALL: Negative outlook. Has the government met with Moody's since the budget?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: And have they indicated that they are keeping South Australia on negative watch?

The Hon. A. KOUTSANTONIS: They will put out a press release. It is not something done in secret. When they do you will know and I will know.

Mr MARSHALL: They did not indicate to you that they would put you on to negative watch, or did they tell you that you were on negative watch, as reported in comments made by the ANZ Bank?

The Hon. A. KOUTSANTONIS: The press release speaks for itself. If you want to question Moody's, give them a call and ask them. We will do all we can to maintain fiscal disciplines within the band where we are now. Where we are now, I think we can maintain it, but again I go back to the original point: we made a decision to lose a AAA credit rating. It didn't happen to us.

Mr MARSHALL: Not a good one.

The Hon. A. KOUTSANTONIS: Okay, that is interesting because when the Leader of the Opposition and the alternative government say that a AAA credit rating is the aim, the obvious question that follows that is: what do you cut, what do you sell, what taxes do you increase to get there?

Mr MARSHALL: My next question relates to Budget Paper 3, page 63. It says in the second to bottom paragraph:

SAFA's distribution is also expected to be higher in 2013-14 as it includes a special dividend of \$20 million from the return of excess capital in SAFA's fleet business.

Can you provide some clarity on that?

The Hon. A. KOUTSANTONIS: It has been in the forward estimates now for a number of years.

Mr MARSHALL: I am just asking about what it is.

The Hon. A. KOUTSANTONIS: It is surplus capital to our requirements and has been paid back to the budget.

Mr MARSHALL: Do you envisage any other transfers like that from SAFA, going forward?

The Hon. A. KOUTSANTONIS: If they are not in the forward estimates, no.

Mr MARSHALL: Budget Paper 6, page 92, I assume that SAFA still administers industry assistance contracts, is that correct?

The Hon. A. KOUTSANTONIS: Yes, we do.

Mr MARSHALL: What was the Treasury advice prior to the election regarding the \$5.5 million of additional funds for the Hewlett Packard expansion, and was there a cost-benefit analysis undertaken?

The Hon. A. KOUTSANTONIS: Regardless of the Treasury advice, that is advice for the executive and the executive can choose to accept it or ignore it.

Mr MARSHALL: So Treasury advice was sought, it was received. We do not know what it was.

The Hon. A. KOUTSANTONIS: Treasury costs every spending.

Mr MARSHALL: So they did a cost-benefit analysis?

The Hon. A. KOUTSANTONIS: I am not going to reveal any of that to you, but the Hewlett Packard deal is a good deal for South Australia and the government stands by it.

Mr GRIFFITHS: Supplementary, if I may. Treasurer, as a former chairperson of the Economic and Finance Committee, surely this would have met the criteria for an industry development committee review.

The Hon. A. KOUTSANTONIS: That is entirely a matter for the appropriate minister.

Mr GRIFFITHS: In this case, that is who?

The Hon. A. KOUTSANTONIS: The minister for, I think, manufacturing, innovation and trade. I am not sure. I would have to check.

Mr GRIFFITHS: So you have no supervisory roles over these things?

The Hon. A. KOUTSANTONIS: I appoint my representative, which is the Under Treasurer, I am advised.

Mr MARSHALL: Can we talk to Funds SA now?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: Budget Paper 3, page 99, which deals with public financial corporations. Moody's put out a briefing on 25 April 2012 which stated on page 4, 'The government in an emergency situation can borrow temporarily from superannuation fund assets.' Has the government ever done this? Has the government ever sought or received advice about this?

The Hon. A. KOUTSANTONIS: The first part of that question is: no, we have not. Whether we have sought advice on it or not I would have to check, but I doubt it very much.

Mr MARSHALL: That is the sum of my questions for Funds SA. Perhaps we could move to RevenueSA and Budget Paper 3, page 46. I suppose what I am not understanding here, from what is projected in terms of that revenue model, is how South Australia, which has the slowest economic growth rate and the slowest jobs growth rate on the mainland, over the forward estimates will achieve the fastest tax revenue growth of all states over the forward estimates. I wonder whether you can explain that to me, Treasurer.

The Hon. A. KOUTSANTONIS: The first principle is that I do not accept the assertions in your question about South Australia's economic performance, and I am not sure what you are basing them on but I assume it is just political. Part of the government's strategy is that we do think there will be a return to trend and an increase. It is a relatively low base. But the big story of the budget, as we talked about in our first session, was not so much revenues. It was getting expenses down to below 15 per cent of gross state product. That is the key to the surpluses.

Mr MARSHALL: But that was not really the question. The question was not about surpluses. I asked about the fastest tax revenue growth of all states. You say—

The Hon. A. KOUTSANTONIS: I do not know on what you are basing that. That is obviously a body of work you have done. I cannot compare that to know whether it is accurate. Please quote me the report you are quoting from, where it says that. Is that just your own work?

Mr MARSHALL: I will show you. There is the work of each state's economic growth forecast, their jobs forecast and their revenue increase.

The Hon. A. KOUTSANTONIS: So you have done the analysis?

Mr MARSHALL: Yes, of course I have. That is the job. I do not know why you have not done it; that is more to the point. In every single one of these, jobs growth is higher, economic growth is higher and revenue is lower. How do you work that out?

The Hon. A. KOUTSANTONIS: Again, I do not accept your assertions.

Mr MARSHALL: Well, choose a state and I will go through it with you line by line. This goes to the core of the budget.

The Hon. A. KOUTSANTONIS: It does, and you will have four long years of opposition to judge us on it.

Mr MARSHALL: We are asking questions today in estimates.

The Hon. A. KOUTSANTONIS: I will answer them for you.

Mr MARSHALL: You have provided us with the fastest tax revenue growth of any state in Australia.

The Hon. A. KOUTSANTONIS: I just do not accept that. I do not think you can compare like for like. I would love to see your methodology. Show it to us. Table it; table it to the committee.

Mr MARSHALL: I am happy to go through it with any state that you like. Choose a state. It is humiliating for you.

The Hon. A. KOUTSANTONIS: No. Humiliating is telling everyone to vote Labor on the last day before an election; that is humiliating.

Mr MARSHALL: Do you want to just stay focused on this?

The Hon. A. KOUTSANTONIS: Exactly. Being Treasurer is not humiliating. Being Treasurer is trying to do our very best to provide good economic outcomes for the people of South Australia. You will judge us on our performance.

Mr MARSHALL: I think the people of South Australia are judging you on your performance and quite clearly your performance has not lived up to expectations. Let's move on. Based upon what evidence—

The Hon. A. KOUTSANTONIS: Page 47, payroll tax. I will read from the budget:

Payroll tax receipts have been revised down by \$61 million since the 2013-14 Budget reflecting a lower than budgeted outcome for 2012-13 and softer than expected employment conditions in 2013-14. Growth in both employment and hours worked is expected to be weaker than originally estimated.

Growth in payroll tax revenue in 2013-14 is impacted by the temporary small business payroll tax concession, which is available in 2013-14 and 2014-15.

Mr MARSHALL: What is the growth rate, then, in that year?

The Hon. A. KOUTSANTONIS: Hang on.

Growth in payroll tax revenue of between 4.3 per cent and 3.1 per cent in real terms is expected over the forward estimates consistent with the outlook for employment and wages growth.

Although growth in employment and wages is expected across the forward years, employment and wages growth assumptions from 2015-16 are affected by the planned cessation of vehicle manufacturing operations by GM Holden...

So we take into account pessimistic outcomes and have very moderate outcomes in there. Property taxes—

Mr MARSHALL: Let's just stick with payroll tax.

The Hon. A. KOUTSANTONIS: Let me finish.

Mr MARSHALL: No, because you—

The Hon. A. KOUTSANTONIS: Well, I am going to. The budget continues:

Property taxes include stamp duties (...conveyance of property and transfers of non-quoted marketable securities), land tax, the ESL on fixed property, the Save the River Murray Levy, regional natural resources management levies, guarantee fees, the transport development levy...and other minor taxes.

Property taxes are expected to grow in real terms by 14.2 per cent in—

Mr MARSHALL: Are you just reading from the document?

The Hon. A. KOUTSANTONIS: Yes, I am, because you obviously have not. You obviously have not. I have to, because you are not paying any attention.

Mr MARSHALL: Alright; let's talk about payroll tax. I can see in the table that you are reading from that you are predicting a 6.8 per cent growth in payroll tax for this year, higher than Victoria and Queensland.

The Hon. A. KOUTSANTONIS: Different base. You cannot make the comparisons. It is just ridiculous.

Mr MARSHALL: It is a percentage! That is how you do make comparisons. It is a percentage. You are predicting a 6.8 per cent increase in payroll tax this year.

The Hon. A. KOUTSANTONIS: We will see. The Leader of the Opposition can get as agitated as he likes.

Mr MARSHALL: It is not about getting agitated. When are you going to give us an answer?

The Hon. A. KOUTSANTONIS: I am attempting to, but you are not interested in an answer. You are just making a political point.

Mr MARSHALL: Here is the question then: why do you believe that you will have higher payroll tax revenue increases than Victoria and Queensland when they are growing employment faster than we are?

The Hon. A. KOUTSANTONIS: You are basing your question on an assertion that is not proven.

Mr MARSHALL: It is a fantasy, isn't it? Pure fantasy. You will never achieve them anyway. I do not know why you put them together. Regarding stamp duty, how will South Australia achieve the fastest stamp duty revenue growth of all states over the forward estimates/

The Hon. A. KOUTSANTONIS: I think the latest ABS figures bear out some evidence. We are coming from a very low base. The other states have experienced dramatic increases in property values and clearance rates at auctions. It is only fair to assume that South Australia coming off a low base will have a dramatic increase. You can laugh all you like.

Mr MARSHALL: I hope Daniel Wills from *The Advertiser* was listening to that last comment because that would make a great spread for Saturday.

The Hon. A. KOUTSANTONIS: I am sure Daniel Wills and you have a wonderful relationship and he does all sorts of things for you but I am sure he is also an independent journalist who makes up his own mind about what he writes no matter how much you try to flatter him in the parliament for your own personal gain.

Mr MARSHALL: The reason we are going to have the biggest stamp duty increase is because we have had the worst performance in the past so we are going to have a rebound.

The Hon. A. KOUTSANTONIS: It is fair to say—

Mr MARSHALL: What is going to drive that rebound?

The Hon. A. KOUTSANTONIS: I think the Leader of the Opposition's assertion is that South Australian economic conditions are so bad that everything will grind to a halt. That is a damning indictment on Prime Minister Abbott, it is a damning indictment of this government and it is a damning indictment of the people of South Australia, and I think they will prove him wrong.

Mr MARSHALL: Can I point the Treasurer to the most recent ABS statistics, the March quarter report, which showed that dwelling unit commencements in South Australia had fallen behind by 8 per cent over December and they were the worst in Australia. They were the worst in Australia for the March quarter, they were the worst in Australia for the past 12 months, but now just to get this right, the Treasurer is saying that, because we are the worst in Australia, we will be able to make up the most. Is that correct?

The Hon. A. KOUTSANTONIS: No, that is not what I said at all. Again, you are trying to verbal me. It may work in your party room but it will not work in the parliament.

Mr MARSHALL: Okay, well give us the answer.

The Hon. A. KOUTSANTONIS: For example, in the latest housing indicators, dwelling approvals, trend growth from May 2014, year to year to May, is up 17.7 per cent. They are the ABS figures and I know you want to selectively quote but that is entirely up to you.

Mr MARSHALL: What about the March figures? They are the most recent ones.

The Hon. A. KOUTSANTONIS: Dwelling unit commencements year to December quarter 2013, up 21.5 per cent. Residential property price index is up 4.9 per cent in Adelaide. Retail trade is up. Sales of new motor vehicles is up. New business investment is down. Capital new expenditure is up. Private new capital expenditure is up, seasonally adjusted. Exploration spending is up.

Mr MARSHALL: With respect—

The Hon. A. KOUTSANTONIS: Exports are up.

Mr MARSHALL: —that has nothing to do with stamp duty.

The Hon. A. KOUTSANTONIS: No, because your argument is that the general malaise in the economy will not fuel this growth. Well, I have just read out to you a whole series of ABS stats that show the economy is growing but you stubbornly refuse to accept that South Australians are doing their very best to grow the economy and there will be a corresponding increase in transactional taxes off a low base.

Mr MARSHALL: Okay, so you stand by your commitment made in this parliament today that South Australia will have the fastest growing stamp duty revenue in the entire commonwealth?

The Hon. A. KOUTSANTONIS: I do not accept the way in which you have asked the question. I do not know how you have calculated the premise on which you asked your question.

Mr MARSHALL: So, we are not going to have the fastest growing?

The Hon. A. KOUTSANTONIS: In comparison to what? To what is in your head?

Mr MARSHALL: Every other state in Australia. We are in a commonwealth. There are five other states.

The Hon. A. KOUTSANTONIS: Show me the work you have done.

Mr MARSHALL: On what basis were you expecting—

The Hon. A. KOUTSANTONIS: I have just explained to you that a whole series of indicators are showing growth in our economy.

Mr MARSHALL: On what basis were you expecting conveyance duty to grow by 11½ per cent in the 2014-15 calendar year?

The Hon. A. KOUTSANTONIS: Well, first and foremost—let's have first principles here—these assessments are made by independent officers within Department of the Premier and Cabinet and the Department of Treasury and Finance. The Department of Treasury and Finance and Department of the Premier and Cabinet have no interference with the government when they plug these figures into the budget.

Mr MARSHALL: Okay.

The Hon. A. KOUTSANTONIS: I do not ring up the Under Treasurer and say, 'Listen Brett, you had better make it as high as possible to make my budget look better.' They are what they are and if he says that they are lower, they are lower. If he says they are higher, they are higher. These are not assumptions that I make but if you look at the evidence that they are basing them on, it is sound. If you politically want to make an assertion that, no, the government cannot reach them, and if you want to set a trap for yourself and say that the government cannot possibly meet this metric, go ahead because I will not be the one who is embarrassed if we do not, because I am not the one saying that these figures are absolutely accurate. I am saying that these are done independently of me. You are the one making the assertion that they are unachievable.

Mr MARSHALL: No.

The Hon. A. KOUTSANTONIS: It is probably why as Leader of the Opposition you are so naïve and get yourself into trouble. You make these assertions and, if you get them wrong, you are the one with egg on your face, not me.

Mr MARSHALL: I am asking on what basis you expect the—

The Hon. A. KOUTSANTONIS: I have just said to you that they are not made by me, they are made by the department and if the department makes them, I stand by them.

Mr MARSHALL: On what basis? Do they have an economic modelling unit?

The Hon. A. KOUTSANTONIS: The Department of the Premier and Cabinet has. The government does, and it is a return to trend. If you think South Australia will not return to trend, then you will be right. If we are right, it will.

Mr MARSHALL: Who is doing the economic modelling—the Under Treasurer or the Premier's department?

The Hon. A. KOUTSANTONIS: First and foremost, government is a unit.

Mr MARSHALL: Is it?

The Hon. A. KOUTSANTONIS: It is. We speak with one voice.

Mr MARSHALL: I have had a few voices giving me calls late at night recently, but anyway, go on.

The Hon. A. KOUTSANTONIS: If you are hearing voices in your head, that is not my problem.

Mr MARSHALL: Don't you worry about that.

The Hon. A. KOUTSANTONIS: If you are getting leaks, what are they? Just tell us right now. Why haven't you surprised anyone with a leak?

Mr MARSHALL: Well—I'm—

The Hon. A. KOUTSANTONIS: Well, well—what? Where are they? Why weren't they on the front page of the paper this morning starting before estimates if you had leaks? Or are you that inept that you receive a leak and then you keep it and not drop it to the media?

Mr MARSHALL: Well—

The Hon. A. KOUTSANTONIS: Well, what is it? If you are getting late night phone calls from ministers—

Mr MARSHALL: Any chance you could answer the question?

The Hon. A. KOUTSANTONIS: Why don't you answer? You made the assertion in the parliament that you are getting late night phone calls. Back it up!

Mr MARSHALL: Any chance you can answer the question?

The Hon. A. KOUTSANTONIS: Back it up! This is why you keep on losing.

The CHAIR: Leader, I am afraid you did ask for that. Do you have another question?

Mr MARSHALL: I have asked the question.

The Hon. A. KOUTSANTONIS: And I have answered it, but you refuse to accept it. We were having such a nice time being polite to each other. It was like a new dawn, and all of a sudden you reverted to type and so did I.

Mr MARSHALL: Was credit rating agency Moody's correct when it stated on budget day that 'the potential for weaker than anticipated revenue growth remains a risk for the budget outcomes'.

The Hon. A. KOUTSANTONIS: I think Moody's are right to be worried about revenue, as am I. I will give credit to the Prime Minister and the Treasurer. When they were elected in September 2013, they embarked on what I thought was a very good round of returning the country to confidence after the last six years of uncertainty and, regardless of your political persuasion, I think it is not very good for the country to have that kind of uncertainty. I think you saw a return to confidence in the country. Retail spending was up; GST receipts were returning to strength; people were feeling confident.

At the very least there had been no dramatic changes to policies and settings other than the ones that were announced in the federal election. Come the commonwealth budget, I think that has been turned on its head and people are very anxious about this commonwealth government and about what they said they would do and what they actually are going to do. So, like Moody's, I am very concerned about revenues, especially GST, because of the way the commonwealth government is attacking the confidence of the country.

Mr MARSHALL: Referring to Budget Paper 3, page 50—Transport development levy: what are the criteria for GST to be added to the car park tax liability of car park owners?

The Hon. A. KOUTSANTONIS: If you are asking whether or not the TDL is subject to GST, the payments to us are not subject to GST, but if someone has a car park that they are selling as a service, that is subject to GST.

Mr MARSHALL: Right, because I was asking that for about a year. Does the government pay GST on the car park tax that is not reimbursed by the feds on its own car parks?

The Hon. A. KOUTSANTONIS: If it is for business purposes, we pay it and then we get an input tax credit back.

Mr MARSHALL: Will the government pay fringe benefits tax on the car park tax it provides its own employees and at what rate?

The Hon. A. KOUTSANTONIS: We will have to get back to you on the FBT costs for employees who are given their car parks.

Mr MARSHALL: Has the government done a calculation yet on what it will cost the government to pay its own car park tax and what the fringe benefits tax will be on top of that?

The Hon. A. KOUTSANTONIS: In terms of the fringe benefits tax I do not think we have done the calculations yet, but in terms of our own costs, we expect agencies to absorb the cost.

Mr MARSHALL: They will absorb the cost, but no calculation has been made?

The Hon. A. KOUTSANTONIS: No, not as yet.

Mr MARSHALL: Has any determination been made by Revenue SA as to what the incremental costs of administering this tax will be, so that we can determine what the net impact of this taxation revenue measure will be?

The Hon. A. KOUTSANTONIS: The capital expenditure for the implementation of the TDL is \$1.8 million and the ongoing recurrent costs are about \$420,000 to \$430,000 a year.

Mr MARSHALL: Say that again, sorry?

The Hon. A. KOUTSANTONIS: So, \$1.8 million in capital as a one-off and the first share of its implementation will cost us \$418,000, going up to \$428,000, then \$439,000, and then \$450,000.

Mr MARSHALL: That is the ongoing annual cost of administering it, but there was a \$1.8 million cost upfront?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: Has that been expended?

The Hon. A. KOUTSANTONIS: Not all of it, no.

Mr MARSHALL: Was that in the budget for last financial year?

The Hon. A. KOUTSANTONIS: I will have to check and get back to you.

Mr MARSHALL: Can you also check how much of the \$1.8 million has been spent—

The Hon. A. KOUTSANTONIS: Sure, I will get back to you about that.

Mr MARSHALL: —and is it essentially for computer and software upgrades?

The Hon. A. KOUTSANTONIS: I assume so, yes, but I will get you a fulsome answer so you have got all the details.

Mr MARSHALL: Thank you. One question I would like to note is in the draft legislation it talks about the government charging interest on unpaid car park tax of around 10.7 per cent per year. How do you reconcile that with the fact that you will only charge yourself 7.5 per cent interest on any unpaid bills that you have?

The Hon. A. KOUTSANTONIS: It is the standard rate that we charge for all taxes for late fees, a 10 per cent fee. The discrepancy between what we charge ourselves is a matter of government policy, but I see your point.

Mr MARSHALL: On Budget Paper 3, page 63, in the fourth paragraph it talks about the Gillman deal and, in particular, it says, 'Distributions from Renewal SA in 2014-15 are impacted by the sale of 150 hectares of land at Gillman.' Can you advise if there are any state-based tax subsidies or reductions as part of that deal?

The Hon. A. KOUTSANTONIS: Not that I am aware of, no, but I will double-check and get back to you.

Mr MARSHALL: You will be happy to check that?

The Hon. A. KOUTSANTONIS: Sure.

Mr MARSHALL: Budget Paper 6, page 80, in relation to public transport cost recovery, does the government have a list of which events will be hit by the new public transport tax?

The Hon. A. KOUTSANTONIS: I would refer you again to minister Mullighan on that, but I also will give you a brief overview of my thinking on this levy. There are a number of events in the CBD where public transport is not catered for and it is just assumed that there will be public transport there to pick up the pieces at the end of the day. This is a very good piece of public policy to ensure that we can have the safe movement of young people who attend these large festivals to and from there. Either way someone is going to pay; it is either the taxpayer or the people who attend the festivals. Now I know the opposition have called it a fun tax, but I actually think it is a very good model. It is a model that I think Victoria has done very, very well, and I think it is a very good piece of public policy that the opposition should embrace. That is my personal view.

Mr MARSHALL: What I am trying to work out is if that work has not been done, how did Treasury arrive at what the likely revenue is going to be if you hadn't worked out what it was going to apply to?

The Hon. A. KOUTSANTONIS: I think the largest chunk is the Adelaide Oval, but there are a whole number of festivals that go in and around the city and, basically, you would use a formula, predicting from past events, what we have had. However, you also make a decision on a case by case scenario. For example, if there is an event that does not need any augmenting of public transport services to get to and from it—that is, you use existing timetable routes that are already in place—you probably would not charge the levy, but if you had to have a footy express standing by

and close King William Street to take people to and from the event, you would probably charge the levy. If you already have people coming in for a paid event that is over a period—like a convention, for example, that has over 5,000 people—you probably would not charge the levy because you do not need to augment any services.

Mr MARSHALL: You have to figure into your budget with increased revenue, and you are saying that you have not worked out who is and who is not going to be charged. I suppose my question is: how did you actually come up with the figure if you did not know? Or are you saying that there is a list that is unpublished yet, or that there was never a list done and you are just threw a dart?

The Hon. A. KOUTSANTONIS: The costings are given to us by the Department of Planning, Transport and Infrastructure, because they are the ones on the coalface of this, but the reality is that we want to have as much room to move on this as possible. But the main source of the income—

Mr MARSHALL: So there is no list?

The Hon. A. KOUTSANTONIS: Over 50 per cent of the revenue is in Adelaide Oval alone. Is there a list of all the major public events that happen that are eligible for this levy to be charged? There probably is. Have we made a decision about which ones are going to be charged and not charged? No, we have not. However, I will get you more information.

Mr MARSHALL: I have some questions on Budget Paper 5, page 43, on RISTEC. What is that all about? Goodness gracious, what has been going on there? It seems like a bit of a debacle really, doesn't it? Can you give us an overview of this project, because this originally appeared in your 2002-03 budget, and it was a \$22.6 million system upgrade that was meant to be finished by June 2006. Correct me if I am wrong, but this year the budget says that it was not completed in 2006; in fact, it is not going to be finished this year, and the new completion date is the middle of next year. Is that correct?

