

**HOUSE OF ASSEMBLY**  
**Wednesday, 23 July 2014**  
**ESTIMATES COMMITTEE B**

**Chair:**

Mr L.K. Odenwalder

**Members:**

Ms A.F.C. Digance

Mr J.P. Gee

Mr S.K. Knoll

Mr D. Speirs

Mr D.C. van Holst Pellekaan

*The committee met at 09:31*

*Estimates Vote*

**DEPARTMENT OF STATE DEVELOPMENT, \$644,298,000**

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF STATE DEVELOPMENT, \$7,665,000**

**Minister:**

Hon. S.E. Close, Minister for Manufacturing and Innovation, Minister for Automotive Transformation, Minister for the Public Sector.

**Departmental Advisers:**

Mr R. Garrand, Chief Executive, Department of State Development.

Mr L. Piro, Executive Director, Industry and Innovation, Department of State Development.

Mr R. Janssan, Group Executive Director, Strategic Services, Department of State Development.

Mr D. Cussen, Acting Director, Manufacturing and Small Business, Department of State Development.

Mr P. Tyler, Director, Automotive Transformation Taskforce, Department of State Development.

Mr M. Ganley, Chief of Staff.

**The CHAIR:** I remind members that this is a fairly informal proceeding. The general rules are that we have three questions each side. Supplementaries are the exception, rather than the rule, but again, we will be flexible and, hopefully, civilised. All questions need to be addressed to the minister, not the advisers. All questions on notice need to be back by Friday 26 September, and normal standing orders apply. Welcome to the Minister for Manufacturing and Innovation and the Minister for Automotive Transformation. I declare the proposed payments open for examination and I refer members to Agency Statements, Volume 4. I now call on the minister to make a statement if she wishes and also to introduce her advisers and officials.

**The Hon. S.E. CLOSE:** Thank you, Chair. With your permission, I would like to include some details about the automotive transformation in my opening statement as there is only half an

hour set aside for that, and I do not want to intrude in that section with another opening statement. There are few industries undergoing more structural change and upheaval in South Australia, and indeed Australia, than the manufacturing sector. Australia's high-cost economy, the continued strength of the Australian dollar, aggressive international competition and more recently the announced closure of the entire Australian automotive new car build industry by 2017 are adversely affecting the sector and the capacity of our local manufacturing businesses to thrive.

South Australia's economy has traditionally relied heavily on manufacturing to provide jobs. Over recent decades, the reduction in tariff barriers and entry of low-cost competitors into the global market has put enormous pressure on traditional manufacturing jobs in this state. Faced with that pressure, a transition has been underway in this state, a transition away from high volume mass production towards more innovative low volume advanced manufacturing. With the federal government's decision to withdraw support for the car industry, the work required to support that transition to new job creating industries has been dramatically hastened.

We need a budget that is focused on creating new innovation driven employment opportunities, jobs in infrastructure projects to build roads and public transport that improve our economic efficiency and maintain Adelaide as a liveable city, support for component manufacturers so that they can retool and find new markets when Holden closes, assistance to our growth industries like mining and health for jobs in the future, and more training places to develop the skills needed to compete in high quality low volume production.

This is a budget designed to support new jobs and sustain the jobs growth that South Australia has experienced in the last 12 years. Manufacturing will undoubtedly continue to play a significant role in our economy, including in regional South Australia. Currently, more than 80,000 people are employed directly in manufacturing across the state. South Australia needs to be a place that makes things. Our economy will continue to rely on local manufacturing to value-add to our tradeable goods, to increase productivity, and generate flow-on jobs in the services and other sectors.

The state government is acutely aware of the importance of this sector and has repeatedly affirmed its commitment to support the growth of advanced manufacturing. Indeed, growing advanced manufacturing is one of this government's core economic priorities. To achieve this aim the government has had the foresight to implement a 10-year industry strategy called Manufacturing Works. Set in train well before the decision by Holden, Ford and Toyota to cease their automotive production in this country, Manufacturing Works underpins this government's sustained effort to guide the transformation of the automotive industry and the broader manufacturing sector towards high-value opportunities.

The strategy identifies five roles in which the state government can encourage innovative high value-adding by our manufacturers to better position themselves to seize new market opportunities. These roles being:

- a civic leader in the broader interests of South Australia and its residents;
- a sophisticated purchaser to provide local firms with an opportunity to partner with state government agencies to develop products and services;
- a broker of knowledge and relationships, whether that is between local governments and industry or the research sector and manufacturers;
- a responsive regulator to create a better regulatory environment in which manufacturers can operate; and
- an infrastructure and information provider, such as the government's redevelopment of Tonsley Park as a high-value advanced manufacturing precinct.

In this budget the government aims to ensure that South Australia's manufacturers have the capability and flexibility to support other growing and established sectors. These include:

- the mineral resources and energy sector, where opportunities are being created for minerals processing and technology and engineering related services;

- agriculture, where another of our core priorities, promoting our premium food and wine from our clean environment, provides opportunities to value-add and capture new markets, especially in Asia; and
- other opportunities that exist in forestry and forestry-related products, as well as clean technology and health, medical devices, and assistive technologies.

Many of these sector opportunities also open up areas for improved exports which are being supported elsewhere in the Department of State Development through our India and China focused engagement strategies. In time, the local manufacturing industry will look differently to how it does today with fewer production lines, smaller buildings, and more integration within communities. Those who work in the sector will be highly skilled and those skilled workers will be highly sought after.

This government does not subscribe to the hype that there is no future for manufacturing in South Australia. Yes, the future will be different, but there is a sweet spot for South Australian manufacturers and it is not in mass production. Rather, our future lies in the production of niche products and the provision of related services which involve high complexity, high variability, high value-add and high flexibility. These products and services are, by their nature, predominantly low volume.

Technology is also changing at a rapid rate. The uptake of new technologies such as 3D printing, robotics, photonics and sensors, individualised production control systems and advanced materials will enhance the competitiveness of smaller companies in a high-cost environment. Combine this with the growing market opportunities I spoke about previously—in mining and energy, health and medical, food and beverage, manufacturing and renewables—and manufacturing in this state does have a future.

The government launched Manufacturing Works in October 2012 with an initial budget of \$11.1 million. Since that launch, 190 manufacturing firms have participated in innovation capacity building programs. The Innovation Voucher Program has had 36 applicants approved for funding, which includes 10 firms that have never previously engaged with the research sector.

New programs have been implemented to stimulate the adoption of new technologies in the fields of medical technology, photonics and nanotechnology. Others are currently being explored in areas such as 3D printing and big data. A project to develop the capacity of firms to operate as high-performance workplaces is being developed with the University of Adelaide. Some of South Australia's leading manufacturers, including Seeley International, Ellex and Bickfords, have agreed to participate as role models and best-practice case studies.

The Mining Industry Participation Office conducted an ICT Roadmap for Minerals and Energy Resources Project to identify and develop new local innovative information and communications technology (ICT) products and services that contribute to improved productivity, safety, environmental management and community engagement in the South Australian resources sector. We have also developed road maps for food manufacturers and forestry firms in the South-East, where major plantation growers are now collaborating to attract investment in large-scale processing in the region.

The GRANTassist website has been established as a one-stop shop directory to help firms locate government support programs that are most relevant to them. We are now in the process of accelerating and amplifying these efforts, largely due to the commonwealth government's withdrawal of support for the automotive industry. The state government now has only a short window in which to prepare our manufacturing sector for a future without car building.

This government has made significant commitments to the workers who will be affected by the closure of GM Holden and the suppliers who will need help to diversify and find new markets in the next three years as the Australian automotive industry pulls down the shutters.

The government's Our Jobs Plan provides \$60.1 million to help South Australian manufacturing to prepare and take action to diversify. Within five years the Department of State Development will implement manufacturing industry programs with a budget of \$39.48 million, including \$11.65 million to support automotive diversification.

The government has set up the Automotive Transformation Taskforce to provide leadership as we face up to the challenges created by the closure of the new car build sector. The Automotive Transformation Taskforce is a new business unit that sits within the Department of State Development, with a board that is chaired by Mr Greg Combet AM. The task force brings together senior government staff with expertise in labour market and business structural adjustment. It will carry out its role until June 2018, by which time Holden will have closed its doors and our local suppliers will have diversified, consolidated to seek other buyers outside Australia or, in some cases, I am afraid to say, shut down.

The task force will deliver targeted programs to transition automotive industry companies and their workforce as well as liaise with the commonwealth and Victorian governments in the final design and implementation of elements of the \$155 million Growth Fund. The task force will also take the lead in implementing the labour market adjustment and automotive supplier diversification components of Our Jobs Plan.

One important way government can facilitate growth and innovation in the private sector is to provide an environment for business, entrepreneurs and researchers to meet, talk and ultimately develop and commercialise their ideas.

As members would be aware, the former Mitsubishi automotive manufacturing site at Tonsley is being redeveloped as a unique hub for high-end manufacturing and job creation. Since February 2012, stakeholders signing up to the government's vision for the site include:

- Basetec Services, Signostics, ZEN Energy Systems and MAN Diesel & Turbo Australia;
- Siemens is about to begin construction of its new \$5 million turbo-machinery workshop;
- Tier 5 is establishing an energy efficient, state-of-the-art data centre on the site, a \$113 million investment;
- Tonsley TAFE is open, and training 800 students a day at its state-of-the-art trade training facility;
- Flinders University is building Flinders Tonsley, a \$120 million investment that incorporates the School of Computer Science, Engineering and Mathematics and other Flinders business units such as the Medical Devices Research Institute, Flinders Partners and the New Ventures Institute;
- Flinders is also building an \$8 million pod with coinvestment of \$4 million from the state government, which will house approximately 2,000 square metres of laboratories, engineering workshops and teaching facilities;
- the Onshore Petroleum Centre of Excellence training facility is being established with funding from the Mining and Petroleum Services Centre of Excellence, a facility that is a collaboration between Santos, Beach Energy, Senex Energy, the state government and TAFE SA to ensure the provision of trained staff for an expanding onshore petroleum industry;
- construction of the relocated State Drill Core Reference Library as a cornerstone of investment in a resources hub at Tonsley will begin later this year; and
- negotiations are also underway with a preferred operator to establish accommodation at Tonsley for start-ups, entrepreneurs and professional services in an affordable, collaborative environment.

Tonsley is an outstanding role model for what can be done when the government and wider community collaborate to create an innovative precinct. The closure of the Mitsubishi manufacturing plant at Tonsley Park could have dealt a severe blow to the community but, instead, we are creating a showcase on that site for government and industry partnerships in research and development, training and skills development as well as innovation and commercialisation.

I mentioned earlier that manufacturing plays a vital role in regional South Australia. In addition to the government's significant undertaking to guarantee Nyrstar's \$514 million redevelopment of Port Pirie, the government also supports manufacturing in regional South Australia

through case management, the Industry Capability Network, and various programs for small business.

A Port Pirie-based engineering firm has recently been awarded funding through the Photonics Catalyst Program for its proposal to adapt and engineer high temperature sensors to be used at Nyrstar's Port Pirie smelter. On the Limestone Coast, the government has allocated \$16.5 million towards five projects from the \$27 million South East Forestry Partnerships Program to facilitate a new investment of \$36 million in the forestry sector. On the Fleurieu Peninsula, the government is working with regional winemakers to support the development of high-value luxury wines and, of course, cabinet recently held meetings in the Riverland where many local residents and firms had the opportunity to share their vision for the region directly with members of cabinet.

There is a lot to be gained from being out in the regions to hear directly from business owners and community leaders about exactly how they feel government can best help them address the challenges they face. Similarly, the more than 100 meetings and site visits with businesses and stakeholders that I have attended since becoming minister have given me enormous understanding of the task at hand, but also confirmation that we are heading in the right direction.

I will now turn to the budget. For presentation purposes within the Agency Statements, and pending the finalisation of the new agency's overall 2014-15 budget strategy, notional savings of about \$1.1 million have been attributed to the Manufacturing Innovation Program, based on pro rata FTE numbers. Given the importance of this program in terms of jobs growth, every effort will be made to minimise the impact of final budget savings where practicable.

The Manufacturing Works strategy has positioned us well to address the broader reforms that are needed within the manufacturing sector, while Our Jobs Plan provides a targeted approach to addressing the specific issues associated with the closure of the entire Australian automotive, new-build car industry. In an era of financial restraint, the government will seek to expand the reach of programs that are currently available to help firms build their innovative capabilities. We will continue to provide a supportive environment for manufacturers to collaborate with universities, to commercialise new technologies and leverage our world-class research.

We have every reason to be optimistic about the future of manufacturing in South Australia. Our challenge as a community and the government is not to confuse optimism with complacency. Urgency is required—in government, in industry and in research institutions—and this is a budget that reflects that urgency. I now welcome questions from the committee.

**The CHAIR:** Thank you, minister, for that comprehensive opening statement. Does the opposition have an opening statement at all, or would you like to go straight to questions?

**Mr VAN HOLST PELLEKAAN:** Just very briefly, Chair, thank you. I think it is important to put on the record that, with regard to outcomes and objectives in this area, the government and the opposition would be exceptionally close to each other. We do disagree on certain issues about how we achieve those objectives, but I would like to put very clearly on the record that the opposition is exceptionally supportive of the state government aiming for those objectives with regard to manufacturing innovation and automotive transformation sectors and we will certainly point out where we think that could be achieved in a better way.

Budget Paper 4, Volume 4, page 114. I refer to a statement made yesterday by the Minister for Defence Industries in estimates, where he said with regard to the future submarine building project:

...the lynch pin to the future of Australia's manufacturing sector. We have lost the Olympic Dam expansion; you might call that strike 1. We have lost the automotive sector; you might call that strike 2. If we do not get it right with future submarines and the frigates, I would call that strike 3, and I would have serious fears for the future of this state's manufacturing sector.

I would ask whether you agree with that statement or not.

**The Hon. S.E. CLOSE:** I would note that Olympic Dam will happen sometime. I think that was reflected in the Deloitte report, that we need to bear in mind that the resource remains there, it is a world-class resource and at some point it will happen. I certainly understand why the minister made reference to it being a challenge because we had expected it to come online earlier. The loss

of the new car build sector is absolutely a serious blow, and you would be aware of how hard this government worked to keep that sector going.

As the member for Port Adelaide, I can say how important I regard the defence sector to be. There are people currently working at Techport, working in Mawson Lakes and, of course outside my electorate, working in Edinburgh Parks, who are dependent on procurement decisions that are going to be made by a different government—by the federal government. So, I think it is extremely important that they carefully consider the impact on the South Australian economy, and therefore on the Australian economy, when they make their procurement decisions.

**Mr VAN HOLST PELLEKAAN:** Same budget reference. Please advise how the government will be reducing the Program 12: Manufacturing and Innovation budget from \$22.6 million in 2013-14 to \$18.9 million in 2014-15?

**The Hon. S.E. CLOSE:** I will read this and see if it gets to the answer you are looking for. I am advised that the movement in the total expenses between the 2014-15 budget and the 2013-14 estimated result is a \$3.6 million decrease. Decreases of \$7.1 million are due to the following: a decrease of \$2.8 million due to the once-off funding in 2013-14 relating to the sale of a Renewal SA property at Felixstow; a decrease of—

**Mr VAN HOLST PELLEKAAN:** Sorry, minister, there are three other conversations going on and I am struggling to hear you.

**The Hon. S.E. CLOSE:** —\$1.2 million due to cessation of funding for the South East South Australia Innovation and Investment Fund in 2013-14; a decrease of \$800,000 due to change in funding for the Manufacturing Works between the years; a decrease of \$700,000 due to change in savings measures between years, including the impact of new savings from 2014-15; a decrease of \$600,000 in overhead costs which are allocated to programs based on FTEs reduction, mainly due to once-off costs in 2013-14 relating to TVSPs for corporate staff and public sector renewal project; a decrease of \$500,000 due to change in assistance to Hills Holdings Limited between years; a decrease of \$500,000 due to change in the South Australian Small Business Innovation Research Pilot Program between years.

Increases of \$3.2 million are due to the following: increase of \$1.4 million in funding for future industries for South Australia between the years; increase of \$1.2 million in funding for building a stronger South Australia, Our Jobs Plan between years; and increase of \$600,000 due to changes in ministerial responsibilities during 2013-14, which have resulted in office costs being spread over a smaller number of programs.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister, I appreciate that detail. Just in an overview summary, given that the budget for last year was \$15 million, the actual estimated result for last year was \$22.6 million, so approximately a 50 per cent overspend. Are you optimistic that this program will come in at the \$18.9 million budgeted for this year?

**The Hon. S.E. CLOSE:** I am confident. I would not accept that it is an overspend in the sense that each item is explicable, as I have gone through in some detail, so I think the word 'overspend' is probably not quite right.

**Mr VAN HOLST PELLEKAAN:** Page 116 in the same book, with regard to the Tonsley redevelopment: is the government expenditure for Tonsley over 20 years still expected to be \$253 million?

**The Hon. S.E. CLOSE:** Yes, it is but I am advised that a lot of that will be up-front, towards the front end.

**Mr VAN HOLST PELLEKAAN:** And the net cost (and this is information provided in estimates last year) is expected to be \$77 million. Is that still on target, still the expectation?

**The Hon. S.E. CLOSE:** The Tonsley redevelopment project budget is actually held by Renewal SA. The total expenditure budget for the project is, as you say, \$253 million, including land costs, planning, design, construction and operational costs. Project expenditure will be offset by \$172 million of revenue through land sales of \$145 million and rental income of \$27 million.

Independent economic analysis estimates that Tonsley will generate \$492 million in net economic benefits and detract \$1 billion in private sector investment over the project life.

**Mr VAN HOLST PELLEKAAN:** Is that \$492 million the net benefit over the 20-year life of the project?

**The Hon. S.E. CLOSE:** That is correct.

**Mr VAN HOLST PELLEKAAN:** So, essentially, on a net outlay of \$77 million, it will be a \$492 million return predicted over the 20 years?

**The Hon. S.E. CLOSE:** That is what is anticipated.

**Mr VAN HOLST PELLEKAAN:** You gave in your opening statement a list of tenants at Tonsley. Are there any others that were not mentioned in your opening statement?

**The Hon. S.E. CLOSE:** There are a number we are in discussion with, but we are not able to yet talk about them.

**Mr VAN HOLST PELLEKAAN:** But there are no others who have actually taken up tenancy other than those mentioned?

**The Hon. S.E. CLOSE:** No.

**Mr VAN HOLST PELLEKAAN:** How many vacant sites remain?

**The Hon. S.E. CLOSE:** The challenge in answering that is, where land has not been used it has not been subdivided, so to give you a number is difficult because one tenant could take up a larger space or a smaller space. What we are concentrating on is the main assembly site, which is under the roof that has been refurbished, but has preserved the character of the original Tonsley site. That is where we are working at the moment. It is, of course, an extremely large site overall.

**Mr VAN HOLST PELLEKAAN:** How many potential tenants are you currently in negotiation with? I understand you do not want to disclose them, but can you tell us the number?

**The Hon. S.E. CLOSE:** Three or four are active at the moment, but there are many more that we would be interested in.

**Mr VAN HOLST PELLEKAAN:** But negotiations have not really commenced with them yet?

**The Hon. S.E. CLOSE:** That is right. Sorry; can I just add a little to that? In addition to that, TAFE is in negotiation with a number of parties about subletting some of their space.

**Mr SPEIRS:** This is a continuation of the questions on Tonsley from Budget Paper 4, page 116. How many prospective tenants have had their expressions of interest to locate their operations at Tonsley rejected?

**The Hon. S.E. CLOSE:** I will take that on notice in order to be accurate in the response.

**Mr SPEIRS:** I have a linked question, which you could also take on notice. Can you provide a list of those organisations which have been rejected and the reasons for this?

**The Hon. S.E. CLOSE:** I will take all of that on notice, yes.

**Mr VAN HOLST PELLEKAAN:** Same page: as the owner of the former Mitsubishi site, is the South Australian government liable for any clean-up costs associated with contamination on that site?

**The Hon. S.E. CLOSE:** I am advised that we have undertaken extensive testing and that an environmental management plan has been approved by the EPA over the site. There is only one area that we have some concerns around, which is around the Tenneco site. The contract with Mitsubishi specifically excludes our having responsibility for that clean-up, so if and when necessary we will engage in discussions with Mitsubishi.

**Mr VAN HOLST PELLEKAAN:** So Mitsubishi retains that responsibility?

**The Hon. S.E. CLOSE:** Over that part, yes.

**Mr VAN HOLST PELLEKAAN:** Is that for the whole site or just the one area of particular concern?

**The Hon. S.E. CLOSE:** Just that one area that we have identified.

**Mr VAN HOLST PELLEKAAN:** Was that contamination identified or was the government aware of it before taking over the site?

**The Hon. S.E. CLOSE:** The answer is yes.

**Mr VAN HOLST PELLEKAAN:** What is the expected cost to the taxpayer for the remediation of the parts that we are obliged to remediate?

**The Hon. S.E. CLOSE:** The environmental management plan that we have over the vast majority of the site does not require remediation per se. It is just how we do development, so it is guided by that environmental management plan. The area that we have some sensitivity about is specifically excluded from the contract that we will be responsible for paying for that.

**Mr VAN HOLST PELLEKAAN:** I understand it is environmental management, but is there or isn't there contamination that needs to be remediated in the government responsibility?

**The Hon. S.E. CLOSE:** The word 'remediation' is not the appropriate word. It is about how we do the development, so the kind of development process that is used that has been approved by the EPA under the environmental management plan.

**Mr VAN HOLST PELLEKAAN:** You mean in terms of what land uses can live with the contamination that exists?

**The Hon. S.E. CLOSE:** Within the state of the soil; that is right. Because we have already built TAFE there I am just getting advice on the way that was managed, and it was really about the way in which that building was built, and how the footings and slabs were managed.

**Mr VAN HOLST PELLEKAAN:** There must still be a cost that goes with that minister, even if the remediation is not going to be there, just in terms of the management plans or extra cost of the building to TAFE, for example.

**The Hon. S.E. CLOSE:** I do not know if that is necessarily the case at all but I will take that on notice, particularly as I am not the minister for TAFE.

**Mr VAN HOLST PELLEKAAN:** Same page minister. How many companies tendered to become the preferred developer for the Tonsley residential precinct?

**The Hon. S.E. CLOSE:** This whole process is being managed by Renewal SA so I am loath to get too far into talking about another minister and agency's processes.

**Mr VAN HOLST PELLEKAAN:** Can I ask you then: does the government still plan to develop a 1,200 person housing development there?

**The Hon. S.E. CLOSE:** It still remains in the plans, absolutely.

**Mr VAN HOLST PELLEKAAN:** That is still the target. Does government still plan to have retail space at the site?

**The Hon. S.E. CLOSE:** That is correct.

**Mr VAN HOLST PELLEKAAN:** When do you expect these developments to be available for sale?

**The Hon. S.E. CLOSE:** There is currently a very nice coffee shop in situ in the middle. Actually I would be very happy to take you on a tour of Tonsley if you have not yet had that experience. I think that would be useful.

**Mr VAN HOLST PELLEKAAN:** I have been there but happy to go again and see the more recent developments.

**The Hon. S.E. CLOSE:** Excellent; we will do that.

**Mr VAN HOLST PELLEKAAN:** Minister, back to the contamination issue, have any of these housing developers or retail or hospitality businesses such as coffee shops, or any potential tenants, businesses or people expressed concern about contamination there? Have they raised that issue with the government?

**The Hon. S.E. CLOSE:** No, not that I am advised.

**Mr VAN HOLST PELLEKAAN:** The management plan that talks about appropriate uses with the existing contamination, that is fully satisfied?

**The Hon. S.E. CLOSE:** And appropriate build—well as far as it has come up to us, absolutely.

**Mr VAN HOLST PELLEKAAN:** Tonsley redevelopment, same page: do you agree with recent comments by Santos managing director, David Knox, when he said, 'You need at least three hubs because you want diversity and you want SMEs to participate'?

**The Hon. S.E. CLOSE:** I had not heard those comments but it has been pointed out to me that not only do we already have Tonsley but there is a mining and engineering centre at Regency. Whether Mr Knox would like to help fund a third site, I guess, is open for discussion.

**Mr VAN HOLST PELLEKAAN:** But the government does not have plans in that way?

**The Hon. S.E. CLOSE:** There are no plans at this stage.

**Mr VAN HOLST PELLEKAAN:** No plans at all for any future hubs?

**The Hon. S.E. CLOSE:** Well that I am aware of; there is nothing that has been put into my budget that is in my forward estimates that relates to that. It does not mean that people do not have ideas for the future.

**Mr VAN HOLST PELLEKAAN:** Within cabinet, I mean. Minister, how many FTEs are allocated to the Tonsley redevelopment project?

**The Hon. S.E. CLOSE:** There are five FTEs within my area but I would have to consult with Renewal SA which is primarily running the development project to find out how many FTEs they have.

**Mr VAN HOLST PELLEKAAN:** Back to page 114, department objectives, assist the development and improve the efficiency and international competitiveness of SA manufacturers. Please outline the government's strategy in responding to the closure of manufacturing companies in SA, and I am thinking particularly of examples like Carr Components, Tectaloy and Custom Coaches.

**The Hon. S.E. CLOSE:** First of all, I would like to take issue with the question about whether Carr Components is closing. I was asked that question in question time some weeks ago by the Leader of the Opposition and I indicated that I was unaware it was closing. On subsequent investigation, it appears that another company is in the process of consolidating that rather than closing it. This is what we expect to see in the car components sector and, in fact, is what we would rather see than wholesale closure. We will see closure: that is inevitable with the closing down of Holden, Ford and Toyota. I think we need to be wary of being startled by developments but also over-reading them.

The substance of your question, I think, is: what is it that the government does when a manufacturing company closes? Of course, the first step we take is support for the workers. We have, as a big section of the Automotive Transformation Taskforce but also generally within the Department of State Development, an area that is very well skilled in the labour market adjustment process to assist workers both in assessing their existing skills and their transferability and in identifying their need for additional skills. The commonwealth offers employment support opportunities—finding new jobs. We make sure that those workers are well aware of what those services are.

**Mr VAN HOLST PELLEKAAN:** And the second and third steps? The first step is support workers.

**The Hon. S.E. CLOSE:** The larger question is, of course, how do we support companies so that they are not in a position of closing, particularly when they are associated with the automotive sector? The work that we are doing to help diversification in that supply chain is important but, more generally, we are working to assist manufacturing to move up the value chain and to become more sustainable. There is a number of projects that include the innovation vouchers, the business transformation, the automotive transformation vouchers, all of which are aimed at supporting companies to find other opportunities in how they conduct their work.

**Mr VAN HOLST PELLEKAAN:** Did Custom Coaches contact the government seeking advice for assistance prior to their announcement that they would close?

**The Hon. S.E. CLOSE:** I am advised that Custom Coaches did indicate before they went into administration that they were having some difficulties.

**Mr VAN HOLST PELLEKAAN:** What was the explanation given to the government as to why they were having those difficulties? What did they say was causing those difficulties?

**The Hon. S.E. CLOSE:** I will read the briefing that I have on Custom Coaches to give you the full picture. Established in 1955, Custom Coaches designs and manufactures large bus bodies on imported chassis, including a significant portion of the Adelaide metropolitan public transport fleet. Alexander Dennis Limited, Britain's largest bus manufacturer, purchased Custom Coaches in June 2012 to expand its presence in the region. In February 2013, Custom Coaches was unsuccessful with a tender to provide school buses to the Department for Education and Child Development.

In November 2013, Custom Coaches advised the Department of State Development that, due to a downturn in government fleet orders, it would be reducing its casual labour hire workforce. The Department of Planning, Transport and Infrastructure is one year into a five-year contract with Scania ending in June 2018 who subcontract to Custom Coaches for the supply of 125 buses. Scania has advised that other interstate subcontractors could fill the contract.

The Department for Education and Child Development recently awarded a tender for the build of 16 mid-size and large buses to Custom Coaches for delivery in 2012-14. The Department for Education and Child Development awarded a further tender for 10 small buses to two overseas suppliers. Small buses are currently not manufactured in Australia. The Department of State Development and the Office of the Industry Advocate have been working with Custom Coaches on enterprise improvement, industry participation and diversification opportunities.

On 3 June 2014, Custom Coaches' administrator announced that 50 people, including 19 in Adelaide, would lose their jobs effective immediately. At an information session on 6 June 2014, the department provided information about the services available through the state government's retrenched worker program to workers who were retrenched on 3 June 2014. This information will also be made available to other workers who may have been retrenched. The department has been continually liaising with the company's local management.

**Mr VAN HOLST PELLEKAAN:** If I heard you correctly, you said that the government had 16 buses on order to be delivered in, I think you said, 2012-14?

**The Hon. S.E. CLOSE:** It is 2013-14; I may have misspoken. That is with the Department for Education and Child Development. There are also the other 125 buses for the fleet for the Department of Transport.

**Mr VAN HOLST PELLEKAAN:** Those 2013-14 deliveries have taken place? The government has them?

**The Hon. S.E. CLOSE:** That is my understanding, yes.

**Mr VAN HOLST PELLEKAAN:** Are there any outstanding orders for any buses?

**The Hon. S.E. CLOSE:** Yes, because we are one year into a five-year contract for 125 buses for the Department of Transport.

**Mr VAN HOLST PELLEKAAN:** How many of those have been delivered and how many remain outstanding?

**The Hon. S.E. CLOSE:** I will have to take that on notice for the other minister.

**Mr VAN HOLST PELLEKAAN:** In terms of future buses, presumably government has to buy them from interstate from now on?

**The Hon. S.E. CLOSE:** I imagine that they will be working through those options.

**Mr VAN HOLST PELLEKAAN:** This might be something for the other minister, but do you have any indication of what the extra cost of that might be?

**The Hon. S.E. CLOSE:** No.

**Mr VAN HOLST PELLEKAAN:** On the same page, looking at dot point 4, provide a first point of contact for South Australian manufacturing firms to access advice, can you advise how many job losses are expected at Tenneco automotive?

**The Hon. S.E. CLOSE:** We have had no advice as to job losses at Tenneco.

**Mr VAN HOLST PELLEKAAN:** So, there is no expectation?

**The Hon. S.E. CLOSE:** Being part of the automotive sector, of course there is, but we have not been advised of any levels—

**Mr VAN HOLST PELLEKAAN:** Just not the number.

**The Hon. S.E. CLOSE:** —and we are working as hard as we can.

**Mr VAN HOLST PELLEKAAN:** What reason did Tenneco give the government for their likely job losses, understanding that you do not actually have the specific number?

**The Hon. S.E. CLOSE:** Tenneco is involved in the automotive sector really in two ways, with new car build and also aftermarket. Naturally with new car build concluding, they will be affected by that and we are aware of that. However, they do have a strong aftermarket contribution as well.

**Mr VAN HOLST PELLEKAAN:** When did the government become aware of Tenneco's concerns?

**The Hon. S.E. CLOSE:** I am advised that a few weeks ago they did reduce their staff by 30, but they are now going through a review to work out what their plans are and we are not yet aware of what they will be.

**Mr VAN HOLST PELLEKAAN:** When did they first approach the government about their concerns and about those job losses?

**The Hon. S.E. CLOSE:** I will get the detail on notice. It was a few weeks ago, but that is not terribly precise, is it?

**Mr VAN HOLST PELLEKAAN:** I have similar questions, but about Tectaloy this time. What reasons did the company give the government for making their jobs redundant?