The Hon. A. KOUTSANTONIS: That is all correct, yes.

Mr MARSHALL: What is the reason for the delay? It is the best part of a decade. I have heard of slippage, but a decade? I might use that with my daughter for her birthday party; 'I'll give you a party, but wait until your 21st darling.'

The Hon. A. KOUTSANTONIS: The Under Treasurer quite proudly tells me he has not returned to government for a dollar of any cost overruns for the cost. The contract was not signed until 2008, so it is not fair to categorise it as a decade waiting for the contract to be implemented. But yes, we are also disappointed at the outcomes—

Mr MARSHALL: So the contract was 2008?

The Hon. A. KOUTSANTONIS: Yes; signed.

Mr MARSHALL: So there was no mention of the RISTEC upgrade in the 2002-03 budget?

The Hon. A. KOUTSANTONIS: I was not Treasurer then; I was just a humble backbencher.

Mr MARSHALL: Well I have it here; it is a beauty. It says here, on page 13 of the SA budget, Capital Works, from 2002-03, that you were going to implement a new taxation revenue system replacement for \$22.6 million, commencement in July 2002 and due to be completed in 2006. It goes through quite a lot of detail, and it even names the project. It is called the RISTEC project.

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: It is broken down into different stages. Stage 1 was \$2½ million and was due to be completed in 2003. So now the Under Treasurer is advising you that you did not even let the contracts until 2008. What was it then?

The Hon. A. KOUTSANTONIS: It went to a public tender. The process was obviously the department trying to understand exactly what its needs were.

Mr MARSHALL: Was it a six-year public tender process for RISTEC?

The Hon. A. KOUTSANTONIS: No, it was not. Again, you can try to make a political point.

Mr MARSHALL: I am just asking a question.

The Hon. A. KOUTSANTONIS: Yes, I know, but the inflection in your voice and trying to mock Treasury is probably not helpful in trying to get an accurate answer. So, if you are really interested in what the impact has been, well, Treasury has not gone back to government asking for extra money.

Mr MARSHALL: Since 2002.

The Hon. A. KOUTSANTONIS: Since the contract was signed.

Mr MARSHALL: Can I just ask one question, no inflection—

The Hon. A. KOUTSANTONIS: Just let me finish and then you can ask.

Mr MARSHALL: Okay, go on then.

The Hon. A. KOUTSANTONIS: The department has not gone back to government with its hand out saying, 'We need more money to implement this project.' They are attempting to resolve all the issues without being an extra burden on the taxpayer.

Mr MARSHALL: Is that true?

The Hon. A. KOUTSANTONIS: Well, they are doing their very best. I also hope that we do resolve it quickly, and Treasury is committed to resolving it.

Mr MARSHALL: Is it true to say that they have not gone back for any additional money when I have the original mention in the budget in 2002-03, where it says \$22.6 million? It is not \$22.6 million any more, is it?

The Hon. A. KOUTSANTONIS: To give a detailed history, first and foremost, after it was first announced in 2002, the costs were an estimate. The department then went and spoke to other jurisdictions around the country about what they were doing. When they realised that what other jurisdictions were doing was dramatically different to what we were envisaging, they stopped the project; they rescoped it. We went to cabinet in May 2008 and were allocated a \$45.5 million budget for the project. They put it out to tender. The tender came back in at \$43.3 million. That was in December 2008. An amount of \$2.2 million was returned to government as a saving. There has been some policy scope, two new initiatives which have increased the costs of the project by \$2.4 million.

The extra expenses that have been incurred, problems with delays in this project, have been absorbed by Treasury, so no extra allocation has been made. That is \$8.4 million. So, Treasury have found those savings themselves rather than come back to government asking for the extra money—a model department. I hope other departments are reading the *Hansard* as we speak to realise what is government best practice.

Mr MARSHALL: First of all we need to clarify: there was no work done between 2002 and 2008.

The Hon. A. KOUTSANTONIS: No, there was work done.

Mr MARSHALL: It was envisaged in 2002 and then they went off and did the work, but no RISTEC work was done in that time, it was more investigative work. Then in 2008 the contract was actually let—that is quite an extraordinary time: six years to let a contract. Anyway, we will let that go. The budget then was not \$22 million: it was \$44 million or thereabouts.

The Hon. A. KOUTSANTONIS: It was \$45.5 million.

Mr MARSHALL: That has increased significantly. I note that in last year's budget it increased to \$52.9 million. This year it is \$54.1 million. But what you are saying is that, despite these time blowouts and cost blowouts, somehow Treasury has absorbed all of those cost increases in their own budget—

The Hon. A. KOUTSANTONIS: That is right.

Mr MARSHALL: —even though they blew out their own budget by \$15 million this year. They did not absorb it that well really when you think about it, did they?

The Hon. A. KOUTSANTONIS: The \$15 million was not a blowout, as you say.

Mr MARSHALL: Well, over and above the budget.

The Hon. A. KOUTSANTONIS: They are all carryovers. It is fair to say that I think that while DTF are disappointed themselves, they have acted very prudently to try to minimise the impact on the taxpayer.

The CHAIR: Can I just interrupt you, leader. We have been sitting here for three hours, the Treasurer and his officials have been sitting here for three hours, I think it is only fair that we have a break shortly before we go onto MAC at noon. Do you agree with that?

Mr MARSHALL: No; we still have—

The CHAIR: I think we should go to a break soon. So, you can go for five minutes, if you like. I think we need to give the Treasurer and his officials a break.

Mr MARSHALL: Can't we just add the time onto the end? I am happy to have a break now but come back for the last 10 minutes of this line and then continue on with the others after. You can have as long a break as you like.

The CHAIR: Do you want to make it noon?

The Hon. A. KOUTSANTONIS: The very best industrial relations practices from the opposition there: no break, add the time.

Mr MARSHALL: I was just getting warmed up.

The CHAIR: We have all been friends so far, I think we can go for a five-minute break.

Mr MARSHALL: And come back to this?

The CHAIR: No, come back to MAC at noon, as per the schedule.

Mr MARSHALL: I am still mid line.

The CHAIR: Mid line?

The Hon. A. KOUTSANTONIS: How much longer is it to another 10 minutes?

Mr MARSHALL: I disagree.

The CHAIR: There have been no government questions too, I think you should note.

Mr MARSHALL: Yes; well, there have not been that many government answers.

The CHAIR: The government has been very generous.

Mr MARSHALL: I think we need to come back to this though. There is no point in finishing off halfway through a line.

The CHAIR: We are wasting time now.

The Hon. A. KOUTSANTONIS: How about we go through to 12 noon and then we will have a five-minute bathroom break.

The CHAIR: Excellent.

Mr MARSHALL: That is what I like. Can you guarantee that there will be no further blowout in the cost to RISTEC?

The Hon. A. KOUTSANTONIS: I have complete faith in the Under Treasurer and the department to do their very best to minimise any impacts on the taxpayer.

Mr MARSHALL: So, when is the new revised time frame for the delivery of the RISTEC system?

The Hon. A. KOUTSANTONIS: July 2015.

Mr MARSHALL: So, it is not June 2015 now, it is July 2015. So, it is not the June quarter, it is now July.

The Hon. A. KOUTSANTONIS: The advice I have is the end of the June quarter 2015, so to be prudent, I do not want to mislead the parliament, we will say July.

Mr MARSHALL: It has been 12 years so far, let us not quibble about a month. How many staff are dedicated to RISTEC and who is responsible for the project?

The Hon. A. KOUTSANTONIS: The commissioner is heading up the work. There are a number of employees from Fujitsu who have been working on this and a number of DTF and RevenueSA staff. I will get you the exact numbers so that you have it.

Mr MARSHALL: That would be good because in 2013 it was reported that there were 35 full-time equivalent people working on the system.

The Hon. A. KOUTSANTONIS: They can walk and chew gum.

Mr MARSHALL: Sorry?

The Hon. A. KOUTSANTONIS: They can walk and chew gum. They are very good. They can do lots of things. They can multitask.

Mr MARSHALL: It would seem not, by the blowout.

The Hon. A. KOUTSANTONIS: Given the size of the budget, the work that they do, the tasks they have and the resources they are given they do an exceptional job, on behalf of all of us.

Mr MARSHALL: What taxes can RISTEC now manage?

The Hon. A. KOUTSANTONIS: I am advised payroll tax. Payroll tax went live in June 2012.

Mr MARSHALL: So, that is the only one at this stage?

The Hon. A. KOUTSANTONIS: That is what I am advised.

Mr MARSHALL: So, it cannot handle any other taxes at this stage?

The Hon. A. KOUTSANTONIS: No; it has not gone live yet on the others.

Mr MARSHALL: I am just saying that is the one that is live. Thank you. Are there any taxes that RISTEC will not be able to manage once completed?

The Hon. A. KOUTSANTONIS: I am advised that release 2 will be land tax and emergency services levy and that the department will be scrapping release 3, which is conveyance stamp duty, insurance stamp duty, motor vehicle stamp duty, first home owner grant and housing construction grant, we will do those internally.

Mr MARSHALL: So let's get this straight: you can do payroll tax now. It will be able to, by July 2015, do land tax and emergency services levy, but there is now revised scope that it will not be doing conveyance duties and a range of stamp duties?

The Hon. A. KOUTSANTONIS: Yes, and first home owner and housing construction grants.

Mr MARSHALL: And when did you decide to change the scope not to include those items?

The Hon. A. KOUTSANTONIS: I will find out the exact date and let you know.

Mr MARSHALL: Will there be another project now—RISTEC II, son of RISTEC; something like that—that will look at these items?

The Hon. A. KOUTSANTONIS: In house, exclusive of Fujitsu.

Mr MARSHALL: So there is no plan to develop RISTEC beyond this?

The Hon. A. KOUTSANTONIS: We have already advised Fujitsu that we will not be continuing with release 3. I will let you know the exact date we told them the good news.

Mr MARSHALL: Okay, thank you very much. Budget Paper 4, Volume 4, page 171, sub-program 7.1 in relation to Revenue SA and RevNet in particular. On 2 July the Australian Institute of Conveyancers advised members that RevNet was down and unable to provide ESL or land tax

certificates for property transfers. What was the problem? For how long was RevNet down and are there ongoing problems with the RevNet system that need to be resolved?

The Hon. A. KOUTSANTONIS: I am advised that it was down for less than a day, half a day. I am advised that there was overwhelming consultation with industry about it and I am also advised that the industry think it is a very well-performing program that does exceptional work.

Mr MARSHALL: Alright, do not worry about how long it was down, but do you envisage ongoing problems with this RevNet system as well? Do you know what caused it?

The Hon. A. KOUTSANTONIS: Web portals do go down. It has been in operation since 2003. It has been a very reliable system and went down intermittently for half a day. In comparison, if you hold it up against the major four banks—

Mr MARSHALL: It was just maintenance or something like that? It was not a systemic problem?

The Hon. A. KOUTSANTONIS: No, it is nothing systemic. It was things outside our control. We are not envisaging any other problems with it.

Mr MARSHALL: Budget Paper 3, page 18, the last sentence in the second to last paragraph talks about gaming machine regulations that are envisaged to be changed that will increase revenue. Can you tell me what they might be?

The Hon. A. KOUTSANTONIS: No, I would refer you to the appropriate minister in terms of the regulations. I assume (I am guessing and do not want to mislead you) that it is the high roller provisions within the Adelaide Casino, but I will double-check and get you a more accurate answer. I think minister Gago is the appropriate minister.

Mr MARSHALL: My final question before your convenience break, because that is the sort of guy I am—

The Hon. A. KOUTSANTONIS: Thank you for your concern.

Mr MARSHALL: —is from Budget Paper 4, Volume 4, page 171. At the bottom of the page. I think I have stumbled onto something huge here, Treasurer.

The CHAIR: You have one minute, and that is all.

Mr MARSHALL: I have one minute and that is all I need. I think I have uncovered a doozy! It says:

Development of legislation and a collection framework for the Transport Department Levy.

I did not know that we were going to introduce a transport department levy. Could you please outline to the committee what that huge tax is all about?

The Hon. A. KOUTSANTONIS: I congratulate the work experience boy in your office who found this. Well done!

Mr MARSHALL: Don't you worry about that!

Sitting suspended from 12:00 to 12:10.

Membership:

Mr Wingard substituted for Mr Knoll.

Departmental Advisers:

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

Mr F. Bartlett, Acting Chief Executive, Motor Accident Commission.

Mr D. Mazzone, Director, Project Office, Motor Accident Commission.

Mr G. Goddard, Deputy Under Treasurer, Department of Treasury and Finance.

The Hon. A. KOUTSANTONIS: I wish to make a brief opening statement, if I may, and the government will have no questions. I am pleased to advise the committee that the Motor Accident Commission is in a sound financial position. Whilst the financial results for 2013-14 are still in the process of being finalised, as of 31 May MAC had net assets of \$1.2 billion. In 2012-13, the Motor Accident Commission reported a profit of \$371 million.

Since 2007, MAC has had responsibility for the state government's road safety communications program in support of South Australia's road safety priorities. These programs and campaigns focus on an increase in community awareness and changing the attitudes and behaviours of road users to reduce the incidence of road trauma. MAC has an important role in educating the public about road safety and encouraging better driving behaviour, which helped contribute to our annual road toll reducing from 154 in 2002 to 98 last year.

As part of the 2014-15 state budget, the government announced proposed changes to the provision of compulsory third-party insurance. These changes will open the provisions of CTP insurance to the private sector in a more efficient structure. Despite this change, the government intends for MAC's road safety focus to continue as normal. I invite questions.

Mr MARSHALL: My questions will relate to Budget Paper 3, page 8, in particular, regarding the motor accident insurance decisions announced in this budget. What is the expected level of retained earnings as of 30 June 2014? Was that the figure of \$1.2 billion you just read out?

The Hon. A. KOUTSANTONIS: We only have unaudited figures so I am reluctant to hand those out until we know what the audited figure is.

Mr MARSHALL: They were provided last year in estimates.

The Hon. A. KOUTSANTONIS: Were they? I am not trying to be difficult. I just do not want to mislead anyone.

Mr MARSHALL: Neither am I, but in estimates last year you gave the figure.

The Hon. A. KOUTSANTONIS: The unaudited figures?

Mr MARSHALL: Yes.

The Hon. A. KOUTSANTONIS: I am happy to provide them to you. I am advised it is approximately \$440 million.

Mr MARSHALL: Was the \$1.2 billion figure that you referred to an overprovision, surplus funds on the balance sheet?

The Hon. A. KOUTSANTONIS: I am advised it is surplus assets as of 31 May 2014.

Mr MARSHALL: That is the term that is used. So you get to 100 per cent provision for the future identified liabilities and anything over and above that is referred to as the surplus assets?

The Hon. A. KOUTSANTONIS: The solvency formula is a different concept. The net assets is simply assets less liabilities, which is \$1.2 billion. The solvency ratio is a different equation altogether.

Mr MARSHALL: Can you take me through where we sit on both of those?

The Hon. A. KOUTSANTONIS: Again, unaudited. Our solvency rate is at 129 per cent.

Mr MARSHALL: Last year, I think it was at 113 per cent.

The Hon. A. KOUTSANTONIS: I do not know for last year but I can go back and check.

Mr MARSHALL: Solvency is 129 per cent. How would we calculate what that 29 per cent is over and above the liabilities? What would that sit at?

The Hon. A. KOUTSANTONIS: I will ask Freddy to answer that question for you.

Mr BARTLETT: The 129 per cent is based on an old APRA formula. It would equate to approximately—let me just check that. I might have to take that on notice to do the actual calculation.

Mr MARSHALL: Are there any policies within MAC as to what that should sit at? It has been much lower than 129 per cent in all of my recent readings.

The Hon. A. KOUTSANTONIS: The basic principles are that it should sit at 100 per cent.

Mr MARSHALL: That would tend to fluctuate a little bit higher and lower.

The Hon. A. KOUTSANTONIS: As a minimum of 100 per cent. They obviously aim for higher than that to achieve it.

Mr MARSHALL: Sure. Have you made decisions in the past to send surplus money above the 100 per cent to the Treasury? Obviously there was the \$100 million dividend last year.

The Hon. A. KOUTSANTONIS: No, we have not taken money as dividends, and the \$100 million that the Motor Accident Commission assigned to the budget last year was not put into general revenue or the Consolidated Account. It was tied to actual works.

Mr MARSHALL: So that was the first time ever?

The Hon. A. KOUTSANTONIS: That I know of, but I will double-check.

Mr MARSHALL: Is it your policy to take in surplus above 100 per cent, or is it just going to be taken on a—

The Hon. A. KOUTSANTONIS: It is a matter for the board, if they wish to pay us money for certain works, but we announced in the budget that we would be ceasing the issuing of compulsory third-party premiums and would make a decision about whether we sold a tail, we ran down a tail, how we would liquidate those assets to the Highways Fund.

Mr MARSHALL: When we go back in time, was the decision to send \$100 million to the tied road projects a decision of the MAC board, or was it a request of the government looking at these surplus funds?

The Hon. A. KOUTSANTONIS: I am advised that it was a decision of the MAC board.

Mr MARSHALL: I think they made that announcement in the 2012-13 year, but for some reason it was not received until the 2013-14 year. Subsequent to that, you have had some fairly large performances. Retained earnings have increased significantly in those two subsequent years and now the government has made a decision to cease operating on 30 June 2016.

The Hon. A. KOUTSANTONIS: Or sooner.

Mr MARSHALL: Or sooner? How much sooner could it be?

The Hon. A. KOUTSANTONIS: I will take advice on it. The Under Treasurer will lead a group that will look at the performance of the Motor Accident Commission. We are obviously looking for people now to help advise us on how best to end the practice that we have been involved in and how best to return the maximum return to government possible. They will look at that and come back to us with recommendations. I put that in just in case they come back and say, 'There is a relatively simple way of doing this. We can do it quickly and efficiently. We can bring it forward to 1 July 2015,' but to give me plenty of room, we have set the date of 1 July 2016.

Mr MARSHALL: The \$100 million that was paid in last financial year was not paid into the Highways Fund? It just went into general revenue and then was expensed out against transport projects?

The Hon. A. KOUTSANTONIS: I cannot tell you which fund it went into, but it was hypothecated to a series of works. I will get those details for you.

Mr MARSHALL: But it was not into the Highways Fund?

The Hon. A. KOUTSANTONIS: It was paid into consolidated revenue, as a grant I assume, and that grant then was sent out to DPTI and was paid out in projects.

Mr MARSHALL: But what you are proposing now is quite different?

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: You cease operating at a date—maybe 30 June 2016, maybe before—and that money currently in the budget at \$500 million (but we have already ascertained that that could move)—

The Hon. A. KOUTSANTONIS: Could be more.

Mr MARSHALL: That would be paid into the Highways Fund. Is that a balance sheet transaction only?

The Hon. A. KOUTSANTONIS: What I am attempting to do is to reduce my borrowings for infrastructure programs by putting that money into the Highways Fund and spending that money on roads that we are borrowing money for right now.

Mr MARSHALL: There are two different treatments for the distributions. The \$100 million went into consolidated revenue, so it came in as income. It went out as an expense, but it diminished the deficit for the year that it was received in by \$100 million, albeit that you then spent money on it. If this comes into the balance sheet, it will not have that effect of lowering the deficit by \$500 million, or will it?

The Hon. A. KOUTSANTONIS: We have not factored it into the net operating balance. When we do eventually get the money (as I said we have been very conservative about it) the Auditor-General may have a view about how we record it in the fiscal outlook, in the net operating balance, and we will act accordingly.

Mr MARSHALL: But at this stage, subject to any advice from the Auditor-General, it will be a straight balance sheet transaction and it will not affect the net operating balance—

The Hon. A. KOUTSANTONIS: Yes.

Mr MARSHALL: —and it will not be flushed through because quite often federal government grant moneys come through the consolidated income—

The Hon. A. KOUTSANTONIS: Yes, that is the advice I have received.

Mr MARSHALL: Good. How much is in the Highways Fund as of 30 June 2014?

The Hon. A. KOUTSANTONIS: I refer you to the Minister for Transport but I will endeavour to find out for you and get a figure for you, and let you know.

Mr MARSHALL: I will not hold you to it, but is it a significant fund? I have never heard of it, that is all.

The Hon. A. KOUTSANTONIS: I do not know.

Mr MARSHALL: Have you heard of it before?

The Hon. A. KOUTSANTONIS: Yes, I used to be transport minister.

Mr MARSHALL: That is right, you were the transport minister. What was it when you were last in charge?

The Hon. A. KOUTSANTONIS: I cannot remember. I was too busy winning an election.

Mr MARSHALL: Exactly. Not doing your job as the minister.

The Hon. A. KOUTSANTONIS: No, I did my job beautifully, actually.

Mr MARSHALL: Did you?

The Hon. A. KOUTSANTONIS: I did.

Mr MARSHALL: People commented on it. When you made the decision to go ahead with the liquidation, essentially, of the MAC, who provided that advice to you?

The Hon. A. KOUTSANTONIS: The cabinet itself made the deliberations. After we were successful in the election campaign, we did an assessment of how best to implement our budget. Along came the commonwealth budget and we had to start thinking outside the square about the best ways to build capacity within our budget and I think it is fair to say that the Motor Accident Commission stood out. It is not an essential utility, it is not an essential service, and we felt that it did not compromise our election commitments and we proceeded. I have to say I have not avoided using the word 'privatisation'.

Mr MARSHALL: No, fair enough.

The Hon. A. KOUTSANTONIS: It is a privatisation.

Mr MARSHALL: It is a privatisation.

The Hon. A. KOUTSANTONIS: But it is not the privatisation of an essential service which we committed not to do.

Mr MARSHALL: Just on that, though, on 14 November last year the Premier said:

We've ruled out privatisation of further significant assets...

He did not talk about, as you have clarified it now, essential services. He made it very clear.

We've ruled out privatisation of further significant assets...

Isn't the Motor Accident Commission a significant asset?

The Hon. A. KOUTSANTONIS: No, it is an insurance agency.

Mr MARSHALL: It is not an asset?

The Hon. A. KOUTSANTONIS: No.

Mr MARSHALL: Really?

The Hon. A. KOUTSANTONIS: What they buy is assets. What they invest in is assets. I consider SA Water, the desal plant, our sewerage treatment plants and our pipes significant assets. If I had been asked before the election, would we consider outsourcing compulsory third-party premiums, I probably would have said, 'Yes, maybe.'

Mr MARSHALL: This is not really outsourcing is it?

The Hon. A. KOUTSANTONIS: It is. It is privatisation. Again, I am not trying to walk away from calling it privatisation but I do not think it is an essential service and I do not think it is an essential asset.

Mr MARSHALL: I know it is not an essential service. You have made that point on the record before but I think this is the first time you have put on the record that you do not think it is a significant asset.

The Hon. A. KOUTSANTONIS: Well, it does not deliver to the state a service that a significant asset like the desal plant does. No one else can provide us desalinated water, only the desal plant can.

Mr MARSHALL: So you think that the liquidation or privatisation is completely in context with what the Premier said on 14 November?

The Hon. A. KOUTSANTONIS: Absolutely.

Mr MARSHALL: Good. I just need to understand. You have just said that government formed this view, but there was no study done. You just formed the view that this was an opportunity for—

The Hon. A. KOUTSANTONIS: I do not know if studies were done previous to the election. There may have been. I will take advice on that, but the decision that informed me was very much the commonwealth budget.