**The Hon. S.E. CLOSE:** I think one of the challenges we are having here is because I am not the Minister for Employment and the support of the workers is substantially coming out of what used to be DFEEST. I understand that Tectaloy is essentially an after-market supplier and we will find out some more details for you perhaps from the other minister.

**Mr VAN HOLST PELLEKAAN:** I certainly respect the different responsibilities of different ministers, but these concerns do all fall fairly and squarely within the description of work that you do that you gave in your opening statement.

**The Hon. S.E. CLOSE:** No, they are fair questions; I am just trying to explain our answers.

**Mr VAN HOLST PELLEKAAN:** Of all the recent companies to move their manufacturing operations out of South Australia, did the government propose any arrangements where they may be able to assist the companies to stay and, if so, what were they?

**The Hon. S.E. CLOSE:** The question is perhaps a little broad, but if I could give you an example as a response with Castalloy. Castalloy some time ago was seriously considering leaving

the state and the government was able to sit down and negotiate a long-term approach that has kept them here.

**Mr VAN HOLST PELLEKAAN:** And what is the approach? What is the sort of thing that made the difference?

**The Hon. S.E. CLOSE:** In that case the government purchased the site and has given rent relief in order to keep the company able to afford to stay.

**Mr VAN HOLST PELLEKAAN:** What was the cost of that purchase?

**The Hon. S.E. CLOSE:** It was in 2005, so we will have to check the detail of that.

**Mr VAN HOLST PELLEKAAN:** Are you or the government in any similar negotiations with other companies at the moment that are seeking the same sort of support?

**The Hon. S.E. CLOSE:** There are no active ones that I am aware of.

**Mr VAN HOLST PELLEKAAN:** None?

**The Hon. S.E. CLOSE:** That is right.

**Mr GEE:** My question is regarding Volume 4, page 116. Can the minister inform the committee about what the government is doing to support South Australian manufacturers in accessing opportunities in the mining and resource sector?

**The Hon. S.E. CLOSE:** The Department of State Development works to maximise opportunities for South Australian companies to gain a greater share of local, national and international minerals and petroleum supply chains. This work is conducted through the industry participation branch within the Department of State Development, which was established as part of the state's Manufacturing Works strategy released in October 2012. The office has developed activities in conjunction with industry through the Mining Industry Participation Office Advisory Council. The council comprises senior executives from the resource sector, industry associations, suppliers and academia, and works with the government to ensure the office's objectives align with those of industry.

Initiatives to date include an oil and gas supply tour to Houston, Texas, the establishment of the Mining and Petroleum Services Centre of Excellence and a capability gap analysis for the development of this state's world-class unconventional gas resources.

The Industry Participation Office took 16 participants from 13 organisations (including government officers) to Houston, Texas, from 29 January to 7 February 2014, to learn more about the mature US petroleum sector. The tour introduced SA businesses to international suppliers and provided perspective on the scale, depth and life-cycle opportunities available to South Australian suppliers from a shale gas development. Feedback from study tour participants was very positive and a number of direct benefits have resulted from the trip:

- An oil and gas well services business targeting well maintenance services is being established in South Australia.
- A local material testing laboratory is now planning to invest in proppant testing equipment to position itself as a local supplier of this service.
- As a result of introductions to project management and services firm Jacobs in Houston, a South Australian company is now looking to diversify from defence communication systems to the petroleum sector.

The Mining and Petroleum Services Centre of Excellence brings together resource companies, research institutions and service businesses to foster and coordinate innovation and applied research initiatives to benefit the resources sector, service providers and manufacturers. It supports new and innovative ways to drive mineral and energy sector growth. Its ultimate objective is to support the development of local supply chains that can provide high value-added products and services to the global resources sector.

The Industry Participation Office has both an advocacy and governance role in the Mining and Petroleum Services Centre of Excellence, fostering relationships between industry, academia and SMEs to develop targeted capabilities. Projects to date include:

- Onshore Petroleum Centre of Excellence training facility at Tonsley: a collaboration between Santos, Beach Energy, Senex Energy, the South Australian government and TAFE SA to ensure the provision of trained staff for an expanding onshore petroleum industry. The state government has contributed \$500,000 from the Mining and Petroleum Services Centre of Excellence; Santos, as operator of the SA Cooper Basin Joint Venture, has committed significant oil and gas production and mechanical equipment, engineering design, transportation and installation; and Senex Energy and Beach Energy have committed funding for fit-out and capital works. Training facility fit-out and curriculum development are underway, with pilot training planned for late 2014.
- the development of the ICT Roadmap for Minerals and Energy Resources, a joint project between the Department of State Development and the Australian Information Industry Association, with input from the CSIRO Minerals Down Under Flagship and Deloitte. The road map identified 11 opportunities for South Australia to 2025 based on SA ICT and defence capabilities. Mining and Petroleum Services Centre of Excellence funding is \$130,000.

**Mr VAN HOLST PELLEKAAN:** Back to the same page I have been asking questions about, this time I want to ask a bit about the Penrice soda ash plant at Osborne. What assistance is the government giving to the workers who will lose their jobs at that plant?

**The Hon. S.E. CLOSE:** I am advised that the nature of the support being offered involves professional career development counselling, employability skills identification, future of regional job growth assessment, career direction support, training opportunities, training provider identification, a technical skills audit and both accredited and non-accredited training options. I am advised that the department has spent quite a bit of time down at Penrice meeting with the workers to make sure that they are clear on what they are being offered.

**Mr VAN HOLST PELLEKAAN:** Minister, are you aware of the announcement that Brighton Cement has bought that facility and that 95 jobs will go, that 40 jobs will be kept and 95 jobs will go?

**The Hon. S.E. CLOSE:** Are you referring to the quarry rather than to Penrice at Osborne?

**Mr VAN HOLST PELLEKAAN:** Yes, minister; correct. So would those people get the same support?

**The Hon. S.E. CLOSE:** Absolutely.

**Mr VAN HOLST PELLEKAAN:** So the people from the quarry who are going to lose their jobs will get exactly the same support?

**The Hon. S.E. CLOSE:** Absolutely; that is right.

**Mr VAN HOLST PELLEKAAN:** Great, fantastic. Just going back to the soda ash plant, what is the extent of the contamination there?

**The Hon. S.E. CLOSE:** It is unclear at this stage what contamination might exist right underneath the plant itself, which is owned by the administrators. We will be undertaking an assessment with that company. There is also some land that is owned by Renewal SA that has some calstilt sitting on top of it. At the moment the administrators hold the obligation to remediate and remove the calstilt from the Port River and also the land leased to it by Renewal SA. Renewal SA is seeking some expert advice on the total cost of site remediation.

**Mr VAN HOLST PELLEKAAN:** When is that advice going to be available? When do you expect it?

**The Hon. S.E. CLOSE:** I am not the minister for Renewal SA so I am unclear, but I am very happy to pass that on to that minister.

**Mr VAN HOLST PELLEKAAN:** Thank you. What is the government doing to progress an alternative use of that site?

**The Hon. S.E. CLOSE:** That would be in the hands of Renewal SA.

**Mr VAN HOLST PELLEKAAN:** Okay. In terms of your role as Minister for Manufacturing and Innovation, what would you advocate for it?

**The Hon. S.E. CLOSE:** I would not be obsessed with that particular site. It has been used for a particular purpose, and there was an attempt to sell it for that purpose, which was unsuccessful. I am interested in developing manufacturing broadly; I am not particularly focussed on that particular site in that part of my portfolio responsibilities. Of course, as the local member I take an interest.

**Mr VAN HOLST PELLEKAAN:** I refer to page 116 again, dot point 1, Manufacturing Works. What is the expenditure for the Manufacturing Works program itself within the broader budget? What are the key performance indicators for that funding? How do you judge whether that money is well spent?

**The Hon. S.E. CLOSE:** I can give you the long answer or the short one. The funding for Manufacturing Works for 2012-13 is \$4.1 million, for 2013-14 it is \$3.4 million, for 2014-15 it is \$2.7 million, and for 2015-16 it is \$0.9 million. That totals \$11.1 million. I can go through the pillars that exist within that, and therefore what we expect—

**Mr VAN HOLST PELLEKAAN:** Sorry?

**The Hon. S.E. CLOSE:** The pillars. The Manufacturing Works strategy is divided into four pillars of activity, so I can briefly talk to you about each of those.

**Mr VAN HOLST PELLEKAAN:** Yes, please; that would be good.

**The Hon. S.E. CLOSE:** Pillar one is to enhance the capacity of manufacturers to innovate, and what sits under there is the Innovation Voucher Program (IVP), which aims to stimulate innovation in manufacturing companies by facilitating collaboration with research and technology organisations. The IVP has a budget of \$1 million in 2013-14 and, to date, 36 applicants have been approved. Of these projects 24 are currently in progress, 10 have been completed and two were cancelled.

Out of the 10 completed projects, all have completed design development, eight have completed prototypes, nine have completed testing and validation, and four have completed field trials or customer trials. Ten of the successful applicants have engaged with an applied research and development provider for the first time.

Also under that pillar there is the Small Business Innovation Research Pilot program, which is a pilot program to encourage innovation in South Australian small businesses by creating demand for new ideas that address specific problems for state government agencies. The first challenge is being run with SA Water to find new ways to recover and re-use phosphorus from wastewater at Bolivar Wastewater Treatment Plant. Phase 1 is reaching its conclusion and positive outcomes are being achieved in trials. Based on the outcome of phase 1, one or more companies may be funded under phase 2 of the program to further develop the product.

The Department of State Development is currently in discussions with several state government agencies to establish a second challenge, with additional funding of \$1 million to be available in 2014-15.

The SME Innovation Capacity Program, which is another one under pillar 1, has provided 39 companies with access to targeted training from globally recognised experts in business transformation, new business models and manufacturing related services. As a result of participating in this program, one South Australian manufacturer has increased its revenue by 40 per cent while another has completely restructured its company to focus on customer innovation.

Another element under pillar 1 is the Medical Technologies Program, which is delivered in partnership with Flinders University and has delivered seven projects in 2013-14. These include: adding new features to a post-operative rehabilitation device prototype developed by orthopaedic surgeon Dr Matthew Liptak; improving the sensitivity of a handheld cancer probe technology

developed at the University of South Australia; evaluating the technology behind a novel sleep apnoea device for Ellex Precise; developing a lightweight handheld dental X-ray device; developing a dental pain laser device; designing support and conducting a trial of a mobility assistive device in the hospital and aged care setting; and improving the software in SimTools, which comprises five medical simulation devices, that provides a training framework for healthcare educators. This program is funded through to 2015-16. The MTP has exceeded the awarded project KPIs for the 2013-14 financial year.

Another project under pillar 1 is the Photonics Catalyst Program. I am sure that you have gone around IPAS at the University of Adelaide and if not, you should. It is quite an extraordinary centre of innovation and research. That program is being delivered in partnership with the University of Adelaide's Institute for Photonics and Advanced Sensing (IPAS). Four projects have been awarded funding. They include: adapting and engineering high temperature sensors for the Port Pirie smelter, as I mentioned in my opening statement; enhancing the performance of mining industry laser scanners through the use of additive manufacturing; developing a device flown on weather balloons from airports to detect freezing conditions in the atmosphere and alert pilots to icing hazards; and developing in situ sensors to optimise energy use in sewage treatment.

The Photonics Catalyst Program is on track to achieving its KPI of five projects in the 2014 calendar year. An additional 30 projects are also in the pipeline. Finally under pillar 1 is the NanoConnect program, which runs in partnership with the Flinders University. It currently has seven manufacturers exploring new opportunities to experiment with nanotechnologies.

The second pillar of Manufacturing Works is leadership, knowledge and skills. The Manufacturing Leaders Network has been established as a forum for chief executives of South Australia's high performing manufacturers to engage with industry peers and the minister. The network incorporates the Premier's CEO Forum and the Advanced Manufacturing Council's Industry Reference Group. The network also facilitates knowledge transfer from international experts who are invited to address and engage with the group on a range of issues related to manufacturing, industry development, industry policy and research.

A high performance workplaces project is currently being developed in partnership with the University of Adelaide to provide information and advice to manufacturers seeking to develop their workplaces as high performance. Seeley International, Ellex and Bickford's have all agreed to participate as best practice case studies, from which others can learn.

The third pillar of Manufacturing Works is future markets and opportunities. The Mining Industry Participation Office is one of those, and I have already given an answer on that so I will not say anything further.

While under the management of DMITRE previously, the Competitive Foods Initiative developed a range of innovation-based collaboration opportunities to assist food and beverage manufacturers capture new market opportunities, including: identification of supply opportunities in the defence and minerals sector; arranging workshops for local companies on innovation and collaboration with Mondelez International (formerly Kraft Foods) and best practice in the purchase of new processing equipment; scoped and geographically mapped the food and drink manufacturing industry in South Australia to understand the key strengths and potential clusters in the state; and undertaken a study to identify the opportunities and challenges facing the food and drink industry in the state.

The Competitive Foods Initiative transferred to PIRSA from 1 July 2014 as part of the machinery of government changes. The department undertook a comprehensive Cellulose Fibre Study that involved the VTT Technical Research Centre of Finland, to identify a sustainable road map for the forestry sector.

The study was completed in September 2013, and there is momentum within the industry to collaborate on higher value-adding opportunities, albeit at a very early stage of development. The region's major plantation growers have now joined together, with the goal of attracting one or more large-scale processing investments into the region. Responsibility for the SEFPP transfer to PIRSA is part of machinery government changes.

The fourth and final pillar is infrastructure and policy gaps. The Advanced Manufacturing Council was created in 2013 to help drive the development and implementation of policies, strategies and programs to support the growth and international competitiveness of South Australia's manufacturing sector. The former Thinker in Residence, Professor Göran Roos, chairs the council, and key achievements in 2013-14 are:

- the oversight of the cellulose fibre project in the South-East;
- establishment of the manufacturing leader's network;
- launch of Venture Catalyst, a grant program to assist undergraduates or postgraduates to establish start-up firms, based on commercial opportunities arising from applied research; and
- identification, in partnership with Defence SA, of opportunities for South Australian manufacturers to participate in the federal government's proposed LAND 400 combat vehicle acquisition.

GRANTassist has been established as an online portal to help firms locate assistance to programs that are most relevant to them. The portal is currently being extended to include access to grant information for communities, clubs and individuals. The state government, as we have already discussed at reasonable length, is investing in the Tonsley project also.

The state government is committed to expanding Manufacturing Works programs to support capability development and investment in innovation in response to the closure of the car-making industry in Australia through Our Jobs Plan, with additional funding of \$8.6 million. In addition, funding has been allocated to a range of automotive support initiatives to be administered under the Automotive Transformation Taskforce. Funding from Our Jobs Plan is \$19.1 million. Our Jobs Plan also provides \$7.6 million towards a range of cluster and entrepreneurial initiatives.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister: that summary will be useful, so I appreciate that. How many FTEs are in the Manufacturing Works program?

**The Hon. S.E. CLOSE:** Because the activity is spread in different areas I would prefer to work through that carefully, so I will take it on notice and give you an accurate answer.

**Mr VAN HOLST PELLEKAAN:** You mentioned in that last answer the \$6 million to the Our Jobs Plan. What existing government programs are being superseded by that Our Jobs Plan?

**The Hon. S.E. CLOSE:** Initially I will go through where the expenditure sits in the Our Jobs Plan as a background for you.

**Mr VAN HOLST PELLEKAAN:** That would be helpful, but what I would really like to know is: what was there before, what is going and what is being replaced by the Our Jobs Plan? You mentioned that there is \$6 million there for that. I would also like to know what was the funding for the original existing programs, whether it was more or less or the same as the \$6 million.

**The Hon. S.E. CLOSE:** To the best of my knowledge and advice, we are not stopping anything because we now have Our Jobs Plan. The Manufacturing Works funding ran to 2015-16, so in that sense the coming on stream of Our Jobs Plan supersedes it, but there is no program that I am aware of that we were funding that we are ceasing to fund because we are now funding the Our Jobs Plan.

**Mr VAN HOLST PELLEKAAN:** So to the best of your knowledge it is all completely additional new money for a new program?

**The Hon. S.E. CLOSE:** Exactly.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 6, page 110. This is again about the Our Jobs Plan. What will the \$15.9 million budgeted for 2014-15 in the Our Jobs Plan be spent on? Can you give details? There is \$6 million in the first year and \$16 million in the second year: what will ramp up or be different?

**The Hon. S.E. CLOSE:** If I could just clarify, your question is that the last financial year was at a certain level and next financial year is higher, and what does that constitute?

**Mr VAN HOLST PELLEKAAN:** That is right. The estimated result for 2013-14 is \$6 million, so I would be curious to know how that money was spent and exactly what programs made up that money and then, of course, what the difference is for a \$10 million additional, up to \$16 million in the 2014-15 year.

**The Hon. S.E. CLOSE:** I am sorry; can you give us the reference again?

**Mr VAN HOLST PELLEKAAN:** Yes; Budget Paper 6, page 110, towards the middle of that page. You will see 'Building a Stronger South Australia: Our Jobs Plan' and then you will see those figures there in the short table.

**Ms DIGANCE:** You are rounding the figures—is that what you are doing, when you are talking about them?

**Mr VAN HOLST PELLEKAAN:** When I say \$6 million, it is actually \$6.095 million and when I say \$16 million it is actually \$15.975 million.

**The Hon. S.E. CLOSE:** I can give you the elements that relate to my portfolio. Our Jobs Plan is larger than I am exclusively responsible for. The department had a budget of \$3.2 million in 2013-14 out of that \$6.095 million to implement initiatives from Our Jobs Plan that relate to the manufacturing sector. The key initiatives included: a consultancy to map the defence industry supply chain; the establishment of an innovation for growth pilot program with KPMG, with five manufacturers participating in the pilot; the development of a program that will help manufacturers accelerate the adoption of new technologies, particularly those that are developed locally by the public research sector; and support for automotive supply diversification activities.

**Mr VAN HOLST PELLEKAAN:** And that was for last year?

**The Hon. S.E. CLOSE:** That is correct.

**Mr VAN HOLST PELLEKAAN:** And for this year?

**The Hon. S.E. CLOSE:** For the year that we have just commenced, my contribution, for which I am responsible, is around \$5 million, and the activities include industry road maps, automotive supply diversification program, retooling for diversification, the automotive transformation coordinator and working on the Manufacturing Works, so expanding existing programs, and also the business transformation voucher program.

**Mr VAN HOLST PELLEKAAN:** Are any of those programs or any of those outcomes for this year contingent upon commonwealth funding?

**The Hon. S.E. CLOSE:** No. The commonwealth fund, the \$155 million growth fund, is separately accounted for.

**Mr VAN HOLST PELLEKAAN:** Totally separate?

**The Hon. S.E. CLOSE:** That is right. Indeed, I would not expect any of that money to flow through us.

**Mr VAN HOLST PELLEKAAN:** Same page and again about the Our Jobs Plan. What funding has been allocated to initiatives beyond 2016-17?

**The Hon. S.E. CLOSE:** Reading this, it says \$60 million in total.

**Mr VAN HOLST PELLEKAAN:** Beyond that.

**The Hon. S.E. CLOSE:** Beyond 2017-18?

**Mr VAN HOLST PELLEKAAN:** Yes. There is \$6.3 million there. Is it something that the government intends to continue with, or is that really—

**The Hon. S.E. CLOSE:** We have no funding beyond forward estimates.

**Mr VAN HOLST PELLEKAAN:** Have you had any further discussions with the commonwealth about potential contributions to this program?

**The Hon. S.E. CLOSE:** I have had a good conversation with the federal minister quite recently. I think that he and I at this point disagree on the extent of funding required from the feds. We will continue to have those discussions. We did have productive discussions more specifically about some of the approaches to the guidelines, but he did indicate that he remains interested in South Australia and will watch how things work, but our judgement differs on the extent of commonwealth funding that we each believe is required to address the problems that will result from the closure of Holden and, indeed, Ford and Toyota. It should be remembered that our suppliers are also exposed to that.

**Mr VAN HOLST PELLEKAAN:** Very true. So when the Premier said that really it was the complete \$393 million program, combined state and federal, that was necessary to achieve the right results—

**The Hon. S.E. CLOSE:** In my view that would have been a proportionate response when you look at our response when Mitsubishi closed with the funding from South Australia and from the feds. In my view the money coming from the feds is not adequate. I put that on notice with the minister and he is aware that we have a difference of view about that, and I imagine that that is something we will continue to discuss over the next couple of years. We are yet to really see the result of the closure. We are seeing some challenges within the suppliers but we are yet to really come to grips with it.

**Mr VAN HOLST PELLEKAAN:** Yes, minister. My question is that when the Premier said that the full \$393 million was what was required to achieve the desired result, and the \$333 million has not been achieved from the commonwealth government, with the \$60,000 that the state is going to put in, will that still achieve—

**The Hon. S.E. CLOSE:** \$60 million.

**Mr VAN HOLST PELLEKAAN:** —a commensurate outcome in terms of its share?

**Mr GEE:** Point of order: I think this is more in line with automotive transformation, which is in the next session, and not just manufacturing in general, because you are slowly chipping away one bit at a time. It is all automotive and I am sure you have—

**The CHAIR:** Member for Napier.

**Mr GEE:** —time to spend talking about general matters.

**The CHAIR:** Member for Napier can resume his seat. It is a fair enough point of order. The convention is that we have split it up by agreement into different sections and these are related to a separate group of advisers that the minister can call upon to assist her. If the minister is happy to range around and you are happy to wait for her to consult different advisers at different times than I am happy to let it go; it is within the same budget line. Are you happy with that?

**The Hon. S.E. CLOSE:** I am.

**Mr VAN HOLST PELLEKAAN:** I am happy either way because there is time there.

**The CHAIR:** In that case shall we stick with the initial timetable and go to automotive transformation later or is everyone really comfortable to range around?

**The Hon. S.E. CLOSE:** I am happy to proceed. I think the member for Stuart and I share a deep concern about what is going to happen with the South Australian economy—

**The CHAIR:** As do I.

**The Hon. S.E. CLOSE:** —as he has indicated and he may have some different views about how we do it but I think this is a productive discussion to be having.

**The CHAIR:** Absolutely; okay.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister. This is a delicate issue and you are quite reasonable in your comments about the commonwealth government and I am not giving the state government a hard time in this issue. What I am saying is that if the expectation was that \$393 million was what was needed as a total to do the job, and we have not got the total, can we still get the

commensurate share of outcomes and values out of the commensurate share of the money that we have at the moment, which is the \$60 million? That is really all I was trying to get at.

**The Hon. S.E. CLOSE:** I think a different minister might answer differently—

**Mr VAN HOLST PELLEKAAN:** I am sure you are right.

**The Hon. S.E. CLOSE:** I do think what the commonwealth is offering is inadequate—it is manifestly inadequate in fact. If you look at what the commonwealth has set aside with the \$155 million, of which 12 comes from us, 12 from the Victorian government, 15 from GM, and 15 from Toyota (Ford is doing its own work), and then you look at the fact that it is having to be shared across different states—not just Victoria and South Australia—then all the extra commonwealth money that we are guaranteed (because there has been a recognition with some of the programs that it will come to South Australia) then all we have in addition is \$33 million from them, and that is half of what we are putting in.

I am sure we will be successful in bidding for additional money out of that fund, I would absolutely have that expectation, but in terms of guarantee it is \$33 million. So of course I cannot sit here and say, 'That is going to be fine. The people of northern Adelaide in particular shouldn't worry.' However, I am going to say that the program we have derived with the \$60 million of our own money and the way in which we will approach the 33-plus that we will get from the commonwealth and the way in which the 15 will be spent by GM on its workers, we will make work as well as we possibly can.

As it becomes clear that that federal money is manifestly inadequate, I will not be slow in going to Canberra and reminding Ian Macfarlane of his interest in South Australia. I could remind everyone of how much was in the forward estimates of the commonwealth for the car industry that they are not spending, but we are well aware of those figures.

**Mr VAN HOLST PELLEKAAN:** Back to the first book, Budget Paper 4, Agency Statements, Volume 4, page 114 and talking about competitiveness. That is obviously a key issue and, no doubt, you are aware of the KPMG Competitive Alternatives report that the government contributes towards. In 2012 it found South Australia to be the most competitive state to do business but it slipped back in the 2014 report. Is the cost of doing business in our state something that is brought to you by manufacturing companies and concerns in that regard?

**The Hon. S.E. CLOSE:** It is interesting that, in the companies that I have visited (and I mentioned it is about 100 that I have either been to or had their leaders come and meet with me), that has not been a strong refrain. They have more immediate concerns. They have concerns about having access to the right skill level of workers. They are concerned about access to capital. They are aware that they need to do more research in order to remain competitive yet they find it hard as a small to medium business sector to expend their own resources on that. They are aware that trade is potentially an extremely lucrative avenue for them but it is difficult when you are a small to medium business to develop a strategy on how you are going to approach China.

What I have found in those discussions is that the kind of strategies that I have elaborated on previously are essentially in the right direction. That said, of course, the way in which business cost is experienced is a matter of concern to every government and we are actively considering ways in which we can bring costs down. One of the reforms that the government has talked about is the WorkCover reform that has the intention to bring down the cost, and that will make a significant difference to the cost of business.

We have the payroll tax concessions which provide some relief for small businesses. Also, the Premier recently announced the coordinator-general position to call in developments in order to facilitate these speeds. Of course, time does literally mean money for business so, if we are able to facilitate developments in a speedier fashion, that will not only be good for those businesses but also have the economic impact of those developments occurring.

We have also recognised that, for small to medium businesses, it is often difficult to compete for larger projects, so the Industry Participation Advocate provides an important role in state government procurement, and the industry capability network is one of the ways in which we are

able to help companies to have access to private investment where they can compete for that business.

By no means am I complacent that we have the right business cost structure in South Australia, but nor do I see it as being a matter of serious alarm. It is a matter of constant attention. It is one of the questions that I ask when I go out to businesses: what is it that the government could do differently to help you grow? What we have with the closure of Holden is the need for other parts of the economy that may be growing anyway to grow much more quickly, and it is that acceleration that I am particularly concerned about and interested in.

**Mr VAN HOLST PELLEKAAN:** Has the government done modelling on the impact of the removal of the carbon tax on the manufacturing sector in South Australia?

**The Hon. S.E. CLOSE:** I have not. It may be that Treasury has, but I have not been involved in that.

**Mr VAN HOLST PELLEKAAN:** Is that something that the manufacturing sector has raised with you?

**The Hon. S.E. CLOSE:** No, I cannot recall a single person raising the carbon tax with me in manufacturing. Obviously, lots of people in my electorate are quite keen on the carbon tax and think it was a good idea to price carbon, but in terms of manufacturers saying that it was an issue, I have not had that occur.

**Mr VAN HOLST PELLEKAAN:** Budget Paper 6, page 41, just below halfway down, in relation to the specialist advanced manufacturing school, what advice will the manufacturing innovation program provide to the specialist advanced manufacturing school at Seaview Heights, and how many FTEs are allocated to that?

**The Hon. S.E. CLOSE:** That is a project that is being run out of the Department for Education. It is not my portfolio.

**Mr VAN HOLST PELLEKAAN:** It is nothing to do with your department, even though it is a manufacturing school?

**The Hon. S.E. CLOSE:** That is right. We are offering help to them to design the course, but it is not my budget line. It is being paid for exclusively by the Department for Education.

**Mr VAN HOLST PELLEKAAN:** What advice has been offered towards the development?

**The Hon. S.E. CLOSE:** We have made the offer that we would be very involved in helping in terms of curriculum and the connection to Tonsley, given its proximity, but I do not have very much to offer, given that it is not my budget line.

**Mr VAN HOLST PELLEKAAN:** It is just the curriculum, essentially?

**The Hon. S.E. CLOSE:** Given the proximity to Tonsley, I could speculate about how useful it would be to have the school kids come down and experience Tonsley in the future, but it is not my budget line to make comment on.

**Mr VAN HOLST PELLEKAAN:** Returning to the previous reference, Budget Paper 4, Volume 4, page 114: minister, you gave an example in your opening statement of essentially what you saw as areas of opportunity in advanced manufacturing. I am just curious to know: in terms of your perspective or the department's perspective, what really is the difference? Where do you draw the line between manufacturing as we would have all thought of it growing up as kids and advanced manufacturing as we talk about now? Or is it possible to draw the line?

**The Hon. S.E. CLOSE:** I do not think there is a hard edge, but essentially, what you see with advanced manufacturing is the higher-value adds. You are going up the value chain and you will often see a research or innovation component to the work that is done. It often refers to the kind of machinery and equipment that is being utilised. Increasingly, advanced manufacturing blurs into service provision. There is the inelegant term 'service-tisation'. I cannot even say it, it so awful. It is awful as a word, not as a concept: it is a great concept. The idea that a manufacturing company is also inextricably bound up in the service provision with acquiring that equipment, servicing that equipment, supporting it and using it is increasingly the direction for advanced manufacturing.

**Mr VAN HOLST PELLEKAAN:** The reason I ask about that is that, obviously, advanced manufacturing is one of the government's key drivers. I think it is one of the seven key drivers and I think you said it is one of the four key economic platforms. How do you measure jobs growth in that? I accept what you say, that there probably is not a hard edge in terms of being left or right of that line, but obviously the reason to pursue this sector is for the benefit of the economy and for the benefit of families and people via households. How do you know whether you are winning in that space, essentially, with regard to job creation?

**The Hon. S.E. CLOSE:** The way the data is collected by the ABS is on manufacturing generally, so you are not going to get a jobs figure that differentiates advanced manufacturing. The power of the idea of advanced manufacturing is that we know that that is what we are better at and we are more competitive at than the kind of manufacturing that does not have the flexibility or the customisation or require the higher skill levels. What we are aware of, if you look across the international economy, is that we find it extremely difficult to compete at the high volume low value-add level, so manufacturing must become more and more advanced for us to continue to have a manufacturing sector at all. That is the power of the terminology; it sets us in the right direction.

Occasionally, when I am interviewed on the radio, I have the 'manufacturing is disappearing in this state' argument put to me and part of my answer is, 'Look, it cannot.' We must not allow ourselves to have an economy that does not make things, but also it is an over read of what is occurring. What we are having is a change in manufacturing in this state.

In the last year, according to the ABS in the most recent quarterly figures, we have put on net 8,000 jobs in the manufacturing sector, so this is not a sector that is in terminal decline, this is a sector that is undergoing change. It is very clear that the change towards flexibility and customisation is where we will get that maximum benefit and it is also where we will be better able to engage in trade.

**Mr VAN HOLST PELLEKAAN:** In your opening statement you mentioned an estimate of 80,000 jobs in manufacturing, if I heard you correctly, at the moment?

**The Hon. S.E. CLOSE:** There is something like 80,000 jobs in the manufacturing sector, that is correct.

**Mr VAN HOLST PELLEKAAN:** Yes, that is right. Do you or the government have a target with regard to jobs growth for your sector as a component of the total target?

**The Hon. S.E. CLOSE:** No, we do not have an official target and I am not really particularly interested in precise targets. I am interested in the direction and the kind of programs that we need. We know that we need to expand our economy. We know that we are going to lose jobs in the manufacturing sector with the closure of Holden. There are different estimates as to how many that will be, but we will lose jobs, and so I am most concerned that we continue to increase jobs rather than decrease them.