Mr MARSHALL: So, the commonwealth budget comes along, and then you say, 'Well, look, we've got to find some money, so let's just liquidate the Motor Accident Commission. There are some

surplus funds on their balance sheet and we can liquidate those.' Surely there were another couple of options for you. One was to continue to run it as an ongoing entity. It has made a \$440 million surplus last year alone. There's—

The Hon. A. KOUTSANTONIS: Yes, there are other options. We could just start taking dividends from them.

Mr MARSHALL: Dividends is one option, sale is another option or liquidation is the third. What due diligence did the government do to determine the best of those three options? Prima facie, I would have to say that that probably looks like the worst of the three options because although you might say, 'We are just being prudent,' if you factor in \$500 million, there are significantly greater surplus assets than that now. You would be discounting your significant surplus assets to get down to \$500 million, wouldn't you?

The Hon. A. KOUTSANTONIS: No. Again, it is like, if I float, I am a witch; if I drown, I am innocent. We are being very conservative in our estimates. I am not going to risk the state by taking dividends or asking the Motor Accident Commission to change its solvency ratios to try to benefit the government as they have done in Victoria where they are now running liabilities. They are running deficits in their TAC—I think that is right.

Mr MARSHALL: I do not know about that.

The Hon. A. KOUTSANTONIS: I will check. Anyway, I do not want to expose the state to that kind of risk where we have an unfunded liability, ultimately, in the Motor Accident Commission, so the most prudent way of doing this is the way we have decided to go, which is either selling the tail or running down the tail ourselves, and we will make a decision after we do a body of work.

Mr MARSHALL: You have said there is too much risk in terms of running it. Even though we have run it for an extended period of time, there is too much risk involved with running it going forward. Was any thought given to selling it? Presumably, at the point of sale, you could actually remove the surplus assets, so you would have had the same distribution, but you would have actually got something for selling it as a business.

The Hon. A. KOUTSANTONIS: The question comes now: do we sell it as an entity to another provider and have another regulated monopoly (but owned privately) operating in South Australia, much the way SA Power Networks or any other private regulated monopoly does? Or do we want to inject some competition into the system and have two or three or four providers offering CTP? We will do a body of work to work out what we think is the best option that gives the best outcome to the taxpayer and to motorists, ongoing.

Mr MARSHALL: So you may sell it is an ongoing concern?

The Hon. A. KOUTSANTONIS: We may, but I do not think that is the path we will go down. We will decide after we do this body of work.

Mr MARSHALL: That is quite a variation on what you said. Previously you said it will essentially be liquidated.

The Hon. A. KOUTSANTONIS: I am keeping my options open. It is the prudent thing to do—whatever gives us the biggest return.

Mr MARSHALL: I am certainly not having a go at you over that. I think that is a good idea, but I make the point that the two things we found out this morning are, firstly, that it does not necessarily cease on 30 June 2016. It could be before.

The Hon. A. KOUTSANTONIS: You will find that on budget day I said that.

Mr MARSHALL: And, secondly, that you may look at it as a trade sale.

The Hon. A. KOUTSANTONIS: No, that is not right, because on budget day, when I did my presentation to the media, I said both those things. In fact, I said—

Mr MARSHALL: Well, I was not at your presentation to the media.

The Hon. A. KOUTSANTONIS: I know. I am not criticising you.

Mr MARSHALL: I like you, but I do not want to follow you around. People will think that I am stalking you.

The Hon. A. KOUTSANTONIS: You are slightly obsessed, but that is okay.

Mr MARSHALL: What can I say?

The Hon. A. KOUTSANTONIS: I did make it quite clear to the media on the day, and to any commentator who I spoke to, that there are a series of options available for us on the Motor Accident Commission. I have made it very clear to the media that we could be doing it sooner, so it is not a revelation I have made today. In fact, I think I even said that, all things being equal, we would have done this anyway because it just makes so much sense.

There is no reason for the government to be running a monopoly that is providing such massive surpluses that is not an essential service. One, we should return that money to the taxpayer as quickly as possible and two, we should open it up to more competition, maybe, to get a better outcome for motorists. Or, if that will not give us a better outcome, we can have another monopoly provider buy the entity as it is and offer the service. These are things that we will discover as we go through the process and, ultimately, the parliament will have a say, too, I imagine.

Mr MARSHALL: So, you could be selling this as a monopoly?

The Hon. A. KOUTSANTONIS: Yes, absolutely.

Mr MARSHALL: Has that been made public before?

The Hon. A. KOUTSANTONIS: Yes, on budget day.

Mr MARSHALL: On budget day you said that we might just sell this as an ongoing monopoly?

The Hon. A. KOUTSANTONIS: Yes, I said on budget day that we may sell this, we may just open it up to competition and run down the tail ourselves or we may sell the tail as an asset to someone rather than us trying to run it down given the variances that happen in the property market, so these are all things I have said before. If I have not said them before I apologise, but I am pretty sure that I have. I have been as open as possible about this.

Mr MARSHALL: What do you think would be the impact upon motorists of opening it up to competition and I only ask this question because normally—and I am ready for the speech and I will enjoy it—we are very pro market competition, but APRA does impose some very significant restrictions and therefore costs on private insurance providers that are just not provided to governments when they are underwriting their insurance with a government guarantee? Are you sure that consumers will end up with a lower cost? People are telling me that it is quite possible there will be an increased cost through competition.

The Hon. A. KOUTSANTONIS: First and foremost we mirror almost all of the APRA requirements that are put upon private providers, but the most important distinction between government operations and private providers is that there is a lot more of an incentive to screw down costs for competitive advantage than there is in government. I am not saying that the Motor Accident Commission has not done a good job; I think they have, but the reality is a private company—and I should not have to be telling you this—will do all it can to keep its expenditure low and its costs of delivering service low to be as competitive as it possibly can in the marketplace.

What I want to see is our motorists being able to take full advantage of that new competitive tension, whether that be through a bidding process to buy the Motor Accident Commission or whether it be through a bidding process to become one of the providers who can issue CTP. There is a whole series of mechanisms we can have in place to give the taxpayer benefit, but the reality is that even while it is in government hands I cannot guarantee CTP prices will not go up, as anything can happen.

Mr MARSHALL: Have you had a look at other jurisdictions where they have outsourced CTP to the private sector, whether they have gone up or down?

The Hon. A. KOUTSANTONIS: I think New South Wales has gone down, but I will get the full details for you. I do not have all the answers here in front of me.

Mr MARSHALL: Will this sale be appropriate to receive the 15 per cent asset recycling grant money from the federal government?

The Hon. A. KOUTSANTONIS: That is a matter for the commonwealth.

Mr MARSHALL: Can you confirm that you are now trying to access that 15 per cent asset recycling grant money?

The Hon. A. KOUTSANTONIS: I made it very clear at the treasurers' conference that I would not stand in the way of the 15 per cent asset recycling mechanism that is being put in place. I understand it was withdrawn from the Senate because the Senate was going to move amendments to make it have an application for HFE, which it currently does not, so it was going to be operated by the Grants Commission. The Treasurer will now try and establish another protocol outside the auspices of the parliament just using general revenue in grants to try and make it work, so we will wait and see what that looks like, but if we do decide to spend some money from the Motor Accident Commission on something other than something that is already announced and we are eligible, why would we not apply?

Mr MARSHALL: Only that you have been quite critical of it publicly in the past.

The Hon. A. KOUTSANTONIS: I will tell you why. Traditionally the arrangements have been for infrastructure outside metropolitan cities that the funding split be 80:20 and that is 80 per cent commonwealth money, 20 per cent state money. What Treasurer Hockey is saying is if we want to take this money and spend it on a port, for example, he will only give me 15 per cent and he will approve the port and he will decide what we spend it on, so it is a fundamental shift from what we have had traditionally and I am not sure it benefits us. What I think has happened, by way of anecdote, is I think that Mike Baird and Joe Hockey are very close and Mike Baird wants to sell his electricity assets and Joe Hockey has reverse-engineered a program that is going to make the sale of New South Wales electricity assets look more appealing to New South Wales voters.

Mr MARSHALL: Have you factored any potential 15 per cent federal bonus into your contingencies in your budget?

The Hon. A. KOUTSANTONIS: No.

Mr MARSHALL: If you do receive it, would the MAC proceeds need to be spent entirely—not just the \$500 million you have already earmarked, but entirely—on infrastructure?

The Hon. A. KOUTSANTONIS: No; what they would say is whatever you spend on it, whatever proportion you allocate to infrastructure. I think the guidelines are pretty simple: if you want to build infrastructure it cannot be already announced, it must be new infrastructure; the commonwealth needs to approve it, they need to say that it is a good deal, so I assume it will not be roads unless they are tolled; and it will not be anything that cannot be sold for further recycling. So whatever money you allocate they will give you 15 per cent of it.

For example, if we get a billion dollars for the Motor Accident Commission and we spend \$300 million on a piece of infrastructure, they will not give us 15 per cent on a billion dollars. They will give us 15 per cent on \$300 million, on what we spend on the infrastructure. But we do not know the size of the fund that the Treasurer has, and I do not know how much of that has already been allocated.

Mr MARSHALL: When will you receive confirmation or otherwise that you will receive the 15 per cent asset recycling bonus?

The Hon. A. KOUTSANTONIS: It is on application.

Mr MARSHALL: So you have put the application in—

The Hon. A. KOUTSANTONIS: No; we have put no such application in.

Mr MARSHALL: So you have just had a chat at this stage?

The Hon. A. KOUTSANTONIS: No; it has not even passed. We do not know what it looks like yet. As part of the budget he sent it to the Senate; I understand there were amendments flagged

to the process, and I am advised that the Treasurer then withdrew it from the Senate. I am also advised that he is now formulating a new process. What that is going to look like, I don't know.

Mr MARSHALL: What I would like to know at this stage, though, is: what are the surplus assets that are within the MAC?

The Hon. A. KOUTSANTONIS: I would imagine that they would be different at any one time, but I will have to check and get back to you.

Mr MARSHALL: Don't we know that as of 30 June 2013 they were sitting at \$767 million? We know that they have had a sort of bumper time since then. You mentioned a figure of 1.2 in your opening statement, but I didn't quite catch what that was. Is that what the surplus money is at the moment?

The Hon. A. KOUTSANTONIS: That is the unaudited surplus MAC net assets of \$1.2 billion.

Mr MARSHALL: Doesn't it strike you as curious, then, that if it is already at 1.2, and you are going to be trading for another two years, the markets are improving, you've got your costs down—

The Hon. A. KOUTSANTONIS: That is not what you said earlier. You were saying that there won't be any great uplift in property prices and conveyance duties because the market is not improving; now you are saying the market—

Mr MARSHALL: I do not think the MAC is investing in South Australia. I think that is the point: I do not think they are investing in South Australia—

The Hon. A. KOUTSANTONIS: I think a lot of them are.

Mr MARSHALL: —and that is a good question.

The Hon. A. KOUTSANTONIS: I think a lot of them are, and I think you have just been hung by your own words.

Mr MARSHALL: Can you provide the committee with the percentage of investments of the Motor Accident Commission that are invested in South Australian investments (and thanks for reminding me)? Can you provide the committee with the split of MAC investments by state and internationally?

The Hon. A. KOUTSANTONIS: Sure; I think it would be possible.

Mr MARSHALL: Thank you. If we do have surplus assets at the moment of 1.2 and it could significantly increase, why would we be providing for only \$500 million? Surely that is beyond the realms of being prudent.

The Hon. A. KOUTSANTONIS: Because it is so volatile. As the Under Treasurer advised me recently, this business is so volatile that in the last two years it has been moving in our direction (which is good) but, conversely, it can move in the other direction. So we are being prudent. I suppose, to use the words of the Prime Minister, we want to underpromise and overachieve.

Mr MARSHALL: Hear, hear. Will this final format require any legislation?

The Hon. A. KOUTSANTONIS: It may or may not, depending on what model we take. But I will give you full briefings, because if it does require legislative approval we will obviously need your support.

Mr MARSHALL: I would like to ask some questions on the SA government insurance and fleet, if that is possible.

The Hon. A. KOUTSANTONIS: Sure. Can we get Kevin Cantley back.

Departmental Adviser:

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

Mr MARSHALL: I refer to Budget Paper 4, Volume 4. In particular, I am interested in an update on what is happening with the building indemnity insurance. We know that minister O'Brien back in April 2013 said that the government was 'currently in discussions with QBE insurance, which has indicated that it is willing to act as an agent for the government from 1 July 2013 to 30 June 2014'. Did that happen and have we extended that contract beyond 30 June and when are we now planning to exit from our liability in this area?

The Hon. A. KOUTSANTONIS: Before I hand over to Mr Cantley to give you a more fulsome update, I completely support the actions of minister O'Brien to do everything we can to step into this space, because if we had not, it could have been disastrous.

Mr MARSHALL: Agreed.

The Hon. A. KOUTSANTONIS: Good, I am glad. But at the same point, I share your willingness to find an exit point. All good endeavours require an exit, and I am looking forward to the day when we can exit and reduce our risks. I will hand over to Mr Cantley.

Mr CANTLEY: Thanks, Treasurer. Just to clarify: yes, we took over the cover from 1 July 2013, providing insurance for the building indemnity insurance market. The intention was to shut it down or transfer it back to the private sector by 30 June 2014. We have extended that to 30 June 2015. The process we have been going through is that we engaged an external expert to help us, looking at both the type of cover that is provided and the protections in the legislation, as well as what might attract the insurers back into the market.

Other states like New South Wales, Victoria and WA face the same issues, so we are all going through trying to identify how best to move forward. We also consulted with interested parties back in about November or December last year, around that period, and we are yet to bring back our recommendation to cabinet for consideration. We would expect to do that over the next few months and then it will be up to the government to decide, based on the consultation and the options, as to how we go forward.

Mr MARSHALL: Thank you. I will read the omnibus questions into *Hansard*.

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2013-14 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 in 2013-14, please provide the number of public servants broken down into heads and FTEs that are (1) tenured and (2) on contract and, for each category, provide a breakdown of the number of (1) executives and (2) non-executives.

3. In the financial year 2013-14, for all departments and agencies reporting to the minister, what underspending on projects and programs (1) was and (2) was not approved by cabinet for carryover expenditure in 2014-15?

4. Between 30 June 2013 and 30 June 2014, will the minister list the job title and total employment cost of each position with a total estimated cost of \$100,000 or more—(a) which has been abolished and (b) which has been created?

5. For each year of the forward estimates, provide the name and budget of all grant programs administered by all departments and agencies reporting to the minister and, for 2013-14, provide a breakdown of expenditure on all grants administered by all 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 15.

6. For each department or agency reporting to the minister, what is the budget for targeted voluntary separation packages for the financial years 2014-15, 2015-16, 2016-17 and 2017-18?

7. What is the title and total employment cost of each individual staff member in the minister's office as at 30 June 2014, including all departmental employees seconded to ministerial offices and ministerial liaison officers?

I have a further question on strategic procurement.

The CHAIR: You have one minute.

Mr MARSHALL: I had better make it a good one then. Previously, the government has told the parliament that of all of the state government procurement 60 per cent is spent outside of South Australia. In fact, a previous minister said that this was up from 40 per cent before the government came to power. So, 40 per cent of state government procurement happened interstate before Labor came to power. As of about a year ago, it increased to 60 per cent. Can you provide an update to the committee on how much is spent on procurement out of this state, by state and international?

The Hon. A. KOUTSANTONIS: That information will not be available until the State Procurement Board tables its annual report. It has to collect all the information from agencies so that we know exactly where we are at. I think it is fair to say that the government is pretty committed to trying to get that number down as low as possible, that is why we have the industry participation advocate, and I noticed the opposition announced it would be abolishing that position had it been successful at the election. So, I think he can do a fair bit more to try to help.

Obviously, as procurement grows we want to see as much of it grabbed but sometimes when procurement grows it grows at a rate that is a lot faster than the capabilities of the state to meet that procurement. We will do all we can to try to make sure that we procure as much as we can in South Australia, especially in growing industry, but I will get that answer for you.

The CHAIR: There being no further questions, I declare the examination of the proposed payments of the Department of Treasury and Finance and administered items for the Department of Treasury and Finance adjourned to Committee A. The committee stands suspended until 1.45 pm.

Sitting suspended from 12:47 to 13:45.

DEPARTMENT OF STATE DEVELOPMENT, \$644,298,000

ADMINISTERED ITEMS FOR THE DEPARTMENT OF STATE DEVELOPMENT, \$7,665,000

Membership:

Mr van Holst Pellekaan substituted for Mr Marshall.

Mr Speirs substituted for Mr Griffiths.

Mr Knoll substituted for Mr Wingard.

Minister:

Hon. A. Koutsantonis, Treasurer, Minister for Finance, Minister for State Development, Minister for Mineral Resources and Energy, Minister for Small Business.

Departmental Advisers:

Mr R. Garrand, Chief Executive, Department of State Development.

Mr. M. Pegoli, Director, Invest in SA, Department of State Development.

Mr. R. Janssan, Group Executive Director, Strategic Services, Department of State Development.

Ms P. Chau, Director, Finance, Department of State Development.

Ms C. Jamieson, Acting Director, Office of the Economic Development Board.

The CHAIR: I declare the proposed payments open for examination and call on the minister to make a statement.

The Hon. A. KOUTSANTONIS: The government is committed to attracting the investment necessary to ensure we have the economic environment to provide ongoing business and employment opportunities in our safe and flourishing communities. However, as a state we are entering a pivotal stage of our economic history, with a transformational change across a range of sectors, the outcomes of significant global forces.

As a state we have seen the development of new sectors, but we must continue to refine our focus, opening up new pathways for investment and growing existing ones. We need to make smart choices to maintain a truly outward looking economy and to continue the work across government and industry to modernise and diversify.

Our place within a global economy is providing international partners with potential for investment in sectors such as minerals and energy, agribusiness, health business and, of course, defence. To benefit from these new opportunities we must have access to partners and productive capital. This government recognises that as a state we must attract a higher proportion of foreign direct investment if we are to maximise our opportunities for local business, local jobs and local wealth. That is why we have a renewed focus on developing investment pathways into South Australia. Job and investment creation are the key to a prosperous South Australia.

While we have done a lot to open up markets and grow opportunities, we can, we should and we must do more. That is why our efforts to boost trade, investment, industry engagement and job creation are now the responsibility of one department, one new agency, the Department of State Development. It will drive and leverage growth in our economy, administer our jobs plan and coordinate the government's engagement with small to medium-size businesses.

The merger of departments and the refocusing of their work will harness a full range of government levers to drive the transformation of our South Australian economy, bringing together the portfolios of employment, business and other economic indicators to provide stewardship of the next stage of the state's economic transformation. It will act as the government's front door to business, and is given the important task of delivering Our Jobs Plan. It is about creating strong links between government and the private sector so that barriers to job creation can be identified and removed.

It will also be given the key role of case management: case management of private sector major projects to ensure they are given the best opportunity to succeed in the model of the Olympic Dam Task Force. We will look to remove red tape, remove barriers to bureaucracy and assist in any way we can to help access finance. If it is red tape that is in the way, we will remove it. If it is bureaucratic delays, we will speed it up. If it is finance that is required, we will help access it.

Programs such as Invest in South Australia will continue to engage the capital markets to ensure participants are aware of the opportunities and skills available in South Australia. Invest in South Australia has worked to identify priorities to pursue these opportunities best aligned to our natural economic assets. This unit is providing evidence-based documentation to promote the state's projects to capital market participants, who in turn gain a better understanding of South Australia and can link suitable investors with projects in this state.

It also has ongoing engagement with the capital market investment community to promote South Australia as an investment destination and promotes the state and its opportunities to targeted financial institutions and intermediaries. Additionally, a new special cabinet committee, chaired by the Premier and consisting of key economic ministers, will be formed to prioritise the work of the EDB.

Across government, we need to ensure that we continue to foster investment, open markets and drive job growth. Cross-government coordination is essential in shaping a business environment that bodies such as Invest in South Australia and the EDB can confidently pitch to global investors as possessing the attributes that they need to operate productively. We support these investment

attraction measures with the activity to foster this attractive environment. We are committed to minimising energy costs and promoting low carbon energy generation efforts.

We recognise the need to reduce the regulatory burden on business. We must boost the capabilities of our skilled workforce by attracting businesses and skilled migration. As a government, we are committed to working with industry and research institutions to provide the best available scientific and other information to boost investor confidence. We will plan for and invest in infrastructure—infrastructure to support investors and ensure that industry and community engagement is integral to the development of strategies to facilitate investment attraction.

We are committed to continuing the development of Adelaide and other centres in our regions as attractive focal points for investors, workers and families. The progress of these efforts, the growth of our economy, is now the responsibility for government within the new Department of State Development. The creation of this department heralds a new era for economic development in this state and I will be pleased to oversee its achievements. I look forward to the committee asking me and our office holders as many questions as they like.

The CHAIR: Does the member for Stuart, as lead speaker, have an opening statement?

Mr VAN HOLST PELLEKAAN: No, thank you, sir, other than just to say they are all exceptionally worthy goals.

The CHAIR: Proceed with questions.

Mr VAN HOLST PELLEKAAN: Budget Paper 6, Budget Measures Statement, page 104. How will the department achieve the savings over the forward estimates, starting at \$4.8 million in 2014-15, as a result of the merged departments?

The Hon. A. KOUTSANTONIS: Point 1 is an FTE reduction. The initial savings made by the department thus far have been 32 FTEs, or \$3.3 million, arising from the merger, and further savings will be achieved in addition to any budget savings required from the former agencies.

In the context of state development, the department is expected to be largely on budget and on track to meet its savings target of \$34 million in 2013-14. The final position for 2013-14 will be available once the financial statements are signed off in September 2014. As a whole, the department will be required to deliver savings of \$77 million. To save the committee's time, I am more than happy to give you a detailed answer on notice, or I can read this out if you like.

Mr VAN HOLST PELLEKAAN: On notice. Has anybody from within government—any of the departments that have been merged, or the new CEO, Dr Russell—raised any concerns with you with regard to the new proposed structure?

The Hon. A. KOUTSANTONIS: Dr Russell has not raised any concerns that I am aware of. Obviously, whenever you merge a department, there are always going to be HR issues with staff who are made redundant or are being asked to look elsewhere.

At a leadership level, I think there are some staff that probably do not like change—no-one likes change—but I think, overwhelmingly, the public sector in this state is so professional that they are more than willing to accept change and will all put their shoulders to the wheel to get the best outcome for the people of this state.

Mr VAN HOLST PELLEKAAN: How will Dr Russell report to six different ministers?

The Hon. A. KOUTSANTONIS: The way any chief executive reports to different ministers. It is an easy structure. For example, I suspect that most of his reporting to me will be done as needed. I will have my minerals and energy group reporting to me as required. I meet with them quite regularly. That will be something for Mr Russell to articulate in his management strategy, but I do not see that as being a major inhibitor to our ability to run the department. I have just been informed by Mr Garrand that he reported to five ministers in Canberra.

Mr VAN HOLST PELLEKAAN: So it will be his management style that determines the interaction between those ministers, will it?

The Hon. A. KOUTSANTONIS: No. The ministers will decide how he interacts with us. I do not see it as being an issue. It is just a management strategy. It will be easily worked out. I do not see it as being any major contributor to any inefficiencies.

Mr VAN HOLST PELLEKAAN: When there are competing priorities among those ministers, as there are, to be working hard for the people in the areas of responsibility they represent, who will actually be charged with determining the final direction? Will that be your call?