**Mr VAN HOLST PELLEKAAN:** You are clearly saying increase not decrease, I get that, but how will you measure the success of all these programs? I would suggest that it should be more than just 'more jobs', that maybe there should be some more finite targets than that to know that the money, the effort and the time of all your staff and departmental people has been put to good use.

**The Hon. S.E. CLOSE:** There is an interesting measure which is the value-add per employee which therefore indicates for a particular company what direction they are going in terms of adding value per employment, so that will be a very interesting and useful heuristic device to know how well we are moving up the advanced manufacturing chain, but what we need to measure is the skill level that we have in our economy, the growth of our economy, the extent to which we are innovating and the success in our trade. These are all important measures in addition to the employment levels or the number of jobs added.

**Mr VAN HOLST PELLEKAAN:** Yes, I agree that they are all important and I understand the value-adding per employee is an important productivity measure at the micro level, but how will you really know if the millions of taxpayer dollars that go into this have been well spent? I understand that you want good stuff, not bad stuff and you want more and not less. I have never been in government, but I am sure you need to have some targets to test yourself against and to test your people against.

**The Hon. S.E. CLOSE:** In an estimates session I am not going to come up with some nice targets. The challenge is that we know exactly what needs to be measured and most of them are measurable but, as I said earlier, we have not had the support from the federal government that we believe we need.

So, when you look at the trajectory of the South Australian economy and what happens particularly to the workers who will stop working because of the closure of Holden, we know the kind of work that we are doing and we can measure the impact of those programs and their success in their own terms. All programs have KPIs and therefore can be reported on but, if you are asking about how the South Australian economy is going or how the employment figures look for the people who were in Holden, then I am going to say that it is just as much a measure of what the commonwealth government has or has not done to assist.

**Mr VAN HOLST PELLEKAAN:** I understand that, minister. I will not labour the point because we are probably not going to get there.

**The Hon. S.E. CLOSE:** We could go around in circles if you want.

**Mr VAN HOLST PELLEKAAN:** I find it unusual that there are not targets, where you say, 'We're going to spend this much money and we hope to achieve these fairly specific results.' However, I am happy to leave it there.

**The Hon. S.E. CLOSE:** We have specific targets for each program in their efficacy, but I think you were talking at a higher level of economic indicators.

**Mr VAN HOLST PELLEKAAN:** The manufacturing sector. That is really what I was talking about, not the whole economy, because I know you are not responsible for that. The manufacturing sector.

**The Hon. S.E. CLOSE:** At the level of the programs that we are offering, we always have KPIs and we measure how they travel, so we can give you chapter and verse on that. How it adds up for employment and manufacturing will be partly a function of how much commonwealth support we receive.

**Mr VAN HOLST PELLEKAAN:** I realise that this is not your responsibility, but do you happen to know whether the government as a whole, when it asked for the \$333 million from the federal government, took along a list of expected achievements or expected outcomes for that sought investment?

**The Hon. S.E. CLOSE:** You would be aware that with the Our Jobs Plan we broke down specifically what we wanted to use that money for, so it was not just \$333 million: it comprised the various sections. However, I will ask for advice for you on exactly what we asked.

**Mr VAN HOLST PELLEKAAN:** You will take that on notice?

**The Hon. S.E. CLOSE:** That is right.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister. Grants and subsidies, page 114 again, please explain how that \$8.8 million in grants and subsidies for the 2014-15 budgeted year will be allocated?

**The Hon. S.E. CLOSE:** I will answer the question in two parts. I will give you the list of grants and subsidies for 2014-15, but first I will just explain the variance between the 2014-15 budget and the estimated result from 2013-14. The 2014-15 budget reflects an increase of approximately \$0.5 million compared with the estimated result in 2013-14, which is predominantly made up of a decrease relating to the South East SA Innovation and Investment Fund, the Hills Holdings restructure between years and the change in the SA Small Business Innovation Research Pilot Program, and then an increase relating to future industries for South Australia, Our Jobs Plan and Manufacturing Works.

Specifically, the budget that I am responsible for is \$8.8 million for 2014-15, and the highlights include \$2 million in funding for the manufacturing strategy, \$1.4 million to contribute to future industries, \$1.6 million for the Building a Stronger South Australia, the Our Jobs Plan initiative,

\$1 million on the Small Business Innovation Research Pilot and a \$1.8 million contribution to the strategic Industry Development Fund and the Castalloy initiative that we discussed earlier.

**Mr VAN HOLST PELLEKAAN:** Can you provide the recipients of grants in the 2013-14 year?

**The Hon. S.E. CLOSE:** I will take that on notice and provide that.

**Mr VAN HOLST PELLEKAAN:** Page 115, same book. What were the results of the SA Small Business Innovation Research Pilot programs? They are under Estimated Result, the first dot point towards the bottom there.

**The Hon. S.E. CLOSE:** You will recall that in answer to a previous question I mentioned the SA Water challenge for management of phosphorus at Bolivar—

**Mr VAN HOLST PELLEKAAN:** Yes.

**The Hon. S.E. CLOSE:** That challenge went out to six companies, and for phase 1 two companies were selected. They are now in the process of reporting back on what they achieved and SA Water will make a decision about which company will proceed to the next stage.

**Mr VAN HOLST PELLEKAAN:** So that decision has not been made yet?

**The Hon. S.E. CLOSE:** No.

**Mr VAN HOLST PELLEKAAN:** You have me stumped there just a little bit, because it is in the section about 2013-14 estimated results. I am just looking for what was achieved in the last year, or is this a program that runs over successive years?

**The Hon. S.E. CLOSE:** It looks like we have transferred our money to SA Water and they have achieved the phase 1 with the two companies. It is now in SA Water's hands to take it on to the next stage. So, our contribution has been done.

**Mr VAN HOLST PELLEKAAN:** And how much was that contribution, specifically?

**The Hon. S.E. CLOSE:** We think we know the answer but, rather than mislead you, we will take it on notice.

**Mr VAN HOLST PELLEKAAN:** I understand what you said about that water project particularly, but is there any money allocated for the Small Business Innovation Research Pilot program for this financial year?

**The Hon. S.E. CLOSE:** As I think I said in a previous answer, we are doing another round and we are in discussion with departments about which department would like to take it on board.

**Mr VAN HOLST PELLEKAAN:** And the funding that is attached?

**The Hon. S.E. CLOSE:** The funding will remain the same from us.

**Mr VAN HOLST PELLEKAAN:** So the funding—

**The Hon. S.E. CLOSE:** The funding has been allocated for us to contribute, and that is what we need to be precise about, how much that is.

**Mr VAN HOLST PELLEKAAN:** So you will come back on what was allocated, what was spent for the last year, and what is budgeted for this year?

**The Hon. S.E. CLOSE:** Yes.

**Mr VAN HOLST PELLEKAAN:** Same page, and the South East Innovation Investment Fund. What was the total budget allocation for the South East Innovation Investment Fund for each year of the life of the program?

**The Hon. S.E. CLOSE:** I will read the brief on this to give the full picture; it is not too long. The South East South Australia Innovation Investment Fund was established in response to the decision by Kimberly-Clark Australia to restructure its operations at Millicent and Tantanoola. The fund is now closed for new applications. It included a \$12 million industry development program and a \$5 million labour adjustment program.

There are currently 21 projects proceeding. These projects are entitled to claim \$6.26 million in grants to generate \$25.31 million in investment and create 187 new jobs. In addition to the grants provided to businesses in the region, additional grants approved out of the South East South Australia Innovation Investment Fund are as follows:

- District Council of Grant \$500,000 for the Mount Gambier and District Airport;
- Regional Development Australia \$540,000 to conduct a comprehensive cellulose fibre study; and
- the VTT Technical Research Centre of Finland, in conjunction with the state government, worked with the South-East forestry industry to identify a sustainable road map and achievable market opportunities for higher value-added activity in the sector. The study was completed in September 2013. We do not have a breakdown across the years, but the state money that was put in was \$2 million.

**Mr VAN HOLST PELLEKAAN:** Sorry, I did not quite hear?

**The Hon. S.E. CLOSE:** We do not have a breakdown across the years, we just have a total fund here: the state put in \$2 million and the commonwealth put in \$10 million.

**Mr VAN HOLST PELLEKAAN:** Turning now to regional South Australia, and I noted your comments in your opening statement, which I certainly appreciated, and I have seen information in your areas of responsibility with regard to the budget. Can you point to specific initiatives the government has established for growth and manufacturing in regional South Australia, please? So, outcomes.

**The Hon. S.E. CLOSE:** Here is something we prepared earlier on that subject.

**Mr VAN HOLST PELLEKAAN:** I am not surprised.

**The Hon. S.E. CLOSE:** The Department of State Development supports manufacturing in regional South Australia through: Manufacturing Works programs that aim to help firms become more competitive in a high cost environment; case management which provides guidance to streamline investment projects; the delivery of tailored small business programs; facilitating industry participation opportunities through the Industry Capability Network of South Australia; the delivery of an energy efficiency program; guaranteeing third-party investment in Nyrstar as part of the transformation of the Port Pirie lead smelter into a multi-metal recycling facility; and the \$17 million South East South Australia Innovation and Investment Fund with the commonwealth government, which was established in response to the decision by Kimberly-Clark Australia to restructure its operations. I would like to update my answer previously where I said there was \$2 million and \$10 million for Kimberly-Clark.

**Mr VAN HOLST PELLEKAAN:** This is back to the last question, yes.

**The Hon. S.E. CLOSE:** When I read 17—12 and 17 are not the same. I understand there was an additional \$5 million that was labour market adjustment that was paid into that.

**Mr VAN HOLST PELLEKAAN:** Thank you, minister.

**The Hon. S.E. CLOSE:** Specific activities and outcomes in the various regions include, for the Limestone Coast, the South East Forestry Partnerships Program. Twenty-seven million dollars was announced by the former treasurer on 15 November 2012 to facilitate investment in new and existing businesses in the forestry industry. To date, \$16.5 million has been allocated to five projects to stimulate investment of \$36 million. The government has committed an unspent balance of \$10.46 million to support the implementation of projects consistent with the Cellulose Fibre Value Chain Study recommendations. From 1 July 2014, the Minister for Forests, through Primary Industries SA, has responsibility for this fund.

The Cellulose Fibre Value Chain Study: in December 2012, the department undertook a comprehensive cellulose fibre study, that involved the VTT Technical Research Centre of Finland, to identify a sustainable road map for the forestry sector. The study was completed in September 2013 and there is momentum within the industry to collaborate on higher value-adding opportunities, albeit at a very early stage of development. Investors are liaising with the government regarding

opportunities consistent with the study's recommendations. The region's major plantation growers have now joined together with the goal of attracting one or more large-scale processing investments into the region.

**Innovation capacity building:** the RDA Limestone Coast has been provided with a grant of \$50,000 to deliver a business model innovation program with Professor Göran Roos and a customer-led innovation program with Professor Sam Bucolo in 2013-14 and 2014-15. The BMI program was completed in April 2014. The CLI program is scheduled to begin this month.

**JBS Bordertown:** case management is supporting a \$6.5 million investment in new robotics equipment at JBS's Bordertown meat processing facility.

**Qingdao Seaweed:** case management is supporting an expansion of Australian Kelp Products, which was purchased by Qingdao Seaweed.

**The Limestone Coast Economic Development Reference Group:** the Department of State Development is a member of the Limestone Coast Economic Development Reference Group which was established in 2012 to maximise economic development opportunities for the region. The group is chaired by the president of the South East Local Government Association. Other members include the South East Local Government Association council mayors and chief executives, RDA Limestone Coast, the presiding member of the South East Natural Resources Management Board, Mr Dennis Mutton, and PIRSA.

**Small business training:** the RDA Limestone Coast has received two grants totalling \$23,000 to deliver training courses related to web-based sales and marketing and how to prepare tender bids. The department has also supported 60 McCain Foods Limited workers retrenched in December 2013 as a result of the company closing its Penola processing plant, together with support provided to 121 Carter Harvey Holt displaced workers from the Mount Gambier north site.

**On the Fleurieu Peninsula, customer-led innovation:** the Department of State Development has partnered with the Australian Wine Research Institute and the McLaren Vale Grape Wine & Tourism Association to deliver applied learning workshops at the cost of \$20,000 in 2013-14 to McLaren Vale winemakers to support them in developing high-value luxury wines.

**The HALO project:** the department has expanded upon this initiative to provide a further \$30,000, with matching funds from the McLaren Vale Grape Wine & Tourism Association and Australian Wine Research Institute, to increase brand equity and product demand, particularly in high-priced categories and producer profitability.

**Murraylands/Riverland: Business Sustainability Alliance Energy Efficiency Program.** The RDA Murraylands and Riverland received a grant of \$55,000 in 2012-13 to facilitate the delivery of energy audits to companies in its region in 2013-14. Six companies are participating in the program, while the seventh company from the region has also participated previously in the program, when it was delivered by the government during the three years to 30 June 2013. To date, six of the seven companies have completed their energy audits and identified total energy savings of \$1.8 million plus, with an average energy saving of 16 per cent per company.

**Community cabinet** was held in Renmark in June 2014, where I met with some local industry and community representatives, including RDA Murraylands and Riverland, Laragon Almond Processing and Ruston Engineers—a very impressive firm. These firms have since been introduced to the state government's new business transformation voucher to accelerate the growth of their businesses.

**Whyalla, Eyre Peninsula, Yorke, Mid North and Upper Spencer Gulf:** the big story is Nyrstar. The state government has guaranteed third-party investment of Nyrstar for the transformation of the Port Pirie lead smelter into a multimetal recycling facility. This secures the future viability of Port Pirie as an important regional hub.

**The Manufacturing Business Innovation Program:** the Australian Industry Group has been provided with a grant of \$50,000 to deliver the MBI Program in Port Augusta in 2014-15, through the University of Adelaide's Entrepreneurship, Commercialisation and Innovation Centre, in collaboration

with Professor Göran Roos. The purpose of the MBI Program is to support participating companies to increase their capacity to innovate.

Global Maintenance Upper Spencer Gulf: this has been provided with a grant of \$60,000 per annum in 2012-13 and 2013-14 to support further development of the global maintenance Upper Spencer Gulf as an industry cluster, and to promote Manufacturing Works, PACE Manufacturing and Mining Industry Participation Office initiatives. PACE Manufacturing and MIPO, which are business units within the department's industry and innovation branch, have identified 10 companies with the global maintenance Upper Spencer Gulf that have the potential to access new opportunities in the resources sector. One of these firms recently participated in a study tour to Sweden to learn about advanced manufacturing opportunities in the resources sector.

ICNSA is currently working with Rex Minerals to identify and maximise local supply chain opportunities for its \$800 million Hillside copper, gold and iron ore project, while the department's case management unit is providing support to aspects of the project that require approval under the Development Act, to such as the diversion of the Yorke Highway. Port Lincoln Seafood Trade Waste: case management is supporting local seafood processers in the area of trade waste.

**Mr VAN HOLST PELLEKAAN:** Given your comments about the cellulose project and your understanding of how important timber processing is in your manufacturing sector, have you advocated with the Minister for Forests or the Minister for Regional Development on behalf of the manufacturing sector for the replanting of the Wirrabara Forest so that the 50 jobs at the Morgan Sawmill can be retained?

**The Hon. S.E. CLOSE:** No, I have not had that conversation, but you are quite right: it was a tragedy what happened for Wirrabara.

**Mr VAN HOLST PELLEKAAN:** For many reasons, but certainly 50 manufacturing jobs hang on the replanting. I take the opportunity to ask you to do that, please.

**The Hon. S.E. CLOSE:** I know that the Minister for Forests has taken a very strong interest in what has happened at Wirrabara and is forming views about what the best approach is and whether replanting is the best approach, but I will raise that with him, and I am sure you have raised it directly as well.

**Mr VAN HOLST PELLEKAAN:** Yes, and I am sure support from the manufacturing and innovation minister would help.

**The CHAIR:** We have reached the point where the agreed timetable says we are switching to automotive transformation. I am happy if you want to keep ranging or if you want to have a minor reshuffle of advisers at all. Are you happy to just go ahead?

**The Hon. S.E. CLOSE:** Yes.

#### **Membership:**

Mr Williams substituted for Mr Speirs.

#### **Departmental Advisers:**

Mr R. Garrand, Chief Executive, Department of State Development.

Mr L. Piro, Chief Executive, Automotive Transformation Taskforce, Department of State Development.

Mr R. Janssan, Group Executive Director, Strategic Services, Department of State Development.

Mr D. Cussen, Acting Director, Manufacturing and Small Business, Department of State Development.

Mr P. Tyler, Director, Automotive Transformation Taskforce, Department of State Development.

Mr M. Ganley, Chief of Staff.

**The CHAIR:** I remind the opposition that the budget lines for the Department of State Development close at 12 o'clock. If you have an omnibus of questions, they need to be read in before that time.

**Mr VAN HOLST PELLEKAAN:** I do have one more question that relates particularly to manufacturing and then I will swap to the automotive questions that I have prepared. It is in a similar vein to the one about advocating for a regional area. Given that you said that of the issues that are most commonly brought to you as challenges by manufacturing sector businesses, the first one you mentioned—you did not say that it was the top or the most frequent, but the first one that came to mind—was access to skilled staff. Keeping on that regional theme, have you as the Minister for Manufacturing and Innovation advocated on behalf of your sector with your cabinet colleagues with regard to resources and support for regional TAFEs, so that local people can be trained locally to become those skilled employees for regional businesses?

**The Hon. S.E. CLOSE:** One of the many reasons I was delighted that the Department of State Development was formed out of what was DFEEST and DMITRE, and then some other additions as well, is that I see the nexus between training and state development—economic activity—as absolutely essential. Yes, I have had discussions about that. I understand that the minister, yesterday or the day before, in estimates expressed a firm commitment to regional TAFE and as I understand from the chief executive, significant government funding has gone into training in the regions, not just through TAFE but also through other providers. I concur with the sentiment of your question, that this is very important. It is something that is very important to me.

**Mr VAN HOLST PELLEKAAN:** Same book, turning to page 118 now, which is specifically automotive transformation. What is the annual budget for the automotive task force for 2013-14 and 2014-15? What was the budget and what is the budget for those two years?

**The Hon. S.E. CLOSE:** Can you remind me of the years that you asked about?

**Mr VAN HOLST PELLEKAAN:** Yes; 2013-14 and 2014-15.

**The Hon. S.E. CLOSE:** The automotive task force was only created on 1 July, so there is no task force. Obviously, it is trying to line up the budget. There is no budget for it until this year, because it was only formed this year as a single entity.

**Mr VAN HOLST PELLEKAAN:** So there was zero spending?

**The Hon. S.E. CLOSE:** The task force has been formed from existing areas of the government, but you cannot say, 'This is how much the task force cost last year,' because it did not exist. I am being advised that it is \$19 million over the next four years for the rest of the period of Our Jobs Plan for the task force.

**Mr VAN HOLST PELLEKAAN:** Do you have an annual breakdown of that?

**The Hon. S.E. CLOSE:** Can we get that to you?

**Mr VAN HOLST PELLEKAAN:** On notice?

**The Hon. S.E. CLOSE:** I am confident that I have seen it in here but in the interests of time we will get back to you.

**Mr VAN HOLST PELLEKAAN:** So \$19 million over the forward estimates period?

**The Hon. S.E. CLOSE:** That is my understanding.

**Mr VAN HOLST PELLEKAAN:** I would be grateful.

**The Hon. S.E. CLOSE:** We will make that precise for you.

**Mr VAN HOLST PELLEKAAN:** That would be great, thank you. How many FTEs are allocated to the task force?

**The Hon. S.E. CLOSE:** Sixteen.

**Mr VAN HOLST PELLEKAAN:** Is that expected to remain consistent over the period?

**The Hon. S.E. CLOSE:** Yes.

**Mr VAN HOLST PELLEKAAN:** How many members on the task force?

**The Hon. S.E. CLOSE:** So staffing? I think there is a little bit of complexity with the task force in that it sounds like it could just be a board but it is not, it is employees who are working, so there are 16 people working. There is a board that supports that task force. The chair is Greg Combet and he is then supported by John Camillo from the Australian Manufacturing Workers Union; Richard Reilly, the chief executive of the Federation of Automotive Products Manufacturers, so that is the supply chain; the Hon. Lea Stevens who is the director of Northern Connections; Mr Robert Chapman, who is the deputy chair of the Economic Development Board; and the Rev. Peter Sandeman who is the chief executive of Anglicare SA, and deacon, Anglican Diocese of Adelaide.

**Mr VAN HOLST PELLEKAAN:** That is what I was trying to start to understand.

**The Hon. S.E. CLOSE:** So that is the board.

**Mr VAN HOLST PELLEKAAN:** And those people are not part of the 16; that is the board that oversees those 16?

**The Hon. S.E. CLOSE:** That is right, and in fact only Greg Combet is being paid; the others are serving in a voluntary capacity.

**Mr VAN HOLST PELLEKAAN:** While I understand what you said about a particular budget line not existing for last financial year, has work been going on over the last few months? I understand the work has been going on over the last few months and it has not just really started on 1 July.

**The Hon. S.E. CLOSE:** Yes.

**Mr VAN HOLST PELLEKAAN:** What have they achieved so far?

**The Hon. S.E. CLOSE:** Essentially the components of the task force, in terms of the FTEs, come from the people who have been working on industry, and so we have talked in quite a bit of detail about the kind of industry work that has been occurring and the people who are dedicated to supporting workers as part of labour structural adjustment.

So that work was occurring previously and we have now been able to pull it into one place. This is the year where the expenditure on Our Jobs Plan starts seriously and we are expecting, although we will not be gaining the money directly from the federal government, we will be taking an interest in how that money is allocated and expect to be part of the panel in making decisions about allocation of funds to companies and institutions. So that work was occurring already but now has funding that is ramping up and has a focus by bringing the staff together into a single team.

**Mr VAN HOLST PELLEKAAN:** You mentioned Mr Combet is the only paid board member. What are the details of his contract?

**The Hon. S.E. CLOSE:** The contract for Mr Combet runs until 2016-17 at this stage and he is going to receive \$140,000 in 2014-15.

**Mr VAN HOLST PELLEKAAN:** So \$140,000?

**The Hon. S.E. CLOSE:** That is right, \$140,000.

**Mr VAN HOLST PELLEKAAN:** What is expected of him? I am sure it is not the only thing he does; he would have other things. How have you contracted what his contribution will be in return for that \$140,000?

**The Hon. S.E. CLOSE:** I think I might put on the record, even though it is not specifically the question, and I will get to your question, some of the strengths that Greg Combet brings, because

I think when someone's salary is being discussed it is absolutely something that is reasonable to ask. It is also probably appropriate to put on record the worthiness of that person.

On 23 December 2013, the Premier appointed Mr Greg Combet AM as the Automotive Transformation Coordinator. He has been providing expert advice to the South Australian government to shape a strategic and integrated approach to the delivery of programs and services for the successful transformation of the automotive industry. Mr Combet's role has evolved from that of Automotive Transformation Coordinator and he is now providing strategic advice to me, as the minister, and chairing the newly established board supporting the Automotive Transformation Taskforce. The task force will drive the state government's support to automotive businesses and workers to adjust to the closure of Holden, Toyota and Ford.

Mr Combet's skills, experience and career achievements will be an asset to the state government in meeting the challenges that lie ahead for the automotive supply chain. His career highlights include being the federal minister for climate change and energy efficiency, the federal minister for industry and innovation, the federal minister for defence personnel, materiel and science, and secretary of the Australian Council of Trade Unions between 2000 and 2007.

South Australia is very fortunate that a person of Mr Combet's high calibre has agreed to assist us as chair of the Automotive Transformation Taskforce and specialist adviser. His experience and knowledge of Australian industry and the trade union movement will be a significant asset to South Australia. He is not new to the sort of challenges that we are facing and I know that he was significantly involved in other structural economic challenges that our economy has faced in the past. One example that comes to mind is the closure of the steel industry in Newcastle. He has also dealt with GM Holden and Toyota at the national and international levels and is experienced in targeted program delivery.

The three tasks that are essentially before him and the task force are: the support of the workers (which he has an enormous amount of experience in and will guide how we undertake that work); the diversification of the supply chain (which, as previous industry minister, he has a great deal of experience in); and working with GM Holden on the future of the site (and his gravitas and relationships will assist us in undertaking that). I speak to him frequently. He is a very available adviser. In addition to chairing the board and offering support to the staff, I find him useful.

**Mr VAN HOLST PELLEKAAN:** You said his contract runs to 2016-17. Is that 2016-17 inclusive, or does it finish at the start of that year?

**The Hon. S.E. CLOSE:** Inclusive.

**Mr VAN HOLST PELLEKAAN:** And is the \$140,000—

**The Hon. S.E. CLOSE:** It is indexed.

**Mr VAN HOLST PELLEKAAN:** Indexed for inflation. Can you confirm, or share information with us if you have it, whether Holden have expressed any likelihood or possibility that they might close before 2017?

**The Hon. S.E. CLOSE:** No, they have not. It remains a matter that is on my mind. I am particularly concerned that the components suppliers remain sufficiently capable of providing the components, that that in itself not precipitate an early exit. Holden has—in fact, quite the opposite—indicated a very strong commitment to staying until then.

**Mr VAN HOLST PELLEKAAN:** That is good news. On the same page, regarding alternative use for the Holden site, who owns the GM site?

**The Hon. S.E. CLOSE:** GM owns it.

**Mr VAN HOLST PELLEKAAN:** Have you or the government entered into negotiations with them with regard to potential transfer or purchase by the government, similar to down south?

**The Hon. S.E. CLOSE:** We are at very early stages of those discussions about the future of the site and I am not inclined to try to take any responsibility away from GM to do something productive with that site and to address any contamination issues that sit there. This is a major

company across the world and we are very concerned to have productive discussions with them about their intentions there.

**Mr VAN HOLST PELLEKAAN:** I certainly support you in that. You touched on contamination. Are you aware, or is the department aware, of what contamination might exist there?

**The Hon. S.E. CLOSE:** No, no specifics, but it is a reasonable starting point that there will be contamination.

**Mr VAN HOLST PELLEKAAN:** Obviously, it is an important issue if the government were to purchase it or if you had some transfer of ownership, even to another third party. That is obviously a key issue.

**The Hon. S.E. CLOSE:** Of course.

**Mr VAN HOLST PELLEKAAN:** When will you start to investigate that issue, because it will be important, whatever the outcome?

**The Hon. S.E. CLOSE:** I am advised that Holden has already engaged a site contamination consultant to undertake site contamination assessments, and we will continue to have what I hope will be productive discussions.

**Mr VAN HOLST PELLEKAAN:** Is there a time line on that? There will come a time when the government has every right to know. In fact, I am sure they already have that right, but there will come a time when the government says, 'We want to know what the contamination is.'

**The Hon. S.E. CLOSE:** I do not have a time line. I agree with you about its importance and we are just in the very early stages of discussions with Holden.

**Mr VAN HOLST PELLEKAAN:** Are you aware of any other potential liabilities attached to the site apart from contamination?

**The Hon. S.E. CLOSE:** I am not aware of any. I am not sure if there is a particular one you are thinking of.

**Mr VAN HOLST PELLEKAAN:** No.

**The Hon. S.E. CLOSE:** There may be a local heritage issue.

**Mr VAN HOLST PELLEKAAN:** Can you share with the committee how many manufacturing firms have been identified as at risk attached to the closure of Holden in South Australia? We are all aware of the broader numbers, but not the number of firms.

**The Hon. S.E. CLOSE:** The closure of Holden and Toyota, together with Ford scheduling closure in 2016, is likely to have a very serious impact on jobs, as we have canvassed frequently this morning. The Department of State Development recently undertook a detailed mapping exercise of the automotive supply chain in South Australia which established that there are 33 tier 1 suppliers located in South Australia, employing around 3,700 people. A significant number of the tier 1 automotive supplier companies located in South Australia are foreign owned with global expertise and local centres established to service domestic customer needs.

A further 719 companies in South Australia employ 28,000 to 32,000 people with around 2,800 to 4,100 of those being automotive-specific and they are estimated to supply a wide range of services and products to the tier 1 companies. This is in addition to the 1,700 jobs in Holden in South Australia. The South Australian government has of course committed \$60 million. I think that answers your question sufficiently.

**Mr VAN HOLST PELLEKAAN:** Would you be prepared to take on notice to provide the list of the 31 companies?

**The Hon. S.E. CLOSE:** I will certainly take it on notice. If there are any commercial-in-confidence matters that I am not aware of, I will obviously have to pay attention to that, but in principle, yes.

**Mr VAN HOLST PELLEKAAN:** I accept that wholeheartedly. Are you aware whether Holden expects to offer or create any redundancies between now and 2017? They have indicated to you that they intend to stay as long as possible and operate as fully as possible.

**The Hon. S.E. CLOSE:** No, they have not come and talked to us about what jobs might go beforehand or whether redundancies might be offered beforehand.

**Mr VAN HOLST PELLEKAAN:** Are you expecting them to keep their full workforce to the end or are you expecting them to scale down?

**The Hon. S.E. CLOSE:** I think there might well be a reprofiling, but we are not aware of any detail.

**Mr VAN HOLST PELLEKAAN:** On the same page, regarding the Automotive Supplier Transformation Program, how many suppliers have been assisted as part of this program?

**The Hon. S.E. CLOSE:** We have not as yet provided any direct assistance to companies. We are in discussions with several companies. We are assessing what is occurring and I understand that Greg Combet is taking a role in helping to work that through.

**Mr VAN HOLST PELLEKAAN:** When it has in the budget that a highlight for last year was to commence the program, have you engaged with the industry at all or is it just a matter of—

**The Hon. S.E. CLOSE:** Yes, absolutely and we have undertaken the analysis that will help us to work out where we best spend the money, so we have engaged with companies, we have been in discussions and we are undertaking analysis.

**Mr VAN HOLST PELLEKAAN:** Where will you best spend the money?

**The Hon. S.E. CLOSE:** The nature of the analysis, at least some of it, is about where the companies have the greatest applicability into other sectors, so what kind of change could occur in a company that will make it able to move quickly. That analysis has been occurring and we will then start investing.

**Mr VAN HOLST PELLEKAAN:** I am just looking for a bit more detail on the outcomes of that analysis. Has it looked at particular types of companies or has it looked at specific companies? To say that in the last year a highlight was to complete the analysis, I am just looking to know what the results were.

**The Hon. S.E. CLOSE:** I am advised that the areas in which we have particularly concentrated to date are the suitability of the mining, petroleum and exploration industry and also the defence industry. We have also been trying to work with the commonwealth to change some of their guidelines for how they support automotive transformation.

**Mr VAN HOLST PELLEKAAN:** Do you have a target for the number of companies you plan to help? You have 31 core tier 1 businesses. This particular program is going to try and help them and you did say largely international companies but local jobs, so there is still a strong desire to help them?

**The Hon. S.E. CLOSE:** There is. I think there is a real challenge with the international companies. It depends on why they are here. I think several of them will be here because Holden is here and will go when Holden goes and that is going to be difficult. It may be that it will be more fruitful to be working slightly further down the chain to assist in the diversification, but that is the kind of analysis that is going on at present. You asked specifically if we have a number that we are interested in?

**Mr VAN HOLST PELLEKAAN:** Yes, do you have any targets? You have completed the analysis in the last financial year. Do you have targets for what you will achieve this year?