The Hon. A. KOUTSANTONIS: Hopefully Treasury in the final analysis. If not Treasury, we are a very collegiate government and we have the cabinet process to sort all those differences out. The Westminster system is designed to be an adversarial system, an adversarial system in the parliament and a system of fearless combat within the cabinet; that is the whole idea.

Mr VAN HOLST PELLEKAAN: Is the Minister for Defence Industries and Investment and Trade fully supportive of this move now?

The Hon. A. KOUTSANTONIS: You would have to ask him, but it is a cabinet decision and he supports all cabinet decisions.

Mr VAN HOLST PELLEKAAN: He previously called this move towards a state development department 'chaos and confusion and has all the hallmarks of a bureaucratic mess'. Those are his public statements, not private statements.

The Hon. A. KOUTSANTONIS: Yes; and your leader's public statements before the election included telling everybody to go out and vote Labor—so what?

Mr VAN HOLST PELLEKAAN: Has he changed his mind or—

The Hon. A. KOUTSANTONIS: Has your leader changed his mind about everyone going out and voting Labor?

Mr VAN HOLST PELLEKAAN: Has he changed his mind, or is that something you have worked through together? I deserve to know how this interaction works between the ministers.

The CHAIR: Member for Stuart, the Treasurer is not responsible for the Minister for Trade, nor can he comment on cabinet matters, so I think we move on.

The Hon. A. KOUTSANTONIS: I think everyone has moved on but you.

Mr VAN HOLST PELLEKAAN: This is not a cabinet issue.

The CHAIR: Which budget line are you referring to?

The Hon. A. KOUTSANTONIS: It is his estimates. If you want to ask about what Marty thinks, go ahead. It is symbolic of the malaise you are in as an opposition that you are focused on your former leader who has left your ranks and joined the government. If that is what you want to focus on rather than the future, go ahead.

Mr VAN HOLST PELLEKAAN: I am just asking how the new department will work.

The Hon. A. KOUTSANTONIS: No, you are asking me about what Mr Hamilton-Smith thinks.

Mr VAN HOLST PELLEKAAN: There is an example of at least one minister who has expressed concern. You told me there was no concern, so that is why I am asking.

The Hon. A. KOUTSANTONIS: You would have to ask Mr Hamilton-Smith. The thing about cabinet deliberations is that, if you are ever lucky enough to form government and you are seated in the cabinet, you will realise very quickly that the utterings you have made in opposition do not necessarily fit in smoothly with the utterings you will be making in government. Governments and oppositions are littered with ministers and shadow ministers who have said things while shadow ministers which they have regretted while being ministers. So what?

Mr VAN HOLST PELLEKAAN: So he regrets it?

The Hon. A. KOUTSANTONIS: I do not know; you will have to ask him.

Mr VAN HOLST PELLEKAAN: Okay. Referring to the same page and same item, how is this rearrangement going to improve upon the machinery of government changes that Premier Weatherill put in place shortly after becoming Premier?

The Hon. A. KOUTSANTONIS: From 2012 or from 2014?

Mr VAN HOLST PELLEKAAN: From 2012.

The Hon. A. KOUTSANTONIS: Government always refines itself. The thing about progress is that you are constantly moving. There is always constant forward motion. What we do not want to do is be stuck in a time warp where this is how we did it in 2002 or this is how we did it in 2010. We always want to look back, create some creative destruction, move around trying to make sure that the government and the departments are as efficient as possible. I think it is fair to say that the cabinet and the government think the machinery of government changes made after the election and subsequently, with the creation of the Department of State Development, are in the best interests of the people of this state. We stand by them and we will be judged accordingly.

Mr VAN HOLST PELLEKAAN: Has the government filled all the executive positions within the new department?

The Hon. A. KOUTSANTONIS: I understand that we have filled the majority of the positions but we are advertising some other positions and there are still some more to be filled when the new chief executive comes online on 4 August.

Mr VAN HOLST PELLEKAAN: Am I right in assuming that there will be a reduction in the total number of senior executives in this transition?

The Hon. A. KOUTSANTONIS: I am advised yes.

Mr VAN HOLST PELLEKAAN: What are the terms of the contract for Dr Russell including salary and length of contract?

The Hon. A. KOUTSANTONIS: I am advised he is on a five-year contract and a package of \$450,000 per year.

Mr VAN HOLST PELLEKAAN: What was the total expenditure for consultants for the Department of State Development in 2013-14?

The Hon. A. KOUTSANTONIS: In 2013-14?

Mr VAN HOLST PELLEKAAN: Yes, and while you have it there, the budget for 2014-15.

The Hon. A. KOUTSANTONIS: And the budget?

Mr VAN HOLST PELLEKAAN: Yes.

The Hon. A. KOUTSANTONIS: DSD's budget for consultancies expenditure for 2014-15 is \$2.9 million.

Mr VAN HOLST PELLEKAAN: And actual spent in 2013-14?

The Hon. A. KOUTSANTONIS: We will have the final figures in September but the prelim consultancy expenditure is \$5.9 million.

Mr VAN HOLST PELLEKAAN: Budget Paper 4, Agency Statement 4, page 90. Can the minister confirm the amount the Department of State Development paid to Innovation Performance Australia Pty Ltd for a specialist adviser contracted from 1 April 2014 to 30 June 2014?

The Hon. A. KOUTSANTONIS: What is the name of the consultant?

Mr VAN HOLST PELLEKAAN: It is Innovation Performance Australia Pty Ltd.

The Hon. A. KOUTSANTONIS: The advice I have is that Innovation Performance Australia received a consultancy of \$206,000.

Mr VAN HOLST PELLEKAAN: Is that for 1 April to end of June period?

The Hon. A. KOUTSANTONIS: As of 2013-14, I am advised.

Mr VAN HOLST PELLEKAAN: So it is the total for 2013-14?

The Hon. A. KOUTSANTONIS: That is what I am advised but if it is not correct I will get you the appropriate answer.

Mr VAN HOLST PELLEKAAN: Thank you. What was the primary service that that company provided?

The Hon. A. KOUTSANTONIS: It is for services provided by Göran Roos, and it was advice in relation to Holden and the automotive industry, but I will get you some more detail on it if you like.

Mr VAN HOLST PELLEKAAN: You might like to take this on notice too if it suits. Please explain how this specialist adviser, this company, was sourced and how it was determined to use this contractor?

The Hon. A. KOUTSANTONIS: Are you asking if it went out to tender or not?

Mr VAN HOLST PELLEKAAN: Yes.

The Hon. A. KOUTSANTONIS: I do not know whether it went out to tender or not but given the size of it, it may not have. I will get back and check for you but I would not be surprised if it did not go out to tender.

Mr VAN HOLST PELLEKAAN: And take the question on notice?

The Hon. A. KOUTSANTONIS: I will take the question on notice and check.

Mr VAN HOLST PELLEKAAN: Same book, page 90, was a business case prepared for the \$5.5 million investment for the Innovation and Collaboration Centre and, if so, what was the outcome?

The Hon. A. KOUTSANTONIS: There is no business case made, because it is not a profit-making centre. It operates as a not-for-profit.

Mr VAN HOLST PELLEKAAN: What outcomes did the government expect to receive from this investment?

The Hon. A. KOUTSANTONIS: It is proposed, on advice, that the state government will provide a \$5.5 million grant to the University of South Australia to establish the Innovation and Collaboration Centre, which will give students and small businesses access to HP's global capabilities. HP also announced that they are expanding their presence in Adelaide by creating 430 high-end technology jobs over the next four years. In conjunction with HP, the University of South Australia will deliver an ICT honours program including work placements with HP to further support workforce development and expansion.

Under the partnership, the state government will commit \$150,000 a year for a student entrepreneur initiative that will support innovative students to pursue commercialisation of new ideas in the ICT sector in partnership with HP and other companies. The state government will support training to help workers move into the ICT sector, including workers displaced from declining industries who are looking to reskill. It is a good deal overall.

Mr VAN HOLST PELLEKAAN: Will the Economic Development Board stay in place or be abolished as part of the Premier's announcement with regard to boards and committees going?

The Hon. A. KOUTSANTONIS: All boards and committees must make their case whether they will stay or go. I am not going to predetermine any outcome. I do not think the EDB would be one of those boards, but it depends on the EDB. They may resolve that they think they need to be dissolved. I do not think they would, though.

Mr VAN HOLST PELLEKAAN: But they are being treated the same as all of the others, and they have to make their case?

The Hon. A. KOUTSANTONIS: That is my understanding, yes; of course, all boards. We are serious about this. I notice with interest that the opposition announced a repeal day in the parliament. People will say, 'What good does a repeal day do if legislation is redundant?' The same can be said about boards and committees: why have them if they are redundant? Why not, every now and then, do a piece of work to have a look at whether or not these boards and committees

actually do serve a purpose and actually ask the committees? I think a majority of them will actually have a very good introspective look at themselves and say, 'Do we need to be operating? Are we creating unnecessary red tape?' Or are they providing an essential service that would cost us more money if we remove them? I actually think it is a very good exercise to put on government every now and then. I am fully supportive of it and we want to treat all committees the same.

Mr VAN HOLST PELLEKAAN: And will it be your decision, minister, whether that board stays?

The Hon. A. KOUTSANTONIS: It will be the cabinet's decision, was my advice.

Mr VAN HOLST PELLEKAAN: I was under the impression that each minister had the authority to determine the future of the boards.

The Hon. A. KOUTSANTONIS: You make recommendations to the cabinet and the cabinet decides collegiately whether we keep them or they go. For example, it is not unusual for a minister to have their cabinet recommendation overruled by the cabinet. A minister may recommend X and the cabinet says, 'No, no—please do Y.' Ministerial recommendations do not always win the day, unfortunately—or fortunately, depending on your perspective.

Mr VAN HOLST PELLEKAAN: Given that value for money is one of the key criteria for whether or not a board stays, is decreasing the cost of the board one of the considerations? Rather than saying should the board stay or go exactly as it is, is changing the board or changing its cost base something that could be considered as well in this process?

The Hon. A. KOUTSANTONIS: I think it is fair to say that the Economic Development Board is a very prestigious government board and it has been designed so deliberately. It has been designed to give board members access to all members of the executive, to all aspects of government, and we pay them a fee that is not really commensurate with the work they do for us. Let's face it: the people who are on this board are high-worth individuals or they are leading experts in their field and I think we are lucky to have them, personally. They do very good work for our state.

When it comes to cost, the EDB is not one of the boards that screams out and says 'We can do this more efficiently' because, if we were paying them what they were worth, I think people like Mr Raymond Spencer would be on a lot more than what we are paying him, as with Mr Chapman and other members of the board as well, so I am pretty convinced they do a very good job for us, but you may have a different view.

Mr VAN HOLST PELLEKAAN: No, I did not express that view, I was just asking how the system works. On the same page, how much funding has been provided to Brand South Australia in 2013-14?

The Hon. A. KOUTSANTONIS: So, \$1.4 million in 2013-14 and \$1.457 million in 2014-15. The combined DSD contribution to the 2014-15 payment is \$390,000, which is comprised of \$340,000 from the former DMITRE and \$50,000 from the former DFEEST. This payment is a separate budget line from the OEDB budget.

Mr VAN HOLST PELLEKAAN: How many businesses signed up to Brand South Australia in 2013-14?

The Hon. A. KOUTSANTONIS: I will take that on notice and get back to you.

Mr VAN HOLST PELLEKAAN: Do you know how many the government expected to sign up?

The Hon. A. KOUTSANTONIS: I will take it on notice and get back to you and make it part of the answer.

Mr VAN HOLST PELLEKAAN: On the same page: what was the cost to government for the KPMG 'Competitive Alternatives' report in 2014?

The Hon. A. KOUTSANTONIS: We will take that on notice and get back to you, hopefully while the committee is still sitting.

Mr VAN HOLST PELLEKAAN: Thanks, minister, that would be good. Is it still the government's objective to be the least costly place to set up and do business in Australia?

The Hon. A. KOUTSANTONIS: Absolutely. We want to keep costs for business set-up low as much as we possibly can. We want to see our home-grown family businesses grow and thrive and prosper. We want to see small businesses do well, so we do all we can.

Mr VAN HOLST PELLEKAAN: Sure, because that report in 2012 had South Australia first and in 2014 it had South Australia second, so that remains a target to get back to first. What measures have been taken by the government to achieve this?

The Hon. A. KOUTSANTONIS: Obviously, as I announced earlier in my opening statement, we are doing all we can to remove regulatory burdens on small to medium-sized enterprises, our jobs plan has evolved to try to help people get access to capital, Invest in South Australia are doing their bit to go out and sell the story of South Australia and make sure that we can, and the deregulation unit within government is doing what it can to try to cut red tape. Government since year dot has been trying to cut red tape and will always be cutting red tape and the job will always be ahead of us because it is very easy to overregulate an industry so we will do all we can to try and remove those burdens.

Mr VAN HOLST PELLEKAAN: In the last dot point, advice to government, on that page, please detail what advice was provided to government about maximising the value of significant economic development opportunities for South Australia?

The Hon. A. KOUTSANTONIS: You want to know what the advice was from the KPMG report?

Mr VAN HOLST PELLEKAAN: No, the last dot point on that page says, 'Provided advice to government about maximising the value of significant economic development...' That is a highlight for last year.

The Hon. A. KOUTSANTONIS: This is from Brand South Australia?

Mr VAN HOLST PELLEKAAN: No, under economic development.

The Hon. A. KOUTSANTONIS: There is a whole series of dot points, so I am not sure—

Mr VAN HOLST PELLEKAAN: The last one.

The Hon. A. KOUTSANTONIS: What are you asking for?

Mr VAN HOLST PELLEKAAN: The highlight was 'provided advice', well, what was the advice?

The Hon. A. KOUTSANTONIS: If that is what you want. I was going to waive all the Dorothy Dixier questions, but basically it is about investment attraction advice, how to get access to markets, and Invest in South Australia.

Mr VAN HOLST PELLEKAAN: So it is nothing; it was the same stuff that you had in your opening statement—

The Hon. A. KOUTSANTONIS: No; it is important stuff. There are things like developing the new brand to promote South Australia, assisting the establishment of the Riverbank Precinct Authority, promoting population growth to support prosperity, promoting infrastructure investment, protecting housing affordability, championing the public sector renewal program, championing the establishment of SA Health and the medical research institute Wellbeing and Resilience Centre.

Professor Roos has led a number of key industry development projects in the last 12 months, including the cellulose fibre project in the South-East, the identification of opportunities available to South Australian manufacturers through the federal government's proposed LAND 400 project for the provision of combat vehicles in partnership with Defence SA, the establishment of the Manufacturing Leaders Network, a network forum for chief executives of South Australian manufacturers to engage with leading specialists from around the world on a range of issues related to manufacturing, industry development, industry policy and research, and a value chain mapping

exercise for four local industry sectors in his capacity as a member of the EDB. There is a whole series of things that advice was on; we just tried to keep it short in the budget papers.

The CHAIR: Member for Stuart, we do need to move on to minerals and energy now.

Mr VAN HOLST PELLEKAAN: Can I just ask one last question?

The CHAIR: One last quick question.

Mr VAN HOLST PELLEKAAN: Minister, the response to the closure of Holden was not on that list, population growth was not, land tax and other tax reform was not on that list—

The Hon. A. KOUTSANTONIS: Yes, it was. I just set out the operation of it—

Mr VAN HOLST PELLEKAAN: Are they dealt with, and you just did not have time to read them out or—

The Hon. A. KOUTSANTONIS: Well in terms of Holden, we are dealing with a very, very difficult time. The components industry in this state spent about a billion dollars in South Australia on components, and when the commonwealth made its decision not to invest in the automotive industry in South Australia and Victoria it basically deindustrialised those industries. So we have had to come up with our own jobs plan. We would like the commonwealth to partner with us to a much larger extent rather than just make their withdrawal of funding to Holden, Toyota and Ford budget savings, but they have taken those budget savings, and what we have done is step up as much as we can to try to keep people working in South Australia.

We have redirected our \$50 million of funding previously committed to the Holden next generation vehicle program, as part of its \$60 million commitment under our jobs plan. It contains six key actions aimed at securing the future of the state's economy: it assists displaced automotive workers to secure new jobs in emerging sectors, supporting communities most affected to generate local activities and jobs; helping the transition of automotive supply businesses move into new markets and industry sectors; accelerating the transition of our manufacturing sector into advanced manufacturing through support for our clusters, such as funding for collaboration and innovation; bringing forward significant infrastructure projects to create jobs and lift productivity; the establishment of the Automotive Transformation Taskforce, chaired by Mr Greg Combet; and the Automotive Workers in Transition program.

There is a whole series of things I could provide you, without notice, but I tried to spare the committee needless reading out of government initiatives already announced. I thought you would much rather be asking other questions.

The CHAIR: On that note, minister, would you like to change advisers for minerals and energy?

Departmental Advisers:

Mr R. Garrand, Chief Executive, Department of State Development.

Mr P. Heithersay, Deputy Chief Executive, Resources and Energy, Department of State Development.

Mr. R. Janssan, Group Executive Director, Strategic Services, Department of State Development.

Dr T. Tyne, Executive Director, Mineral Resources, Department of State Development.

Mr V. Duffy, Executive Director, Energy Markets and Programs, Department of State Development.

Ms P. Chau, Director, Finance, Department of State Development.

The Hon. A. KOUTSANTONIS: Can I introduce Dr Paul Heithersay, PSM, Deputy Chief Executive of Resources and Energy. Behind me, to my right, is Dr Ted Tyne, Executive Director of

Mineral Resources and Energy. Next to him is Mr Vince Duffy. We are in the presence of two great minds, Michael Malavazos and Nick Panagopoulos, who are in the department and do good work for us on petroleum and mineral royalties. I am happy to take your questions. I could go in-depth about our commitment to the fastest growing sectors of our economy and about the opposition's punitive policy responses to oil and gas, but I will not do that. I will not bore the committee with their approach and I will just head straight into questions. We may have one question.

Membership:

Hon. I.F. Evans substituted for Mr Knoll.

Mr VAN HOLST PELLEKAAN: Thanks. You would not want to mislead the committee either, minister.

The Hon. A. KOUTSANTONIS: No, I would not. I would just speak the truth and it would shame you.

Mr VAN HOLST PELLEKAAN: That is actually not the case. I refer to Budget Paper 6, Budget Measures Statement, page 112. What proportion of the \$32.2 million for a new state drill core library will come from the sale of current facilities?

The Hon. A. KOUTSANTONIS: First and foremost, I do not want to compromise any current tender processes, so I am reluctant to make it public. However, I am happy to speak to the member privately and inform the opposition of what we think the estimates are. It will be public ultimately, but we are in the middle of a process here and I do not want to prejudice that. However, if you push me on it I will have to tell you but, if we get exactly that, I will blame you.

Mr VAN HOLST PELLEKAAN: You might have got less without me, minister. How many properties are involved, please?

The Hon. A. KOUTSANTONIS: I am advised it is three properties.

Mr VAN HOLST PELLEKAAN: Three in total?

The Hon. A. KOUTSANTONIS: Unless there is something I have missed. I will go back and check, but I think it is just three.

Mr VAN HOLST PELLEKAAN: Just to make sure it is on the record, I will take you up on that offer to get those figures from you privately and to keep them private. When does the government expect to have all three properties sold?

The Hon. A. KOUTSANTONIS: Again, it depends on the market. Hopefully the market will move swiftly. I know that Thebarton is a great place to live, so I am sure that will go very well. Moonta is a beautiful place and so is Glenside.

Mr VAN HOLST PELLEKAAN: Given that you need to sell the properties to create the drill core reference library—

The Hon. A. KOUTSANTONIS: It has been to Public Works. It is funded. We will spend taxpayers' money on it and recover some of the moneys from the sale. So, it will not inhibit in any way the construction of the drill core library.

Mr VAN HOLST PELLEKAAN: So if selling the properties proves to be difficult for some reason, that will not inhibit the spending of the \$32.2 million?

The Hon. A. KOUTSANTONIS: I am advised no.

Mr VAN HOLST PELLEKAAN: So you do not actually need the money from the sale of the properties?

The Hon. A. KOUTSANTONIS: Yes. We have budgeted to get money back from them. No-one is going to build a drill core library and not try to get some money back from the assets we are consolidating. It is the prudent thing to do.

Mr VAN HOLST PELLEKAAN: You will do the drill core library on a separate timetable independent of the sale of the properties?

The Hon. A. KOUTSANTONIS: Yes. It has been to public works. It is a public process.

Mr VAN HOLST PELLEKAAN: So it does not matter how long or what difficulty comes up?

The Hon. A. KOUTSANTONIS: I cannot underestimate the importance of a drill core library to this state's future prosperity. The Cooper Basin, the South-East, gas exploration, the opening up of Woomera today. The drill core library is critical and key to further exploration, finding and identifying targets for exploration. I consider one of the most important economic endeavours that we will undertake in the next four years is building this drill core library. We have the best one in Australia. I want to have the best one in the southern hemisphere.

Mr VAN HOLST PELLEKAAN: That would be good. If the properties are not sold, it will just be a hit to the budget, not to the project?

The Hon. A. KOUTSANTONIS: I am advised that we have been very conservative in our estimates for the proceeds of the sales of the properties. I agree with the Leader of the Opposition, the property market is bouncing back very nicely and I think we will probably get a good return.

Mr VAN HOLST PELLEKAAN: Okay, but I just want to be clear: whether you do—

The Hon. A. KOUTSANTONIS: I cannot be clearer than I have been with you: we are going to build a drill core library.

Mr VAN HOLST PELLEKAAN: And if you do not sell the properties?

The Hon. A. KOUTSANTONIS: The properties are for sale.

Mr VAN HOLST PELLEKAAN: And that will be an impact on the budget, not on the project?

The Hon. A. KOUTSANTONIS: We have budgeted conservatively—

Mr VAN HOLST PELLEKAAN: Just say yes.

The Hon. A. KOUTSANTONIS: Yes, okay, or how about I actually give you the facts rather than you just hoping it is what you say it is. What we are doing is we are building a drill core library. We have budgeted our costs, we have been to Public Works, the opposition has been briefed on it, they have seen the plans, works begin, tenders have gone out. What we have done now is we have properties on the market for sale. We have budgeted very conservatively what we think the return for that project will be to offset some of those costs and it does not inhibit the drill core library going ahead.

The Hon. I.F. EVANS: Following on the same line of questioning, is the government going to rezone the three sites that are up for sale so that the government reaps the full reward of the value, or is the government going to sell them at their current zoning so that the developer reaps the value?

The Hon. A. KOUTSANTONIS: I am advised that the estimates of the proceeds of the sales are based on the current zoning. So, we—

The Hon. I.F. EVANS: So, has the government sought advice? Has the government rezoned them to residential? You said Thebarton was a nice place to live. If they rezoned them to residential or to a higher value, has the government actually sought advice on that, and why wouldn't the government seek advice on that?

The Hon. A. KOUTSANTONIS: For a couple of reasons. When we sell the drill core library, the current one at Glenside, we want to maintain its use for mines and energy purposes. We think it is key that we maintain that precinct. Even though we may get a larger return to government by rezoning it residential, in terms of economic activity we would probably lose out in the long run.

The Hon. I.F. EVANS: The other two sites?

The Hon. A. KOUTSANTONIS: I am not sure about Moonta, but I can get back to you on that. In Thebarton it is currently an industrial zone, I think, and the idea of removing industrial land

so close to the city and so close to the airport is counterintuitive to good practice to encourage business.

The Hon. I.F. EVANS: As long as you have taken advice on what will give the taxpayer the highest value, I guess.

The Hon. A. KOUTSANTONIS: Sometimes the highest value is not what we are after. What we are after is the highest return and that could be economic activity.

Mr VAN HOLST PELLEKAAN: Budget Overview, page 5—you do not need to turn to it, it is just about unconventional gas royalties—was there any analysis taken on what royalties were expected to be received from unconventional gas projects, and, if so, what was the expected income for each financial year of the forward estimates that you have forgone?

The Hon. A. KOUTSANTONIS: Two things: the government announced royalty deferrals for all unconventional gas wells, but we are being very conservative. The reason we are being conservative is because the rocks are not necessarily behaving the way they have behaved in other jurisdictions around the world for unconventional commercial flows, so we have not been budgeting for windfall royalties, we have been very, very conservative and that is the prudent thing to do. The last thing you want to do is start budgeting for massive returns on a type of practice that may not work.

So, what we have to do is create an investment climate, a regulatory climate and an environmental climate that is as conducive as possible to investment in those types of resources to give them the confidence they need to crack the code. What I am very concerned about is that any discussion of the question of the science around unconventional gas risks the ability of these companies to spend the vast resources they have to unlock the code. Policies like the one you took to the last state election, calling for an inquiry into unconventional gas practices, which is anti-investment and anti-mining, and given that you did not even announce a mining policy during the election campaign, I think the industry is relieved that it has four years of a welcoming government that is prepared to protect its investments and not create any sovereign risk the way the opposition will if they are ever elected, the way Premier Mike Baird is creating sovereign risk in New South Wales and the way Premier Napthine is creating sovereign risk in Victoria.

We will support unconventional gas. Our gas round table and our road map to unconventional gas, the work we have done there, is world's best practice to drive down costs and give regulatory certainty. I ask the opposition to abandon its election policies on unconventional gas and to join with the government to do all it can to encourage this industry.

Mr VAN HOLST PELLEKAAN: So the forgone royalties is not money that was budgeted anywhere in the budget? Can you tell me how these forgone royalties would fit with the future fund?

The Hon. A. KOUTSANTONIS: What forgone royalties?

Mr VAN HOLST PELLEKAAN: The five-year moratorium on charging?

The Hon. A. KOUTSANTONIS: Well, it is not forgone then, is it?

Mr VAN HOLST PELLEKAAN: Can you tell me, minister, how they would fit into the future fund which, if there is a surplus of course would start, and two years of royalties would go into that, and then 7 per cent after that. How does that fit with the future fund? In five years' time, assuming there is a surplus, what happens? Do they then pay the next two years into the future fund or do they start at 7 per cent?

The Hon. A. KOUTSANTONIS: I will tell you what my thinking is so you understand. You did so much damage during the election campaign to the confidence of the oil and gas sector with your pronouncements in the South-East that I had to restore confidence as quickly as possible in that industry. The act of vandalism by the Liberal Party in openly questioning the environmental—

Mr VAN HOLST PELLEKAAN: Minister, just answer the question.

The Hon. A. KOUTSANTONIS: Yes, I am.

Mr VAN HOLST PELLEKAAN: Well is it 7 per cent?

The Hon. A. KOUTSANTONIS: I know it hurts you because you are embarrassed by it, but the open vandalism by attacking companies like Beach Energy, great South Australian corporate citizens who employ local South Australians, and encouraging extreme fringe movements to come in, like Lock the Gate, and members of the Liberal Party actively campaigning and calling for action—I had to move very quickly to restore confidence in this industry. The way I did that was by instituting a royalty deferral for these companies to say to them, 'You are welcome in this state, despite what the most loyal opposition is saying about this industry.'

They are very relieved to see what we have done. Indeed, this Labor government has probably the best working relationship of the oil and gas sector of any government in the country, and we are an example to other governments and are praised regularly by other governments. So, if you are trying to make a political point about the future fund, I would first look to what damage you did during the election campaign when you threatened the one industry in this state that could dramatically change the way we recognise economic development in this state.

Mr VAN HOLST PELLEKAAN: Treasurer, I think you are displaying a great oversensitivity.

The Hon. A. KOUTSANTONIS: Do not believe me, believe APPEA, believe Beach Energy, believe Santos.

Mr VAN HOLST PELLEKAAN: I would just like to know how it works with the future fund.

The Hon. A. KOUTSANTONIS: I just explained to you.

Mr VAN HOLST PELLEKAAN: No, no, you did not. So, at the end of the five years do they then pay the next two years worth of royalties—does it start that way, or do they go straight to the 7 per cent? That was the question.

The Hon. A. KOUTSANTONIS: First and foremost, the legislation for the future fund will be decided as soon as we are into surplus. Also, this sector needs all the encouragement it can, so I am very keen to see through this five-year deferral, to see exactly how it operates. We may make decisions in subsequent budgets to increase it. We may make decisions that it is not probably the most appropriate way to work, but we have announced it now for it to be in place, and we will honour that. I would like to see how it is going to play out before I make any concrete decisions here. The first principle is: get behind and support the industry.

Mr VAN HOLST PELLEKAAN: Page 129, Budget Paper 4, Volume 4.

The Hon. A. KOUTSANTONIS: Yes, I would change the subject too, if I were you.

Mr VAN HOLST PELLEKAAN: Minister, clearly you are not going to answer the question.

The Hon. A. KOUTSANTONIS: I just did.

Mr VAN HOLST PELLEKAAN: I just want to know how it is going to work. You said that you are going to think about it and figure it out later. I am not sure I will get any more out of it than that. Mining royalties: does the government have any plans to repeal the 2011 increase in royalty rate if the mineral resource rent tax is repealed by the federal government?

The Hon. A. KOUTSANTONIS: Sorry, explain your question.

Mr VAN HOLST PELLEKAAN: It is quite likely that the mineral resource rent tax will be repealed. If that is the case, does your government have any intention to repeal the 2011 increase in royalties?

The Hon. A. KOUTSANTONIS: No, they are unrelated. No-one in South Australia pays the MRRT.

Mr VAN HOLST PELLEKAAN: Has the government investigated the potential benefits to the industry if those royalties were to be reduced?

The Hon. A. KOUTSANTONIS: We have the lowest competitive rates, I think, in the country, I am advised. Our new mine rate is world's best practice, 2 per cent. If you look at the rates that Western Australia and Queensland are charging for iron ore and coal, they are almost extortionate. This Labor government has the most competitive royalty regime in place in Australia, and the benefits

to the industry of a royalty deferral for oil and gas, I think, are obvious, as witnessed by comments by Senex Energy, Beach Energy and Santos.

In terms of minerals, I think every independent observer points to South Australia as being in the top five jurisdictions in the world for the way we conduct ourselves with our tax regime on royalties. I am very proud of it. I do not think there is much more we can do.

Mr VAN HOLST PELLEKAAN: Budget Paper 6, page 109. This is about the revised royalty arrangements for extractives and private mines. What are the total estimated royalty payments for extractive minerals in 2013-14, and the expected payments for 2014-15?

The Hon. A. KOUTSANTONIS: In 2013-14 we received approximately \$2 million in extractive royalties, I am advised. We factored in with the increase an additional \$2.8 million on the basis of royalty increases for extractives.

Mr VAN HOLST PELLEKAAN: For 2014-15?

The Hon. A. KOUTSANTONIS: Yes.

Mr VAN HOLST PELLEKAAN: Given that the royalty rate for extractives and private mines has increased from 35¢ to 55¢ as of 1 July, do you believe that the 11 days is sufficient time for the affected producers to plan for that increase?

The Hon. A. KOUTSANTONIS: Yes.

Mr VAN HOLST PELLEKAAN: When consideration was given to increasing these royalties, were any concerns raised with the government about the short notice of the increase or the message this increase would send to investors in South Australia?

The Hon. A. KOUTSANTONIS: Increasing taxes is not sovereign risk. Sovereign risk is saying during an election campaign that you may ban or bring in a moratorium on an industry like oil and gas, which is what you did. What we have is now the third cheapest rate for extractives in the country. That is not sovereign risk. Sovereign risk is threatening an industry completely by launching inquiries or standing committees into their operations—operations that are longstanding practice.

Mr VAN HOLST PELLEKAAN: Minister, the question was not about sovereign risk. It was about whether any concerns were raised with you about that or whether you had any concerns about what message you were sending.

The Hon. A. KOUTSANTONIS: If you are asking me whether industries like paying more taxes, I think the answer would be no, they do not like paying more taxes.

Mr VAN HOLST PELLEKAAN: How about internally—from within government, not from industry?

The Hon. A. KOUTSANTONIS: The department's advice is they act in a fearless and honest manner. They give me advice whether they like something or do not. I did not get an overwhelming feeling that they were opposed to this, but they may have their own personal views—and they are entitled to them. It is a free country.

Mr VAN HOLST PELLEKAAN: How did you determine the 20¢, as opposed to 15¢ or 25¢?

The Hon. A. KOUTSANTONIS: I think we asked Treasury or the department to work together on what was an appropriate increase.

Mr VAN HOLST PELLEKAAN: It was their recommendation?

The Hon. A. KOUTSANTONIS: Ultimately, it is a government decision but, yes.

Mr VAN HOLST PELLEKAAN: Did the government undertake any analysis of the potential impact of royalty increase for extractive minerals on the cost to government contracts, given that the government is the largest contractor for this resource in South Australia?

The Hon. A. KOUTSANTONIS: I understand we have, and I am advised that the cost is minimal. I understand it is less than 0.1 per cent of our spend.

Mr VAN HOLST PELLEKAAN: Do you have the figures handy—or take it on notice, please—for the increase in costs to the RAH, the Torrens to Torrens and the Darlington projects?

The Hon. A. KOUTSANTONIS: RAH is a fixed price build so they will absorb it. Torrens to Torrens is out to tender now so I do not know what the cost would be and I do not know what the discount rates would be, so I am not sure I could give you an accurate answer.

Mr VAN HOLST PELLEKAAN: Would you undertake to try?

The Hon. A. KOUTSANTONIS: I am not sure I can. You are asking me to try to guess what a private provider would have bid for a project on the basis of a new royalty regime. I cannot do it.

Mr VAN HOLST PELLEKAAN: Did you consider the impact on local government?

The Hon. A. KOUTSANTONIS: No; I considered the impact on the state government. The state government had not increased these royalties since 2005. It is now 2014; it was due.

Mr VAN HOLST PELLEKAAN: Have you done any modelling on whether there will be any job losses associated with this increase in royalties?

The Hon. A. KOUTSANTONIS: No, I do not think we have done any modelling of its impact on employment levels within the extractive industry and I do not think it will have any impact on the extractive industry. What will have an impact on the extractive industry is if we implement Liberal Party policy and start believing that all infrastructure spending is a false economy. That would have a dramatic impact on the extractive industry, because the government would stop building roads and bridges and productive parts of the economy that you say are a false economy.

Mr VAN HOLST PELLEKAAN: It is estimated—and I am quite open; this is a very rough estimate that has been given to me—that 25 per cent of the business done by the extractive industry is actually with the state government as the customer, so the state government essentially purchases 25 per cent. Was that factored into the calculations, given that the royalty increase will be passed on from supplier to customer and then you get more but you pay more so at the net South Australians would be getting 15 cents?

The Hon. A. KOUTSANTONIS: Whenever we increase a royalty, or we increase costs, and government is involved in the same business, we also increase our costs. When water prices go up, we also use water. Any cost that government is involved in may be levied, but we do not take that into account as a reason not to do it, because we are increasing our own costs. What we need to have is efficient taxation that allows the government to spend on its priorities. This industry had not had an increase in its royalty base since 2005.

Mr VAN HOLST PELLEKAAN: So that was factored in, that essentially—

The Hon. A. KOUTSANTONIS: Yes, it would cost us more, but ultimately, as I said to you, it is less than 0.1 per cent.

Mr VAN HOLST PELLEKAAN: I refer to Budget Paper 6, page 109 again: definition of a private mine.

The Hon. A. KOUTSANTONIS: It is in the act, but I will get the act for you.

Mr VAN HOLST PELLEKAAN: That is alright. If it is in the act, I can get it.

The Hon. A. KOUTSANTONIS: I am pretty sure it is. They are not necessarily defined; they have basically evolved. Remember that we are trying to regulate a system without changing some existing practices, not to disadvantage mainly primary producers and other people who have their own extractants. The Mining Act came in in 1971. It came into effect on 3 July 1972 and all the rights of the minerals became invested in the Crown.

Prior to the commencement of the act, some freehold landowners held the rights to minerals on their property. Those were the days. For a three-year period after the commencement of the act, a person who was divested of ownership of the minerals on their property could apply under part 3, section 19 of the act for declaration of areas of private mine. Each private mine was proclaimed by the Governor. It had no expiry date. The Governor may also by proclamation vary or revoke a private mine in accordance with section 73N of the act. Some 316 private mines were proclaimed by the

Governor. Of the proclaimed private mines, 74 have been revoked. A total of 243 private mines are currently listed as active in TMS.

The combined area of these private mines is over 19,000 hectares. Approximately 77 of the private mines are currently operating, that is, they are producing. Conversely, approximately 166 private mines are currently not being operated. Many private mines have never been operated according to DSD records. Private mines do not form part of the mining register and the proprietor of a private mine has few obligations under the act.

Part 11B of the act specifically deals with private mines. Private mines do not have an expiry date and they continue to exist until an application for revocation or variants under the Warden's Court. That would have changed now I imagine—rather than going to the Warden's Court they would go to the ERD court. Crown rent is not collected for private mines therefore landowners do not receive rent refunds where private mines are situated on their property. Private mines are exempt from all other parts of the act unless a part explicitly states that it applies to private mines. In accordance with the act, the proprietor of a private mine is required to submit six-monthly mining returns, pay royalties on extracted minerals and to conduct mining operations in accordance with an approved mine operation or MOP.

Private mine proprietries have no obligation under the act to advise PIRSA, DMITRE or State Development of change of address or change of ownership. In comparison to other mining tenements granted under the act, private mine files have very few records and the records that are available are usually very old. The general advice received is that private mines and land titles are separate and the sale of the land does not automatically include the sale of a private mine. Then there is a whole series of advice, and all these other actions that go with it, but I suppose that that pretty much defines what a private mine is. It is basically an evolution of us trying to impose a system that took away the mineral royalties from the landowner and invested them in the Crown.

Mr VAN HOLST PELLEKAAN: Minister, of the 243 that you said were active, how many of them will be affected by this increase in royalties?

The Hon. A. KOUTSANTONIS: There are 77 active mines, most of them produce extractives and are already subject to royalties, I am advised. There are a few, about five, that produce other things other than extractives which do not draw royalties. The intent of the change in the budget is to ensure that we can levy royalties on the Penrice mine if it is sold to an international or multinational company. They are the ones that would be most affected by the change because I find it inconceivable that we would allow a multinational to buy that mine, put it into production and have it royalty free unless predetermined by the government as an economic stimulus rather than some sort of ownership right transferred to a new company.

In 2013, Penrice requested an extension from me at the time to pay outstanding royalties in June 2012 and June 2013. The amount outstanding for these three periods is \$385,000 and we have done what we can to try to stimulate them but, if they are sold, I expect to levy royalties on the new owner.

Mr VAN HOLST PELLEKAAN: Minister, is that \$385,000 outstanding forgone or is that something that they will pay once they sell the mine?

The Hon. A. KOUTSANTONIS: No, I am advised that waiving unpaid royalties is not appropriate as a normal principle and nor should it be. My department has further advised that it would be appropriate to practise to provide an endorsed proposal to implement a repayment plan allowing Penrice or the administrators to repay the outstanding amounts commencing in July this year over a 24-month period.

As part of the proposed arrangement, Penrice committed to meet all future royalty obligations as and when they fell due. Since agreeing to the extension and repayment plan, Penrice has failed to make the December 2013 royalty payment of \$110,000 and a monthly royalty payment of \$23,500 for the month of January and February, including the moneys owed as part of the repayment plan and the royalties owed since December 2013. The current outstanding royalty liability for the state stands at over half a million dollars, at \$541,842. The details of the unpaid royalties have been provided to the administrators.

Mr VAN HOLST PELLEKAAN: In terms of moving forward, if the mine changes hands, what are the annual expected royalties from the mine?

The Hon. A. KOUTSANTONIS: Whatever the new rate is.

Mr VAN HOLST PELLEKAAN: But do you have a total dollar figure that you expect to get out of that Penrice mine?

The Hon. A. KOUTSANTONIS: It depends what their production is.

Mr VAN HOLST PELLEKAAN: So, you do not have an estimate?

The Hon. A. KOUTSANTONIS: On the parts that are currently exempt from royalties, we estimate about \$400,000 per annum.

Mr VAN HOLST PELLEKAAN: Representing the 20 per cent increase?

The Hon. A. KOUTSANTONIS: Yes. No? Hang on, I do not want to mislead you. To be clear, the distinction is that we receive an additional \$400,000 on the parts of the mine that have not been rated for royalties thus far on the sale of the private mine. So, if they sell it, we will be able to levy royalties on parts of their production that thus far have been exempt from royalties, and that will deliver to the budget \$400,000 per annum.

Mr VAN HOLST PELLEKAAN: Per year?

The Hon. A. KOUTSANTONIS: Yes.

Mr VAN HOLST PELLEKAAN: Is that likely to be an impediment to the sale?

The Hon. A. KOUTSANTONIS: No, I do not think that is the impediment to the sale.

Mr VAN HOLST PELLEKAAN: What would be the impediment to the sale?

The Hon. A. KOUTSANTONIS: You would have to speak to the people who want to buy it.

Mr VAN HOLST PELLEKAAN: You do not think an increase of \$400,000 per year in the cost of operation would be an impediment?

The Hon. A. KOUTSANTONIS: I think every mining company that buys a mine knows that the cost of doing business is to pay royalties. You would be surprised how big and how small companies are that try to avoid their requirements to pay royalties.

Mr VAN HOLST PELLEKAAN: You do not think it will make the difference—

The Hon. A. KOUTSANTONIS: No.

Mr VAN HOLST PELLEKAAN: —on whether or not they can sell?

The Hon. A. KOUTSANTONIS: I am advised, no.

Mr VAN HOLST PELLEKAAN: In regard to Budget Paper 6, page 109, I refer to a document received on 7 March this year under FOI from DMITRE regarding state royalties, which states:

The SA government has no plans to further adjust royalty rates. The decision to increase royalties in 2011 was taken in the context of the high level of mineral commodity prices, the need to ensure that SA was receiving an adequate return from the commercial exploitation of their mineral resources, alignment with effective royalty rates in comparable jurisdictions and the need to ensure SA retains a competitive and stable environment for resource investment.

That is what came back to me under FOI. Is there currently a high commodity price for extractive minerals?

The Hon. A. KOUTSANTONIS: I think you are talking about mineral resources there, rather than extractives. Can you provide me a copy of the FOI so I can have a look at it?

Mr VAN HOLST PELLEKAAN: I would be happy to.

The Hon. A. KOUTSANTONIS: That was obviously 7 March. That was before the outcome of the election and before we started our budget deliberations.

Mr VAN HOLST PELLEKAAN: It was just shortly before the election.

The Hon. A. KOUTSANTONIS: I imagine we are talking about mineral resources, rather than extractives, I am advised.

Mr VAN HOLST PELLEKAAN: I will get that for you. Can you tell me please how does the increase in extractives compare with other states?

The Hon. A. KOUTSANTONIS: We are the third cheapest, I am advised.

Mr VAN HOLST PELLEKAAN: Third out of seven?

The Hon. A. KOUTSANTONIS: Third out of eight.

Mr VAN HOLST PELLEKAAN: Middle of the pack.

The Hon. A. KOUTSANTONIS: Yes. The published royalty rate in South Australia pre budget was 35¢. The new rate is now 55¢; in Western Australia, it is 62¢; in Victoria, it is 87¢; in New South Wales, it is variable up to 70¢; Queensland is 50¢; Tasmania is 66¢. We are in a good place. In all other states, on top of the royalties, rehabilitation bonds, sureties and bank guarantees are required, and that is a cost, so in terms of a competitive place for extractives, we are very well placed.

Mr VAN HOLST PELLEKAAN: Page 100, this time of Budget Paper 4, Agency Statement 4, and I am just turning to RAES, the remote areas electricity scheme.

The Hon. A. KOUTSANTONIS: Which one?

Mr VAN HOLST PELLEKAAN: To RAES, remote areas electricity scheme, and specifically that last dot point on page 100 that talks about indexation and tariff increases between financial years relating to the sale of electricity for the use of RAES: half a million dollars. Can you tell me what that tariff is? What tariff is increasing there?

The Hon. A. KOUTSANTONIS: I am going to take that on notice so we do not give you a confused answer, but it is fair to say that you are comparing an estimate with an actual result. I will get you a detailed written answer which explains it much more concisely than the way I possibly could.

Mr VAN HOLST PELLEKAAN: So, likely to be an estimate versus actual, not a new tariff or an increase?

The Hon. A. KOUTSANTONIS: I do not want to mislead you in any way, so let me just get you the written answer.

Mr VAN HOLST PELLEKAAN: Given that the government promised \$1.5 million in each financial year over the forward estimates—wherever this is coming from, this extra half a million dollars per year—does that mean that the RAES contribution essentially, the money to help electricity prices go down in the outback, is only going to be \$1 million per year instead of \$1.5 million?

The Hon. A. KOUTSANTONIS: No, it is \$1.5 million, I am advised. We are going to look after our regional communities, otherwise the member for Giles will be on my doorstep.

Mr VAN HOLST PELLEKAAN: And Stuart.

The Hon. A. KOUTSANTONIS: I am not really worried about that one. You do not have a vote in my caucus. Not yet though, but you are more than welcome to join.

Mr VAN HOLST PELLEKAAN: I will tell the people of Stuart that you care about Giles but not them.

The Hon. A. KOUTSANTONIS: No, they matter to me.

Mr VAN HOLST PELLEKAAN: Budget Paper 4, Agency Statement 4, page 95, exploration expenditure, performance indicators. Given the explanation for not meeting our Strategic Plan target for exploration expenditure in 2013-14 was due to ongoing challenging global financial conditions impacting on exploration companies, how does the downturn in South Australia compare with other Australian jurisdictions and the national average?

The Hon. A. KOUTSANTONIS: I am advised that the decline in South Australian mineral exploration expenditure follows global and national trends of decreasing expenditure. Across

Australia, mineral exploration expenditure fell from \$547.4 million or 25 per cent to \$408 million in the March quarter. The most significant decline was from Western Australia, which decreased expenditure by just over \$100 million. All other states, except New South Wales, contributed to an additional \$40 million national quarterly decline in exploration expenditure. Commentators point to ongoing challenges for mineral explorers, particularly in regard to lack of access to global risk capital for exploration on a broad scale, and, of course, falling commodity prices.

A key lead indicator for mineral exploration activities is the number of work programs, including matters approved by DSD or the old DMITRE. These have declined to date 2014, and this activity reduction reflects the intention of companies to better manage cash reserves by delaying some exploration programs until the global economic environment for resource investment improves.

However, when you combine minerals and petroleum exploration figures for the 12 months to March it was \$472.9 million for South Australia, \$131.9 million from minerals and \$341.0 million for petroleum—down from \$646.1 million for the 12 months. The positive note for us is that petroleum expenditure for the 12 months to March 2014 continued at a high level of \$341 million. That reflects a positive global outlook provided by our unconventional gas discoveries.

While yes, mineral exploration is down, it is down across the country. If you want to compare jurisdiction with jurisdiction, Western Australia had the biggest fall. We are doing what we can to try to open that up, and I congratulate the commonwealth government today on finally passing legislation first announced by minister Ferguson, premier Rann and prime minister Rudd on opening up Woomera. That would be mainly mineral exploration.