**The Hon. S.E. CLOSE:** Now that we have the task force and therefore are able to staff up our effort, we are proceeding apace to interview each of the companies in order to work out their particular diversification capabilities and that is necessary before we proceed. We are also interested in how much of the commonwealth money that is now available we will be able to assist companies to apply for.

**Mr VAN HOLST PELLEKAAN:** Do the companies approach you or do you approach them?

**The Hon. S.E. CLOSE:** We have approached all of them; that is the idea.

**Mr VAN HOLST PELLEKAAN:** You mentioned collaborative connection with the defence sector, which is obviously incredibly important. Can you tell me what collaboration has occurred so far in terms of whether it is trying to transition some current manufacturers from automotive to defence or whether it is trying to get defence to just grow and pick up some automotive workers? Where are you heading?

**The Hon. S.E. CLOSE:** I am sure it is both. Specifically on defence, there are a couple of highlights to talk about. One is the work that we have done with Defence SA on the possibility of LAND 400 coming here, and therefore we have been looking at which automotive companies would be able to retool or retrain in order to get benefit from that. The other is that the Premier announced support for the Defence Teaming Centre specifically for automotive workers to transition their skills into the defence sector.

**Mr VAN HOLST PELLEKAAN:** I refer to page 117, back one from where we were, grants and subsidies. Can the minister provide a breakdown of the \$1.6 million allocated to be provided in 2014-15?

**The Hon. S.E. CLOSE:** I will take that on notice rather than churn through it now.

**Mr VAN HOLST PELLEKAAN:** Okay. With regard to supplies and services on the same page, can the minister explain the difference between the \$1.96 million estimated result for 2013-14 and the \$690,000 budget? That is just under supplies and services in the table in the middle.

**The Hon. S.E. CLOSE:** This is supplies and services, is it not? You are talking about the \$690,000 and the \$1.9 million?

**Mr VAN HOLST PELLEKAAN:** Correct.

**The Hon. S.E. CLOSE:** We will have to take that on notice and give you the details.

**Mr VAN HOLST PELLEKAAN:** Thanks, minister. When I asked about the potential transfer of ownership of the GMH site, you mentioned that you were reluctant to get involved, that they are a big multinational company (I am paraphrasing) and they could do that. I gather from that that quite understandably you did not want the government to jump in too quickly to solve their problems, essentially, which would cost taxpayers money. I understand that. Can you just go into potential alternative uses of the site? What I am really interested in is: of those alternative uses, what ones would actually be beneficial for the government to potentially control the use of the land so that it would have greater control of the development of those industries—in a Tonsley-style situation—versus uses where you would say, ‘Sell it all to company X, let them do this and we’d be grateful to have them come to our state.’

**The Hon. S.E. CLOSE:** I think it is simply too early to start to canvass those options. I am aware that we need to allow some discussions to start occurring with GM to see what they are prepared to consider with their own site. Given that this is a public forum, I am reluctant to start speculating too much.

**Mr VAN HOLST PELLEKAAN:** I accept that. I am not trying to damage our negotiated position as a state, but there must come a time—because 2017 will come very fast—when you need to become very actively involved in those discussions, even if it is in private and behind the scenes. How urgent do you see that? Is it a pressing issue for you now or is it something that can wait a year or two?

**The Hon. S.E. CLOSE:** No, it cannot wait a year or two. It is a matter that is on my mind and it is a source of discussion between myself and Greg Combet. I guess I do have that hierarchy where the number one priority is making sure that workers get the support they need, that we are doing all we can not only to diversify the existing supply companies but to help other manufacturing companies to develop to absorb employment. Then absolutely the question of the future of the site is on my mind, and I agree with you that it is not something we can just ignore, and nor are we. However, it is a delicate matter for discussion.

**Mr VAN HOLST PELLEKAAN:** On that same area, do you have a commitment from Holden, from GMH, that they will keep you and the government fully informed all the way through of their negotiations and their developments with regard to the site?

**The Hon. S.E. CLOSE:** We have had good-faith discussions to date and it is my expectation that that will continue.

**The CHAIR:** As important as it is, I do remind members of the time; but carry on.

**Mr VAN HOLST PELLEKAAN:** One last question. Page 118 of the same book, Budget Paper 4, Volume 4, looking specifically at the third dot point there, under Highlights, and the completion of a comprehensive automotive supply chain review. Can you tell me what the terms of reference were for that review?

**The Hon. S.E. CLOSE:** Given the time, I will take that on notice and provide that to you.

**Mr VAN HOLST PELLEKAAN:** Okay. Outcomes and recommendations? I will add costs to that as well, if that is okay, to take with you.

**The Hon. S.E. CLOSE:** So terms of reference, outcomes and the cost of the review?

**Mr VAN HOLST PELLEKAAN:** Thank you, minister.

**The Hon. S.E. CLOSE:** You are welcome.

**The CHAIR:** Thank you member for Stuart, and thank you minister. Thank you all for a positive discussion. There being no further questions for the Minister for Manufacturing and Innovation, and Automotive Transformation, I declare examination of the proposed payments for the Department of State Development and administered items for the Department of State Development completed.

*Sitting suspended from 12:01 to 12:15.*

**DEPARTMENT OF THE PREMIER AND CABINET, \$91,807,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF THE PREMIER AND CABINET,**  
**\$2,079,000**

**Membership:**

Mr Marshall substituted for Mr van Holst Pellekaan.

Mr Speirs substituted for Mr Knoll.

**Departmental Advisers:**

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

Ms E. Ranieri, Commissioner for Public Sector Employment.

Mr A. Martin, Executive Director, Corporate Services, Department of the Premier and Cabinet.

Mr B. Cinnamond, Director, Public Sector Workers Compensation Performance, Department of the Premier and Cabinet.

Ms M. Sjoberg, Director, Public Sector Enterprise Bargaining, Department of the Premier and Cabinet.

Mr J. Loulas, Manager, Financial Performance and Strategy, Department of the Premier and Cabinet.

Mr S. Woolhouse, Director, Finance, Department of the Premier and Cabinet.

Ms J. Ellis, Statutory Responsibility, Office for the Public Sector.

Mr M. Ganley, Chief of Staff.

**The CHAIR:** Welcome to the minister, this time with her hat on as the Minister for the Public Sector. I declare the proposed payments open for examination and I refer members to Agency Statements, Volume 3. I call on the minister to make a brief statement, if she wishes. I understand we have agreed that this session (until 1.15) deals with the Public Sector Management Division, Public Sector Workforce Relations and Office of Public Employment and Review, and then the second session refers to Service SA, Shared Services and the Office of the Chief Information Officer. Is everyone happy with that arrangement?

**The Hon. S.E. CLOSE:** That is correct, thank you.

**The CHAIR:** Minister?

**The Hon. S.E. CLOSE:** I would like to begin today with the big picture. Over 100,000 individuals work in the public sector. Their efforts enable South Australia to prosper and support its citizens to lead safe and meaningful lives. In the past, there has been a lot of discussion about the size of the public sector, but less time has been spent talking about what really matters. What sort of public sector do we want? And how do we best use the skills and dedication of public servants?

This government has a vision for the public sector, and it is contained in the A Modern Public Sector policy, which was released before the March election. We believe the public sector must live within its means, but it must also have a culture that values openness, responsiveness and efficiency. In the words of the Premier, the 'era of quality, modern government services has arrived'.

A Modern Public Sector builds on our strong record of public sector reform dated back to 2002. The policy contains many new and expanded initiatives to improve how the public sector works with the community, as well as between agencies. I would like to mention three initiatives to give you a sense of the scope of the activity that is transforming our public sector. The new Charter of Public Service Guarantee we are developing will ensure that every customer of government services knows the treatment and service they can expect to receive. The charter will be finalised and published later this year.

The Jobs4YouthSA program is another great initiative that will bring new talent into the public sector and provide more training places to develop the skills of our workforce. Two hundred public sector traineeships will be offered each year for people between 17 and 24 years of age. The first group of trainees has already commenced. They are located in both metropolitan Adelaide and regional locations, with 22 trainees residing in country towns and cities such as Berri, Mount Gambier, Port Augusta, Clare, Port Pirie, Port Lincoln and Whyalla. I am particularly pleased to report that 20 per cent are of Aboriginal and/or Torres Strait Islander descent, with others having a defined disability and many coming from culturally and linguistically diverse backgrounds.

The last project I would like to mention is the Simplify initiative. We have asked public servants and members of the community to tell us how government can operate better. Already, 700 ideas have been received. The top ideas are on their way to being implemented.

To support the delivery of its vision of the public sector and as part of its election commitments, the government established the Office for the Public Sector on 1 July 2014. The government has asked the office to create an integrated approach to building the new public sector culture. This will include: leadership development, workforce planning, cultural change, partnership building across sectors, industrial relations, workforce wellbeing and the South Australian Executive Service.

The office will benefit from the strong foundation already in place. It brings together the former office for public sector renewal, Office of Public Employment and Review and the Public Sector Workforce Relations Division. In 2013-14 alone, these offices delivered the modern public service policy, 34 90-day change projects finding solutions to complex issues within three months, public sector values that describe the behaviours and practices we expect public servants to uphold, Commissioner for Public Sector Employment's determinations and guidelines, and major work on a range of important public sector enterprise agreements.

Integral to the success of the public sector reform agenda is the use of information and communications to connect the people of South Australia with the things they need, when and where they need them. As the Minister for the Public Sector I am pleased to have the Office of the Chief Information Officer in my portfolio. Simply, ICT is everywhere and in everything. We rely upon it like never before, and it is part of our daily lives and is now part of nearly everyone's jobs.

The Office of the Chief Information Officer leads the SA government ICT strategy, known as SA Connected, which will improve government effectiveness and service delivery. We can see the benefits of this approach already as agencies work with the Office of the Chief Information Officer to undertake ICT enabled business transformation projects, such as the My Support Adviser website from the Department for Communities and Social Inclusion, which connects people in need with disability service providers across South Australia.

The Office of the Chief Information Officer is also responsible for the strategic coordination of ICT procurement, which has delivered around \$195 million in savings over the past seven years, with an additional \$40 million estimated in 2014-15, and is also responsible for being the key service provider of government network and telephony management, cyber security and making significant across-government ICT investment decisions. It is an exciting time in ICT, and I am pleased to be responsible for working toward a government that is digital by default, as part of a state that is connected and ready for the future.

The third component of my portfolio, Government Services Group, is also responding to increasing online activity, and is focused on providing improved customer service—services like the eNotice initiative, that provides for multiple timely SMS or email reminders for vehicle owners to renew their registration. More than 50,000 people have signed up to that service, with that number growing each month.

As we know, South Australians increasingly prefer to do their business online. In Service SA, half of all financial transactions were completed online in 2013-14, and online registration and licensing payments continue to increase period on period by 11 per cent. This increase in online activity has seen fewer customers presenting at Service SA customer service centres. Service SA will continue to focus on meeting demand for online payment options. It will also be looking at the current face-to-face footprint in the metropolitan area, and will be exploring improvements to its customer service mechanisms.

In Shared Services SA there has been a focus on improving the customer experience. Customer satisfaction surveys conducted with government agencies show that customer service has improved by 11 per cent during 2013-14. In the coming year, Shared Services SA will continue to improve customer service through the implementation of a case management solution that will track phone calls and emails and enable end-to-end reporting on resolution rates. I look forward to discussing the Office of the Chief Information Officer and Government Services Group in the second section of this hearing.

My short statement today does not do justice to the reforms that are transforming the public sector. The public sector is a key asset of the state and contributes to the work of this government in keeping our commitments to the people of South Australia. Our Public Service implements the decisions made by our government to support the community, work with business and create opportunities in South Australia.

Dedicated public servants will play a crucial role in supporting component manufacturers so they can retool and find new markets when Holden closes down, and they will be there to provide assistance to our growth industries, like mining and health, for jobs for the future. While change can be challenging, the public sector continues to embrace reform in order to remain relevant to the community it serves. The government will continue to provide leadership and support to the public sector during this time of renewal. This is a budget designed to support jobs and sustain the jobs growth of the last 12 years, and is pivotal to that leadership role.

**The CHAIR:** Does the member for Dunstan have an opening statement?

**Mr MARSHALL:** No, thank you.

**The CHAIR:** Would you like to go straight into questions then?

**Mr MARSHALL:** Yes, thank you. My questions relate to Budget Paper 4, Volume 3, starting on page 193. I understand that Mr McCann is no longer the part-time commissioner for public sector employment and is now full time in the role of internal consultant. He is being paid at the original rate of his contract of \$360,000 per year. Does the budget provide for the continued appointment of the internal consultant after his contract expires in December 2014?

**The Hon. S.E. CLOSE:** At this stage it is only the six months, and he is now reporting to the Premier.

**Mr MARSHALL:** He reports to the Premier, so he is not in this new internal consulting role that you have been talking about?

**The Hon. S.E. CLOSE:** In his new internal consulting role he reports to the Premier, not to me.

**Mr MARSHALL:** If we stay on that same area, was he reporting to you previously as the internal consultant or only in the other area?

**The Hon. S.E. CLOSE:** He always reported to the Premier on internal consultancies and to me as the commissioner.

**Mr MARSHALL:** Budget Paper 4, Volume 3, page 195, program 11: why did the minister decide not to advertise publicly for applications for the appointment of a new commissioner for public sector employment?

**The Hon. S.E. CLOSE:** It was my judgement, and I also received advice to this effect, that advertising widely was not necessarily the best approach to find the right person to take that role. There is no requirement for me to advertise and there is no requirement for me to go through a process. The judgement I took was that I would seek advice on the best approach to the appointment from the head of DPC. I took that advice and I followed that advice.

**Mr MARSHALL:** You previously reported that you established a selection panel. Can you advise what date that selection panel was established?

**The Hon. S.E. CLOSE:** I will take that on notice. I did not do the panel; the head of DPC did so. We will give you some detail on that process.

**Mr MARSHALL:** Did that selection panel provide advice directly to you, then?

**The Hon. S.E. CLOSE:** The chief executive from DPC is the person who provided me with advice from the panel rather than a direct relationship with the panel. The advice was provided to me on 16 June.

**Mr MARSHALL:** It was 16 June. Who were the members of the panel?

**The Hon. S.E. CLOSE:** The chair was James Hallion, as you are aware. The others were Rick Persse, the chief executive of the Attorney-General's Department, and Joslene Mazel, the chief executive of the Department for Communities and Social Inclusion.

**Mr MARSHALL:** Did the minister at any stage prior to 6 May have a discussion with Ms Ranieri about the possibility of her being appointed as the Commissioner for Public Sector Employment from 1 July 2014?

**The Hon. S.E. CLOSE:** Did I have a conversation with Ms Ranieri about that? Is that the question?

**Mr MARSHALL:** Yes.

**The Hon. S.E. CLOSE:** I was the parliamentary secretary for the public sector for all of last year and so worked closely with Ms Ranieri on the change reform that was being undertaken. I cannot recall if she and I ever had a discussion about whether she would be a good person to be a future commissioner, but it is quite possible that we did. If the nature of your question is, did I offer the job to her and say that she was going to have it, then no, I did not.

**Mr MARSHALL:** No, that was not my question; it was just whether or not you had the discussion, but you are saying you cannot recall whether you did have a discussion or you did not have a discussion.

**The Hon. S.E. CLOSE:** It is perfectly conceivable that she and I did discuss that she would be a good person. She acted in the role, after all, during the time that I was parliamentary secretary.

**Mr MARSHALL:** Has the minister received any advice that Ms Ranieri was telling staff within DPC prior to the selection panel process that she was going to be the Commissioner for Public Sector Employment from 1 July 2014?

**The Hon. S.E. CLOSE:** I am glad you have re-asked me that question because we were unable to conclude that discussion in the previous question time and I know that it was previously raised by the Hon. Rob Lucas in the other place. I believe when he raised the question as to whether that had occurred, he also suggested that there was a brochure that went out saying that that was going to be the case. When I heard that that question was being asked, I asked Ms Ranieri if she had stated that she was going to get the position and she said that she had not, and I also asked to see the document that was put out, and it does not contain any such reference to her being the Commissioner for the Public Sector. So in the absence of any other information, my inclination is to believe that she did not do it.

However, I would also note that she was a very strong candidate, she had acted in it previously, so it would not be unnatural for some people to think that she would be likely to be the next person. It is also the case that she was leading the review and then subsequently was appointed to running the office, and I do wonder if there has been some confusion in people's minds between those different roles with the public sector commissioner being separate to running the office, and I wonder if there has been some confusion.

**Mr MARSHALL:** Who commissioned KPMG to review the amalgamation of the Public Sector Workforce Relations office with the Office of Public Employment and Review?

**The Hon. S.E. CLOSE:** Ms Ranieri did.

**Mr MARSHALL:** Was that under your authority?

**The Hon. S.E. CLOSE:** It was, as I understand it, below the figure required, so no.

**Mr MARSHALL:** What was the cost of the consultancy?

**The Hon. S.E. CLOSE:** I am advised that the consultancy was \$22,000.

**Mr MARSHALL:** Was former Labor ministerial staffer Ms Rowan Roberts the KPMG employee who conducted the review for Ms Ranieri?

**The Hon. S.E. CLOSE:** I understand that Ms Rowan Roberts, who has multiple backgrounds, was one of the people who was employed.

**Mr MARSHALL:** Sorry?

**The Hon. S.E. CLOSE:** I understand that Ms Roberts was one of the people employed, or the person employed.

**Mr MARSHALL:** Has Ms Ranieri undertaken any renovations of her office?

**The Hon. S.E. CLOSE:** The creation of the new Office for the Public Sector brought together the former entities of Public Sector Workforce Relations, the Office of Public Employment and Review and the Office of Public Sector Renewal. Public Sector Workforce Relations and the Office of Public Employment and Review are located at 25 Grenfell Street and Injury Management Services is located at 30 Wakefield Street.

The Office of Public Sector Renewal was located at 131 Grenfell Street. As there was existing floor space, workstations and meeting rooms on Level 5, 25 Grenfell Street, all staff except for Injury Management Services are now located on this floor. The new Commissioner for Public Sector Employment occupies one of the existing offices. No building or new works were commissioned for her.

Minor works have been undertaken for the following: converting one small meeting room into an office for an executive director by relocating an existing desk and installation of overhead shelving in this office; converting one small meeting room into an office for a director by installing a workstation; installing two workstations including mobile pedestals and two widescreen hung shelves per workstation into an open area that previously only had one workstation and patching and repainting this area; relocation and changeover of an existing ergonomically adjustable desk; and relocating sets of services. The estimated cost for this work is \$13,269. There were also minor costs associated with the purchase of ICT equipment, purchase of an electronic whiteboard, signage and the relocation of staff equipment and files from one building to another.

**Mr MARSHALL:** Are there any other renovations to office spaces as part of that merger or is it just that one that has been outlined now?

**The Hon. S.E. CLOSE:** No, that is it.

**Mr MARSHALL:** Has Mr Elbert Brooks been retained in his position?

**The Hon. S.E. CLOSE:** On 10 April 2014, Mr Brooks was advised of the decision by the head of DPC not to offer a further term of executive employment as a result of the restructure. His contract is due to expire on 11 October this year, 2014. The new Office for the Public Sector came into effect on 1 July. Given Mr Brooks' extensive legal background, he has taken on a short-term role to assist State Records with its legislative program, including the public consultation process on the draft information privacy bill.

Section 9 of the Public Sector Act 2009 provides that an employee may be transferred to other employment within the public sector that maintains the employee's substantive remuneration or as agreed to by the employee. Discussions between the chief executive and Mr Brooks have been held regarding the transfer. Mr Brooks' transfer took effect from 14 July 2014 and will conclude on 11 October this year, coinciding with the expiry of his executive contract.

**Mr MARSHALL:** To confirm, there is no termination payment being made?

**The Hon. S.E. CLOSE:** No, his contract will end. That is right.

**Mr MARSHALL:** Who is going to be in charge of industrial relations advice and enterprise bargaining negotiation going forward?

**The Hon. S.E. CLOSE:** Obviously Erma Ranieri is running the office from within which that advice will come, and Ms Melanie Sjoberg, who is the Director of Public Sector Enterprise Bargaining in the Office for the Public Sector, will be the main adviser within that office.

**Mr MARSHALL:** Does Ms Ranieri have any background or history in industrial relations advice and enterprise bargaining negotiation?

**The Hon. S.E. CLOSE:** Ms Ranieri has a long and extensive career in HR and staff management. She worked at UniSA some time ago where she ran human resources and in that case worked on the enterprise bargaining agreement with SA Ambulance. I would rather not go through chapter and verse. We can give you her full CV if you would like that. She does have experience in the area and she has an extremely experienced officer in Melanie Sjoberg to support that area.

**The CHAIR:** The member for Napier has been very patient. The member for Napier.

**Mr GEE:** My reference is Volume 3, page 195. Can the minister inform the committee about the Jobs4Youth program?

**The Hon. S.E. CLOSE:** In February 2014, the Premier announced A Modern Public Sector policy, including the appointment of 800 young trainees over four years through Jobs4YouthSA. This is vital to renewing the SA public sector workforce and providing opportunities to young people across the state.

The Jobs4YouthSA program is coordinated by the Office for the Public Sector (OPS). Jobs for Youth SA is recruiting, training and aiming to retain 200 administrative and medical equipment sterilisation trainees across the major agencies of the public sector in the 2014-15 financial year. This government was keen to reinvigorate the existing employment opportunity program for traineeships.

Trainees are appointed pursuant to the declaration under section 65 of the Public Sector Act 2009. The government has targeted its recruitment in several ways. It has sought candidates without tertiary or previous qualifications higher than certificate III in the vocational education and training field. Candidates from low socioeconomic areas, those identifying as being of Aboriginal or Torres Strait Islander descent, having a declared disability or being long-term unemployed (that is, over 12 months) were encouraged to apply. Trainee commencement is between March and August 2014 and I am pleased to say that, so far, trainees have been appointed in Adelaide, metropolitan and regional locations, as I said in the opening statement.

The Jobs4YouthSA program has been designed to assist the government's achievement of South Australia's Strategic Plan targets, specifically target 54, learning or earning. Jobs4YouthSA may also have a positive impact on other targets, including target 47, increasing employment, target 49, lowering unemployment and target 53, Aboriginal employees: increase the participation of Aboriginal people in the South Australian public sector, spread across all classifications and agencies, to 2 per cent by 2014 and maintain or better those levels through to 2020.

Trainees will not be additional to existing staff numbers. Instead, agencies are capitalising on natural attrition rates at the entry level, with the added benefit to the public sector of reinvigorating our workforce with younger people. There are a number of benefits under the Jobs4YouthSA program. Trainees participate in full-time, paid employment for 12 months in a public sector agency. Trainees are assigned a voluntary mentor from within the sector for the duration of their traineeship and learn from more experienced public sector employees and peers.

Their learning includes a nationally-accredited qualification at the certificate III level. The main benefit for trainees includes an ongoing entry-level role on the successful completion of their traineeship. The program is designed to maximise the number of trainees who are successful in their traineeships. This means achieving competency in certificate III qualification, performing well in their jobs and displaying the values and behaviours of the public sector.

The Jobs4YouthSA program is vital in creating job opportunities for young people in South Australia, particularly those disadvantaged in the jobs market. I am pleased to advise that the program got off to a successful start. The first trainee appointments commenced in March this year and all trainees to be appointed this year will be in place by August. As at 25 June of this year, 180 trainees had been appointed. Of those 180, 51 are Aboriginal or Torres Strait Islander, 53 had been unemployed for longer than 12 months and five have a declared disability.

The program features a number of special elements that are designed to maximise the success of every trainee placement for both the trainee and the organisation. Every supervisor of trainees has been, or will be, provided with training on how to support trainees and how to maximise the success of the trainees under their supervision. Sessions in July and August 2014 will conclude the training.

Cultural awareness training was provided for the supervisors of Aboriginal or Torres Strait Islander trainees on 17 June 2014 to increase their understanding of cultural differences and the possible impacts of cultural issues on the trainee and the workplace. Trainees are allocated a mentor from within the public sector, with Aboriginal and Torres Strait Islander trainees being matched with an Aboriginal or Torres Strait Islander mentor. A cultural event for Aboriginal and Torres Strait Islander trainees and their mentors was held on 18 June 2014, where they heard from inspirational Aboriginal speakers from the public sector and the community about succeeding in the workplace.

All trainees are attending an Induction to Government session to provide them with a broader view of the public sector. Two sessions have been completed as at 20 June 2014. Jobs4YouthSA is a well-designed program to ensure the successful placement of trainees and is the winner of the 2014 Maxima workplace diversity award.

**Mr MARSHALL:** My questions now relate to Budget Paper 3, starting on pages 33 and 35. On page 35, in table 2.13, we have the total number of TVSPs taken up during the 2013-14 year through to 30 April. Do you now have updated numbers as to what they would be through to 30 June?

**The Hon. S.E. CLOSE:** Just while we are finding the briefing, can I double-check the final date you were looking for?

**Mr MARSHALL:** For 30 June.

**The Hon. S.E. CLOSE:** For 30 June just gone?

**Mr MARSHALL:** That is correct. What the table is providing is just an actual number up until the end of April.

**The Hon. S.E. CLOSE:** Yes, I understand. The latest we have at the moment is 31 May; we have not yet got 30 June. Would you like me to take that on notice and we can provide it to you once we have got 30 June.

**Mr MARSHALL:** Sure, I would be happy to have the 31 May figure now and the 30 June figure when it is available.

**The Hon. S.E. CLOSE:** The added complexity is we only have the four year numbers—

**Mr MARSHALL:** Sorry?

**The Hon. S.E. CLOSE:** —so we have got from 1 November 2010 to 31 May 2014.

**Mr MARSHALL:** Why? Table 2.13 is broken down year by year; it gives us a number. I could do the calculation myself, but it seems completely illogical for you to give me a four year accumulated number. This is your own reporting format. Maybe I will ask another question because that could come at any time; I am not fussed about that one.

**The Hon. S.E. CLOSE:** If you could give us the page number, they will be working on that, sorry.

**Mr MARSHALL:** Page 35. What was the original budget number for the number of TVSPs you thought you would be providing last financial year?

**The Hon. S.E. CLOSE:** Part of the complexity here is that TVSPs are managed by Treasury, so we will get that information for you.

**Mr MARSHALL:** Have you got the cumulative number to the 31 May?

**The Hon. S.E. CLOSE:** We are going to have to seek that advice for you. I do not want to be giving figures that we might—

**Mr MARSHALL:** With respect, when we asked these questions to the Treasurer, which is only a few days ago, he said that I would have to direct all of these questions to you. Now we are asking you the questions and you are telling us you are going to have to get the answers from Treasury. Do one of you know how many TVSPs were provided last year and do one of you know how many were planned to be provided last year?

**The Hon. S.E. CLOSE:** We are going to have to take that on notice. We will provide the information.

**Mr MARSHALL:** But just for clarity, are you suggesting that this is not your area of responsibility, that it is the Treasurer's area of responsibility or are you just saying—

**The Hon. S.E. CLOSE:** My understanding is that the work is done in Treasury.

**Mr SPEIRS:** A supplementary on this. Referring to the table with the accumulative figures from 2010-11 to present day, we saw that there were 2,315 total separation packages handed out. Has the overall FTE total within the South Australian Public Service fallen by a number similar to that or has it grown in that time?

**The Hon. S.E. CLOSE:** I will give you a detailed answer when someone hands it to me, but the short answer is that it has not shrunk by that size because we have been reprofiling the Public Service towards the interactions with people and away from the back office. There are now 1,392 more medical officers, which is an 89 per cent growth; 4,745 more nurses, which is a 59 per cent growth; 516 more emergency services employees, which is a 38 per cent growth; 714 more police officers, which is a 19 per cent growth; and 1,842 more teachers and school services officers, which is an 11 per cent growth. There has been overall a 4 per cent increase in the number of front-line workers and a 4 per cent decrease in back office staff.

**Mr MARSHALL:** Referring to page 33, table 2.10, if I am reading this correctly, the number of full-time equivalents in the Public Service as of 30 June 2013 was 81,724. There was a budgeted figure of 79,484. The budget for last financial year was to reduce the size of the Public Service by 2,240, so it was a net reduction that was planned. Am I interpreting that table correctly?

**The Hon. S.E. CLOSE:** Can we have a reference for the table, please?

**Mr MARSHALL:** Page 33, table 2.10.

**The Hon. S.E. CLOSE:** Of?

**Mr MARSHALL:** Budget Paper 3. We are on Budget Paper 3.

**The Hon. S.E. CLOSE:** Of Volume 3.

**Mr MARSHALL:** Not Volume 3, Budget Paper 3.

**The Hon. S.E. CLOSE:** What was the question? It seems to make sense to us.

**Mr MARSHALL:** It is very tempting for me to make a statement here, but I will not. In the first column of table 2.10 on page 33, we have the 2013 actual that the actual size of the Public Service as of 30 June 2013 was 81,724 full-time equivalents.

**The Hon. S.E. CLOSE:** Yes.

**Mr MARSHALL:** The budget for last financial year—so the budgeted figure for the size of the Public Service as of 30 June 2014—was to reduce down to 79,484. In other words, the government had planned last year to reduce the size of the public sector by 2,240 full-time equivalents. Is that correct?

**The Hon. S.E. CLOSE:** And that was revised up at the Mid-Year Budget Review.

**Mr MARSHALL:** Correct. That was revised up to 81,473.

**The Hon. S.E. CLOSE:** That is right.

**Mr MARSHALL:** But the original budget was to reduce the size of the Public Service by 2,240.

**The Hon. S.E. CLOSE:** That is right.

**Mr MARSHALL:** In the most recent budget handed down there was an estimate that it was sitting at 81,516.

**The Hon. S.E. CLOSE:** That is correct.

**Mr MARSHALL:** So you achieved an estimated 208 reduction in the size of the Public Service against an original budget of 2,240. I suppose my question relates to page 30, the first dot point, where you said there was \$94.1 million in employee expenses associated with an increase in TVSP costs.

**The Hon. S.E. CLOSE:** That is correct.

**Mr MARSHALL:** I am finding it extraordinarily difficult to reconcile how you could have an increase in TVSP payments when you have—

**The Hon. S.E. CLOSE:** And not a reduction in staff; that is your question.

**Mr MARSHALL:** Well, presumably you would have thought there would have been money coming back into that area because the original budget would have provided for a reduction of 2,200 staff and a certain percentage of those would have been TVSPs. In the end we ended up with a significantly higher number of TVSPs. Do not forget, this is only just to the end of April. As you have already pointed out, you do not have the figures for May or June. Can you explain to us how that occurs. The Treasurer asked us to ask you. You can thank him later.

**The Hon. S.E. CLOSE:** These are obviously centrally-held figures that cut across all of the departments, so what we need to do is work out department by department who has gone up and

who has gone down. Failing my advisers here having a detailed table to hand me, I think I will have to take on notice where those increases have occurred that have offset the decreases.

**Mr MARSHALL:** So you are going to provide that information to us, what the original budget was, the revised budget and what the actual was, department by department? My question really relates to why the TVSP original budget was so wildly out. It just does not make any sense to me; but you are going to provide an explanation for that?

**The Hon. S.E. CLOSE:** The explanation for the increase in TVSP expenditure is that TVSP separations were brought forward by departments, so that ones they had planned to meet savings over several years were brought forward.

**Mr MARSHALL:** That would make perfect sense if we had a massive reduction in the number of people working in the Public Service, but you did not get to 10 per cent of the plan for last year yet you have provided for significantly higher TVSP payments than were originally budgeted. What was the original budget for TVSP? We only have the increased position, which was \$94 million. What was the original budget for TVSP payments?

**The Hon. S.E. CLOSE:** Again, we do not have that with us, so we will provide it to you.

**The CHAIR:** Thank you, minister. I remind the minister that nodding is inaudible.

**Mr PICTON:** I refer to Budget Paper 4, Volume 3, page 195. Can the minister inform the committee on the achievements of the High Performance Framework program and its deployment in government agencies?

**The Hon. S.E. CLOSE:** In 2008 the Public Sector Performance Commission surveyed over 40 public sector agencies and found that practices associated with organisational performance were varied and, at times, fragmented. For example, 88 different leadership development programs operated across 33 agencies, with only eight programs shared across agencies. The survey found that there was no whole-of-government mechanism to measure, improve and monitor organisational performance or align agencies to the key priorities of government.

The High Performance Framework (HPF) was developed to fill this gap. The framework provides public sector leaders with a consistent set of criteria and tools for assessing and benchmarking their performance, and pursuing targeted improvement. The Senior Management Council committed to a schedule of implementation, with agency chief executives required to oversee triennial reviews using the framework. Responsibility for embedding the HPF rests with chief executives, and informs their performance review assessments.

In the last 12 months reviews and improvement strategies were actioned in eight SMC agencies. Since the framework was first produced, 19 reviews have been undertaken. The review process provides public sector leaders with a structured gap analysis of agency results against the HPF 'what high performance looks like' criteria. Review teams are encouraged to reflect on both their plans and key results and, where necessary, commit to improvement initiatives and change.

Effective measuring, monitoring, development and evaluation to improve performance is essential for effective organisational management, particularly in times of constrained resources. A real benefit of the HPF is that it fosters learning organisations, evaluation capability and evidence-based decision-making.

To date over 300 improvement initiatives have been identified, and strategies at the agency level are progressively being actioned to improve agency performance. Some examples of improvement initiatives being undertaken include establishing performance benchmarks to improve service delivery, strengthening links to whole-of-government directions and the development of agency headline KPIs, meeting red-tape reduction targets, increasing the use of online channels for business transactions, information exchange and service delivery. Online transactions can be up to 10 times cheaper than face-to-face transactions.

The HPF has been widely recognised as being an innovative program, and recently received a commendation at the Prime Minister's Awards for Excellence in Public Sector Management. The Prime Minister's Awards are Australia's most prestigious awards, recognising the efforts of public

sector management and organisations. A commitment to excellence in public sector management is essential to a modern public sector, and a modern public sector is vital to building a stronger South Australia.

The Office for the Public Sector is currently working with agencies to review the content and structure of the HPF to ensure it is more efficient, scalable, and reflective of current best practice. For example, the updated framework will support the principles of engagement found in Better Together, integrate service excellence and cultivate transformative leadership and the new public sector values. The updated framework will look to sharpen the focus of the HPF, while reducing the reporting burden of the review process. The revised HPF will be ready to pilot in the first half of 2014-15.

**Mr MARSHALL:** I think we will stick on the same page, so we are on Budget Paper 3, page 33, table 2.10, although the questions will not relate to them, but this is the area which talks about what the current number of full-time equivalents are and the budget for 30 June of next year. Currently, we have 81,516 full-time equivalents. As at 30 June of next year, the budget (most recently updated) is to have 80,118, so it is a 1,490 person reduction over the 12-month period. Have you done any analysis of where that 1,490 will come from by department and can you provide that to the committee?

**The Hon. S.E. CLOSE:** When you look at those two numbers, the 81,516 going down to 80,118, there will be an increase in activity growth, which I suspect is where we are going to find some of the answers to the older data, but I do not have that, from our previous questions. So, in the Department for Health, the Department for Communities and Social Inclusion, SAPOL and the Department of State Development there will be an additional 525 employees. There will be savings (that means separations) that will lead to the reduction of 1,308. There are no additional reductions for election commitments. There are 168 people associated with national partnerships agreements and then there is a category called 'Other' which comprises 408 people.

**Mr MARSHALL:** You have said to us that you are going to, essentially, put on 525 new positions, but you are going to reduce down 1,308 existing positions. Do you know which departments they are in at this stage and do you know of a number per department? No; that is fine.

**The Hon. S.E. CLOSE:** I do not have that information here. This is consistent with the reprofiling that I mentioned earlier, though, where we have very explicitly, over the term of this government, been moving towards the interaction with the citizens and away from the back office.

**Mr MARSHALL:** Are you saying you cannot provide that now, or it does not exist, by department? I am just asking the question; I am not trying to be difficult, but you put a number in this table, that you know it is going to be at 80,018, so presumably you must have come up with that number from somewhere.

**The Hon. S.E. CLOSE:** We do not have it here but it is obtainable and therefore I will provide it.

**Mr MARSHALL:** With the reduction of 1,308, can you tell us what are the implications of the removal of tenure as of 1 July? What is the process that you would go through? The Premier has previously said that he would go through every opportunity before he would get to a situation of forced redundancy. Can you outline to the committee how this forced redundancy would work, if we got to that point?

**The Hon. S.E. CLOSE:** That is right. I would also note, before I answer that part of the question, that natural attrition will also assist. So, it will not be that there will be 1,300 paid out—

**Mr MARSHALL:** No; believe me, I understand that one.

**The Hon. S.E. CLOSE:** Of course. The government stated that from 30 June the public sector employee who has been identified as excess for longer than 12 months and during that time has been assisted to find alternative employment will be able to be separated with an appropriate financial package, having regard to applicable legislation and industrial provisions.

**Mr MARSHALL:** Sorry; can you just read the first sentence out again? I did not quite catch the term that you are using.

**The Hon. S.E. CLOSE:** A public sector employee who has been identified as excess for longer than 12 months and during that time has been assisted to find alternative employment will be able to be separated. You will no doubt be aware that for most of our employees this is a matter that is within the enterprise agreement and is currently being negotiated as part of the EB about exactly how that will be applied.

**Mr MARSHALL:** With the term 'excess', does that start from 1 July this year? Some people have been deemed excess for an extended period of time already. For example, if somebody was determined 'excess' three years ago and they have been redeployed, could they theoretically be made redundant immediately because they have already served out that 12-month period of being nominated as excess?

**The Hon. S.E. CLOSE:** This will be the subject of negotiation through enterprise bargaining, but I would not expect that to be the case. I can inform you, in terms of how many excess employees, that there are currently only 150 out of a workforce of some 81,000, which is a net reduction of 64 per cent since June 2011.

**Mr MARSHALL:** So really, the no forced redundancies policy, which was eliminated by this government on 1 July, does not really come into actual effect until after the enterprise bargaining agreement is negotiated; is that correct?

**The Hon. S.E. CLOSE:** That is correct.

**Mr MARSHALL:** Have you had any thoughts at this stage as to what the payouts would be for people made redundant? Will they be the same as the TVSP payments?

**The Hon. S.E. CLOSE:** I would rather not air that publicly.

**Mr MARSHALL:** Leave it to negotiation—okay. Also, will this changed position by the government require any legislation?

**The Hon. S.E. CLOSE:** I do not believe it will.

**Mr MARSHALL:** The Commissioner for Public Sector Employment puts out a review each year, and I had a question regarding that. It basically has the total number of people leaving the Public Service in a year to June 2013 as 12,650. As you pointed out in your earlier answer, there is a natural attrition, but some are just transfers to other state government departments. This identifies that, of the 12,650, 2,259 are just moving to other government departments, 4,000 are separations and for possibly 6,163 you have no indication? Why is it that you have no indication? Surely it would be a pretty critical number for us as a state to work out how many will go back into other departments versus leaving the public sector permanently.

**The Hon. S.E. CLOSE:** The workforce data you are referring to, the workforce information collection, is done through a census of departments and, as you rightly state, in 2013 there were the 12,650 separations and of those 6,163 were not stated in the data we were able to collect. This is probably in large part to do with a lack of a unique employee identifier across the entire Public Service. It is actually tracking people without having one number, and other jurisdictions that have the same issue of not having a single employee number that goes with you wherever you are employed have similar data issues.

**Mr MARSHALL:** Do you have a plan to rectify this going forward?

**The Hon. S.E. CLOSE:** Yes, we are working towards that.

**Mr MARSHALL:** What is the time frame for you being able to do that?

**The Hon. S.E. CLOSE:** We have hopes of having that achieved within the next 12 months.

**Mr MARSHALL:** In an answer to a previous question from the government side, you were talking about the High Performance Framework. Can you update the committee on how much was spent on the implementation of that High Performance Framework in 2013-14?

**The Hon. S.E. CLOSE:** The complexity in answering this accurately is that there is a central effort, for which I am responsible, which is two FTEs, and then, of course, most of the work is done

within each agency, because they are responsible for implementing and responding to the High Performance Framework.

**Mr MARSHALL:** And that would vary on the size of the department? Sometimes it would be a very small amount, other departments could be very—

**The Hon. S.E. CLOSE:** I would imagine that absolutely to be the case. I think for some departments the work was already being undertaken as part of their normal reporting and in others they had to put in a bit of extra effort.

**Mr MARSHALL:** Just going back to Budget Paper 4, Volume 3. On page 196, the last dot point there, under your targets for this year you say that you will be developing and implementing a new job vacancy system to facilitate a more effective and efficient recruitment process in relation to the public sector workforce. How will that system differ from the current system?

**The Hon. S.E. CLOSE:** For some time the office has been working with eGovernment area in DPC to develop a replacement for the ageing job vacancy system which is known as the Notice of Vacancies. Most of the work has been done within existing resources of the commissioner's office and eGovernment. It is intended that Jobs SA will replace the Notice of Vacancies as soon as development work, testing and training are complete.

Jobs SA will provide a more contemporary web-based portal for people interested in working in the SA government. Jobs SA mirrors the existing functions of the Notice of Vacancies system in a more modern platform with some process enhancements. The system does, however, have the capacity for enhanced functionality, such as e-recruitment, in the future. Obviously, e-recruitment is where you are able to apply online and be managed through the process electronically. It would be a great advantage for a lot of the HR areas within departments to be able to manage through e-recruitment, but the functionality has not been there previously.

**Mr MARSHALL:** On page 194, dot point 5 talks about a variance of \$300,000, higher expenditure associated with the leadership development and South Australian Executive Service induction programs. Why was there a variance? Were more people put through that course, or what was the reason for the variance?

**The Hon. S.E. CLOSE:** There are at least two reasons for that. There may be more and we will look into it to check if there is anything further to add subsequently, but we offered a course that we had not previously offered which is a SAES refresher course, and also there was a heavier subsidy for departments to help them send people.

**Mr MARSHALL:** Can you also, when you provide that information, just let us know how many executives—

**The Hon. S.E. CLOSE:** If there is anything more to explain it.

**Mr MARSHALL:** Yes, if there is anything more. If not, that will suffice. How many executives went through this SAES—is that what you are calling it, SAES?

**The Hon. S.E. CLOSE:** Yes.

**Mr MARSHALL:** How many executives went through the induction program in 2013-14 and maybe just separate out induction versus that refresher course that you referred to in your answer; and how much was expended on that SAES induction program in total and, again, just breaking it down between those two categories that you have identified between induction and refresher?

**The Hon. S.E. CLOSE:** I can say that 35 SAES members completed the induction in 2013-14, but for the other breakdown of costs, I will have to take that on notice.

**Mr MARSHALL:** If the variance is \$300,000 and there was only a total of 35, I presume the original budget was not one, and it went up by 34 people, it does seem an extraordinary variance for a course that in total only—

**The Hon. S.E. CLOSE:** That was the induction. As I said, there is also the refresher that we added.

**Mr MARSHALL:** The refresher. If you could just provide that breakdown.

**The Hon. S.E. CLOSE:** And a greater subsidy. So between the two that may be the full answer. We will check if there is any other part to the answer that we do not have before us.

**Mr MARSHALL:** The dot point below that, I did not quite get what that meant: expenditure in 2013-14 associated with payments for employee separations. Is that just TVSPs?

**The Hon. S.E. CLOSE:** Yes, it is.

**The CHAIR:** By agreement, if all parties are happy we will move onto the second section, and the minister may like to change advisers. We are now looking at Services SA, Shared Services and the Office of the Chief Information Officer.

**The Hon. S.E. CLOSE:** I seek your indulgence. Before I introduce the people, I would like to update my answer on how quickly we will be able to do the unique identifier.

**The CHAIR:** Yes, minister.

**The Hon. S.E. CLOSE:** Advice from the area which will actually be applying this suggests that we should have it fully implemented by the end of 2016. I was a little ambitious.

**The CHAIR:** Thank you, minister. If you could introduce your new advisers.

#### **Departmental Advisers:**

Mr J. Hallion, Chief Executive, Department of the Premier and Cabinet.

Mr C. Oerman, Executive Director, Government Services Group, Department of the Premier and Cabinet.

Mr A. Martin, Executive Director, Corporate Services, Department of the Premier and Cabinet.

Mr J. Damin, Director, Financial Strategy, Government Services Group, Department of the Premier and Cabinet.

Mr S. Woolhouse, Director, Finance, Department of the Premier and Cabinet.

Mr J. Loulas, Manager, Financial Performance and Strategy, Department of the Premier and Cabinet.

Mr B. Morris, Chief Information Officer, Department of the Premier and Cabinet.

Mr M. Ganley, Chief of Staff.

**The CHAIR:** Are you happy to go straight into questions, minister?

**The Hon. S.E. CLOSE:** Absolutely.

**Mr MARSHALL:** Our questions relate to Budget Paper 4, Volume 3, page 189, which deals with the Shared Services budget line but I would not get too stressed about referring to it just at this stage. My question is really whether or not the minister can confirm that the exemption process for schools has been extended as per the communication from the Premier to the National Union of Workers prior to the election?

**The Hon. S.E. CLOSE:** Yes, it has.

**Mr MARSHALL:** The Premier has also previously stated that there would be a significantly simplified process for seeking an exemption. Can you confirm when that will occur?

**The Hon. S.E. CLOSE:** I would have to refer that question to the education department. I have not been engaged in anything to change that process.

**Mr MARSHALL:** Even though this tender is essentially administered by Shared Services, the responsibility for changing the exemption process—

**The Hon. S.E. CLOSE:** Forgive me. Allow me to be clear. I have extended the exemption as it was previously. In terms of the contractual relationship with the companies that have the main tender, I have extended that now to the end of their term, which is October next year.

**Mr MARSHALL:** For clarification—I am not trying to be difficult—the Premier said that the previous exemption methodology, on an individual basis, he acknowledged, was cumbersome and there was going to be a simplified process. That is not the responsibility of Shared Services: that is the responsibility of the education department?

**The Hon. S.E. CLOSE:** What the exemption requires is that the value for money proposition is demonstrable. How that is administered within schools I am not clear, but I did not vary the requirement of value for money to be able to demonstrate that that was the case.

**Mr MARSHALL:** We will need to follow that up with the education department. If we go to Shared Services on that same page, looking at the number of employees (FTEs), what has been the level of turnover for employees in the 2013-14-year?

That might take a while, so I will ask another very simple question. When we look at that table on page 189, it basically shows a budget for last year of 807 FTEs but the actual estimated result at the time the budget came down was 873. Can you explain what the bump is from the predicted result of 807, the current predicted result for this year is 806, so virtually no movement, but why do we have an estimated 873 employees on 30 June?

**The Hon. S.E. CLOSE:** The increase of 67.4 FTEs is primarily due to the reclassification of temporary contractor expenses from supplies and services to salaries and wages expenses. That accounts for 69 FTEs.

**Mr MARSHALL:** I did not quite understand that. Sixty-nine of the 73, or whatever the number was—

**The Hon. S.E. CLOSE:** It is the treatment of temporary contractors, whether they are counted as FTEs or in supplies and services, and they have now been counted as FTEs for that year.

**Mr MARSHALL:** So the budget would also presume that you are going to therefore reduce that number?

**The Hon. S.E. CLOSE:** Yes, so if you are now interested in the subsequent decrease of 67 FTEs?

**Mr MARSHALL:** Yes.

**The Hon. S.E. CLOSE:** Lower FTEs attributable to savings achieved under the e-Procurement initiative with implementation of the Oracle business software is 29.15 FTEs. Lower FTEs attributable to the general efficiencies in ICT and the additional efficiency dividend savings is 13.2 FTEs. Lower FTEs attributable to the \$60 million Shared Services Reform Office implementation funding is 30 FTEs; and that is partially offset by an increase of five FTEs attributable to additional funding for the Chris payroll system upgrade.

**Mr MARSHALL:** Is there still work that Shared Services is doing to increase the functionality of the original reform agenda?

**The Hon. S.E. CLOSE:** Some examples of ways in which we are continuing that reform agenda are in payroll, where we are moving from multiple Chris 5s to one Chris 21, the rollout of Basware into the Department for Health and, also, the Common Vendor Master File, about which I have a really long brief, if you would like to know more about it.

**Mr MARSHALL:** Not at all, but are they the three projects that Shared Services will be working on for the year?

**The Hon. S.E. CLOSE:** Reform projects?

**Mr MARSHALL:** Correct.

**The Hon. S.E. CLOSE:** There are others. They are the most significant ones, but there are others.

**Mr MARSHALL:** Let's leave it at that at this stage because this is such a short session, with just 45 minutes for this entire area. If we look at the original projected savings after the implementation of Shared Services, we read that, by this point in time, we were meant to have \$431 million worth of cumulative Shared Services savings. Can you update the committee on what the actual value of savings has been during this period of time?

**The Hon. S.E. CLOSE:** You will be aware that when we discuss the savings associated with Shared Services we include efficiencies through ICT, which was part of the initial scope. What I have for 2013—

**Mr MARSHALL:** Is that fair, because those initiatives were put in place before Shared Services was even envisaged?

**The Hon. S.E. CLOSE:** It is fair depending on whether you want to get to the figure of 60. The original scope of Shared Services included ICT and therefore the figure was 60. If we do not want to talk about ICT, then we need to let go of the 60. Either it is in or it is out, but it has to be on both sides, is my suggestion.

**Mr MARSHALL:** With respect, the Auditor-General does not agree with you and, in fact, if we look at his most recent report on page 20, he has 60 as being the original budgeted savings.

**The Hon. S.E. CLOSE:** That is correct.

**Mr MARSHALL:** And then he itemises out what were already savings allocated to ICT prior to the reform even being envisaged. He is quite specific about this and it would seem from his work that, to date, there have been pretty minimal improvements. In fact, if you look at that bottom area, we are talking about around \$53 million to date. I hope you are not going to give me a significantly higher number; otherwise, I will have to query it.

**The Hon. S.E. CLOSE:** The table that I was about to read from is in fact from the Auditor-General's Report, so I think we are consistent with that, that the savings achieved, budgeted for 2013-14, are 57.900 and the budget for 2014-15 will be 59.346. You can break that down into the different components, as he has done, but I think what I am saying is exactly what the Auditor-General is saying. We are closing in on what was once a target of 60. We are almost there.

**Mr MARSHALL:** From that table that we are probably both referring to, the Auditor-General makes it quite clear that it is less savings allocated to initiatives prior to the reforms. If you are including future ICT, the Supply SA warehouses and ICT mobile carriage, these were not things that were envisaged in the original budgeted savings that were part of the Shared Services decision. We can agree to disagree, but I am on the side of the Auditor-General.

**The Hon. S.E. CLOSE:** The Auditor-General accepted that the target of \$60 million included the ICT savings.

**Mr MARSHALL:** Can you point to where he said that?

**The Hon. S.E. CLOSE:** His report states:

The savings allocated to the...initiative prior to the reform activities represents those savings which were included in the initiative submitted to Cabinet...For example, a major element of these savings is ICT.

So, it is part of it. I think we are in furious agreement that these are the figures.

**Mr MARSHALL:** Those ICT figures that he is referring to there are not part of the Shared Services reforms.

**The Hon. S.E. CLOSE:** No, because a subsequent decision was made not to include ICT in that group but, nonetheless, there have been savings achieved through reform.

**Ms DIGANCE:** This is from Budget Paper 4, Volume 3, page 185. Could you inform the committee about the recent Unleashed competition?

**The Hon. S.E. CLOSE:** I am pleased to inform the house that the South Australian government hosted its second Unleashed competition on 11-13 July 2014. The competition was coordinated by the Office of the Chief Information Officer. There were 155 competitors who took part in the competition in South Australia creating 33 projects and I was lucky enough to attend and launch that event in 2014. This competition was hosted concurrently in Adelaide and in Mount Gambier to support statewide development of our digital economy and entrepreneur communities.

Unleashed is the South Australian node of a national open data competition called GovHack and is a key activity to advance open data across South Australia. In particular, Unleashed supports the government's open data action plan and provides opportunities for business, academia, the community and entrepreneurs to collaborate, participate and use data in new and innovative ways that will enhance outcomes and benefit all South Australians.

Unleashed demonstrates the possibilities when data is made available to creative entrepreneurs, how collaboration can bring new skills to create public benefit at minimal cost to government, and how we can stimulate small digital enterprise in South Australia.

Unleashed participants creatively use data provided through the SA government's data portal, [data.sa.gov.au](http://data.sa.gov.au), which now has over 480 datasets available for use by business and the community. Agencies designated an open data advocate who was responsible for encouraging and facilitating the public release of data from within their agency. In addition, there were several non-government and local council data contributors. This initiative was widely supported not only by agencies, but also by external organisations and I thank them for their participation in this exciting initiative.

Running simultaneously to Unleashed, a Machinery of Data competition, which aims to combine open data with hardware, artistic design or manufacturing, was launched on 23 May. Artists, makers and crafters have until 10 August to build and make their entry. The Machinery of Data competition is about creating machines or art that is driven by, reacts to, and is inspired by open data.

Like Unleashed, the Machinery of Data competition is also a collaborative project with the government, community and local industry. An awards night will be hosted on 17 August to showcase the Machinery of Data competition entries and announce the winners of the Unleashed and Machinery of Data competitions. Several mentoring and development prizes provided by local industry sponsors will be awarded to entrepreneurial teams, university graduates and Machinery of Data creatives to support further development of our next generation of South Australian business leaders.

The Unleashed Premier's Award 2014 will also be presented at the awards night to the entry with the most likelihood of being developed further, either for commercial application or community or government use. The award includes funding of \$30,000 subject to meeting milestones from the Office of the Chief Information Officer and 20 hours from Deloitte Digital over the course of 12 months to assist in any aspects of commercialising a product, establishing a business and/or running a start-up.

Both competitions provide opportunities for state and local government, industry, the community and entrepreneurs to collaborate, participate and build on shared knowledge and connections to improve open data and entrepreneurial outcomes across South Australia. We are going to continue to unlock data initiatives because open data will provide innovative opportunities in our community and economy, empower our citizens, and improve investment decisions in our state.

**Ms DIGANCE:** From Volume 3 as well, can the minister inform the committee what is the government's position on cloud computing?

**The Hon. S.E. CLOSE:** We are presently, through the Office of the Chief Information Officer (OCIO), working on a cloud policy that will enable agencies to take advantage of cloud services and also therefore meet the challenges of an increasingly digital economy. The government agencies have made it really clear that they want some guidance in interacting with the cloud. There is a growing list of Australian and Organisation for Economic Co-operation and Development (OECD)

governments that are proactively seeking to reduce costs, increase innovation and modernise their business practices through cloud technology.

The South Australian government considers cloud computing, or 'as-a-service' procurement, as an extension of the government's existing approaches to outsourced services. This is primarily driven by market offerings and alternative methods of achieving business needs.

The ICT strategy that I mentioned in my opening statement, SA Connected, sets the strategic direction for ICT within the SA government. While it sets a clear expectation for agencies to invest in services (including the cloud) rather than buy hardware and software, it does not contain specific guidance on how to make that move.

We do not have a central policy mandating the adoption, or indeed the avoidance, of cloud computing. The decision to invest through a particular ICT sourcing model, such as the cloud, rests with agency decision-makers who need to operate within the government's existing ICT governance, investment and contractual frameworks. Given all that, the OCIO is drafting a cloud policy to assist agencies, and it will be distributed for consultation very soon.

**Mr MARSHALL:** Back to where we were, on page 189, of the \$431.5 million of the cumulative Shared Services savings that were originally budgeted to this year, what value of savings have actually been achieved?

**The Hon. S.E. CLOSE:** \$21 million. That is within Shared Services alone.

**Mr MARSHALL:** I will not take that answer because I know that it would be misleading. It would be wrong for me to put that up as a headline. The cumulative figure.

**The Hon. S.E. CLOSE:** Cumulative—I am sorry, I thought it was the most recent. I apologise.

**Mr MARSHALL:** That would be a great headline.

**The Hon. S.E. CLOSE:** But an inaccurate one.

**Mr MARSHALL:** See how nice I am?

**The Hon. S.E. CLOSE:** To save my computing, I will just read the Shared Services savings for each year and we can add them up as we go along. For 2008-09 it is \$2.371 million; 2009-10 is \$2.963 million; 2010-11 is \$10.047 million; 2011-12 is \$16.825 million; and then we reach the number that I originally gave of \$20.990 million.

**Mr MARSHALL:** They add up to significantly less than the \$431 million envisaged to this point in time. Maybe I will just ask this question: compared to the original \$60 million implementation budget for Shared Services, what has been spent to this current financial year and what is due to be spent going forward?

**The Hon. S.E. CLOSE:** We finished spending implementation money last year, and there was \$7.3 million unspent that was returned to Treasury. I will just run through the implementation costs with you, totalled over the years. There was the original \$60 million, and then in 2010-11 there was additional funding of \$8.313 million. Then implementation funding was returned in the Mid-Year Budget Review in 2012, which was \$7.383 million.

**Mr MARSHALL:** Sorry, was that \$7 million the return of the \$8 million that was expended the previous year? In other words, the net of those two years—

**The Hon. S.E. CLOSE:** Was \$1 million, yes.

**Mr MARSHALL:** So we are up to \$61 million so far.

**The Hon. S.E. CLOSE:** The Wakefield House appropriation was \$5 million, Enterprise Bargaining Adjustment and Other was \$248,000 and then e-Procurement—which was not initially part of the scope—was an additional \$20,370,000. So the total then becomes \$86,557,000.

**Mr MARSHALL:** That is the net of the part that is returned.

**The Hon. S.E. CLOSE:** And that has now finished. We are not spending any more of the implementation money.

**Mr MARSHALL:** The original budget was \$60 million, the total was \$86 million. Are you convinced that the full original scope was satisfied with that \$86 million expenditure, or were there significant revisions of the original scope?

**The Hon. S.E. CLOSE:** Both HR and ICT have not been fully integrated into Shared Services, but we have still achieved the same savings, just at a later time. It took us longer.

**Mr MARSHALL:** Yes, but what I am asking is that there was originally a scope which was projected to cost \$60 million. You have now told us that it cost \$86 million. I just want to know whether the full, original scope has been delivered. We have already established that there has been a cost overrun, but I just want to know whether the scope has actually been delivered.

**The Hon. S.E. CLOSE:** The original \$60 million we have now met—

**Mr MARSHALL:** I am not sure what you mean by 'met'. Originally there would have been a scope for the services—not dollars but services—that would be provided by Shared Services. I just want to make sure that you are convinced that if I go back and look at the original scope, and look at what functionality currently exists, that you have actually delivered it all for \$86 million. I want to make sure that there is no cost blowout and scope diminution.

**The Hon. S.E. CLOSE:** The variation of the scope is substantially minus HR and minus the IT, but it is plus procurement.

**Mr MARSHALL:** What was the part that was missing? I did not quite hear that.

**The Hon. S.E. CLOSE:** HR and IT.

**Mr MARSHALL:** What do you mean 'HR and IT'?

**The Hon. S.E. CLOSE:** In the original scope.

**Mr MARSHALL:** So there were modules for HR and modules for IT. It seems an odd title for an IT project, to have a module for IT. Anyway, perhaps you could provide details of the original scope that has not been met to date.

**The Hon. S.E. CLOSE:** I think that to provide deeper details than I have given you just now we would have to take it on notice, to flesh it out appropriately. Obviously, it is significantly earlier than when I have been involved, so I will dig it out.

**Mr MARSHALL:** Thank you very much. Do you have figures on how much government agencies are better off paying a fee to use Shared Services rather than performing similar functions in-house?

**The Hon. S.E. CLOSE:** The savings I was reading out earlier are savings to government because we have Shared Services. However, they are returned to Treasury and not back to the agencies.

**Mr MARSHALL:** I understand that, but obviously the government has made a decision to centralise Shared Services, and each of the agencies pay a fee to essentially have whatever transaction they are getting done by Shared Services done. I just want to know whether there has been any evaluation of what benefit there has been by paying that additional increment rather than them doing it in-house themselves.

**The Hon. S.E. CLOSE:** The number is the \$57,900,000 that we have saved for government. That is the result—

**Mr MARSHALL:** But I am talking about on an ongoing basis; that is an historic position. Are you suggesting that you are satisfied that each agency is still getting good—

**The Hon. S.E. CLOSE:** It is that amount each year. That is not a cumulative figure, that is the amount.

**Mr MARSHALL:** I do not quite get that, but I will move on because I have got a lot to get through. On page 190, it talks about late payments since the commencement of the legislation, where the government is now legislated to pay when they pay their bills late. Can you tell us what proportion of bills are now being paid late since the introduction of the legislation?

**The Hon. S.E. CLOSE:** By value, the total paid within 30 days, as at June 2014, is 95.41 per cent.

**Mr MARSHALL:** What about by volume?

**The Hon. S.E. CLOSE:** It is 88.79 per cent. I would say that at this stage that legislation you refer to does not include health. So, if we look at the figures that do not include health we are within the 30 days at by value 98.4 per cent and by volume 97.48 per cent for the ones that are affected by that legislation.

**Mr MARSHALL:** Sorry; I am getting a little bit confused. You have given me two sets of figures, one includes health, so it is everything, and the other one excludes health.

**The Hon. S.E. CLOSE:** That is right.

**Mr MARSHALL:** The better figures are obviously without health.

**The Hon. S.E. CLOSE:** That is right, and because you asked about the late payments, that does not apply to health at this stage.

**Mr MARSHALL:** So, the legislation does not include a payment for health. Do you have late payment fees for health? Is that something that—

**The Hon. S.E. CLOSE:** We are engaged in rolling out Oracle to the Department for Health and once that is done then I would expect them to be included, the same as all the other departments.

**Mr MARSHALL:** So, health does not participate in Shared Services, they run their own incredibly efficient Oracle financial system? I just cannot help but smile when I say that. Is that correct? Is that the reason why they have been excluded from the legislation, because they are running a separate system from the rest of government?

**The Hon. S.E. CLOSE:** The rollout that we are currently involved with, from Shared Services, for Oracle and then Basware is going to bring them into the Shared Services environment. Health is rolling out Oracle, we are rolling out Basware. Basware is dependent upon Oracle.

**Mr MARSHALL:** Can you tell us how much interest the government has paid on these bills to date?

**The Hon. S.E. CLOSE:** None.

**Mr MARSHALL:** None?

**The Hon. S.E. CLOSE:** No-one has applied yet, is what I am informed.

**Mr MARSHALL:** That was pretty cheap, wasn't it?

**The Hon. S.E. CLOSE:** Well, with 97.48 by volume and 98.04 by value, that is a pretty good result.

**Mr MARSHALL:** Well, not for people that are paid late, but I am not going to enter into that philosophical discussion at this point in the proceedings. Can I ask a couple of questions about the chief information officer? I will be referring to Budget Paper 4, Volume 3, page 184. Just having a look at the first dot point on that page, what is the Health SA equipment from which this sub-program derives income?