PACE goes from strength to strength, and I think we are doing a fair bit to try to encourage the core library, although I would like to see it turn up as well. However, we are lucky because we have the petroleum sector propping up exploration, which is why am very keen for you to change your policy.

Mr VAN HOLST PELLEKAAN: Minister, I am pleased that petroleum exploration is going well, too. Just focusing on mineral exploration, though, in the three most recent quarters—September 2013, December 2013 and March 2014; of course, I have not got June yet—from the figures that you mentioned last year, mineral exploration has gone down nearly 61 per cent compared to last year. It has certainly dropped significantly more than any of the other states. You mentioned Western Australia before; in that same period Western Australia saw a 48 per cent decrease. Do you have any idea why it would be declining more in South Australia in the last nine months than in any of those other states?

The Hon. A. KOUTSANTONIS: I am advised that the figure is actually \$24.8 million in decline; compare that with Western Australia, which was down \$100 million for one quarter, I think (without misleading you). While percentages may look worse for us, the key for drilling is actual holes and dollars spent. It is not so much about the percentages: it is about the dollars and the ground and the holes that you are digging. Yes, it is not as good as we would like it to be—and I am not trying to hide it—but what we can do, as the government, is offer the most attractive regulatory environment possible to encourage people in a scarce capital market to take risks here rather than in other jurisdictions.

What reduces risk profile dramatically, in terms of where you are going to invest, is, first and foremost, what you spend on your own program for trying to find out where the minerals are, what your drill core library is like, what your regulations are like, what access to government is like, what sovereign risk is like, what the royalty rates are, what the government's future plans are for mining. On all those measures we do very well. I have to say that for a party that supports the right to farm legislation and 'lock the gate', it is a bit rich you lecturing us on mineral exploration.

Mr VAN HOLST PELLEKAAN: Minister, I am not lecturing you on anything; I am just trying to understand these numbers here.

The Hon. A. KOUTSANTONIS: Perhaps they are frightened of you winning an election.

Mr VAN HOLST PELLEKAAN: You talked about the fact that it is not percentages that count, it is dollars that count. In the last nine months, \$919 million has been spent on mineral exploration in WA and \$90 million in South Australia. However, I do come back to the percentages

because that is a 60 percent drop and I am trying to understand what is happening differently here. They have all dropped, by the way.

The Hon. A. KOUTSANTONIS: They have all dropped, I know.

Mr VAN HOLST PELLEKAAN: Why has it dropped so much more here than in other states and what do you expect to change if that trend is to be reversed?

The Hon. A. KOUTSANTONIS: Our investment in PACE, our investment in the resources sector, our investment in policies that encourage investment, our precompetitive data that de-risks projects. I think—without embarrassing Paul and his team and Barry Goldstein and Ted Tyne—that they are the best regulators in the country, if not the southern hemisphere. They are held in the highest regard. Unfortunately, their minister is not held in the same regard as they are, but I think they are, without a doubt, the leading lights in the nation for mineral resources. I have to say that the people who tell me this are not necessarily from the hotbeds of socialism and leftist activity: they are generally people from the Minerals Council of Australia, from APPEA, from the SCR, where I have Liberal mining ministers and National Party mining ministers saying, 'We've cracked a code to good regulation in this country for this type of industry and I am very proud of it.' That does not mean that I can change global markets.

Remembering that our explorers are mainly juniors, what we do is try to de-risk them with precompetitive data. I suppose the best thing we can do is multiple land-use strategies, allowing access to land for exploration. The big struggle over the next decade is not going to be just access to finance and native title or even the EPA and environmental approvals: it is going to be land access. That is the next frontier. A lot of our mineral resource wealth is held in areas that are currently cropping land—Yorke Peninsula, Eyre Peninsula, on the Braemar and, of course, the upper Mid North in and around Giles and Stuart.

We have to work very hard to try to help unlock that access by trying to educate people that exploration and mining is beneficial for everyone, but it can be difficult. The truth is that it is going to be a very tough slog for us until economic conditions around the world improve and commodity prices go up. If you see a dramatic improvement in the uranium price, exploration figures will go up. If you see a dramatic improvement in the copper price, then you will see exploration figures go up. It is that correspondent. It is that simple.

Iron ore prices are down, therefore exploration in Western Australia is down. Most of the exploration you are talking about is brownfield sites, people looking for new deposits on mines that have already been mined, not greenfields development. Most of our exploration generally has been greenfields sites, people out looking for new mines. That is good; that is what you want. When you have a downturn people stop looking in new sites and start looking on brownfield sites, and that is what you are getting in Western Australia because iron ore prices are dropping. We need global confidence to resume.

Mr VAN HOLST PELLEKAAN: Minister, I have no concern at all in joining you in congratulating the departmental people who work really hard. What I am really trying to understand is how essentially the same world prices, the same economic conditions, etc., seem to be affecting our state so much more negatively than others. That is what I am trying to get at.

The Hon. A. KOUTSANTONIS: We are blessed with vast deposits, but they are at depth.

Mr VAN HOLST PELLEKAAN: I refer to page 100 in the same book, minister. I think I have the wrong page here, to be honest, but it is about the RAES scheme anyway. Can the minister explain the exclusion of annual fuel cost adjustment from 2014-15? What does that refer to, please? Actually, it is the right page, it is the first dot point right at the top.

The Hon. A. KOUTSANTONIS: I am advised that the Treasurer, as opposed to the energy minister—they were a bit too keen to rush for the advice. We are the ones who manage the cost risk on the diesel, I am advised, so if the prices go up we manage that for them and we replenish them in the Mid-Year Budget Review rather than giving them the ability to manage their own risk. So, we do it ourselves. The Treasurer does not trust the energy minister to administer this so what he does, quite cruelly, is not allow his bureaucrats to manage their own risk.

Mr HEITHERSAY: I think that is pretty accurate.

The Hon. A. KOUTSANTONIS: Now, I understand the energy minister is very upset about this set of events and there has been some very detailed discussion in the bathroom in the morning about whether or not the Treasurer should trust the energy minister to let the energy department manage its own risk, but it has worked well so far and we will continue to work this way, I am advised.

Mr VAN HOLST PELLEKAAN: I thank the ministers, but can you just tell me what this adjustment is? That is actually what I want to know.

The Hon. A. KOUTSANTONIS: The adjustment is that the fuel costs go up.

Mr VAN HOLST PELLEKAAN: With the exclusion of the annual fuel costs adjustment, so it is just—

The Hon. A. KOUTSANTONIS: I am advised that they do not manage their own risk, so we exclude that money from them. What we basically do is we wait and see what we are actually spending on fuel before we supplement it, rather than giving them the ability to manage it. So, we say, 'Here's your base, go off and spend it.' If they need more they get it and we supplement it in the Mid-Year Budget Review. It is just a timing issue.

Mr VAN HOLST PELLEKAAN: Page 99 of the same book, I refer to the Regional Mining Infrastructure Plan which specifies that it will take up to five years to develop a high capacity port yet ports are needed to serve the Eyre and western region by 2018 and the Yorke, Mid North and Braemar region by 2019. What options are available for the Regional Infrastructure Task Force to achieve these targets?

The Hon. A. KOUTSANTONIS: It is a matter for the private sector to come to us with a proposal which we can approve in record time for them.

Mr VAN HOLST PELLEKAAN: Is underwriting an option that you would consider?

The Hon. A. KOUTSANTONIS: What you are really asking me is will I build a port? Well, who do I offer the underwriting to? Will the underwriting stimulate the development of a port? What came first, the chicken or the egg? I am not in the business of picking winners; perhaps we should, if we do that would be a policy change. My very strong view is that if we did invest in productive infrastructure, like a port, it should only be for a short period of time and we should divest ourselves of it immediately; that is, we build it (hypothetically), get some iron off the ground and then we sell it immediately.

The problem I have is if I build one port, which one do I choose? Do I choose Braemar, because I can tell you what Braemar will say if I build the one on the Eyre Peninsula, they will say, 'We were ready first and you've dramatically stymied our ability to build a port.' Do I upgrade Port Bonython? We can do all the bodies of work that we like on it, the reality is that it is no good until the mines find a market for their ores and when they find a market for their ore I suspect they will not need us. So, it is a difficult question, but I have not ruled it out.

Mr VAN HOLST PELLEKAAN: You have not ruled underwriting it out?

The Hon. A. KOUTSANTONIS: I have not ruled anything out. Again, I caution the opposition: the government attempting to run a private venture, we usually do not do it very well. That is why the private sector is better at delivering these services than we are. I think you are seeing the Victorian government (both political parties) privatising their ports to invest in other infrastructure.

You are basically saying we should step into the port building business, whether it is underwriting or building it ourselves. It is always a difficult step for a government to make, and in the end knowing which one to build, how much to charge, who runs it, is it an indenture, who do we lock in or out, is it multiple use? It gets very complicated and very messy. We will have a round table to ensure all balance sheets are represented. May the best solution win.

Mr VAN HOLST PELLEKAAN: On the same page, page 99, given that one of the targets for the current year is progress recommendations of the Regional Mining Infrastructure Plan, what actions are the government taking to do that?

The Hon. A. KOUTSANTONIS: We formed a task force. We did an infrastructure and demand study, highlighting the sector's future project development plan and specific infrastructure needs. Five recommendations emerged from the IDS, which is the demand study, that were endorsed by the government in a direction statement in 2012, with a focus on the planning for infrastructure corridors and utility hubs through a master planning process. They focus on infrastructure corridors and hubs, deep sea ports, electricity, water, mapping and investment. The aim of the recommendations is to stimulate actions which will generate confidence in the market to facilitate investments and provide a basis for future government and industry planning.

Cross-government collaboration has ensured that each recommendation has an identifiable action or series of actions that will support identified infrastructure development and planning. In 2013, supported by the demand study, South Australia successfully obtained commonwealth funding for \$1.5 million to undertake three regional mining infrastructure plans. As the advisory body to the government, RESIC was consulted during the project's progress and RMIP were developed for the Far North, Eyre, Western and Yorke and Mid North/Braemar problems.

As you said, community industry consultation was undertaken in 2013. The region was seen as representing a majority of the mining projects in the state, and the focus of potential infrastructure corridor hubs essential to ongoing development in the minerals and energy sectors. In response to the RMIP we have committed to establishing a regional resources infrastructure task force. There is a potential role for RESIC in the proposed task force. The task force will be the state's single point of reference for the facilitation of planning, development and delivery of regional resources and infrastructure, driven by the growing resource sector demands, providing flow-on benefits to surrounding communities, industries and businesses.

Mr VAN HOLST PELLEKAAN: Has the Minister for Regional Development put forward any suggestions, proposals or recommendations in this regard?

The Hon. A. KOUTSANTONIS: He runs a whole series of committees within cabinet and is a trusted adviser to the government on all matters in regional South Australia, and of course we take his ideas and plans and feed them in.

Mr VAN HOLST PELLEKAAN: Has he made any suggestions?

The Hon. A. KOUTSANTONIS: He makes them to me all the time.

Mr VAN HOLST PELLEKAAN: Specifically about this area of work?

The Hon. A. KOUTSANTONIS: Absolutely. He makes them to me all the time.

Mr VAN HOLST PELLEKAAN: Page 98: please advise whether the Olympic Dam task force will be responsible for progressing the proposal to upgrade the Strzelecki Track.

The Hon. A. KOUTSANTONIS: The ODEX Task Force?

Mr VAN HOLST PELLEKAAN: Yes, minister.

The Hon. A. KOUTSANTONIS: No. They can if they like—I would like them to. It is a DPTI issue and a government issue. Again, it is the sort of thing the Minister for Regional Development will talk to me about. He talks to me about a whole series of issues, not necessarily formal papers that he presents to a committee or a process—that is what the cabinet process is. We have general discussions about what is going on. He is a fierce advocate.

Mr VAN HOLST PELLEKAAN: I was not asking about the future development.

The Hon. A. KOUTSANTONIS: No, but I am bringing it back to who runs these things. DPTI should be running the upgrade and bitumising of the Strzelecki Track. I am a personal supporter of it—I think it is a very good piece of infrastructure, and I would like to see the commonwealth come on board.

Mr VAN HOLST PELLEKAAN: The reason I ask is, as you probably know, the OD Task Force is involved, obviously, in Olympic Dam, but with Nyrstar, with Arrium, facilitated declaration of major development status for the Braemar proposal, continued involvement in the Upper Spencer Gulf ecosystem development initiative, and given how important is the oil and gas sector, and given

what a critical piece of infrastructure it is, at least in my mind (and I am trying to find out if it is the same for the government), it is much more than just a DPTI transport piece of infrastructure.

It has the capacity to add enormous vigour to the north-east Cooper Basin, and it also has the capacity to instantly bring back business from Queensland. Many pieces of infrastructure you put in place, you put the infrastructure in, as you said, chicken and egg, and hope then that the business follows. The business is already there, so that is why I am asking whether ODT, because they do these other things, is focused on that; and, if not, who else in government, apart from people who focus on transport, are looking at this infrastructure?

The Hon. A. KOUTSANTONIS: First and foremost, OD Task Force works at a level to unlock private investment. The Strzelecki Track will not be a toll road unless the commonwealth government insist on it or they make it a toll road, which they probably cannot because it is our road. I know that the unconventional road map talks about sealing the Strzelecki Track, the ITLUP. Mr Malavazos advises me that working group four within the road map is progressing that issue. It is not going to be done by private investment: it is going to be done by government. This is a Nation Building piece of infrastructure.

I am glad you have got on board with the government's suggestion about sealing the Strzelecki Track. I was very disappointed, before the last federal election, that both major political parties almost completely ignored South Australia's regions in terms of infrastructure projects. I note that the current commonwealth government and the previous commonwealth government, while doing some minor works in and around regional areas, did not put this up.

I have certainly spoken about it for many years. I have put it on the map for Infrastructure Australia to look at. I understand it has been submitted to them for their consideration. The problem we have got with the Strzelecki Track is the cost-benefit analysis would be very, very poor, probably worse than Darlington. The reason it is so poor is the traffic that goes up there now would not justify sealing it—but we know intuitively, if you did seal it, it would dramatically be a game changer for where mining services would be located—in places like Gillman, Tonsley, and others.

I am a big supporter of it and I would be more than happy to work with the commonwealth government on a funding split of 80-20, as is the norm in regional infrastructure spends, to invest in the Strzelecki Track. Thus far, they have not come to us with that proposal. I have gone to them. I must say, I think minister Briggs is slightly interested but, like the Leader of the Opposition said, of their \$50 billion spend, I think he quoted today, the majority of that is being spent on the eastern seaboard.

Mr VAN HOLST PELLEKAAN: Is this something that sits and waits, or is there a deadline to get a response from Infrastructure Australia?

The Hon. A. KOUTSANTONIS: The way it works is it goes to Infrastructure Australia and they keep on pushing it up, like they did with Torrens to Torrens and like they do with other infrastructure projects—South Road superway. They push these things up. But, again, these are all matters for the Minister for Transport. I am really stepping on his toes here a little bit. The reality is sealing the Strzelecki Track links Brisbane to Adelaide, fundamentally, with the Cooper Basin at its heart.

It really is a Nation Building project, a lot like the crossing in Port Augusta. That is a Nation Building project and the commonwealth government should be investing in that heavily, because we do not want to cut off Western Australia from the rest of the country, and vice versa. Yorkeys Crossing, the Strzelecki Track and upgrading highways heading to the eastern seaboard are all Nation Building projects, and I would like to see the commonwealth take a greater interest in them, and we are certainly pushing them up.

Mr VAN HOLST PELLEKAAN: Pages 98 and 99, the same book, are very close. Is the OD Task Force a completely separate entity from the regional infrastructure task force? Are there common members or do they work independently? How does that work?

The Hon. A. KOUTSANTONIS: The task force, as a model, can second in and out pretty much who it pleases, and a task force model, I submit to the committee, is probably the best model we have in government for cutting red tape and getting things done. It is chaired by Mr Heithersay,

with Mr Elford on it. It is a stand alone creature, as it were, in terms of the way it is recognised within government, but it can have many purposes. For example, we asked them to do Nyrstar. We asked them to do Braemar. We asked them to do Olympic Dam, obviously. That is why they were established. We have asked them to do a whole series of pieces of work to unlock private investment in South Australia. Every now and then we may ask them to help with government, but generally they are a task force targeted to try to cut through government bureaucracy for the private sector.

Mr VAN HOLST PELLEKAAN: Thanks. Under the OD Task Force, there is \$1.8 million of expenditure and \$400,000 of income. Can you explain those two numbers, please?

The Hon. A. KOUTSANTONIS: Yes; good question. I am advised it is a one-off increase in income due to a one-off reimbursement for legal fees associated with the Nyrstar project.

Mr VAN HOLST PELLEKAAN: So it is a reimbursement of \$400,000 of legal fees that were incurred?

The Hon. A. KOUTSANTONIS: I am advised that Nyrstar paid all the government's legal costs and they were reimbursed through to the OD Task Force, which I will probably step in and take soon.

Mr VAN HOLST PELLEKAAN: Moving to page 93, the Mining and Petroleum Services Centre of Excellence. What was the total funding allocated to the Mining and Petroleum Services Centre of Excellence in 2013-14?

The Hon. A. KOUTSANTONIS: I am advised that the 2013-14 budget allocated \$6 million over four years to support the Mining and Petroleum Services Centre of Excellence. The \$2 million provided for 2013-14 has been fully expended.

Mr VAN HOLST PELLEKAAN: What additional incomes does the government expect for the additional \$1 million put towards the centre? What I am getting at there is that the 2013-14 budget had \$2 million per year in it. There was also an election commitment of an additional \$1 million per year. What does the government actually expect to get by putting that 50 per cent extra in?

The Hon. A. KOUTSANTONIS: We believe we can leverage, I am advised, further funding and in-kind support from the private sector and the commonwealth. Often we are asked to match funding, so that gives us the ability to match some funding.

Mr VAN HOLST PELLEKAAN: So if it is one for one, one for two or whatever, you believe that will—

The Hon. A. KOUTSANTONIS: Someone might come to us and say, 'We'll spend half a million dollars on X if you match us two to one, or conversely you put in half of it,' so we need to have the ability to do that, I am advised.

Mr VAN HOLST PELLEKAAN: Can I just confirm that the current budget for 2014-15 is \$3 million, 2015-16 is \$2 million, 2016-17 is \$2 million and 2017-18 is \$1 million?

The Hon. A. KOUTSANTONIS: I am advised that the budget allocation over four years is \$6 million. I will check the breakdown that you read out and get back to you on that. I am advised that it is probably accurate, but I will double-check. I have just been advised that to date the value of the committed and expected contributions of cash and in kind from industry research institutions exceeds \$4 million. We are talking about a 2:1 minimum ratio on what we are leveraging from the private sector.

Mr VAN HOLST PELLEKAAN: Just to be clear, the numbers I read out added up to eight so I look forward to getting the confirmation back. On page 92, Minerals Resources and Energy: Fees, fines and penalties, the budget for 2014-15 shows a \$1.8 million increase in fees, fines and penalties over the 2013-14 estimate. Can the minister detail how the government will raise these funds?

The Hon. A. KOUTSANTONIS: I am advised, but I will check, it is from petroleum retention licences fees.

Mr VAN HOLST PELLEKAAN: Sorry, petroleum?

The Hon. A. KOUTSANTONIS: Retention licences but I will double-check for you.

Mr VAN HOLST PELLEKAAN: Not a general upturn in activity or anything like that? It is specifically—

The Hon. A. KOUTSANTONIS: Retention licences are activity.

Mr VAN HOLST PELLEKAAN: Fees and fines are typically linked to activity, but there has actually been an activity decrease. How does that fit together?

The Hon. A. KOUTSANTONIS: I am advised not in oil and gas. We are getting into uncharted waters here. I am answering you too quickly on the basis of what I am overhearing so I do not want to mislead you in any way. Let's start again. I will get you a detailed answer so we do not mislead you in any way because there seems to be a bit of confusion about whether we are talking about petroleum or minerals or both, but certainly I am advised there has not been a downturn in petroleum activity.

Mr VAN HOLST PELLEKAAN: Budget Paper 4, Volume 4, page 92, under Expenses: Fees, fines and penalties.

The Hon. A. KOUTSANTONIS: Yes.

Mr VAN HOLST PELLEKAAN: Still on page 92, will the minister explain the \$12.4 million decrease in expenditure from the estimated result in 2013-14 to the budgeted figure in 2014-15 for the mineral resources and energy budget?

The Hon. A. KOUTSANTONIS: Which line are you talking about?

Mr VAN HOLST PELLEKAAN: On page 92, Total expenses, under Mineral Resources and Energy.

The Hon. A. KOUTSANTONIS: So, essentially for last year the budget was 82, the estimated result was 89—

The Hon. A. KOUTSANTONIS: I am advised that the movement in the total expenses between the 2014-15 budget and the 2013-14 estimated result is a \$12.4 million decrease. Decreases of the \$16.3 million include the following—

Mr VAN HOLST PELLEKAAN: What does the decrease of \$16.3 million relate to?

The Hon. A. KOUTSANTONIS: There is a decrease and an increase. I will read it through and explain it to you. A decrease of \$6.7 million is due to variations in Remote Areas Energy Supplies (RAES) scheme between financial years which includes input to the major upgrades for the central powerhouse on Aboriginal lands during 2013-14 and the annual fuel cost adjustment of \$5.6 million not incorporated in 2014-15. A decrease of \$5.5 million is due to the implementation of savings initiatives and changes in overhead allocations between financial years which are allocated across programs based on FTEs which are spread across all subprograms.

A decrease of \$1.9 million is due to funding for the State Drill Core Reference Library design phase, \$0.3 million; Woomera geoscience survey, \$0.2 million; National Partnership Agreement on Coal Seam Gas and Large Coal Mining, \$0.5 million; once-off funding for Nyrstar in 2013-14 for reimbursement of costs of specialist advice in relation to the Port Pirie Smelter transformation proposal, \$0.4 million; and commonwealth government funding for the National Energy Efficient Building Project of \$0.5 million ending in 2013-14.

A decrease of \$1.5 million is due to expansion on the Brukunga mine site remediation project varying between financial years in line with the approved project plan. A decrease of \$0.7 million is due to the minor decreases across a number of other projects between financial years. Increases of \$3.9 million include the following: an increase of \$2 million for additional funding for the Mining and Petroleum Services Centre of Excellence; \$1 million for the Plan for Accelerated Exploration; \$1 million for programs in 2014-15 as per the election commitment; and an increase of \$1.9 million due to higher regulation and compliance costs across government associated with an increase in petroleum retention licences.

Mr VAN HOLST PELLEKAAN: Regarding the 23 FTEs that go with that change, what are the likely impacts that the industry will feel with regard to their involvement with the department?

The Hon. A. KOUTSANTONIS: I would imagine, none, but I will double-check. The advice I have received is none.

Mr VAN HOLST PELLEKAAN: How does that work? What were the 23 people doing?

The Hon. A. KOUTSANTONIS: How can I explain this? You do more with less. We will make efficiencies like all agencies do, whether they are private or public. Whether it is a supermarket or a retail outlet, you make efficiencies and you still provide the same service. Some of them are corporate overheads; some of them are not front-line service delivery.

Mr VAN HOLST PELLEKAAN: Again on pages 98 and 99, going back to the OD Task Force, I refer to 'Continue to facilitate the expansion of and business sustainability of Arrium's steelmaking and mining operations in SA.' What will this target involve for the task force? What is really the meat of that?