**The Hon. S.E. CLOSE:** It is the PABX.

**Mr MARSHALL:** How does that work?

**The Hon. S.E. CLOSE:** We have taken over the PABX from health, we are now running it.

**Mr MARSHALL:** And they pay you, but they have paid you \$800,000 more than you originally envisaged?

**The Hon. S.E. CLOSE:** I think that is because we took it on during that time.

**Mr MARSHALL:** So it is just the total payment. Middle of the page: why was \$17.8 million expended on the Microsoft licensing arrangement as a variance? It seems like a huge variance.

**The Hon. S.E. CLOSE:** Because it is now being done centrally as opposed to by individual agencies. No more money is being spent across government, but it is coming into this budget line.

**Mr MARSHALL:** So this is really only a transfer of responsibilities or a further centralisation?

**The Hon. S.E. CLOSE:** That is right.

**Mr MARSHALL:** On page 185, what ICT procurement projects was the Chief Information Officer involved with? Was he involved with EPAS, for example?

**The Hon. S.E. CLOSE:** No, he was not.

**Mr MARSHALL:** Or RISTEC?

**The Hon. S.E. CLOSE:** No, not RISTEC, not EPAS from a procurement perspective, no.

**Mr MARSHALL:** What about the EPLIS program?

**The Hon. S.E. CLOSE:** No, he was not.

**Mr MARSHALL:** And the PCHR—Patient Controlled Electronic Health Records?

**The Hon. S.E. CLOSE:** No, he was not.

**Mr MARSHALL:** Does it seem odd to you, minister, that these are by far the largest IT projects in our state? We are talking about hundreds and hundreds of millions of dollars. It is pretty fair to say that there are plenty of question marks about each and everyone of those projects, yet the Chief Information Officer has not been consulted. Can you provide some explanation to us for that?

**The Hon. S.E. CLOSE:** The Chief Information Officer is on the eHealth steering committee, but he is not involved in the procurements.

**Mr MARSHALL:** Can you provide an update on your officers involvement with the EPAS system and how that program is operating at the moment?

**The Hon. S.E. CLOSE:** Really EPAS is a question for the Minister for Health, but I am sure you are aware of that and have probably asked him questions about it already. The involvement of the Chief Information Officer is in the eHealth steering committee and also on the ICT Board.

**Mr MARSHALL:** What is the scope of his involvement then? What does he have responsibility for? We do not want to blame him unnecessarily, but it is such a problematic program, as I am sure you would be aware.

**The Hon. S.E. CLOSE:** The EPAS project, as I understand it, is driven by health. The Chief Information Officer offers strategic advice through those two entities.

**Mr MARSHALL:** What strategic advice has he offered them?

**The Hon. S.E. CLOSE:** Advice on how to leverage existing procurements and the governance regime through the ICT Board.

**Mr MARSHALL:** And does the Chief Information Officer support the current project being put on hold for all hospitals other than the new Royal Adelaide Hospital?

**The Hon. S.E. CLOSE:** I am not at all clear—it is up to him to either support or not support that. It is a decision that has been taken, as I understand it.

**Mr MARSHALL:** Has he provided any strategic advice, as you referred to it, as part of his role? Has he provided any strategic advice to that board regarding that decision?

**The Hon. S.E. CLOSE:** I think we need to be very clear that this is a decision that is Health's to make. The Chief Information Officer is able to provide advice on governance, but it is not for him to make that decision.

**Mr MARSHALL:** Just governance, yes. Why is it that Shared Services has a major focus for every government department other than health? Why are they so special?

**The Hon. S.E. CLOSE:** Shared Services is working with health. As I was saying before, once Oracle is in place they will be able to roll out Basware, which will be significant in bringing health into the financial system. There is an engagement with health. It is a complicated department; it is a big department. It is very geographically spread, but Shared Services is working with them.

**Mr MARSHALL:** But it is fair to say they have put their own financial reporting system in.

**The Hon. S.E. CLOSE:** Yes, we do already process their accounts, but we have to do them manually while we are waiting for their systems to be implemented, hence how long it can take.

**Mr MARSHALL:** It is fair to say, though, that their Oracle financial system was put in almost in competition to the Shared Services system.

**The Hon. S.E. CLOSE:** I do not know whether that is the case at all. That predates my involvement, but it does not sound accurate.

**Mr MARSHALL:** It is current and ongoing. They still have not put it in. It is running years and years behind, by a multiple of three. We have often complained about Shared Services being over budget, but it is a fraction compared to anything health has looked at over the last decade.

**The Hon. S.E. CLOSE:** I presume that is commentary, because that is the health department, so it is not a question to me.

**Mr MARSHALL:** I think the member for Bright has a few questions. Then I will read the omnibus questions in.

**Mr SPEIRS:** My question comes from Budget Paper 4, Volume 3, page 186, which is the Sub-program 9.2, eGovernment. What is the nature of the relationship between the eGovernment directorate and the organisation Digital Market Square?

**The Hon. S.E. CLOSE:** They are a contractor for some services.

**Mr SPEIRS:** On that, how much of any funding has been provided to Digital Market Square to develop an online service for use by government, and what is the nature of that online service?

**The Hon. S.E. CLOSE:** I will have to take that on notice to provide some information to you on that.

**Mr SPEIRS:** I understand there is quite a substantial relationship there and funding has been provided and activity has been undergone, so I would appreciate a thorough answer to that at some point. Just another question under the same budget line, Sub-program 9.2: eGovernment. Have efforts been made to merge sub-program 1 and sub-program 2, that is the Office of the Chief Information Officer and the eGovernment directorate?

**The Hon. S.E. CLOSE:** No, they are separate.

**Mr SPEIRS:** Have you or a predecessor received advice on merging these areas during the 2013-14 financial year or future financial years?

**The Hon. S.E. CLOSE:** I have not received that advice. I understand that it has always been kept under review about whether that might occur, but I am not aware of any advice that I have received and there are no current plans.

**Mr PICTON:** It is hard to say if advice has been received in future financial years.

**Mr SPEIRS:** Yes, predictions. Perhaps it is a suggestion from an overenthusiastic new member that that might be something the government wants to look at for cost savings. They do seem to do very similar things, but it is not my role to provide suggestions at the moment, so I will not.

**The CHAIR:** The leader has an omnibus of questions.

**Mr MARSHALL:** Yes, as follows:

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?

**The CHAIR:** Thank you, member for Dunstan. There being no further questions for the minister, I declare the examination of the proposed payments for the Department of the Premier and Cabinet, the administered items for the Department of the Premier and Cabinet completed. Thank you, minister, and thank you to your advisers.

*Sitting suspended from 14:02 to 15:00.*

**DEPARTMENT OF PLANNING, TRANSPORT AND INFRASTRUCTURE, \$501,908,000**

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF PLANNING, TRANSPORT AND  
INFRASTRUCTURE, \$10,022,000**

**Membership:**

Ms Chapman substituted for Mr Marshall.

Mr Wingard substituted for Mr Spiers.

Mr Knoll substituted for Mr Williams.

**Minister:**

Hon. S.C. Mullighan, Minister for Transport and Infrastructure, Minister Assisting the Minister for Planning, Minister Assisting the Minister for Housing and Urban Development.

**Departmental Advisers:**

Mr K. O'Callaghan, Executive Director, Land Services Group, Department of Planning, Transport and Infrastructure.

Ms J. Carr, Executive Director, Building Management, Department of Planning, Transport and Infrastructure.

Mr M. Elford, Acting Group Executive Director, Strategic Transport and Infrastructure Planning, Department of Planning, Transport and Infrastructure.

Mr A. Milazzo, Acting Chief Executive, Department of Planning, Transport and Infrastructure.

Mr L. Di Lernia, Deputy Chief Executive, Public Transport Services, Department of Planning, Transport and Infrastructure.

Mr M. Palm, Director, Investment Strategy, Department of Planning, Transport and Infrastructure.

Ms J. Tepohe, Director, Finance, Department of Planning, Transport and Infrastructure.

**The CHAIR:** I declare the proposed payments open for examination and I refer members to Agency Statements, Volume 3. There is an agreed timetable split up into four sections and I just want to check that everyone is happy with that timetable. I call on the Minister for Transport to make a statement if he so wishes.

**The Hon. S.C. MULLIGHAN:** No statement, thank you, Chair.

**The CHAIR:** Thank you minister. Does the member for Bragg have an opening statement?

**Ms CHAPMAN:** No, sir, but I would like to confirm that I am pleased to be attending here today as the shadow minister for infrastructure with my learned colleagues and other members of the committee, including the member for Mitchell, who has been appointed the opposition spokesperson for transport matters, and ably contributed on our side by Mr Stephan Knoll, the new member for Schubert.

**The CHAIR:** Do you have a question?

**Ms CHAPMAN:** In lieu of an opening statement I am happy to move straight to the omnibus questions of which I have advised the minister.

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, 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?

Chairman, I indicate I am happy for the minister to take that on notice and otherwise indicate to the committee that the volumes I will be referring to today are the Agency Statements, Budget Paper 4, Volume 3, as you indicated, and also Budget Paper 5 and Budget Paper 6.

I start with Budget Paper 4, Volume 3, page 105, the area of commercial building leases managed. The total area of building leases managed is expected to increase by 33,000 square metres this year. Does that include the State Administration Centre and education department building, which is expected to be sold and leased back? If not, what building space does it represent?

**The Hon. S.C. MULLIGHAN:** My advice is that we are expecting the increase in leasable area because of the government sale program but, principally, because of the Netley property. Netley Commercial Park, I understand is its correct name.

**Ms CHAPMAN:** Does that mean that the state admin centre and education department building are not budgeted to be sold this year?

**The Hon. S.C. MULLIGHAN:** I do not have the answer to that. I understand the sale process is being managed by the Department of Treasury and Finance.

**Ms CHAPMAN:** But, in any event, it is not in your budget for the extra 33,000 square metres?

**The Hon. S.C. MULLIGHAN:** No, not at this point, I am advised.

**Ms CHAPMAN:** Do you have any knowledge of the leaseback arrangements that are proposed for the state admin centre and education department building that will be managed by your department?

**The Hon. S.C. MULLIGHAN:** I will have to check with the Department of Treasury and Finance. Indeed, it might be a question better put to the Treasurer or the Department of Treasury and Finance if they are managing the sale process and the terms under which that will be managed.

**Ms CHAPMAN:** Your department is in charge of the area of commercial buildings for leases that are managed so, even though the Treasury has indicated that it will attend to the sale of the property, your department will be in charge of the leaseback of it for agency purposes.

**The Hon. S.C. MULLIGHAN:** Yes, that is correct, but the terms of those leases, I would imagine, would be determined at the time of sale.

**Ms CHAPMAN:** What about offering the terms for the purposes of someone interested in the sale, as to what the lease payment will be? Just as most commercial buildings are advertised—good government tenant, 12 years plus five years plus five years, I think I read in the paper yesterday, for the police building, for example. That would be known to the government.

**The Hon. S.C. MULLIGHAN:** It probably would be known to the government, but my rudimentary understanding of these sale processes is that these are negotiated at the time of sale and, as I have said, these are being handled by the Department of Treasury and Finance.

**Ms CHAPMAN:** Is your understanding that, if and when sold and if and when leased back, you will be in charge of it?

**The Hon. S.C. MULLIGHAN:** The department will have management of the leases, is my advice.

**Ms CHAPMAN:** Will other government agencies, to the best of your knowledge, be shifted into the state admin centre to increase the area of secure lease?

**The Hon. S.C. MULLIGHAN:** I am not aware at this point in time.

**Ms CHAPMAN:** Have you received any briefings on this from your department in respect of the commercial building leases managed area?

**The Hon. S.C. MULLIGHAN:** I would have to check that, but nothing comes to mind immediately.

**Ms CHAPMAN:** What is the grade of office accommodation in the state admin centre and education building?

**The Hon. S.C. MULLIGHAN:** I would have to take that on notice.

**Ms CHAPMAN:** Is there anyone with you today who is in charge of the commercial building leases management?

**The Hon. S.C. MULLIGHAN:** Yes, I have Judith Carr sitting next to me who manages that sort of leased accommodation. In reference to those two buildings, I reiterate my earlier advice to the committee that that will be subject to a sale process, which I understand is being managed by the Department of Treasury and Finance.

**Ms CHAPMAN:** But, as indicated, your department is going to be assuming responsibility for it under the leaseback arrangement. Are you able to inquire as to what the standard is of the office accommodation—the grade, I think they call it—three stars, five stars, whatever it is?

**The Hon. S.C. MULLIGHAN:** Presumably, but I am not sure at what point in time that would be possible.

**Ms CHAPMAN:** I am asking you now what it is.

**The Hon. S.C. MULLIGHAN:** Yes, we could inquire now, is my advice, but we do not have the information at hand.

**Ms CHAPMAN:** Take it on notice?

**The Hon. S.C. MULLIGHAN:** If, indeed, that is an area for which I am responsible, yes.

**Ms CHAPMAN:** The lease costs, then: you are not familiar with any of the arrangements for any other agency within government that is proposed to be moved into either of these two buildings?

**The Hon. S.C. MULLIGHAN:** There is a sequential process that is undertaken with these things. There is a sale process which, as I have indicated, as far as I understand it, is to be undertaken by the Department of Treasury and Finance. The terms of that sale process—I presume, but I cannot absolutely say at this point in time—would include what net lettable area the government would be interested in taking for particular terms of a lease and then it would be a matter for government to determine which departments would be located in those buildings. But, as I said, given the stage that that sale process is at, we do not have any of that information at this point in time.

**Ms CHAPMAN:** The new courts precinct project, which is a PPP of the government for the development of superior courts and some consolidation of legal agencies in South Australia, has been announced by the government and is currently in the design process. The Courts Administration Authority has been largely involved in the development of that project to date, but has the government office accommodation council been consulted on this new project?

**The Hon. S.C. MULLIGHAN:** Perhaps if I could begin by saying that it is my understanding that that project would not normally be considered a PPP. My understanding of the project is that the government has gone out to market to procure a private sector builder or developer to construct a building in which the government will lease an amount of accommodation. That process is still underway. I understand we are still out to market with that. As you can imagine, and given that the government has announced that it is a courts facility, yes, of course, the Courts Administration Authority, justice agencies and the Attorney-General's Department have a keen interest in that, but as for how it is being discussed in other fora throughout government, I cannot comment at this point in time.

**Ms CHAPMAN:** That is why I am asking whether your government office accommodation council which is in your department and which will be ultimately responsible for the management of agencies that are accommodated within this other than the courts—

**The Hon. S.C. MULLIGHAN:** I think the department will be responsible for managing it. I am not sure whether the government accommodation committee will be responsible for managing it.

**Ms CHAPMAN:** My question, though, was: has the government office accommodation council been consulted on this new project?

**The Hon. S.C. MULLIGHAN:** Not as yet. I understand it is too early in the process for those sorts of consultations to occur.

**Ms CHAPMAN:** Has your department been consulted at all in respect of the courts proposal and in particular as to what leases other agencies of the government such as the Crown Solicitor's Office, the DPP and the Attorney-General's office, might have to run on the accommodation that they currently have? Where their accommodation is leased and under the management of that division in your department, have they been consulted at all?

**The Hon. S.C. MULLIGHAN:** I am sorry—was the question whether my department is being consulted?

**Ms CHAPMAN:** Yes.

**The Hon. S.C. MULLIGHAN:** Yes, we have a close involvement in that project, I understand.

**Ms CHAPMAN:** Have you provided information to the Courts Administration Authority in relation to the current leasing arrangements of the other justice agencies?

**The Hon. S.C. MULLIGHAN:** I have not, but the department may well have.

**Ms CHAPMAN:** Are you able to inquire as to whether they have?

**The Hon. S.C. MULLIGHAN:** I am informed that yes, we have.

**Ms CHAPMAN:** Do you have a list of the justice agencies that are under consideration for a tenancy in the new courts precinct facility?

**The Hon. S.C. MULLIGHAN:** I do not have that list with me, but I understand there is a list of agencies.

**Ms CHAPMAN:** Will you make that available to the committee?

**The Hon. S.C. MULLIGHAN:** If, at the appropriate time, I can, then, yes, I will.

**Ms CHAPMAN:** With the list of agencies, can you provide the terms of their current leases in their current premises? I do not need the detail of rental, but just when they are to expire.

**The Hon. S.C. MULLIGHAN:** I will need to check that, deputy leader, because given that we are out to market, it will involve a commercial negotiation with a proponent to construct the building and enter into a leasing arrangement with government. I would need to check and do some careful thinking about what it is appropriate to publicly release.

**Ms CHAPMAN:** That is why I say, I am not asking for the lease payments. I am simply asking for the expiry dates of the current leases of each of those agencies.

**The Hon. S.C. MULLIGHAN:** In so far that such information can be provided without revealing or compromising the government's commercial position, then I am happy to look into that.

**Ms CHAPMAN:** I will note that. Has a direction been issued by cabinet to look at office sites outside the CBD for agencies that have leases expiring during the forward estimates?

**The Hon. S.C. MULLIGHAN:** I could not possibly reveal what has been the subject of cabinet discussions or directions.

**Ms CHAPMAN:** Has your department received any instruction at all from anyone in respect of looking at lease opportunities outside of the CBD?

**The Hon. S.C. MULLIGHAN:** Just generally?

**Ms CHAPMAN:** Yes.

**The Hon. S.C. MULLIGHAN:** I would imagine that the government is continually looking at lease opportunities across the metropolitan and, indeed, statewide area for all sorts of purposes.

**Ms CHAPMAN:** As you would know minister, the government has already announced their intention to look at and the relocation of certain agencies to Port Adelaide, for example, to help them with the renewal of their community. I am sure it will be interesting to you given that you represent areas close to that. Have there been any office sites considered in the Port Adelaide region, for example?

**The Hon. S.C. MULLIGHAN:** I think your previous question was 'Have we considered further sites for leases beyond—

**Ms CHAPMAN:** Outside the CBD.

**The Hon. S.C. MULLIGHAN:** —outside the CBD?' and your follow-up question was 'Given we are considering lease opportunities down in Port Adelaide', so I think one follows the other fairly neatly, does it not?

**Ms CHAPMAN:** Have you found any?

**The Hon. S.C. MULLIGHAN:** Yes, Port Adelaide.

**Ms CHAPMAN:** At Port Adelaide, yes. What agencies are proposed to be relocated there?

**The Hon. S.C. MULLIGHAN:** I would have to take that on notice.

**Ms CHAPMAN:** Any idea?

**The Hon. S.C. MULLIGHAN:** They would be government agencies.

**Ms CHAPMAN:** Any in your electorate?

**The Hon. S.C. MULLIGHAN:** Any government agencies in my electorate? I cannot think off the top of my head if there is a government agency in Lee. There may be shopfronts, but I would have to give that—

**Ms CHAPMAN:** No sites that have been identified for the purpose of relocating agencies?

**The Hon. S.C. MULLIGHAN:** Port Adelaide is not in my electorate.

**Ms CHAPMAN:** I understand that, but you are next door.

**The Hon. S.C. MULLIGHAN:** Yes, Lee is adjacent to Port Adelaide, but not in Port Adelaide, so if we are considering sites in Port Adelaide that might not achieve the aim of what the government is trying to achieve in Port Adelaide.

**Ms CHAPMAN:** Anyway, to your knowledge there are not any that you know of?

**The Hon. S.C. MULLIGHAN:** Sorry, say that again? There are not any—

**Ms CHAPMAN:** To your knowledge, in your electorate—

**The Hon. S.C. MULLIGHAN:** There are not any government agencies?

**Ms CHAPMAN:** —that have been identified sites for the purpose of relocating government services to?

**The Hon. S.C. MULLIGHAN:** No, my understanding is that we are out to market to identify an opportunity to move our government staff down into Port Adelaide. Given that my electorate does not cover Port Adelaide, my understanding is that we are not looking at sites out of Port Adelaide.

**Ms CHAPMAN:** What is the leaseback arrangement for the Netley facility which was sold late last year?

**The Hon. S.C. MULLIGHAN:** I would have to take that on notice.

**Ms CHAPMAN:** Is there anyone who is here today who has the details of what the leaseback arrangement is?

**The Hon. S.C. MULLIGHAN:** I am sure that officials may be generally familiar, but what I am not sure of is whether we are in a position yet to be revealing that information.

**Ms CHAPMAN:** Can you inquire with the person sitting next to you?

**The Hon. S.C. MULLIGHAN:** No, she does not have it.

**Ms CHAPMAN:** Do you agree to take that on notice?

**The Hon. S.C. MULLIGHAN:** Yes, I will look to see if it is appropriate if we can provide that information.

**Ms CHAPMAN:** Subject to commercial effect.

**The Hon. S.C. MULLIGHAN:** Yes.

**Ms CHAPMAN:** I understand that, yes, and including in that what is the cost per year of the lease in respect of that facility, if you would take that on notice again subject to there being some commercial infringement. The income from building infrastructure management—this is where your department has responsibility for the leasing out of government assets. It is another division of your area of responsibility, of course. The Auditor-General last year in his annual report at page 2120 and 2121 described the transfer of the ASER site—this is the Adelaide Railway Station, Casino and surrounding precinct—from your department to Renewal SA. Renewal SA say that they took it because they were asked to take it—

**The Hon. S.C. MULLIGHAN:** Just to save the committee some time, could you point out a budget reference for this question?

**Ms CHAPMAN:** Budget Paper 4, Volume 3, Sub-program 6.2: Building Infrastructure Operations and Management.

**The Hon. S.C. MULLIGHAN:** And the reference to the Auditor-General and to the Adelaide Railway Station?

**Ms CHAPMAN:** You have income and expenses for assets—

**The Hon. S.C. MULLIGHAN:** Yes, page?

**Ms CHAPMAN:** —which cover last financial year. My understanding is it was transferred at the beginning of last financial year.

**The Hon. S.C. MULLIGHAN:** Yes, I am sorry, which page are we looking at?

**Ms CHAPMAN:** At page 102 is one of the assets owned by the government which your department has transferred to Renewal SA.

**The Hon. S.C. MULLIGHAN:** Yes, it is here on page 103.

**Ms CHAPMAN:** The property that was transferred is referenced at \$81.8 million. It is identified, I think, as one of the explanations about various changes.

**The Hon. S.C. MULLIGHAN:** What I can see is:

The \$57.8 million decrease in expenses is primarily due to:

- the transfer of the Adelaide Railway Station to Renewal SA in 2012-13.

Yes, \$81.8 million.

**Ms CHAPMAN:** That is a transfer that he has referred to in his report as being necessary to achieve the recovery opportunity for land tax to the extent of \$1 million a year, and it also takes into account that Renewal SA was going to have responsibility for the precinct planning and development of the Riverbank area. Since that time, of course, we know that the government has announced that it is going to have its own Riverbank authority.

My understanding is that as of at least November last year the management of this precinct was back under the responsibility of Mr Rod Hook and, after his demise, it transferred to Mr Hanlon.

In fact, Mr Hanlon has provided me with a briefing in respect to that development. Whoever is the current acting member will no doubt take it on in the next week or so.

My understanding, having raised this with Renewal SA, is that they say, 'We have taken the property because we were asked to'—for the reasons presumably that the Auditor-General highlighted—'but we don't attend to the leasing arrangements; the Department of Transport is still handling all of that.' That is the information we have to date from the committee. My question is: what is the current lease arrangement with the tenants in the Adelaide Railway Station and surrounds, in particular their terms and rentals?

**The Hon. S.C. MULLIGHAN:** I do not have that information with me.

**Ms CHAPMAN:** Will you get it?

**The Hon. S.C. MULLIGHAN:** If it is available, yes.

**Ms CHAPMAN:** Was the rent payable by the Adelaide Railway Station tenants increased when the asset was transferred from your department to Renewal SA?

**The Hon. S.C. MULLIGHAN:** I am not aware, but it seems that my preliminary advice is no.

**Ms CHAPMAN:** You will take it on notice to clarify whether or not that is the case?

**The Hon. S.C. MULLIGHAN:** If I have provided incorrect information to the house then, yes, I will come back.

**Ms CHAPMAN:** Thank you. In relation to that entity—

**The Hon. S.C. MULLIGHAN:** Which? The Railway Station, Renewal SA?

**Ms CHAPMAN:** Yes, the ASER site, which is the Railway Station, the Casino and precinct. I just want to ask another question about the rental agreement between your department and the Casino.

**The Hon. S.C. MULLIGHAN:** Well, if the site is Renewal SA's and the tenant is the Casino, that would be a matter for Renewal SA, and the Deputy Premier has carriage of that.

**Ms CHAPMAN:** I thought I just explained, minister, that—

**The Hon. S.C. MULLIGHAN:** I am sorry, I lost you in the middle of your soliloquy, but I have just explained what the arrangement is.

**Ms CHAPMAN:** I thought I had explained, minister, and I thought you might have read avidly the Renewal SA transcript of the estimates committee but, if you have not, I will just perhaps refresh your memory.

**The Hon. S.C. MULLIGHAN:** Read the transcript, please.

**Ms CHAPMAN:** Renewal SA say that they have received this property because they have been requested to do so and, of course, they are subject to Treasurer's direction to take the property. However, they said, when we asked questions of them—or the minister responsible, namely minister Rau—that your department is still handling all that, and that is consistent with what the Auditor-General says at the references I have indicated: that your department is still managing the leases and managing the property. Indeed, on inquiry with some tenants at that site, that is the position they understand too; that is, that your department is still handling it. Is that different?

**The Hon. S.C. MULLIGHAN:** Sorry, there was a question: is that different?

**Ms CHAPMAN:** Yes.

**The Hon. S.C. MULLIGHAN:** I will have to take that on notice. I am not going to take what you say at face value.

**Ms CHAPMAN:** That is fine. I have indicated that we will be seeking the rental payable by the Adelaide Railway Station tenants. I am not sure, minister, whether or not you are aware, but, during the time that minister Conlon was responsible for transport, before that brief interruption when minister Koutsantonis had it and prior to your elevation, minister Conlon's department (when he was

the leader of that department) renegotiated the tenancy arrangements because of the proposed development up through the city. There had been some considerable upheaval about the tenancy arrangements, in particular the opportunity to continue to be tenants in the Railway Station. That matter, some of which was in the media, resulted in the Small Business Commissioner being brought in in an attempt resolve those matters.

My understanding is that those issues are now concluded to the extent that there has been a settlement as to what the tenancy will be and what the new arrangements will be, including the opportunity to be removed if there is some commercial advancement of the site. Usually that means a clause to sell, having the right for the tenants to be removed. So my question is—and I think you have taken this on notice; my note is that if it is available—the rent payable by those tenants. To the best of your knowledge, I think, you have indicated that you would make that available subject to commercial in-confidence other than—

**The Hon. S.C. MULLIGHAN:** If I can cast my mind back, or the department's mind back, as to what minister Conlon may or may not have done back then, then we will endeavour to come back with an answer. However, as you can imagine I was rather closely following another minister's progress at that point in time.

**Ms CHAPMAN:** You may have been, minister, but my understanding is that the finalisation of these agreements was in your time. I was giving you the benefit of some history as to why I was leading up to—

**The Hon. S.C. MULLIGHAN:** Sorry, I thought your previous question was 'Had the rental arrangement changed?' The advice I had, preliminary though it was, was that it had not.

**Ms CHAPMAN:** That is correct; that is what I noted here, that it had not. But what I have asked is: what are the terms of the tenancy of the Railway Station tenants? I think your answer is that you will make that, if available—

**The Hon. S.C. MULLIGHAN:** Sorry, could you say that again? I will make that, if available—

**Ms CHAPMAN:** You will make that available to the committee.

**The Hon. S.C. MULLIGHAN:** Yes.

**Ms CHAPMAN:** The last question is in relation to the rental agreement with the Casino, that your department is managing. What is the current term of the rental arrangement to the Casino, and what is the income over the forward estimates?

**The Hon. S.C. MULLIGHAN:** From the rental agreement or the Casino?

**Ms CHAPMAN:** From the Casino, as the tenant.

**The Hon. S.C. MULLIGHAN:** I will have to come back to the committee with an answer.

**Ms CHAPMAN:** Do you have any knowledge of how long the tenancy is for?

**The Hon. S.C. MULLIGHAN:** Off the top of my head, no; I cannot recall.

**Ms CHAPMAN:** Anyone next to you that you can ask?

**The Hon. S.C. MULLIGHAN:** No.

**Ms CHAPMAN:** Does the department manage any other tenancies in the Riverbank area?

**The Hon. S.C. MULLIGHAN:** I would have to double-check that and come back to the committee.

**Ms CHAPMAN:** On the average management cost per square metre, the average management cost (that is page 104) per square metre, as a percentage of the total value of construction costs managed, increases from 1.9 per cent in 2012-13 to 2.6 per cent in 2014-15, and is attributed to a smaller number of projects being managed that are bigger than those in the past. Given that the number of major projects that will be progressing in 2014-15 is lower than in previous years—excluding the new RAH which, of course, is a PPP—how was this assumption arrived at, and what is the total project management income to DPTI from providing these services?

**The Hon. S.C. MULLIGHAN:** I understand that you litigated this point significantly last year with my predecessor, Mr Koutsantonis. Off the top of my head—and I am happy to check this—my understanding is that we have a sliding scale, which is negotiated with agencies for whom we are managing construction projects. The higher the dollar value of the project the lower the percentage management fee is, and the lower the value of the project the higher the management fee is. So the gradual increase from 1.9 per cent to 2.6 per cent reflects, I understand, the nature of the projects we anticipate managing, in terms of their value.

**Ms CHAPMAN:** That is what is peculiar, minister; that of the major projects the number is lower than in previous years. That is why I asked the question. Given that sliding scale you have referred to, why then would that be the case?

**The Hon. S.C. MULLIGHAN:** I do not understand how you say it is peculiar.

**Ms CHAPMAN:** I will let you reread the *Hansard*. If there is anything else you think you can add for the committee, I will wait to hear it. On page 103, you highlighted a completed sale of government employee housing. How many properties were sold during this program and how many were budgeted to be sold at the beginning of the program?

**The Hon. S.C. MULLIGHAN:** My advice is \$59 million in total returned net proceeds through the sale of almost 300 properties.

**Ms CHAPMAN:** How much was budgeted to be sold of the almost 300 properties, or was it more?

**The Hon. S.C. MULLIGHAN:** My advice is \$86.2 million was budgeted to be sold and I understand the figure reduced to that \$59 million figure because some of the properties which have been identified for sale a decision was taken not to proceed with sale because of unfavourable market conditions and not securing an appropriate price for those properties.

**Ms CHAPMAN:** I appreciate the contribution of the amount, minister, in differential—

**The Hon. S.C. MULLIGHAN:** Sorry; just to complete my previous answer: in particular depot houses.

**Ms CHAPMAN:** So, the number that was budgeted to be sold that wasn't?

**The Hon. S.C. MULLIGHAN:** Do you mean the actual quantum rather than the dollar value?

**Ms CHAPMAN:** Yes.

**The Hon. S.C. MULLIGHAN:** I do not have that; I will have to come back to you.

**Ms CHAPMAN:** So, you sold nearly 300 but there was another budgeted amount.

**The Hon. S.C. MULLIGHAN:** There was a budgeted amount which was certainly higher than what we achieved and so it follows, logically, that there must have been a higher number of properties, but I do not have that higher number of properties here.

**Ms CHAPMAN:** Are you happy to get it for the committee?

**The Hon. S.C. MULLIGHAN:** Yes.

**Ms CHAPMAN:** Thank you. Of the number of government employee—this is now at 105—residential tenancies managed, the agency currently manages 2,400 government employee residential tenancies. What is the average cost of managing each tenancy per year and how does this compare to private management of residential tenancies?

**The Hon. S.C. MULLIGHAN:** I suspect we may have to take that on notice.

**The CHAIR:** Member for Bragg, as per the agreement, I invite the minister to have a minor reshuffle of his advisers, if he wishes.

#### **Membership:**

Mr Griffiths substituted for Mr Knoll.

**Departmental Advisers:**

Mr A. Milazzo, Acting Chief Executive, Department of Planning, Transport and Infrastructure.

Mr L. Di Lernia, Deputy Chief Executive, Public Transport Services, Department of Planning, Transport and Infrastructure.

Mr M. Elford, Acting Group Executive Director, Strategic Transport and Infrastructure Planning, Department of Planning, Transport and Infrastructure.

Ms J. Tepohe, Director, Finance, Department of Planning, Transport and Infrastructure.

Mr M. Palm, Director, Investment Strategy, Department of Planning, Transport and Infrastructure.

**The CHAIR:** Member for Bragg.

**Ms CHAPMAN:** I extend my congratulations to Mr Milazzo on his appointment as the acting chief executive. Budget Paper 4, Volume 3, page 100, the provision and planning of infrastructure. Minister, the Treasurer indicated last week, during these committee hearings, that the Minister for Infrastructure was the best person to ask questions concerning the Festival Plaza upgrade. Lucky you.

**The Hon. S.C. MULLIGHAN:** He would say that, wouldn't he?

**Ms CHAPMAN:** Despite the project being listed under state development. So, you can take it up with him, this handball.

**The Hon. S.C. MULLIGHAN:** Well played, Treasurer.

**Ms CHAPMAN:** Will the \$16 million for the Festival Plaza upgrade be paid to the Walker Corporation or will it be paid directly to the contractors?

**The Hon. S.C. MULLIGHAN:** My understanding is that these matters are being—despite the Treasurer's best endeavours—handled by the Deputy Premier, when it comes to the management of the Festival Plaza. He has further and better particulars on where we are at with this process.

**Ms CHAPMAN:** So the Attorney-General, or minister Rau, is the person who you say is responsible for this.

**The Hon. S.C. MULLIGHAN:** Yes.

**Ms CHAPMAN:** While Mr John Hanlon was the acting head of the Department of Planning, Transport and Infrastructure he had some responsibility for this. So, is it in planning, or is it in transport, or is it in infrastructure? If you could give us a hint about which section—

**The Hon. S.C. MULLIGHAN:** It is in minister Rau's bailiwick.

**Ms CHAPMAN:** In his bailiwick?

**The Hon. S.C. MULLIGHAN:** Yes.

**Ms CHAPMAN:** So, is it in planning?

**The Hon. S.C. MULLIGHAN:** I could not comment about how minister Rau has chosen to organise his officials around him to manage the issue, those would be questions best put to him—as you have been for a number of question times in the other place.

**Ms CHAPMAN:** In the announcement by the government in January of this year, minister Koutsantonis, as the then minister for transport, had some involvement (on my recollection of the announcement at the time by the Premier). In any event, if you now say that minister Rau is in charge of it, do you have any knowledge of what the \$16 million will be spent on?

**The Hon. S.C. MULLIGHAN:** I think when that announcement was made I was raising a sweat knocking on doors, so I cannot recall what happened on that particular day.

**Ms CHAPMAN:** It was your government's policy, and it remains so.

**The Hon. S.C. MULLIGHAN:** Yes, and I have told you that another minister is responsible for it, yet you persist with this line of questioning.

**Ms CHAPMAN:** I will ask some other questions. Do you have any knowledge of what the arrangements are in respect of the \$46 million development of the Festival Plaza upgrade?

**The Hon. S.C. MULLIGHAN:** Perhaps it might sharpen the focus, deputy leader, if you provide a page reference for these questions.

**Ms CHAPMAN:** I have, page 100. It is Infrastructure Planning, Policy and Operations for the 'Provision and planning of effective and efficient state infrastructure'.

**The Hon. S.C. MULLIGHAN:** That is a tenuous link at best.

**Ms CHAPMAN:** I think it is in your category—according to the Treasurer.

**The Hon. S.C. MULLIGHAN:** Do you? I have just told you repeatedly that it is not in my category.

**Ms CHAPMAN:** Anyway you are telling me that minister Rau is looking after—

**The Hon. S.C. MULLIGHAN:** You have litigated this in several question times, yet you persist in a line of questioning that you know I will not answer. It is your half an hour. If you want to waste it on another minister's responsibilities—

**Ms CHAPMAN:** It is up to you, minister, as to whether you want to be helpful in providing information to the committee or not, but if you say, 'I'm a member of cabinet, but I have no knowledge whatsoever of this issue'—

**The Hon. S.C. MULLIGHAN:** No, I have told you that I am a member of cabinet and another minister has responsibility for it.

**Ms DIGANCE:** Chair, point of order—

**The CHAIR:** A point of order from the member for Elder. I wonder what it will be!

**Ms DIGANCE:** Yes; the minister is advising that it is not his role to answer this, and I think we need to respect what the minister is saying.

**The CHAIR:** I am not sure that there is a point of order, but you are certainly right and we should move on. The minister has no responsibility to tell us anything about what happens in cabinet particularly.

**Ms CHAPMAN:** Just to be clear, Mr Chairman, it is within the portfolio of the minister. The minister has informed the committee that he is not having personal management of this, that in fact minister Rau is, and I take that response and no doubt will pursue it with him.

I refer to Budget Paper 5, page 8, which talks about the total capital spend. How much funding, minister, in 2014-15 is being applied towards the government's \$36 billion transport plan, which requires \$1 billion of government funding every year for the next 30 years to be achieved?

**The Hon. S.C. MULLIGHAN:** First, I think there is an inherent flaw in your statement/question. It is a 30-year transport plan; we have announced it has \$36 billion worth of investment, and you claim that each year for the next 30 years would be sufficient to fund it.

**Ms CHAPMAN:** At least.

**The Hon. S.C. MULLIGHAN:** I was an arts graduate, not a maths major, but I think there is a flaw in your question there.

**Ms CHAPMAN:** Except that when you read the report you will see that some of those billions come in from a different source. It is federal funding that is anticipated and private funding. Perhaps if you refresh your memory on the actual report, that might help.

**The Hon. S.C. MULLIGHAN:** Perhaps to clarify for the committee, does the report say that the state will be putting in \$30 billion over the next 30 years, because that is not my recollection of the report?

**Ms CHAPMAN:** No.

**The Hon. S.C. MULLIGHAN:** No, it doesn't say that, does it?

**Ms CHAPMAN:** No, it doesn't, but it is government funding. My question was '\$1 billion of government funding every year for the next 30 years'.

**The Hon. S.C. MULLIGHAN:** I thought you said 'state government funding'. My apologies to the committee if I misheard your initial question.

**Ms CHAPMAN:** In any event, how much is being applied this year, 2014-15, towards that target?

**The Hon. S.C. MULLIGHAN:** I will come back with an answer.

**Ms CHAPMAN:** Does the minister expect to complete all the projects listed as the short-term priorities, five-year priorities, in the transport plan on time, given that only one of the major projects in this category has received any funding in this budget?

**The Hon. S.C. MULLIGHAN:** It is a little hard to say that we expect all projects within the ITLUP, regardless of their time frame, to be delivered according to a time frame. The ITLUP, by its very nature—and it has been made clear from the outset to all interested parties—presents a menu of transport projects which the government believes would be necessary to maximise both the transport and the planning opportunities, and in turn the economic opportunities, from these sorts of developments over the next 30 years. We will be making further announcements, as we have in the recent state budget, about which priorities we are supporting with funding, and we will continue to do that.

**Ms CHAPMAN:** That is why, minister, I have asked you for the first five years, because the report actually proposes in certain categories and one is in the first five years. You have made an announcement for one of these projects in this budget. My question was: do you expect to complete the projects as identified in the first five years?

**The Hon. S.C. MULLIGHAN:** We have not identified what projects are in the first five years because we have not released the final report yet.

**Ms CHAPMAN:** I see. When do you expect to release the final report?

**The Hon. S.C. MULLIGHAN:** When the government is in a position to release it.

**Ms CHAPMAN:** Any idea? This year? Next year?

**The Hon. S.C. MULLIGHAN:** It will be one of those.

**Ms CHAPMAN:** So at this stage you say that, even though you have picked out one of them that is identified in your transport and urban development plan as being achieved, it is still a draft report and therefore you could change that? Is that the position?

**The Hon. S.C. MULLIGHAN:** No, your statement was that we have only funded one project in the next five years. I undertook to come back to the committee outlining what funding we have made available in the recent state budget.

**Ms CHAPMAN:** Correct. There is only one project out of the plan that has been announced in this year?

**The Hon. S.C. MULLIGHAN:** Is that right?

**Ms CHAPMAN:** Well, that is what I am asking you.

**The Hon. S.C. MULLIGHAN:** Well, I undertook to come back to the committee with a list of funding for the projects that are in the ITLUP that we have committed funding for.

**Ms CHAPMAN:** That would be good, thank you. That is the other way of doing it. There is a major reduction, of course, in the general capital expenditure in this financial year, from approximately \$1 billion in 2013-14 down to approximately \$600 million in 2014-15. Given the decision to make a \$200 million saving from removing unallocated capital provisions—that is in Budget Paper 3, page 25—does a contingency exist in the forward years to match federal funding as it becomes available?

**The Hon. S.C. MULLIGHAN:** That is a matter for the Treasurer to answer.

**Ms CHAPMAN:** You do not have any view on this?

**The Hon. S.C. MULLIGHAN:** I have strong views about what funding should be made available for transport projects.

**Ms CHAPMAN:** What is the DPTI capital contingency or unallocated capital budget for the forward estimates?

**The Hon. S.C. MULLIGHAN:** Matters of budget contingency are usually not revealed publicly for good reason. That is because allocations are made, either centrally within the Consolidated Account or potentially within agencies, where the amounts to be expended are for some reason not confirmed. There has always been a longstanding practice by government not to reveal contingency amounts, whether it is for capital or whether it is for operating costs, for those sorts of reasons.

**Ms CHAPMAN:** Every application that comes before the Public Works Committee identifies in each project a contingency amount.

**The Hon. S.C. MULLIGHAN:** So are you asking for each project, or in globo?

**Ms CHAPMAN:** Global, we are asking for. We are not asking for a breakdown at this point of each of the projects. The capital contingency is identified. I certainly never ask for contingency payments for proposed enterprise bargain increases and those types of things, because of course they are sensitive.

**The Hon. S.C. MULLIGHAN:** You don't, but your colleagues do.

**Ms CHAPMAN:** I beg your pardon?

**The Hon. S.C. MULLIGHAN:** I said you don't, but your colleagues do.

**Ms CHAPMAN:** Well, let's look at this committee. So far nobody else has asked that and I will not, because they are sensitive, of course, for budget purposes. I am simply asking at this stage the amount that is provided in total for the capital contingency.

**The Hon. S.C. MULLIGHAN:** My understanding is that on a careful reading of the Consolidated Account there are two or three lines which allude to contingencies. They are deliberately not specified as to the full purpose for which those contingencies are held, precisely for the reasons that you and I seem to be alluding to.

**Ms CHAPMAN:** I refer to the Seaford and Tonsley rail upgrades, pages 74 and 75. What is the total cost of the Seaford extension, Noarlunga upgrade and electrification, and the Tonsley upgrade and electrification?

**The Hon. S.C. MULLIGHAN:** Sorry, what was that budget reference?

**Ms CHAPMAN:** Pages 74 and 75, regarding the Seaford and Tonsley rail upgrades.

**The Hon. S.C. MULLIGHAN:** I will just check if we have those figures. We will come back with a detailed answer to the committee.

**Ms CHAPMAN:** Any ballpark amount?

**The Hon. S.C. MULLIGHAN:** It would be in the many, many millions.

**Ms CHAPMAN:** I do not doubt that. I will note that that is taken on notice. What is the original budget for each of these programs when they are announced?

**The Hon. S.C. MULLIGHAN:** I would have to see if we can uncover that information for the committee.

**Ms CHAPMAN:** Has there been any reporting to you yet as to the extra cost of these projects?

**The Hon. S.C. MULLIGHAN:** If indeed there is any extra cost, but I would have to check that and let the committee know.

**Ms CHAPMAN:** The Gawler rail electrification also on page 74. To date, what has been spent on the Gawler upgrade and electrification programs?

**The Hon. S.C. MULLIGHAN:** Again I would have to come back to the committee with an answer.

**Ms CHAPMAN:** No idea or ballpark amount?

**The Hon. S.C. MULLIGHAN:** I assume again it would be in the millions. There has been all sorts of works both along the Gawler line and, I understand, also necessary for the Dry Creek rail depot including installation of masts and that sort of thing so I would expect it to be a fairly significant amount.

**Ms CHAPMAN:** I am happy for you to give a breakdown as to what is Dry Creek specific and what is the upgrade and electrification, but I am seeking the total.

**The Hon. S.C. MULLIGHAN:** I do not know if we can necessarily separate those two costs because the Dry Creek works, as I understand it and I will have to check this, which I alluded to were necessary for the purposes of the Gawler electrification. So it may not be that we can necessarily separate those but I will do my best to check and provide that detail for the committee.

**Ms CHAPMAN:** I am not asking for them to be separated. I asked for the total. I think you indicated that you are not sure whether you can sever out the costs for Dry Creek. I am not asking for that. I am simply making the point that if you do—

**The Hon. S.C. MULLIGHAN:** No, I did not say that. What I said was there were a significant amount of works both on the Gawler line itself and also for the Dry Creek rail depot which were necessary for the electrification of the Gawler line, so I would imagine it would be a significant amount of money but I would have to come back to the committee with an answer.

**Ms CHAPMAN:** Do you agree that the Dry Creek depot was also necessary for the electrification to Noarlunga/Seaford?

**The Hon. S.C. MULLIGHAN:** Well I have to say I have visited the Dry Creek rail depot and the staff out there are incredibly proud of the facility that they have and very thankful that the government had the foresight to build it. It makes not only the conditions they operate under much easier in order for them to do their work but in some respects it future proofs the rail network so that they can best look after our rail fleet into the future. I have to say the impression that I got is that it has been a good investment and a good piece of infrastructure.

**Ms CHAPMAN:** I think that is correct. Certainly my observation is of an equally impressive piece of infrastructure. It is just a pity that we have to tow the current electric trains from the Seaford line out to Dry Creek with a diesel vessel because there is no electrification done from the city to the Dry Creek facility. But, nevertheless, you are absolutely right, I totally agree, it is a magnificent facility and one day—

**The Hon. S.C. MULLIGHAN:** But we will get there because this government has a policy to electrify the rail lines unlike your party.

**Ms CHAPMAN:** Well the announcement and cancellation three times of the Gawler electrification project does not fill me with confidence, but I hope in your time, minister, I am proved wrong.

**The Hon. S.C. MULLIGHAN:** Well I trust you made your views known to your federal colleagues when they withdrew funding from the project.

**Ms CHAPMAN:** Well I will come to that. At the time the upgrade and electrification was first announced, what was the total budget to upgrade and electrify the whole way from Adelaide to Gawler and how does this compare to the estimated total cost now?

**The Hon. S.C. MULLIGHAN:** I am not sure we have that figure. The figure that we have used has been, as I best recall, \$152.5 million for the electrification to Salisbury.

**Ms CHAPMAN:** That is not what I actually asked.

**The Hon. S.C. MULLIGHAN:** I know that is not what you asked but that is the information that I have just provided to the committee.

**Ms CHAPMAN:** Well, I can ask then, does that still apply, given that that cost estimate was based on a construction time frame for 2014-15 to 2018-19 which is now not planned?

**The Hon. S.C. MULLIGHAN:** Well, that would depend on what our best estimates and negotiations lead us to into the future.

**Ms CHAPMAN:** That is what I am asking now that we are in 2014-15 and we are not constructing it, what are your best estimates as to what the total cost will be now for that project Adelaide to Salisbury?

**The Hon. S.C. MULLIGHAN:** I am sorry, deputy leader, I have my information correct; I understand on 17 February 2014 the Premier used a figure of \$152.4 million not five.

**Ms CHAPMAN:** And as that was an estimate for construction to commence now for completion in 2018-19 and that has not occurred, has there been any revised estimate?

**The Hon. S.C. MULLIGHAN:** As I said in my previous answer, I would have to seek some advice and work out what the position would be given on the deliverability of that project into the future and how our negotiations with a commercial constructor would go.

**Ms CHAPMAN:** Budget Paper 6, page 78, on the Gawler rail electrification. Does the \$60 million in the 2017-18 year include the construction of a substation to support electric train services?

**The Hon. S.C. MULLIGHAN:** We will have to come back to the committee with an answer.

**Ms CHAPMAN:** Does a contingency provision exist in the forward estimates to order more electric trains to operate on the Gawler line?

**The Hon. S.C. MULLIGHAN:** I would have to investigate that matter and come back to the committee with an answer.

**Ms CHAPMAN:** On the O-Bahn tunnel, at page 31 of Budget Paper 5, has a detailed and independently verified cost-benefit analysis been completed on the O-Bahn tunnel project?

**The Hon. S.C. MULLIGHAN:** My advice is that we have done a cost-benefit analysis.

**Ms CHAPMAN:** I understand that. Was it independently verified?

**The Hon. S.C. MULLIGHAN:** My understanding is that the usual process for these projects is that we do a cost-benefit analysis to enable the government to make a decision whether to proceed with a project and provide it funding. Once that decision is made, we work up a detailed report with a full and detailed cost-benefit analysis and provide that to the Public Works Committee. I would imagine that would be the process for this project.

**Ms CHAPMAN:** Therefore, was that cost-benefit analysis that you have just referred to as being prepared and worked up for Public Works Committee independently evaluated?

**The Hon. S.C. MULLIGHAN:** I am not sure, because that would be, on my understanding, inconsistent with how we manage these projects.

**Ms CHAPMAN:** When the Premier announced the \$160 million tunnel option on 13 February, had the Department of Planning, Transport and Infrastructure undertaken a detailed costing of the option proposed by the Premier, and was this the best option according to the department?

**The Hon. S.C. MULLIGHAN:** I understand that, for our costings, we have an independent panel of estimators who estimate the costs for these projects. I am sorry, you will have to repeat that question, deputy leader.

**Ms CHAPMAN:** When the Premier announced this project in February, had the department undertaken a detailed costing of the option proposed by the Premier, and was this the best option according to the department?

**The Hon. S.C. MULLIGHAN:** Which option was that?

**Ms CHAPMAN:** The one that he announced, the \$160 million one.

**The Hon. S.C. MULLIGHAN:** You mean the project, not the option of the project?

**Ms CHAPMAN:** I think you said what option was it? He announced the project in February. First, had the department done a detailed costing on that option, on that model, on that program?

**The Hon. S.C. MULLIGHAN:** My understanding is: yes.

**Ms CHAPMAN:** Was it the best option recommended by the department?

**The Hon. S.C. MULLIGHAN:** I am not sure there are many other ways you can go about electrifying a rail line.

**Ms CHAPMAN:** I am talking about the O-Bahn tunnel. We have moved ahead.

**The Hon. S.C. MULLIGHAN:** My advice is that this is the project that the department recommended, so I assume it is the best option.

**Ms CHAPMAN:** Were any other options presented?

**The Hon. S.C. MULLIGHAN:** I would assume that, as we work up different projects, all sorts of options are canvassed, and a good example of that is the Torrens to Torrens project where the project assessment report led to a refinement of that project.

**Ms CHAPMAN:** We have not got to the refinement, yet, minister, I think that is clear. What we have had is the announcement, and my question is: at the time of the announcement, were there any other options on the table?

**The Hon. S.C. MULLIGHAN:** I could not tell you. I was not around at that time.

**Ms CHAPMAN:** Will you inquire?

**The Hon. S.C. MULLIGHAN:** If I was around at that time? No.

**Ms CHAPMAN:** No, will you inquire as to whether there were any other options at February this year?

**The Hon. S.C. MULLIGHAN:** We only have one option and that is the project that we have announced, so I am not sure what the purpose of that would be.

**Ms CHAPMAN:** My question was: at the time of that announcement, were there any other options presented for consideration by the government?

**The Hon. S.C. MULLIGHAN:** I do not know but I have to say that I am not going to run around flying policy kites which are completely irrelevant to how we run the transport system in South Australia.

**Ms CHAPMAN:** That is what they said about the Britannia roundabout.

**The Hon. S.C. MULLIGHAN:** No, I think that is what you did today when you talked about tolls.

**Ms CHAPMAN:** Given that you have your most senior people in the department sitting next to you, would you inquire of them as to whether there were any other options on the table at the time of that announcement?

**The Hon. S.C. MULLIGHAN:** My advice is that they recommended an option to the government and that is the option that the government has gone with.

**Ms CHAPMAN:** In the general project design that has been decided upon, that is, the tunnel along Hackney Road which surfaces at Rundle Street, was that the most cost-effective solution for the city access problem that it purports to address?

**The Hon. S.C. MULLIGHAN:** I think there are two things to be said. One is that we regard this as a more effective project than the previously mooted O-Bahn city access project and, given that it was the project that was recommended by the department to the government, then, presumably, yes.

**Ms CHAPMAN:** What is budgeted for land acquisition in this project?

**The Hon. S.C. MULLIGHAN:** I am not sure I have that figure. I would have to come back to the committee, if indeed we have that figure available, but I would caution that, for these sorts of projects, we are usually reticent about providing those figures, given that it can create an expectation amongst landholders.

**Ms CHAPMAN:** I understand that, but there is some provision for land acquisition, is there?

**The Hon. S.C. MULLIGHAN:** I would have to check that and come back to the committee, if there is a provision.

**Ms CHAPMAN:** Does the \$160 million cost include alterations to the Torrens Bridge near the Hackney Hotel?

**The Hon. S.C. MULLIGHAN:** Not that I am aware.

**Ms CHAPMAN:** Have any estimates been done yet as to what it will cost?

**The Hon. S.C. MULLIGHAN:** If we are not changing it, we would not estimate it.

**Ms CHAPMAN:** Have there been any assessments, though, of the bridge, as to whether we need a new bridge or a replacement bridge or an extra couple of lanes? Have there been any costings done on the bridge upgrade that is necessary for this project?

**The Hon. S.C. MULLIGHAN:** I have just provided some advice to the committee that we do not plan to upgrade the bridge.

**Ms CHAPMAN:** Not at all? Not widen it at all?

**The Hon. S.C. MULLIGHAN:** In relation to this project, no.

**Ms CHAPMAN:** What was spent on the \$61 million O-Bahn City Access project that was cancelled in 2012 and how much of this work will be directly applied to the current project?

**The Hon. S.C. MULLIGHAN:** I would have to come back to the committee with an answer.

**Ms CHAPMAN:** On the Darlington upgrade at page 31, how much of the \$620 million for the South Road upgrade at Darlington will be spent on works at Darlington, what will be spent on upgrading the intersection of Marion Road and Sturt Road, the intersection of South Road and Daws Road, and other sections of the road that are not at Darlington?

**The Hon. S.C. MULLIGHAN:** We would have to come back to the committee with an answer, but I should caution the committee that it may be that, in order to provide an accurate estimate, we may not be able to do that within the customary period of providing responses to the committee.

**Ms CHAPMAN:** What was the cost of the first Darlington transport study?

**The Hon. S.C. MULLIGHAN:** It is my understanding that the first Darlington transport study, which I think included a scope far more substantial than the project that we are proceeding with, was approximately \$7 million.

**Ms CHAPMAN:** On page 74, there is a rail offset provision. It was supposed to be a \$51 million provision which was budgeted for in 2013-14. That has not been achieved. My question is: why not?

**The Hon. S.C. MULLIGHAN:** My understanding is that that is a rail offset provision that we are progressively achieving.

**Ms CHAPMAN:** Do you expect to recover that?

**The Hon. S.C. MULLIGHAN:** My understanding is that we had a task to absorb an amount of money in the order of what you suggested and that we are progressively doing that over a number of years.

**Ms CHAPMAN:** Is there any reason then why it is not identified? Let me just clarify that. It only achieved 7.884 million as you can see there and it is only budgeted this year for five million, so we are up to about 12½ million. How long is it going to take for this budget offset to be achieved?

**Mr PICTON:** What page number?

**Ms CHAPMAN:** Page 74 of Budget Paper 4, Volume 3.

**The Hon. S.C. MULLIGHAN:** I think our expectation is that we would meet that target in the next couple of financial years.

**Ms CHAPMAN:** If that is to be achieved in the next couple of financial years, whether that is two or three, if you get the five million for this current financial year, you are only up to 12½ million of a \$50.885 million achievement.

**The Hon. S.C. MULLIGHAN:** I think you are misreading it, deputy leader. It was 7.884. The five reduces that figure, rather than contributing to it, to take it to 2.884, so we anticipate reducing that 7.884 figure down to 2.884 in 2014-15.

**Ms CHAPMAN:** Can you just clarify this? There is a budget at 2013-14 of 50.885. The estimated result, however, is only 7.884. Then in your budget for this financial year—the one we are currently in, 2014-15—there is another five. If you get that five in this financial year, plus the 7.8 you have already achieved, you still have well over 30 million to get back. Are you saying that that is achievable in the next few years?

**The Hon. S.C. MULLIGHAN:** I think you might have misunderstood. My advice is that at the end of the 2013-14 financial year that the balance of that offset is 7.884. We anticipate reducing that by another \$5 million in 2014-15, hence my advice that we will aim to eliminate that offset over the next two financial years in 2014-15 and, I presume, the balance in 2015-16.

**Ms CHAPMAN:** Essentially then the balance of what is the offset required is 7.884 as at a month ago?

**The Hon. S.C. MULLIGHAN:** Yes, as at 30 June 2014, 7.884 and we anticipate reducing that by \$5 million in the current financial year, 2014-15.

**Ms CHAPMAN:** Why was the offset provision originally required?

**The Hon. S.C. MULLIGHAN:** That is a matter that preceded me. I would have to come back to the committee with a detailed explanation.

**Ms CHAPMAN:** I am sure that the new acting chief executive is anxious to tell us.

**The Hon. S.C. MULLIGHAN:** He was cautioning me against saying something silly to the committee.

**Ms CHAPMAN:** 'Do not tell her.' Was it anything to do—

**The Hon. S.C. MULLIGHAN:** He is very good to me.

**Ms CHAPMAN:** —with the Gawler rail line expenditure—

**The Hon. S.C. MULLIGHAN:** It could have been.

**Ms CHAPMAN:** —and the requirement to pay money back to the federal government?

**The Hon. S.C. MULLIGHAN:** It could be. I would have to come back to the committee with an answer.

**Ms CHAPMAN:** Do you think you would like to ask him?

**The Hon. S.C. MULLIGHAN:** Yes, I will. I will come back to the committee with an answer.

**The CHAIR:** Excellent, thank you, minister. In preparation for transport planning services, would you like to reshuffle or shall we just move on?

**Departmental Advisers:**

Mr A. Milazzo, Acting Chief Executive, Department of Planning, Transport and Infrastructure.

Mr M. Elford, Acting Group Executive Director, Strategic Transport and Infrastructure Planning, Department of Planning, Transport and Infrastructure.

Mr P. Gelston, Director, Road and Traffic Management, Department of Planning, Transport and Infrastructure.

Ms J. Tepohe, Director, Finance, Department of Planning, Transport and Infrastructure.

Mr M. Palm, Director, Investment Strategy, Department of Planning, Transport and Infrastructure.

Mr M. Williams, Director, Sustainable Transport Policy, Department of Planning, Transport and Infrastructure.

**Mr WINGARD:** Starting on Budget Paper 4, Volume 3, page 89, Expenses. I want to know what the total budget for 2014-15 for road maintenance is and how that compares with 2013-14.

**The Hon. S.C. MULLIGHAN:** That is a very good question. My understanding is that the road maintenance capital budget is approximately \$21 million, which is a reduction from \$30 million because we have had a cut of \$9 million from the commonwealth government.

**Mr WINGARD:** What has been the breakdown between country and metropolitan roads in that spend?

**The Hon. S.C. MULLIGHAN:** I would have to have a look at providing that. I am not sure if we make an early determination on that at the outset of the year or if we make those determinations within the year as projects come up, but we will do our best to provide that to the committee.

**Mr WINGARD:** So, there is a list? You will prepare a list, is that what you are saying?

**The Hon. S.C. MULLIGHAN:** I have some figures for total roadworks which do not necessarily relate to road maintenance, but my understanding is that the total for roadworks for 2014-15 is \$496 million, that is both capital expenditure and operating expenditure. Of that, \$336 million is in the metropolitan road networks and \$160 million of that is on rural road networks, that is for the 2014-15 financial year.

**Mr WINGARD:** What is the current estimated road maintenance backlog?

**The Hon. S.C. MULLIGHAN:** I do not think we have a firm figure on that and the reason why is because there are various different ways of determining what a backlog is. Some people talk about resurfacing improvements, some people go so far as to talk about bridge upgrades and improvements, so what we know is what we allocate to it. My understanding is that in 2014-15 we will be allocating \$83.4 million for road maintenance, rehabilitation and resurfacing, and \$25 million of that will be urban and \$58.4 million will be regional. So I correct my earlier advice: I can give you a breakdown between those two.

**Mr WINGARD:** What percentage of the backlog do you think will be filled with that spend?

**The Hon. S.C. MULLIGHAN:** I will be perfectly honest with you, I suspect that, while we will try and do our best to keep track of whatever the current backlog may be, we may actually go backwards given that between both local government road grants and state government road maintenance grants over the next five years, we will be losing in the order of \$136 million in commonwealth funding.

**Ms CHAPMAN:** Just on that, minister for road maintenance, we have already started the 2014-15 financial year, so have you actually started doing any road maintenance for this financial year?

**The Hon. S.C. MULLIGHAN:** I haven't but the department would have.

**Ms CHAPMAN:** What roads?

**The Hon. S.C. MULLIGHAN:** I will come back to the committee with a detailed answer.

**Ms CHAPMAN:** Do you have any idea of any one that you have started, or that the department has started?

**The Hon. S.C. MULLIGHAN:** They would be bitumen roads rather than dirt roads, but maybe some dirt roads as well.

**Ms CHAPMAN:** So it is maintenance of bitumen roads, is it?

**The Hon. S.C. MULLIGHAN:** We would be looking at deploying our resources across the whole network.

**Ms CHAPMAN:** Can you think of any one road that you are actually doing any maintenance on?

**The Hon. S.C. MULLIGHAN:** I will be perfectly honest with you: each night my staff—

**Ms CHAPMAN:** You sit and think about it, do you?

**The Hon. S.C. MULLIGHAN:** I do sit and think about a lot of things each night, deputy leader, and each night my staff provides me with a number of press releases which the department puts out to tell local communities about what road impacts there are likely to be. However, off the top of my head—maybe it is the overwhelming presence of you and the estimates—I cannot recall exactly what they are, but I will provide those to the committee.