The Hon. A. KOUTSANTONIS: Arrium has a permanent workforce of about 10,000 people operating across 15 countries, and 85 per cent of their workforce is in Australia. Arrium is one of Australia's largest exporters of iron ore outside of the three majors, producing around 12 million tonnes per annum from operations in the Middleback Ranges and the Far North—a great asset to the people of Whyalla.

Arrium has invested an additional \$200 million in expanding the Whyalla port facilities. The recently expanded capacity of 13 million tons per annum makes Whyalla the state's largest tonnage capacity port. The steelworks, part of Arrium Steel, continue to operate in a challenging economic condition with an EBIT loss of \$43 million in the financial year 2013. The steelworks supports the majority of those employees in SA. New royalty arrangements, which come into operation in May 2013, are ensuring that the South Australian community receives a fair share of the benefits of the expanded mining operations, but in a way that does not jeopardise the financial viability of the steelworks.

The task force worked with Arrium through a high-level working group to streamline interaction between the government and business, and I think we have done a very good job in its interactions. Basically, what we do, to give you a snapshot, is to allow what goes into the mill to be royalty-free and we charge royalties on what they export. That is the basic arrangement. I believe passionately that this country needs to make steel. I believe passionately that South Australia should be making steel and we will do what we can using our balance sheet to preserve our ability to manufacture steel.

Mr VAN HOLST PELLEKAAN: Is Arrium subject to the mineral resources rent tax?

The Hon. A. KOUTSANTONIS: No, I do not think they pay it. I will have to check with them, but I do not think they do. I will check with them.

Mr VAN HOLST PELLEKAAN: Can you give me some information, minister, regarding the highlights for 2013-14 on that same page. I am specifically interested in the BHP Billiton section where it talks about new technologies, on-site works and expansion of Aboriginal opportunities. Can you flesh that out?

The Hon. A. KOUTSANTONIS: BHP is a very good corporate citizen in this state. They are one of the largest employers and, as you are aware—no doubt you have been briefed by BHP—they are investing very heavily in a less capital-intensive design for the open pit expansion that uses technologies that would substantially improve the economics of the project.

As indenture minister, I granted an extension for the end of date notification of the expansion and an amended Olympic Dam and Stuart Shelf Indenture to take effect—I think that was me in 2012; yes, it was—such that notification can occur up until October 2016. The task force is facilitating BHP's commitment to the expenditure of some \$650 million over the next four years to 2016. It is committed to spending more than half a billion on rescoping of the project itself, including the new technology studies and on-site works.

It is committed to initiatives regarding the expansion for Aboriginal opportunities and investment in mining services industry. They do great work with PREOP at a Port Augusta prison, something that I started with BHP when I was corrections minister. Was it me or was it Carmel? It might have been Carmel, I cannot remember, but it was a program that is still going very strong. They were recently awarded at the most recent SACOME dinner and they, of course, are contributing to their environmental initiatives. They do great work and I am a big fan of BHP.

Mr VAN HOLST PELLEKAAN: Page 104, Renewable Energy Fund, right under estimated result. How much funding was provided to the Renewable Energy Fund in 2012-13 and 2013-14?

The Hon. A. KOUTSANTONIS: I will take that on notice and get it to you.

Mr VAN HOLST PELLEKAAN: How many applications for funding were received in 2012-13 and 2013-14 and how many of those applications received funding?

The Hon. A. KOUTSANTONIS: I will take that on notice.

The CHAIR: Member for Stuart, before you go on, do you have omnibus questions that you would like to tack on the end of this?

Mr VAN HOLST PELLEKAAN: No, they were all read in by the leader about every department, rather than any of us doing specific ones.

The CHAIR: Excellent, no worries. Carry on then.

Mr VAN HOLST PELLEKAAN: Thank you, I appreciate that. Minister, the Renewable Energy Fund, what is the reason for this fund being closed?

The Hon. A. KOUTSANTONIS: I suppose it has served its purpose, but I will get you a more fulsome answer on notice.

Mr VAN HOLST PELLEKAAN: Page 103 again, please explain what measures have been taken or will be taken by the department to achieve a reduction in funding for RenewablesSA from \$1.4 million in 2012-13 to a budget of \$679,000 in 2014-15?

The Hon. A. KOUTSANTONIS: Sorry, repeat the question.

Mr VAN HOLST PELLEKAAN: Please explain what measures have been taken or will be taken by the department to achieve a reduction in funding for RenewablesSA from \$1.4 million in 2012-13 to a budget of \$679,000 in 2014-15?

The Hon. A. KOUTSANTONIS: I will take that on notice. I will give you a brief answer. I am advised that the movement in that expense between the 2013-14 estimated result and the 2012-13 actual result is a \$0.6 million decrease. The decrease is due to lower grants payments resulting in the winding up of the Renewable Energy Fund in line with a savings initiative.

Mr VAN HOLST PELLEKAAN: Will you take what their savings initiative was on notice?

The Hon. A. KOUTSANTONIS: I think winding up the Renewable Energy Fund was the savings initiative.

Mr VAN HOLST PELLEKAAN: So it was as simple as that. Page 101, please outline what changes will be made to the Residential Energy Efficiency Scheme as a result of the recent review?

The Hon. A. KOUTSANTONIS: Which scheme was it?

Mr VAN HOLST PELLEKAAN: Residential Energy Efficiency Scheme (REES).

The Hon. A. KOUTSANTONIS: I note that the opposition took to the election a commitment to scrap this scheme. We think it does good work. We know what the requirements of the retailers are, but we took a review of the scheme to assess whether the scheme had met its objectives and whether they had been cost effective or they should continue post 2014. An independent valuation commissioned as part of the review found that in its first three years the scheme delivered a benefit of over \$100 million.

The independent survey of households that took part in the scheme found that more than 90 per cent were either happy or very happy with the quality of activities and audits. On 29 November

last year I announced that the government would extend the scheme to 2020 and expand it to include small business. The DSD is working on regulatory and administrative changes associated with that decision and I look forward to announcing to the parliament soon the full range of implications for extending that to small businesses.

The CHAIR: This will be your last question, member for Stuart, just to let you know.

Mr VAN HOLST PELLEKAAN: The full range of implications including the impact on electricity prices?

The Hon. A. KOUTSANTONIS: Yes.

Mr VAN HOLST PELLEKAAN: Thank you.

Sitting suspended from 15:45 to 16:00.

The CHAIR: Welcome back, Treasurer, to your last session. In your role as Minister for Small Business I invite you to make a statement and introduce any new advisers you have assisting you.

Departmental Advisers:

Mr R. Garrand, Chief Executive, Department of State Development.

Mr T. Newton, Manager, Case/Investigations, Office of the Small Business Commissioner.

Mr I. Nightingale, Industry Participation Advocate, Department of the Premier and Cabinet.

Mr L. Piro, Executive Director, Industry and Innovation, Department of State Development.

Ms P. Chau, Director, Finance, Department of State Development.

Mr. R. Janssan, Group Executive Director, Strategic Services, Department of State Development.

Ms L. Blazujevic, Principal Adviser, Department of State Development.

Ms A. Pangallo, Office Manager, Office of the Small Business Commissioner.

The Hon. A. KOUTSANTONIS: I will not be making an opening statement, and am prepared to take questions immediately.

Mr VAN HOLST PELLEKAAN: Budget Paper 4, Agency Statement 4, page 105. I am asking about the Office of the Small Business Commissioner. Is funding for the Office of the Small Business Commissioner contained within this Program 8: Opportunities for Small Business?

The Hon. A. KOUTSANTONIS: I am advised that the Small Business Commissioner, the incoming expenditure of the office, is not reflected within the Agency Statements, except to the extent that the net cost of services are reflected in the Administered Items.

Mr VAN HOLST PELLEKAAN: Where is the funding for the Small Business Commissioner held then?

The Hon. A. KOUTSANTONIS: If you look at the Administered Items on page 129 of Agency Statements, Volume 4, there is a table (and I apologise that I don't have the number of it). It says 'Small Business Commissioner \$1.49 million' in 2014-15.

Mr VAN HOLST PELLEKAAN: Is there any reason that the Small Business Commissioner funding is not included in the Opportunities for Small Business?

The Hon. A. KOUTSANTONIS: It is an independent office. It is government-funded but, like the DPP and like the training advocate, they are independent.

Mr VAN HOLST PELLEKAAN: Just to be sure that I understand it, the \$1.424 million for Opportunities for Small Business and the \$1.491 million on the page you just referred to, they

essentially add together to support small business. They are not the same money; it is additional money.

The Hon. A. KOUTSANTONIS: Yes, you are correct, they are two separate allocations.

Membership:

Mr Tarzia substituted for Hon. I.F. Evans.

Mr VAN HOLST PELLEKAAN: Is the Small Business Commissioner receiving the additional \$263,000 that was promised in the 2012-13 budget?

The Hon. A. KOUTSANTONIS: We will take that on notice.

Mr VAN HOLST PELLEKAAN: Just to help you then, the government announced in the 2013-14 budget an additional \$267,000 indexed over the forward estimates for the Small Business Commissioner, so I would just like to be sure that the budget reflects that.

The Hon. A. KOUTSANTONIS: I am glad you are so supportive of an office you voted against establishing.

Mr VAN HOLST PELLEKAAN: With regard to the Small Business Commissioner's Office again, which of these two budgets would any internal charges (government department to government department) come out of? Would they come out of the budget line you referred me to on page 129 or out of opportunities for small business?

The Hon. A. KOUTSANTONIS: They are separate. Anything he expends comes out of his budget and anything we expend comes out of my budget. If that is not accurate I will get you a detailed answer. I do not think we charge for HR services and we do not charge for any other administrative fees other than what is budgeted for. So the cost, for example, of HR is within the agency statement.

Mr VAN HOLST PELLEKAAN: The reason I ask is that you specifically talked about HR or whatever internal government charges. I have an invoice here from the Crown Solicitor's Office to DMITRE for legal fees associated with the Small Business Commissioner's alleged improper conduct. Which budget would that come out of?

The Hon. A. KOUTSANTONIS: The Crown Solicitor's Office has sent a bill to DMITRE, did you say?

Mr VAN HOLST PELLEKAAN: Yes.

The Hon. A. KOUTSANTONIS: That would come out of DMITRE's budget, I imagine, but I will have to check for you.

Mr VAN HOLST PELLEKAAN: So neither of these two budgets; is that what you are saying?

The Hon. A. KOUTSANTONIS: I do not know. I will have to go back and check. Is it an FOI you have?

Mr VAN HOLST PELLEKAAN: No, it is a copy of an invoice.

The Hon. A. KOUTSANTONIS: I will chase that up for you.

Mr VAN HOLST PELLEKAAN: Alleged improper conduct of the Small Business Commissioner, it says here. Do you know anything about that, minister?

The Hon. A. KOUTSANTONIS: I cannot add to anything, I am sorry.

Mr VAN HOLST PELLEKAAN: Do any of your advisers?

The Hon. A. KOUTSANTONIS: We cannot make any comments.

Mr VAN HOLST PELLEKAAN: Why is that, minister?

The Hon. A. KOUTSANTONIS: It is not within my purview to make a comment to the committee about that.

Mr VAN HOLST PELLEKAAN: But it is a costed item. It is a \$12,000 expense.

The Hon. A. KOUTSANTONIS: Yes, I understand.

Mr VAN HOLST PELLEKAAN: Why is that? I do not understand.

The Hon. A. KOUTSANTONIS: There are other requirements that the government must take into account.

Mr VAN HOLST PELLEKAAN: Other than explaining an expense that you have incurred.

The Hon. A. KOUTSANTONIS: Yes.

Mr VAN HOLST PELLEKAAN: Such as?

The Hon. A. KOUTSANTONIS: I cannot go any further into it. I suppose the best way to deal with this is to say that the government obviously operates within all legislative frameworks and is always responsible for maintaining due process. There are legislative requirements and punitive measures in place for anyone who acts outside of those legislative frameworks, and I am not about to step out of those frameworks in this committee.

Mr VAN HOLST PELLEKAAN: I respect that. Are you suggesting in that answer then that this invoice has resulted in something in that category that you just mentioned?

The Hon. A. KOUTSANTONIS: I am not suggesting anything. I said to you that I would like to give you a fulsome explanation, but I cannot.

The CHAIR: I think the minister's position is clear.

Mr VAN HOLST PELLEKAAN: Would you be prepared, as you did on a different question in a different committee, to give me a private briefing on that?

The Hon. A. KOUTSANTONIS: No; I am not disclosing anything. People have legal rights and legal opinions have always been confidential. I will just get some advice. I have nothing I can add to my initial answer.

Mr VAN HOLST PELLEKAAN: Does that mean that any public information or any parliamentary committee information that has to do with legal expenses cannot be dealt with? I mean, I am not aware of what the result of it was, I am not aware of the details that you might feel you need to keep private, I am just asking about an \$11,900 expense and how that is being dealt with.

The Hon. A. KOUTSANTONIS: Sure. I am going to ensure that everyone is afforded procedural fairness, so I am not going to make any further comments on this matter.

Mr VAN HOLST PELLEKAAN: Page 105 (the same page), you stated in your budget speech (page 9 of the budget speech) that:

The Premier has called on all Ministers to reconnect with business to ensure South Australia's business environment is as competitive and attractive as possible.

Please explain why the total expenditure for the opportunities for small business program is a total of \$1.442 million in 2014-15, a 20 per cent decrease from 2013-14?

The Hon. A. KOUTSANTONIS: We in the Labor Party get accused quite often that if there is a problem then we throw money at it. The Prime Minister is very good at saying to the Labor Party, 'You can't solve every problem in the country by throwing money at it.' So, I have to say I am always surprised when the opposition says to me, 'You don't care about this industry because you are not spending money at the problem.' You do not necessarily have to spend money at a problem to show an interest in small business. What I said in the speech is what the Premier has asked us to do, which is to reconnect with business.

I think it is fair to say that South Australia is well served by its small business community. They are good hardworking people. I grew up in a family that ran a small business and I know what it is to have the family home mortgaged to run a small business, as I am sure many members of the

house (on both sides of politics) know what it is like. I do not think the solution to a problem is necessarily money. What small business is looking for from the government is to grow economic opportunities, to make the economy more efficient, to cut red tape, to give them the access to go out and compete. What they are not interested in is handouts.

Every time we have made cutbacks on government handouts or on handouts to business or on corporate welfare, we get accused by MPs of not caring about that industry while being quietly applauded by the industry that often sees that as unnecessary. So, I do not accept what it is you are saying. I do think we are attempting to reconnect with business and I do not think money is the answer.

Mr VAN HOLST PELLEKAAN: Minister, I did not accuse you of anything, I just asked the question: can you explain why there is a stated desire to engage more and help more, but there is a financial reduction?

The Hon. A. KOUTSANTONIS: I do not think you can equate there being a conflict with the two statements, simply because money is not the solution.

Mr VAN HOLST PELLEKAAN: Can you explain what the difference is then with regard to regional development? There is the same desire to engage and support regional development—

The Hon. A. KOUTSANTONIS: There is a greater deal of disadvantage amongst regional communities than there is amongst metropolitan communities. You should know that as a regional MP. The tyranny of distance, the extra costs involved in regional communities of being competitive, labour costs, transport costs, infrastructure costs, the costs of doing business are more expensive.

The Regional Development Fund is about building the productive infrastructure we need when the normal weight of population does not justify in normal circumstances the infrastructure being built. Minister Brock is attempting to level the balance sheet for regional communities. You would know, as a regional MP speaking to your regional businesses, how much harder it is for them to compete internationally and interstate with metropolitan-based businesses because they have cost advantages because they are so close to ports, to infrastructure and to sources of their supplies. We are attempting to increase funding to try to level the playing field, but the idea that generically anyone can assert, say or show a lack of interest in small business simply by a budget line I do not think is accurate.

Mr VAN HOLST PELLEKAAN: In your dual role as Treasurer and Minister for Small Business you have increased the emergency services levy, you have introduced a transport development levy and you will remove the payroll tax concessions in a year or so. Can you tell me what you believe will be the impact of that on small business?

The Hon. A. KOUTSANTONIS: I will, because the transport development levy is a good one. The key for growing retail in the city is to make sure that there are many car park spaces available to get consumers who are spending money in the city in out as quickly and efficiently as possible. The problem we have in South Australia is that, overwhelmingly, the number of people who work in the city drive to the city, congesting our roads in and out in peak hour, taking up all the car parks and adding a cost burden on business people who employ people in the city because they generally pay for their car parking or it is reflected in their wages. If we are able to levy those car parks, we will be able to spend that money on productive infrastructure like, for example, park-and-ride facilities.

I notice in your recent newsletter that you took credit for a Park'n'Ride, yet you have stated that you are going to vote against the transport development levy. That type of hypocrisy really exposes the Liberal Party at its core. They are out there celebrating infrastructure that is being built as a result of the tax to build that infrastructure. They take credit for the infrastructure being built but then vote against the measures that pay for it. What we are attempting to do by decongesting the city is make more spaces available for people who are coming to shop, do commerce or do business, and make it easier for them to get in and out of the city, while people who work in the city from nine to five or are shift workers can use public transport to get in and out of the city. It is more efficient and there are better outcomes for those workers and their families because there is a lesser cost than bringing transport in and out of the city. That is one aspect.

The good thing about that is that it is not necessarily a levy on business but a levy on people who use car parks and on car park operators. For example, if I was a retail worker in Rundle Mall or I owned a small business or boutique in the city, I would want to encourage, as far as possible, my consumers being able to come in and get affordable and available car parking that is not taken up by city workers who are filling up car parking spaces and creating more and more demand, pushing up the price of car parking. It is an argument we have that we disagree on. We believe the best way to have a functioning metropolitan city is to have public transport solutions. Your solution is that everybody drives into the city and parks in a car park—it is just a different outlook.

Mr VAN HOLST PELLEKAAN: How will the removal of the payroll concession help small business?

The Hon. A. KOUTSANTONIS: The important thing about the payroll tax concession that we have brought in, which will be an implementation over two years, has very good benefits. The government may make a decision in the budget to extend that, may make it permanent—it may do all sorts of things, but I am not going to announce them here in the estimates committee. What you are seeing on display is that we had a very difficult time trying to fill the hole made by the commonwealth Liberal government in its health and education cuts, so rather than imposing an extra impost on business we have spread the burden across all South Australians on a progressive tax scale, which is the emergency services levy, so the more valuable your home the more you pay.

Of course there are entrenched and enshrined discounts for regional communities. As you would be aware, in certain regional communities you get a certain percentage discount, and the further you move away from those communities the discount gets larger. It is the most progressive tax form we have, and it was a tax implemented by the former Liberal government. They are the ones who invented it and the ones who designed it. We have removed the remissions we offer people on the emergency services levy and have taken that remission money and put it straight into health, which has made a lot easier the savings targets health has to make, as in corresponding cuts that the commonwealth has made.

What is the benefit to business? I did not jack up payroll tax. I did not jack up land tax. I did not increase those taxes directly on business. I spread it all on the emergency services levy. In fact, there have been a number of businesses that have asked me to increase business taxes to benefit other businesses. My view is business taxes are as high as they should be in this state—they should probably go no higher—and, if anything, we should do all we can to try to reduce them.

I have to try to build capacity within the budget because of the commonwealth budget, and one of those measures is the emergency services levy and, if you vote against the transport development levy, you are going to make our job \$100 million harder and we will have to find other ways of implementing them, so you may, inadvertently, be increasing business taxes.

Mr VAN HOLST PELLEKAAN: When you said in your budget speech in another place that you will increase payroll tax in a year's time, it is actually possible you might change your mind on that?

The Hon. A. KOUTSANTONIS: We may.

Mr VAN HOLST PELLEKAAN: You said you did not want to touch land tax, but what is the difference between increasing the emergency services levy and increasing land tax?

The Hon. A. KOUTSANTONIS: Because it is not a land tax. It is a fee for services.

Mr VAN HOLST PELLEKAAN: It is a property tax.

The Hon. A. KOUTSANTONIS: When the Liberal Party invented the emergency services levy, they were attempting to design a revenue base much like councils have. You work out the cost of delivering these volunteer services—SES and CFS—and paid services like the MFS and some aspects of police to respond to emergencies. What the tax is designed to do, I am advised, is to work out the total cost of delivering those services and then apply that tax on the basis of property value across South Australia with all the discounts that are in place for regional communities and regional centres. Then we applied a 50 per cent remission regardless of the ability to pay. Whether you had a \$10 million home or a \$250,000 home, you got a remission on your emergency services levy.

What we have done is remove that remission to fully fund our emergency services. We took it out of your taxes normally to offer that remission and we have moved that money into health and education. The reason we have done so is the commonwealth Liberal government has made once-in-a-generation draconian and dramatic cuts to health and education, and we are expressing our values by trying to maintain what we think are the two most important services we can offer our community. There are no silver bullets left in this world other than education, and the way civilisations are judged is by the way we treat people who are sick, old and infirm.

Quite frankly, this government will express its values, and the values we are expressing are that we want to make sure we can minimise the impacts of the cruellest cuts made by the Prime Minister on health and education. That is why we have increased those taxes—or removed the remissions.

Mr VAN HOLST PELLEKAAN: You did that with the full knowledge that that would be an immediate impact on every small business—

The Hon. A. KOUTSANTONIS: Less so than residences.

Mr VAN HOLST PELLEKAAN: —that owns or rents a property—essentially, that works from a property.

The Hon. A. KOUTSANTONIS: But it is applied equally. Businesses, I am advised, have a lower increase but I will check that for you. Generally, it is about cost recovery for emergency services. It is not a new levy imposed. That levy was always in place. It is a levy that the Liberal Party introduced. It is your tax. You designed it, you brought it in, you championed it and now we have removed the discounts to pay for cuts your party has made in Canberra.

Mr VAN HOLST PELLEKAAN: But you did consider the fact that it is going to be a direct—

The Hon. A. KOUTSANTONIS: I suppose it is like you complaining to me about the impact of the GST on some services. Well, GST is your tax. It is your tax: you implemented it and designed it—not you personally, but your brand.

Mr VAN HOLST PELLEKAAN: I suspect, as Treasurer, you are very glad to receive every dollar that you get from it. At page 105, the same page, the 2013-14 estimated result—and this is again opportunities for small business—included a \$218,000 grants and subsidies line. This compared to a budget of \$70,000. Can you explain how it blew out?

The Hon. A. KOUTSANTONIS: I am advised that \$150,000 in 2013-14 was for the small business support discovery program and \$68,000 was for the small business policy evaluation and research program. They were incorporated within the renamed small business support program and the industry engagement program. I will get you more details of those grant lines so you have a better understanding of what they were used for.

Mr VAN HOLST PELLEKAAN: Would you, when you come back with that answer, let me know how many applications were made to grants and subsidies too?

The Hon. A. KOUTSANTONIS: Sure.

Mr VAN HOLST PELLEKAAN: Why is that grant and subsidy being removed?

The Hon. A. KOUTSANTONIS: The Our Jobs Plan supersedes these subsidy lines. That is a much more effective way of assisting small business, so we will be making these plans redundant in favour of the Our Jobs Plan, which is a much larger fund.

Mr VAN HOLST PELLEKAAN: Within the Our Jobs Plan then, is there grant and subsidy money or an equivalent dedicated for small business?

The Hon. A. KOUTSANTONIS: There are things like the Innovation Voucher Program—something that I was quite pleased to be involved in when it was first developed, much to the chagrin of the then treasurer—business transformation vouchers of \$4.5 million, the ANZ Innovyz Start program, which I was very happy to announce, the microfinance fund. We have also provided \$2.5 million over three years for Hills Industries. We have extended the small business innovation research pilot program. Of course, the biggest thing we can do for small business is reform WorkCover, which I look forward to your fulsome support on when it enters the parliament.

Mr VAN HOLST PELLEKAAN: Apart from the microfinance example that you used, there is nothing really there that is particularly targeted to small business.

The Hon. A. KOUTSANTONIS: I disagree. I think the Innovation Voucher Program is absolutely for SMEs. The business transformation vouchers program assists businesses access services to specialist consultants, which a lot of small businesses find very difficult to get access to, to develop implementation plans to improve productivity and competitiveness or to diversify new product markets.

A lot of small businesses often look inwards because they are so busy and time poor they do not have the opportunity to go out and get the consultants, to get the accounting firms to do the work for them. What this voucher does is give them the access to actually lift their eyes a bit, have a look around them and see what other businesses that are slightly larger are doing. It is a very good program. The ANZ Innovyz Start program is all about small business.

The truth is, South Australia put the S into SME. We are a state of SMEs, and most of these programs and the microfinance fund are designed around small business. I have to say the one thing that I hear the most from small businesses, that they are most concerned about, is their WorkCover levy. The WorkCover levy is the one that frustrates them the most and the one that the government agrees needs remedying the most.

The truth about the WorkCover levy for small business is that small businesses are often incapable of dealing with workplace injuries. They are incapable of dealing with the red tape that comes with a workplace injury and the return-to-work programs that are pushed upon them, and the levy becomes so burdensome that they often just throw their hands in the air and give up. What we are attempting to do through our reforms is have some very difficult discussions with our friends in the union movement about the appropriateness or otherwise of actually having our own state-based welfare system.

Welfare should be delivered by the commonwealth and, to use the Prime Minister's own language, if he wants to have every state sovereign—no worries, I will give it to him in spades. He can have all the sovereignty he wants, because welfare is his provision. What we are attempting to do through WorkCover is to minimise costs. The tax cuts that we can give people through WorkCover far exceed anything I could possibly do within the budget, because the good thing about the WorkCover cuts is they will not impact on our budget, but they are a massive saving to business. If we get our levy down to about 2 per cent we are talking about a nearly \$180 million a year tax cut.

I understand there is a lot of cynicism within the business community and within the opposition. After 12 years of government, there has not been much reform in WorkCover. I would ask you to have an honest look at our legislation—and that is not implying that you have not done that previously—and judge us on our intent and the merit of the bill. I would ask you, once you have seen the bill, to support the government's intent to try to lower the levy as low as we possibly can while maintaining dignity for injured workers, and try to give small business the biggest tax cut we could ever possibly give them.

Mr VAN HOLST PELLEKAAN: I will keep that in mind, minister.

The Hon. A. KOUTSANTONIS: I am glad because we need an advocate in your party.

Mr VAN HOLST PELLEKAAN: With these programs under the Our Jobs Plan, I accept that small business can attract those but certainly big business could too, and big business could gobble up an enormous amount of the money and take what 10 or 100 small businesses could have. Is there an allocation in those programs set aside specifically for small business, given that a program in the budget specifically for small business has been taken away?

The Hon. A. KOUTSANTONIS: A lot of these grant programs and Our Jobs Plan would not be attractive to very large business because often you will find that they do not require a subsidy or access to capital. They require removal of red tape and bureaucracy and are more interested in the approvals and planning side of their delay—whether it is Peregrine Corporation, BHP, Santos. They are not really that interested in accessing grants. They are more interested in regulatory burden. Small business is more interested in financial incentives to upgrade or access grant lines. So, intuitively, you are already cutting out most of the big business.

But do we have a hypothecation for small business? We have very good people like Len Piro and Göran Roos looking over these sorts of things, and people like Mario Pegoli from Investment in SA and, of course, the chief executive and the new chief executive who is coming in, looking over all of these things and saying, 'Look, is it really worth our while giving these large grants to these large companies that do not really need them or are we better off helping the small start-ups?'

We are better off helping out small businesses who typically could employ 15 people if given the right opportunities and access to markets. These grants are inherently designed to try and benefit those businesses, so I do not think you are going to see Santos, Peregrine Corporation, Beach Energy, BHP or AusMinerals turn up and say, 'We want a \$15,000 grant to innovate.'

Mr VAN HOLST PELLEKAAN: Budget Paper 4, statement 4, page 106. I refer to the quote for 2014-15 'Deliver phase 2 of the South Australian Small Business Innovation Research Program'. How much funding was provided to the program in 2013-14 and budgeted for 2014-15? It is the third dot point from the bottom.

The Hon. A. KOUTSANTONIS: Phase 2 is a development phase which will cover more intensive research and development and detailed product development. It will fund up to two companies for a maximum of half a million dollars each, for up to 24 months, I am advised.

Mr VAN HOLST PELLEKAAN: And over the forward estimates?

The Hon. A. KOUTSANTONIS: Phase 3 is for commercialisation of the product. No funds will be provided as part of the SBIR for this; however, DSD and our partner agencies can provide basic assistance and advice to assist with the commercialisation process.

Mr VAN HOLST PELLEKAAN: Sorry, minister, does that mean phase 1 was for year 1, phase 2 is year 2 and then it stops? Is that what you are saying?

The Hon. A. KOUTSANTONIS: My apologies, that is for SA Water's phase. The 2013-14 budget provided an additional \$2.96 million over three years to extend the initial challenge to phase 2 and run a second complete challenge. My apologies. I was talking about one discrete program. The budget offers additional money of nearly \$3 million over three years to extend the challenge.

Mr VAN HOLST PELLEKAAN: Okay, thanks.

The Hon. A. KOUTSANTONIS: My apologies on inadvertently misleading you.

Mr VAN HOLST PELLEKAAN: I understand and accept that. What were the results of the pilot program?

The Hon. A. KOUTSANTONIS: I will let Len Piro answer this, like a proud father.

Mr PIRO: Thank you. The initial program was with SA Water and the challenge they put forward was to take particular materials out of their wastewater—phosphorus-based materials. Two companies were funded to develop technology that would have met that challenge and at this stage SA Water is just finalising their decision on which one of those two will go forward, if either of them meet their requirements.

Mr VAN HOLST PELLEKAAN: So two companies have applied and only one—

Mr PIRO: There were six who applied and two—

Mr VAN HOLST PELLEKAAN: Down to a shortlist of two, now.

Mr PIRO: Correct. Two got funded—

Mr VAN HOLST PELLEKAAN: And one will be chosen.

Mr PIRO: If they have the technical merit, of course.

Mr VAN HOLST PELLEKAAN: Just moving to the top of that same page, the very first bullet point under Highlights for last year: 'Implemented initiatives to support the small business sector to engage in supply chains and business opportunities created by the state's infrastructure resources, energy and defence projects.' Can you tell me why this is here rather than in manufacturing and innovation? Why is this a highlight here in terms of opportunities for small business rather than under

manufacturing and innovation? Is this something that is specifically targeted to small business, just harking back to those other questions about other grants?

The Hon. A. KOUTSANTONIS: It is all about providing \$25,000 in funding to the Defence Teaming Centre to deliver a major project ready skills accreditation program to small and medium-size enterprises in the defence advanced manufacturing sector. Basically, it is procurement pre tender, down a supply chain.

Mr VAN HOLST PELLEKAAN: Procurement from small businesses.

The Hon. A. KOUTSANTONIS: It is getting them procurement ready so they can tender. The biggest impediment that a lot of people have to accessing government work is the inability to know how to tender properly. You would be surprised how much time we have to spend and the problem with that is the high reporting requirements that we have as a government, and the rightful scrutiny that you put us under. It would be a lot easier if we were a private company going out to tender, rather than the government. When you have small businesses attempting to tender for projects, it is difficult because the requirements are much higher and often it is a lot of work for very little reward and it is much easier just to bypass it altogether.

The outcome of that is that we do not get very good competitive tenders because the small business base that we have here close to market cannot tender, because they think it is too difficult, so we get the same people—the same suspects—turning up over and over again who know how to tender for government work quite well, who charge appropriately. What we are trying to do is to encourage people who do not usually get access to this to be tender ready, so they can procure for down the supply chain. It is hard work; it is difficult work. You do get good rewards out of it, but you have to keep on doing it.

Mr VAN HOLST PELLEKAAN: Why is funding for that program not going past 2016-17?

The Hon. A. KOUTSANTONIS: We will assess it and then make a decision in that budget.

Mr VAN HOLST PELLEKAAN: Referring to page 105 and the Red Tape Reduction Steering Committee, what red tape reduction initiatives have been successfully implemented in 2013-14?

The Hon. A. KOUTSANTONIS: Hundreds of millions of dollars worth of red tape reductions. Do you want to know what we have done since coming to office?

Mr VAN HOLST PELLEKAAN: Just 2013-14, thanks, minister. Just the ones that worked.

The Hon. A. KOUTSANTONIS: Through the measuring standards the government has, we estimate that we have cut about \$150 million. I am advised that Deloitte independently audited our red tape reduction programs, which cut nearly \$150 million worth of red tape but, like roses, when you prune them, they grow back, so you always have to keep on cutting red tape. You cannot rest on your laurels. I notice that parliamentary secretary Frydenberg is undertaking a red tape reduction with very large targets.

If you go back historically, the commonwealth government and the state governments have all had these red tape reduction programs in place and you keep on cutting red tape. We think we have cut \$150 million, but what we have identified is a series of specific red tape issues that are high priority. They are: transacting with government online and streamlining our processes, in particular for small business; increased accountability for approval of time frames within government, that is, we want people to be accountable for decisions they make about extending time lines; and rationalising and streamlining accreditation and audits for food and beverage in manufacturing business. These are some of them.

Some other ones are, for example, options to reduce the regulatory burden for food manufacturing businesses in reducing trade waste, and public stocktake of legislation to identify priority regulations that are overly burdensome. For example, do we have legislation that is out of date, pre internet, pre online shopping or pre online approvals that make it redundant or require it to be thrown out, or is irrelevant from a business perspective? Does government need it?

Often you will have crown law or an agency or parliamentary counsel say, 'This is essential,' and you will have business say, 'Look, that is just an impediment for me even getting involved. There has to be another way.' So, this is all about those red tape reduction programs we have in place.

We want to work collaboratively with industry, so Business SA is on the committee with us, as is the South Australian Chamber of Mines and Energy, as are a lot of other small representative businesses who reflect the demographics out in South Australia of SMEs and large manufacturers, giving us advice on what they are facing day to day.

For example, I had someone tell me anecdotally that they were in breach of food standards because they had an air dryer next to a tap but no towels in the dispenser. If the dispenser was taken down, the air dryer would have been sufficient, but they still got a fine. That is crazy. That is an overburdensome regulation and, no doubt, either a council or the government paid to have that regulator out there inflicting pain on a business simply because someone did not fill the paper towel rack when they did not need the paper towel rack at all. If the owner had gone out with a screwdriver and taken down the paper towel dispenser because he had the dryer there, all would have been okay. That sort of madness sends me crazy and I want to get rid of it, as I am sure all 69 state MPs would love to see that all gone, so this is not a party political issue, this is just about common sense.

Mr VAN HOLST PELLEKAAN: When was the Red Tape Reduction Steering Committee first established and how regularly does it meet?

The Hon. A. KOUTSANTONIS: It commenced in February 2014, but we have had them since 2002, I imagine. We have had a number of iterations of red tape reduction committees, but I sit on it and I attend.

Mr VAN HOLST PELLEKAAN: How regularly does it meet?

The Hon. A. KOUTSANTONIS: I think it meets every three months, but I could be wrong on that, I will check.

Mr VAN HOLST PELLEKAAN: What sort of KPIs do you have? I imagine with red tape there is low hanging fruit and it probably—

The Hon. A. KOUTSANTONIS: We have done all our hanging fruit.

Mr VAN HOLST PELLEKAAN: That is what I am getting at. How will you judge ongoing success?

The Hon. A. KOUTSANTONIS: By actual red tape we have reduced. We could set a value, which we have done in the past, that could be one way. I think industry is a bit sick and tired of the value aspect. I think time and payments of accounts are good KPIs. For example, DMITRE pay 96.5 per cent of their invoices within 30 calendar days, and that is good, TAFE 94 per cent, DFEEST 98.6 per cent, Arts 97.2 per cent, but we could improve these numbers. My view is: why do we not pay them all within 30 days and then if we have a dispute, we will be good model litigants and take them to court and do it the other way. Obviously Treasury have their own views about how we pay these things. That is one way we can set KPIs, but I think I will let industry set the KPIs for us because they are the ones who are most affected.

Mr VAN HOLST PELLEKAAN: What funding goes towards that committee?

The Hon. A. KOUTSANTONIS: Over two years, \$300,000, I understand.

Mr VAN HOLST PELLEKAAN: So, \$150,000 a year?

The Hon. A. KOUTSANTONIS: I think so, yes.

Mr VAN HOLST PELLEKAAN: Just help me understand where that money comes from. You have said that, essentially, you can identify \$150 million worth of savings to small business through the removal of the committee—

The Hon. A. KOUTSANTONIS: No—

Mr VAN HOLST PELLEKAAN: Sorry, removal of the regulation because of the work of the committee. Where does this—

The Hon. A. KOUTSANTONIS: If there were a committee that cost me \$150 million it would be gone.

Mr VAN HOLST PELLEKAAN: I understand that.

The Hon. A. KOUTSANTONIS: Mr Garrard has just made a very good point. Savings are basically the time it costs someone to do something. If it takes you three years to apply for a mining licence, that is excessive red tape; if it takes you three years to apply for a food licence with the appropriate regulations for planning. I think we should look to set world's best practice. I think time is the big issue for me; I want to speed up the process. I want the interface with government to be short, fast and satisfying. Sound familiar?

Mr VAN HOLST PELLEKAAN: I wasn't going to ask if it was your speciality, minister. I refer to Budget Paper 3, page 186, looking at the very top of that page. In your calculations, how many specific, individual small businesses will actually benefit from this payroll tax concession?

The Hon. A. KOUTSANTONIS: Lots. I signed their letters, and I have to say it was a nice letter that I sent them. I will find out the exact number and get it to you.

Mr VAN HOLST PELLEKAAN: Can you share with me how, in your dual role as Treasurer and Minister for Small Business, you weigh up that potential decision about not removing the concession for payroll tax? Obviously, there are competing forces there.

The Hon. A. KOUTSANTONIS: Well, it will not be a decision I make on my own; it will be part of any budget process. Obviously my cabinet colleagues will have to decide about the merits or otherwise of that foregone revenue, and whether we spend that revenue. It is largely dependent on what the commonwealth does, and what my capacity is to withstand any future cuts.

I think it is important that we put the budget into surplus, as planned, but I also believe that we will have to do some very quick, evidence-based research about whether or not the most efficient way of delivering payroll tax is to have tax-free thresholds. If you asked an economist they would say 'Remove the tax-free threshold.' I don't support that assertion, but that is what they would say. They would say, 'Make it efficient. Charge everyone payroll tax, not just people earning a certain amount.'

I know, for example, that there are many people in the industry who say to me that they are competing, across the road, with someone who is not paying payroll tax. Pubs, for example, are always complaining about restaurants. Pubs are regulated to within an inch of their life because of poker machines and alcohol service. They cannot really fudge what their payroll and FTE count is, whereas a restaurant across the road may have less stringent reporting mechanisms in place for payroll. Their view would certainly be to remove the tax-free threshold and make everyone pay it as a level playing field; just drop the rate dramatically to raise the same amount of money.

My view on that is very different. The biggest impediment to payroll tax is not those who are paying it now; it is those who are about to pay it, because all of a sudden it is a new cost on the business and it is very difficult to budget for it. It is very difficult to anticipate that it is coming, and obviously when it comes it hurts. We have to try to work out that gap between not paying it and paying it, and whether we are really impeding economic growth by having the threshold at that level. For people who are about to enter it, do businesses actually say 'Let's not expand, let's not make that decision because if we do my accountant tells me that our payroll tax liability will be X.'

I have to say that if that is occurring and it is occurring on a large scale then the tax is counter-productive, but you would have to offset that with the revenue you would get from the payroll tax and make a judgement about what you would do with those revenues. So, it is a difficult decision.

I note that the Victorian government modelled its—I cannot remember whether they lowered their threshold or increased the rate; they did one of the two. They are difficult decisions, but by the same point, because most states have transactional taxes, if the property market returns back to trend, it may not be a problem at all. We could implement the cuts and make them permanent. It depends entirely on what happens to our other transactional taxes as well.

Premier Baird was able to deliver a surplus this year on the basis of a windfall gain in conveyance duties—completely unbudgeted for, just a surge in the property market in New South Wales and he gets a surplus. That is the nature of our transactional taxes. When they come back,

they come back hard. When they drop, they drop fast. They are not like the GST or income tax, which are quite regular and consistent.

Mr VAN HOLST PELLEKAAN: Thanks, minister. Given that the decision to remove the concession in a year's time—if that is what you do—will no doubt hurt employment, what would you consider doing instead to support small businesses so that you can keep the government's 100,000 new jobs by 2016 promise?

The Hon. A. KOUTSANTONIS: I do not accept the premise of what you said. I do not accept that it will hurt jobs. I said that it may. You have to remember that a lot of people who are now taking the benefit of the payroll tax concession may actually grow into the part of the threshold that does not give them the concession. So there may be a number of businesses that drop out simply because they have moved up the scale and do not become eligible for the concession anymore. There might be a whole new group that comes up into it that has never had the concession. I cannot say that the concession is going to affect the same people if you remove it. I do not think that you can make that assertion. However, we are doing what we can to try to create 100,000 jobs. We have created somewhere around 10,000 jobs already up to 2010. If you look at what we have done over the last few months—

Mr VAN HOLST PELLEKAAN: Sorry, did you say up to 2010?

The Hon. A. KOUTSANTONIS: Up to 2010, some—

Mr VAN HOLST PELLEKAAN: But this is—

The Hon. A. KOUTSANTONIS: I know. You are talking about the 2016 target, but I am saying that this is what we have done. In the past month what you saw was an increase in the unemployment rate but an increase in the participation rate as well. So you actually saw 1,100 jobs created in the economy last month. However, at the same time, you saw more people looking for work. So, conversely, that is a good thing because more people are looking to engage in the South Australian economy. People are not retreating from the economy but they are getting involved. So I was actually quite buoyed by the participation rate increase.

In seasonally adjusted terms, the growth in hours worked in June 2014, South Australia was stronger than the national average of any other state. South Australia was up 2.3 per cent, WA 2.2, NSW 1.4, VIC was up 0.7, Queensland went down, Tasmania went down 0.5 and Australia went up 0.9. So, in terms of hours worked, South Australians did better in seasonally adjusted terms. Full-time employment has increased for eight consecutive months in South Australia, an increase of 6,700 or more and 800 a month over the last six consecutive months, according to the ABS, I am advised. So, signs are good but, in the end, like I said in the first estimates hearing, the biggest threat we have is confidence.

I give credit to the Prime Minister and the Treasurer. When they were first elected they did a very good job of boosting the confidence of the nation. Business felt relieved that the drama of the previous six years was over. The states were relieved that the drama of the previous six years were over and people started spending again. They felt more secure. Regardless of their political persuasion, they felt that the commonwealth issues had been resolved by and large, and then along came the commonwealth budget, which has adversely affected nearly every single demographic in Australia.

What you are seeing, whether you are high income, low income, whether you have a job, is anxiety levels are up and consumer confidence is down and it is all pretty much pinpointed back to that commonwealth budget. They were doing quite well leading up to it. In my view, the mistake the Prime Minister and the Treasurer made is their budget repair program, their so-called budget emergency. They may have cut off their nose to spite their face because the dent that they have made to confidence is going to ripple around Australia. They have elections coming up in Queensland, New South Wales and Victoria and I think the Liberal Party is about to pay a very big price in probably two of those states on the basis of what the Prime Minister has done.

My biggest threat over the next 12 months is not us, it is not you, it is confidence, people feeling secure to go out and spend money. So, whatever impact and pull you have with your commonwealth friends I would say to them, 'Pretty please with a cherry on top, talk the economy up,

stop talking it down.' Retail turnover is up, exports are up, the underlying metrics are good, new car sales are up. I mean, things are getting better but we constantly hear negative commentary on the economy and that hurts, that impacts and it has to stop.

Mr VAN HOLST PELLEKAAN: Budget Paper 4, Statement 4, page 105, looking at the second dot point there under Highlights 2013-14:

Provided self-help small business support services via multiple mediums to assist start-ups, early-stage businesses and those businesses wishing to grow.

How many businesses were engaged and assisted in this service in 2013-14?

The Hon. A. KOUTSANTONIS: I will also point out that the recent NAB Business Confidence Survey showed South Australia and Queensland as the most confident mainland states for business activity, suggesting that firms are participating in a turnaround of the tough conditions faced in these states' economies, whereas New South Wales follows at plus six, are the latest stats from the NAB business survey. Now to your question, approximately 370 regional small businesses have participated to date, I am advised, with nearly 94 per cent saying that the workshops have helped increase said knowledge and interest in developing a web presence for their businesses.

Mr VAN HOLST PELLEKAAN: Is there a key target performance indicator for a measure of this program's success?

The Hon. A. KOUTSANTONIS: I will find out and get back to you.

Mr VAN HOLST PELLEKAAN: What were the multiple mediums used? It says here 'via multiple mediums'.

The Hon. A. KOUTSANTONIS: I would imagine it is social media, online portals, Business SA, Defence Teaming Centre, Polaris.

Mr VAN HOLST PELLEKAAN: Sorry, I cannot hear you.

The Hon. A. KOUTSANTONIS: I will give them to you on notice. There are a whole series.

Mr VAN HOLST PELLEKAAN: Essentially, is that providers? Is that what you are saying? Rather than media, like social media, it is actually providing organisations that helped you deliver the programs.

The Hon. A. KOUTSANTONIS: We will send you a detailed answer on notice.

Mr VAN HOLST PELLEKAAN: Where was the most success achieved, in the start-up, the early stage businesses, or those wishing to grow?

The Hon. A. KOUTSANTONIS: Business SA ran a program. The regional ones had quite a good penetration. I suppose it is hard to say. What we will do is I will give you a list of all of them and you can go through and make your own assessment about what you think was successful and otherwise, rather than me preach to you from—

Mr VAN HOLST PELLEKAAN: But, minister, I will not know if a company necessarily was a start-up or an early stage or a business wishing to grow. I am just looking to know where was the most success found with regard to the hard outcomes of the program?

The CHAIR: I will just advise the committee that there is one minute left.

The Hon. A. KOUTSANTONIS: Giving an anecdotal example, I have just been advised that SAYES, which is a young entrepreneurs program, went from 15 start-ups to 50 because of the program we ran. That is an example of the take up and the success. I will try to give you a detailed answer on notice which spells out what we think have been the success stories.

Mr VAN HOLST PELLEKAAN: It identifies those—

The Hon. A. KOUTSANTONIS: Sure. That was a very impressive piece of information.

Mr VAN HOLST PELLEKAAN: On the same page, has the government done any modelling that indicates how many jobs are predicted to grow in small business specifically in 2014-15?

The Hon. A. KOUTSANTONIS: We do not break it down by small business employment forecasts.

Mr VAN HOLST PELLEKAAN: In terms of the jobs growth targets, it is not broken down into different sectors of employment?

The Hon. A. KOUTSANTONIS: No.

The CHAIR: On behalf of the committee, I thank the Treasurer and his officials and departmental people for coming today. There being no further questions, I declare the examination of the proposed payments of the Department of State Development completed.

At 17:01 the committee adjourned until Friday 18 July 2014 at 10:30.