**Ms CHAPMAN:** So you cannot think of anything that you have started in the last 23 days, of all these press announcements and notices to people?

**The Hon. S.C. MULLIGHAN:** I can remember one in particular that we did in the last 23 days, on Port Wakefield Road, on the first Monday of school holidays. That garnered some attention. However, if you want a more detailed list of the probably hundreds of projects—

**Ms CHAPMAN:** Minister, it is just that each year there is a provision for road maintenance and there is generally a prioritising of roads by the department. Given the significant backlog, there is careful consideration and there is a program that is then prepared for the forthcoming financial year. We are now in this financial year and I am a little surprised to hear you indicate that you have not yet decided what you are going to spend it on.

**The Hon. S.C. MULLIGHAN:** Well, I do not often make those decisions—deciding what we spend it on.

**Ms CHAPMAN:** Well, the department, the people sitting next to you.

**The Hon. S.C. MULLIGHAN:** I am sure they have made decisions on what they are spending it on, and these works are underway.

**Ms CHAPMAN:** Hence the request to provide that information. Whilst you might not immediately have it at your fingertips, will you obtain information from your department regarding the scheduled road maintenance program for 2014-15, on the clear understanding that obviously the department, and you, of course, reserve the right to change that during the forthcoming year, given the contingencies of weather, etc.

**The Hon. S.C. MULLIGHAN:** Yes, I am happy to provide some information to the committee about that.

**Ms CHAPMAN:** Thank you. I refer to the same budget paper, similarly at page 89. What work was undertaken by the department in 2013-14 to investigate options for upgrading freight rail

lines in the Mallee and Eyre Peninsula regions, and did the department assess the impact that the closure of rail lines in those areas would have on the road network?

**The Hon. S.C. MULLIGHAN:** I cannot speak specifically about what detailed options the department worked up, but we have certainly been aware of rail freight issues in both the Mallee region and the Eyre Peninsula region. The Mallee region is a significant problem, but I guess understandable in some respects, given the relatively low tonnages that would be able to be freighted by rail through the Mallee region. I have been working with your colleague, the member for Chaffey, and speaking closely with Viterra and Genesee & Wyoming about that. I have fewer reservations in the short term about the future of grain haulage on the Eyre Peninsula, I would have to say.

**Ms CHAPMAN:** So you would be aware, minister, that Genesee Wyoming is not intending to continue the agreement for the purposes of cartage of grain in the Mallee area and that a large national company, Linfox, has been contracted with Viterra to provide that service. Again, I raise this question: has your department done any assessment of what impact the change of this transport mode will have on the road structure in the Mallee region?

**The Hon. S.C. MULLIGHAN:** Yes.

**Ms CHAPMAN:** Will you make that report available to the committee?

**The Hon. S.C. MULLIGHAN:** I can talk about it in general terms now.

**Ms CHAPMAN:** Thank you.

**The Hon. S.C. MULLIGHAN:** If there is less grain being freighted through the Mallee region then there will obviously be higher road freight tasks on the Mallee Highway, on some parts of the Karoonda Highway and on some parts of the Sturt Highway. If indeed what you are saying is correct, that there is an intention not to use the Mallee rail lines to freight grain, we estimate that there will be in the order of an additional 12, I think it is, truck movements per day down the Sturt Highway, approximately four, I think, additional truck movements on selected parts of the Karoonda Highway, and my memory fails me partially, but I think it is six to eight additional truck movements per day on the Mallee Highway.

Those are annualised figures and, of course, it is difficult to predict when trucks may need to move grain either from the farm gate or from particular silos to get either to other freight modal points or, indeed, to port. However, that gives you some order of magnitude about what the impact of closing those two Mallee rail lines may have.

**Ms CHAPMAN:** So having done that assessment—and whilst they are annualised, of course, in the concentrated period of the grain harvesting there would obviously be many more during the short-term of that period—have you allocated any extra funding for road maintenance upgrades in this area for the 2014-15 year, and/or across the forward estimates?

**The Hon. S.C. MULLIGHAN:** As I said—and perhaps just to go back a step—we cannot accurately predict when the truck movements will be necessary; it would depend on what arrangements farmers individually, and also collectively—presumably through Viterra—may undertake to move grain from the farm gate to regional silos, or indeed from those regional silos to central collection points like Tailem Bend for example, or if they are going via Loxton and the Sturt Highway to somewhere like Roseworthy. That is why we use the annualised figures.

Given the \$9 million a year budget cut we have had in rural road maintenance funding from the commonwealth government, we are investigating what extra resources we may—if we can—be able to deploy, as a sign, I guess, of goodwill and good faith to local communities there, some of whom are concerned not so much with the condition of the Sturt Highway, and perhaps not even so much the condition of the Mallee Highway, but some segments of the Karoonda Highway.

**Ms CHAPMAN:** Is the Karoonda Highway due for upgrade, in any event, out of your normal road maintenance budget?

**The Hon. S.C. MULLIGHAN:** I am not quite sure whether we would categorise it as being due for upgrade outside of our normal road maintenance budget. Our road maintenance budget is usually deployed to areas of high need, I think it is fair to say—

**Ms CHAPMAN:** I think is fair to say that Karoonda is on that list—

**The Hon. S.C. MULLIGHAN:** Well some parts of it—

**Ms CHAPMAN:** —because of the mining traffic, as a result of the mines on that road.

**The Hon. S.C. MULLIGHAN:** I am not sure whether it is as a result of the mines on the road. My advice is that the Mindarie mine is approximately 140,000 tonnes a year, and there is approximately—and this is very approximate, depending on the season—about 300,000 tonnes of grain which comes out of the Mallee region, and I think we are looking at about 170,000 tonnes which would otherwise be taken on rail. That would suggest that the Mindarie mine and the grain task that exists, with the rail grain freight task, are already pretty equivalent, so I do not think you can necessarily sheet the blame home for damaged roads to mining or to grain. In fact, it may be to other heavy vehicle purposes as well. In any event I think the point that you make, and that I make as well, is a point well made: that the Karoonda highway is not what we would call one of our best roads.

**Ms CHAPMAN:** Has the department done any assessment of the impact of the loss of local carriers in the area for harvest transport?

**The Hon. S.C. MULLIGHAN:** Do you mean train drivers or do you mean truck drivers?

**Ms CHAPMAN:** I am talking about small carriers, truck driving companies, as a result of the agreement between Viterra and Linfox.

**The Hon. S.C. MULLIGHAN:** I met with Viterra and Genesee & Wyoming, along with minister Brock and the member for Chaffey, and Viterra put it to us that a very significant proportion—indeed, well in excess of 90 per cent—of the local grain freight task is currently carried by (and I use inverted commas, for the benefit of *Hansard*) 'locals' for trucks. I have not been made aware of what arrangements, if any, have been made if it does eventuate that the rail lines are closed, but I think both the member for Chaffey and I made it pretty clear to Viterra that in the unfortunate circumstances that these rail lines do close, we would expect them to use their best endeavours to give first priority to local truck operators.

**Ms CHAPMAN:** Given that situation is known to you now, minister, that it is imminent, are you going to ask your department to do any assessment of the impact that would have on local carriers who, of course, will no longer be required? These are carriers in the district who might have five, six, 10 trucks that are currently doing their grain haulage who will no longer have a job.

**The Hon. S.C. MULLIGHAN:** No-one has put to me, except you in the political forum of estimates, that locals are being cut out of carting this grain. What Viterra has said to me and also said to the member for Chaffey in the meeting that we had collectively is that they put a strong focus on using locals. So, I will wait to be informed by Viterra to see what their freight arrangements are.

**Ms CHAPMAN:** Will that be too late, minister, given your government's commitment to the procurement of opportunity for local contracts? It will be too late when Viterra and/or Linfox or any other large carrier have signed the contract.

**The Hon. S.C. MULLIGHAN:** If you say that it is too late in the event that Viterra gives an undertaking to both sides of politics in South Australia that they will employ locals for the cartage of grain and then they continue on and deliver on that commitment, then no.

**Ms CHAPMAN:** In any event, you have not done any assessment at this point, your government has not done any assessment in relation to what impact that would have on them?

**The Hon. S.C. MULLIGHAN:** No; I think that is an unfair representation of what I have just explained to you.

**Ms CHAPMAN:** Let us hope I am wrong. Highlights for 2014-15, page 99. A highlight of 2013-14 was the changes to drivers licensing for residents of the APY lands. You may not recall, but there was legislation passed to facilitate the streamlining of that. Can the minister please confirm the cost of the program for 2013-14 and how many drivers obtained a licence using it?

**The Hon. S.C. MULLIGHAN:** Did you say 'the minister has' or 'will the minister'? I got the impression that the Minister for Aboriginal Affairs might have confirmed that.

**Ms CHAPMAN:** It says a highlight for 2013-14 was the changes to drivers licensing for residents of the APY lands. This is a highlight that has already happened.

**The Hon. S.C. MULLIGHAN:** I understood what you just said was that the minister has given those figures and I thought you might have been referring to the Minister for Aboriginal Affairs.

**Ms CHAPMAN:** No, I am referring to page 99. I am simply asking the cost of the program for 2013-14.

**The Hon. S.C. MULLIGHAN:** My understanding is that the legislation was changed in 2013-14 to enable the scheme that you describe to occur from 2014-15 onwards, so it is too early to be providing those figures.

**Ms CHAPMAN:** I assume from that that no-one has actually got a new licence under that scheme yet because it has not actually been implemented?

**The Hon. S.C. MULLIGHAN:** That may be your assumption, but as—

**Ms CHAPMAN:** Is that correct?

**The Hon. S.C. MULLIGHAN:** I cannot confirm that. As I said, it is too early to provide those figures.

**Ms CHAPMAN:** Could you ask your advisers?

**The Hon. S.C. MULLIGHAN:** My advice is that it is correct, no-one has been provided with an exemption at this stage.

**Ms CHAPMAN:** What is the estimated cost of the program for 2014-15 and how many people are expected to obtain a licence?

**The Hon. S.C. MULLIGHAN:** My advice is that the program is estimated to cost \$1.12 million. I am not 100 per cent sure if that is for a financial year or the total cost. I am also advised that we cannot make any estimates about how many people are likely to benefit or take advantage of this change in policy.

**Ms CHAPMAN:** At the time of the debates, minister, there was some discussion about, I think, some 10 or so being available pretty much straightaway—from my own personal recall of the debates on this—who have already been identified as suitable for this program, hence why I am asking for some assessment about what the \$1.12 million is going to be spent on.

**The Hon. S.C. MULLIGHAN:** My understanding is that at the time of those debates you allude to there were 10 people who were immediately thought to come into the scope of this. My understanding of the scheme is that this is a scheme which is very much dependent on the individual circumstances of people who may be eligible for the scheme. The way the scheme is effectively applied to these people is that it is case managed. I cannot give any further detail at this point about how much more broadly this program may apply to people on the lands.

**Ms CHAPMAN:** Is it intended that it will be reviewed in this current financial year?

**The Hon. S.C. MULLIGHAN:** I will have to check that.

**Ms CHAPMAN:** Perhaps when you do check it you can identify the progress of that program.

**The Hon. S.C. MULLIGHAN:** My advice is that it would be a little bit early to review it within the course of the first financial year, or even after only one financial year.

**Ms CHAPMAN:** One of the reasons I ask that is that it was a fairly novel approach. There had been a trial of a similar project in the Northern Territory, and there was a fair bit of goodwill from the parliament to support the project to enable people who might have lost their licence or not ever got their licence. Sometimes these people clearly were able to drive and probably are driving, but without a licence, and it would give lots of job opportunities for those who could be transporting camels for the program up there, for example, and it would be meritorious to have support.

So, a bit of a wing and prayer in the debates as to how effective this would be, so we would be keen to hear as to the progress of it, and in particular if there are those on the way to being

achieved to do the concentrated program, which would be tendered out, and then have a chance to get their licence.

**The Hon. S.C. MULLIGHAN:** As you say, this is a novel scheme. It is a complex scheme in that the approach to the individuals is very much one that depends on their circumstances, case by case, and also requires quite an amount of case management. From a public policy perspective, it would be reasonable to say that providing early updates, before there has been sufficient opportunity to roll out the scheme, may give the unfortunate opportunity to misjudge the success or otherwise of this program. Perhaps I can undertake to provide you, deputy leader, with some updates from time to time and, at an appropriate juncture, we can provide some more fulsome detail to the parliament after—I would have to give it some thought—but perhaps a couple of years.

**Ms CHAPMAN:** Has the contract even been issued, because these were not identified persons who were ready to go, was the impression we were given, and that really the government just needed to find someone who was prepared to go up there and do this program. I appreciate that that in itself might have been difficult to achieve, but have you actually even contracted anyone to do this yet?

**The Hon. S.C. MULLIGHAN:** My understanding is that these individuals were not ready to go, as you assume they were. They were identified as being individuals who may take advantage of this particular program, but as I have said this is a program that requires very specific case management and an approach that is tailored to each individual. To infer there has been some failure or fall down in the process between making the legislative provision available in one financial year, being able to commence the program in the current financial year some three weeks and two days ago, is a bit tough, I think.

**Ms CHAPMAN:** Has someone been contracted to do it?

**The Hon. S.C. MULLIGHAN:** My understanding is that two departmental field officers will provide the necessary services in order to conduct this program.

**Ms CHAPMAN:** Are they already up there starting the program?

**The Hon. S.C. MULLIGHAN:** My understanding is that we are seeking to interview people this week.

**Mr WINGARD:** I refer to Budget Paper 4, Volume 3, page 74, regarding the greenways and cycle paths. In 2012-13 \$2.6 million was spent, in 2013-14 \$3.8 million was spent. Why has the government left the Greenway program unfinished until 2035? Why has it been shelved?

**The Hon. S.C. MULLIGHAN:** You may recall, member for Mitchell or other members of the committee, that there was an election commitment by the government in 2010 for a period of four years to commit \$3 million to the Greenway program. The idea of the Greenway program is to provide cycleways along the major transport corridors. An existing one that we are all familiar with, for example, is the Linear Park cycleway. Works have commenced and, I understand, largely been completed for the Mike Turtur bikeway along the tram corridor down to Glenelg, and at the Marino Rocks Tramway. Also nearing completion, but with a little way to go, is the Outer Harbor or Port Adelaide Greenway along those respective rail lines, the Seaford and the Outer Harbor rail lines. That project was a four-year commitment of \$3 million per year from 2010-11 to 2013-14.

**Mr WINGARD:** Again, I ask why it has then been left unfinished, why you did not complete the Greenway project. You said there are bits missing; I am just wondering why they are still missing.

**The Hon. S.C. MULLIGHAN:** My advice, if I recall it correctly, is that the 'finishing touches' to be put on the Outer Harbor Greenway, for example, require some signage and possibly some line marking to be done by the council, rather than the government, hence why no expenditure in 2014-15 from the state government perspective. I understand that all of the other works necessary from the government's perspective on those three greenways have been completed.

**Mr WINGARD:** So from the government's perspective they are completed?

**The Hon. S.C. MULLIGHAN:** That is my advice.

**Ms CHAPMAN:** Minister—

**The Hon. S.C. MULLIGHAN:** Sorry, deputy leader, before you begin, I should also identify that one of the topics of some discussion this afternoon, the ITLUP, identifies further greenways. Once funding becomes available, that may be one of the projects we select for funding, whether it is in the next five years or into the future.

**Ms CHAPMAN:** One of the projects raised during the election by me was the concern about adding a bikeway along Portrush Road. There was some media at the time, and your predecessor was alerted to this, I think. You, as a new minister, indicated that you would look into that, particularly given that we have just recently lost a pedestrian who was run over by a large heavy vehicle on Portrush Road, that being a transit which has some 3,000 heavy vehicles a day go down it. Has that matter been reviewed by the department and has it been put on hold?

**The Hon. S.C. MULLIGHAN:** Yes, it has been reviewed by me and no, it has not been put on hold.

**Ms CHAPMAN:** So the person I saw out there photographing on the side of Portrush Road is advancing the project—is that the position?

**The Hon. S.C. MULLIGHAN:** He could have been an ornithologist, as far as I am aware.

**Ms CHAPMAN:** I think he was a pretty easily identified DPTI representative, but in any event, it is on its way, is it?

**The Hon. S.C. MULLIGHAN:** Yes.

**Ms CHAPMAN:** Well, we will see. I refer to page 90, the \$100 million MAC road safety funding. Was the \$100 million funding provided to the government from projects such as the Britannia roundabout upgrade and Magill and Glynburn roads intersection paid into the Highways Fund?

**The Hon. S.C. MULLIGHAN:** My understanding is that the \$100 million MAC contribution to road and other road safety projects is a matter for the Minister for Road Safety. Nonetheless, I can provide some information about the relationship to the Highways Fund. My understanding is that those projects are funded from the Highways Fund, but I have to say I could not get into the grotty detail about the timing of the transfers from the Motor Accident Commission to Treasury's Consolidated Account and from the Consolidated Account into the Highways Fund.

**Ms CHAPMAN:** I have not asked for the dates of transfer. I am just asking whether the \$100 million actually was paid ultimately. Minister O'Brien had the initial conduct of this, although I think that was scant, to say the least, in the sense that the announcement had been made in last year's budget and he was not terribly familiar with what it was going to be spent on other than what was announced, or the detail about who had it or who had control of it. Hence, I am asking today, did it ultimately find its way into the Highways Fund, which is in your department?

**The Hon. S.C. MULLIGHAN:** My understanding is—I could not comment specifically about projects—that the \$100 million was paid from the Motor Accident Commission to 'Treasury', most likely the Consolidated Account, and then as projects are identified and funding is to be released to carry those projects out, that money is released from Treasury into the Highways Fund and then paid for the purposes of those projects.

**Ms CHAPMAN:** So how much is due still of that \$100 million to be paid into your Highways Fund?

**The Hon. S.C. MULLIGHAN:** In very general terms, I think what we understand is that there were two broad allocations into the future. There was the \$52-odd million and the \$47-odd million and that is broken up between the financial years of 2013-14 out to 2018-19. Some projects are quite longstanding. In fact, in particular, the 2018-19 one I understand, is the APY lands. Given the disaggregation of the \$100 million over that forward estimates period, my assumption, and I would have to check this, is that that money would be released from the Consolidated Account into the Highways Fund which would then be released to pay to whoever is undertaking those projects.

**Ms CHAPMAN:** If you could check that minister to identify how much is still due from the Treasury/Consolidated Account to complete that exercise for the projects. I appreciate you are getting it drip-fed—as you say, the projects are coming through—but if you could get the amount you are still due to be paid from that fund. Will all the funding that the government anticipates receiving

from the privatisation of the Motor Accident Commission be paid into the Highways Fund as it currently exist or will the Highways Fund be changed?

**The Hon. S.C. MULLIGHAN:** That is a good question. My understanding from the Treasurer, and this is really a matter which is best directed to him, is that whatever proceeds are realised from the MAC process would be, I presume, made available to the government, whoever contracts with the government under that arrangement—to Treasury—and then if they are to be paid into the Highways Fund they would be done so. I am not aware of any necessity or plans to alter the Highways Fund. I think there may have been alterations to the Highways Fund in previous years but I am not sure that they are related or anything to do with these sorts of processes.

**Ms CHAPMAN:** The only reason I ask is because you are the minister responsible for the Highways Act 1926 and I assume your acting director is the current acting commissioner for highways and that is an act that is allocated to your responsibility. The government has already announced that they are going to put this money from the fund into the Highways Fund. It has certain controls under this act, and I would just like to know if there is any proposed change to the administration of that fund or how it is going to operate for the purposes of receiving those funds?

**The Hon. S.C. MULLIGHAN:** I am not aware of any need or necessity to change the Highways Fund but if that does become a necessity into the future then I will obviously be bringing a bill to the house.

**The CHAIR:** I would like to move on to public transport if you want to change your advisers, minister. I understand we have a change of personnel.

#### **Membership:**

Mr Tarzia substituted for Ms Chapman.

#### **Departmental Advisers:**

Mr L. Di Lernia, Deputy Chief Executive, Public Transport Services, Department of Planning, Transport and Infrastructure.

Mr T. Crackett, Executive Director, Business Services, Department of Planning, Transport and Infrastructure.

Mr M. Williams, Director, Sustainable Transport Policy, Department of Planning, Transport and Infrastructure.

Mr M. Palm, Director, Investment Strategy, Department of Planning, Transport and Infrastructure.

Ms J. Tepohe, Director, Finance, Department of Planning, Transport and Infrastructure.

**The CHAIR:** I understand the member for Mitchell will be the lead speaker for the next half an hour. Go ahead, member for Mitchell.

**Mr WINGARD:** I start by referring to Budget Paper 6, page 80, Budget implications, and Public transport cost recovery—special events tax. Is the minister able to provide a list of events that you expect to be included in this measure, events that will be associated with the public transport cost recovery special events tax?

**The Hon. S.C. MULLIGHAN:** I begin by correcting the member of Mitchell's nomenclature. It is neither a levy nor a tax. The use of either term would imply a consistent charge which would be applied to a broad number of people for a common purpose, and that is not what we are looking at here.

What we have said is that for public commercial events of over 5,000 people, they will be required to notify the government with at least six months lead time. We have also said that for events which have already been planned and 'set in stone' we will not be applying this new measure to them

but, for those events of attendees of more than 5,000 people, they will be required to notify the government.

That will give the government the opportunity to sit down with the venue manager and, perhaps subsequently, the event organiser, to discuss the nature of the event, how many people are likely to come to the event, how long the event goes for, how people are expected to move to and from the event (whether it is in dribs and drabs over a long period of time or en masse over a shorter period of time) and examine how they are likely to do that, whether it is by car, public transport or a mixture of both, and whether public transport services, as scheduled, are able to accommodate that or if, indeed, there need to be additional public transport services provided to accommodate the event.

In the event that additional public transport services are required, is it desirable for the venue manager and event organiser that that should be free public transport or public transport made available at the ongoing regular public transport rates, depending on whether they are on a week day, a weekend, in peak hour, etc.

We will have a discussion after all of that decision tree is climbed through, to continue the analogy, to see if there are additional public transport services and additional costs likely to be incurred in the provision of those public transport services and how the costs for those might be met. We envisage that it is likely there will be a combination of people who can contribute to that. It could be the venue manager, it could be the event organiser, or it could be, indeed, people who are attending the event, or a mixture of all three.

**Mr WINGARD:** That was a long-winded answer to the question of which events it would be, and I did not hear you name an event. I am just wondering how you came up with the \$3.921 million in cost recovery for 2015-16 if we do not know which events are going to be hit.

**The Hon. S.C. MULLIGHAN:** I think it is fair to say that, based on past experience, we have a fair handle on the number of events and the number of events which at least we think we would need to be notified of—not necessarily captured by this measure and cost recovery applying to them, but the number of events that we will be need to be notified for, nonetheless. It may be as many as 100 events. Then we would go through, as I spelled out in some detail earlier, that decision making, along with the venue manager and the event organiser, to work out what the right solution is and who should pay for it.

**Mr WINGARD:** Given that six months lead time, can you identify the first event that will be subject to cost recovery?

**The Hon. S.C. MULLIGHAN:** Perhaps not the first event but a perhaps prominent series of events, and that would be the 2015 AFL season, for example. We would sit down with the SMA, as the venue manager, and talk to them. I guess we have the experience of how this year has gone and the costs of providing that. My understanding is that the 'football' contribution (which I think relates mainly to the SMA but I do know that the two AFL clubs make a contribution currently) is based on what the case was down at AAMI Stadium.

On our best endeavours at AAMI Stadium, a stadium which had a capacity of approximately 50,000 people, with the then Footy Express services, which were bus only, we were moving in the order of about 10,000 people, or about 20 per cent of the capacity. We are, of course, moving numbers far in excess of that. I think the average is somewhere in the order of about 25,000-odd people to and from the game. The costs that are being incurred back at AAMI Stadium and continuing on by football, by the stadium manager, is approximately, I think, \$730,000.

We estimate our cost of providing the free public transport in total at being approximately \$2½ million, so you can see that a significant amount will be made up by them and, as I was at pains to say earlier, it will be up to the Stadium Management Authority and the SANFL and the SACA as their two composite members and of course the two football clubs, which are particularly interested in the AFL season, to work out how to divvy up those costs.

There are varying schools of thought on that, I think it is fair to say. I think there is one view, and I am not necessarily saying it is mine, that if you are delivering 25,000 people for free to an event on your doorstep and you are slugging them \$8.50 for a beer and presumably something in the same

order of magnitude for a hot dog, then you can understand that the SMA may have a significant role to play in meeting those costs.

**Mr WINGARD:** With the greatest respect, if you are not calling it a tax and you are going to charge them \$2.5 million, you cannot keep saying it is for free. It is \$1.75 million that we are making up there, so you can confirm that \$1.75 million will be divided by the two AFL clubs. That will go towards football. That is what you are saying, as far as I can check the numbers.

**The Hon. S.C. MULLIGHAN:** No, that is not what I am saying at all. I am saying that—

**Mr WINGARD:** Football will not pay that?

**The Hon. S.C. MULLIGHAN:** I am saying that the legislation is designed for the venue manager, whether that is the venue manager at Adelaide Oval, being the SMA—

**Mr WINGARD:** In this case it is football you are talking about.

**The Hon. S.C. MULLIGHAN:** No, I am talking about the Stadium Management Authority, which is a private organisation comprised of the SANFL and the South Australian Cricket Association—

**Mr WINGARD:** With the greatest respect, the example you gave was football. That was the example you were referring to.

**The Hon. S.C. MULLIGHAN:** For football games, yes, but let me be very specific and very clear about this. The legislation is tailored at the venue manager. I will give you perhaps another example aside from Adelaide Oval and the Stadium Management Authority—not the football clubs, but the Stadium Management Authority. Another one would be Clipsal and the Clipsal 500. If we are providing public transport services there, the venue manager, which might easily be confused with the event organiser, is the Adelaide City Council.

We would be talking to the Adelaide City Council about delivering in the order of 270,000 to 290,000 people over four days there. Of course, they are going to go very quickly to the event organiser, the South Australian Motor Sport Board, but the reason why the legislation is drafted as it is for the venue manager is to recognise that these are commercial events. The venues are provided on a commercial basis to the event organisers and, as such, the venue manager, the event organiser as well as anybody who may attend those events all may or may not have a role in meeting the cost of that.

I will take you up on this again: just because an amount of money is raised, it does not mean it is a tax or levy. Taxes and levies are amounts that are charged on a consistent basis on a collective group of people. For example, land tax, the emergency services levy, stamp duty and income tax all have prescribed rates which apply either to properties or to individuals on a consistent basis. What I am at pains to point out here is that we are not applying a certain dollar amount on a consistent basis for certain individuals. It may be that people turn up to events—

**Mr WINGARD:** Can you tax a group, though, as well as an individual? Can you put a levy on a group? The Stadium Management Authority might disagree with what you are saying and say they are being levied for their events over 5,000 people.

**The Hon. S.C. MULLIGHAN:** Yes, but it is on a consistent charge that is being applied across all events and for all people who have a commercial interest in those events.

**Mr WINGARD:** If the Stadium Management Authority has an event of over 5,000 people, you will hit them with this cost recovery?

**The Hon. S.C. MULLIGHAN:** No, I will speak to them about their event and see if we need to talk about providing public transport services to them. In the event that we do need to provide public transport services, we would then investigate whether the existing scheduled public transport services are sufficient to meet their needs. In the event that they are not sufficient to meet their needs, we will have a conversation with them about what level of services would be required to meet the needs of that event and then we would have a conversation with them about whether those public transport services should be free or whether they should be ticketed. If they are free or if they are

ticketed, we will then have a discussion about how we would recover the costs for those additional public transport services.

**Mr WINGARD:** Just quickly on that, which might clarify the point here, what about the Australia Day concert at Elder Park?

**The Hon. S.C. MULLIGHAN:** No, we would regard those sorts of large-scale, free of entry, community events which are longstanding as non-commercial events and community events. We would still meet with them, we would still discuss public transport needs, indeed, we may even provide public transport services ticketed or free of charge, but it is our very strong intention that the scope of this cost recovery regime is limited to commercial events and events where there is not a broad community interest. Let me give you another example, the Christmas Pageant. We would want to talk to the Christmas Pageant, but we have no intention whatsoever of talking about recovering the cost of public transport. That gives you an idea of the sorts of delineation that we put between what a commercial event is and what a community event is.

**Mr WINGARD:** Is there any chance you could put a list out to let people know?

**The Hon. S.C. MULLIGHAN:** We have already started doing this. We have been meeting with venue managers and also event organisers and we have been talking through the specifics of the regime because it is very easy for people who are not informed to misrepresent the regime, whether it is by mistake or whether it is by design, as has been the case since the release of the state budget and we clarify the purpose of the scheme and we start commencing having those discussions about it.

As I have said, for those events which have already been organised we are looking not to apply the regime to them. We are also asking people to give us notice at least six months out from their event, so you can see or get the impression that we are putting a fair period of time between now or, indeed, whenever the act becomes gazetted, if and when it passes through the house, and that we will be talking with venue managers about their events.

**Mr WINGARD:** Had specific approval been provided by cabinet or the minister for increased expenditure for free public transport services for football at Adelaide Oval prior to Rod Hook announcing the 2014 AFL season arrangements during the election campaign?

**The Hon. S.C. MULLIGHAN:** I am sorry, I missed the first part of that question?

**Mr WINGARD:** I will slow down, my apologies. Had specific approval been provided by cabinet or the minister for increased expenditure for free public transport services for Adelaide Oval by Rod Hook prior to the election?

**The Hon. S.C. MULLIGHAN:** First of all, as I had to remind the deputy leader who should know better, we do not talk about what may or may not have been discussed or approved at cabinet. Second of all, I am not sure whether the quantum was such that an approval was required and, thirdly, I would have to check if that was indeed given.

**Mr WINGARD:** You will check to see if it was before or after when that decision was made?

**The Hon. S.C. MULLIGHAN:** Once I have worked through—sorry to use a terrible phrase, I just cannot think of anything better—that decision tree, I will determine whether it is appropriate for me to make a response to the committee.

**Mr WINGARD:** That is fine, thank you; the phrase is no problems at all. If I can move on to Budget Paper 4, Volume 3, page 73, investments in new projects. I am just wondering, given your reports on radio today, what the estimated cost of fare evasion in 2013-14 was and what percentage of commuters were fare evaders in 2013-14?

**The Hon. S.C. MULLIGHAN:** The estimated fare evasion in dollars for 2013-14 was \$3.152 million and on a weighted basis we feel that represents 3.77 per cent.

**Mr WINGARD:** Thank you. In comparison to the previous year? Do you have those figures?

**The Hon. S.C. MULLIGHAN:** I do not have that information with me. I would have to check whether we have that information. Perhaps it may help the committee if I provide some background

on fare evasion. The experience of both transit police and PSAs is that fare evasion tends to be more prevalent on trains and trams, for different reasons.

With trains, for example, people may well be riding train services within lines, not necessarily departing at the Adelaide Railway Station and not necessarily boarding at the Adelaide Railway Station, both of which require you to validate your ticket or Metrocard when you pass through the ticket barriers. So, we make an estimate—and it is nothing more than an estimate; we have little evidence to support the estimate—that there is a level of fare evasion that occurs between stations, for example, and that informs our thinking when it comes to trains.

With regard to trams, we have a complexity in that there are two segments of the tramline which are free for people to ride. Between the Entertainment Centre and South Terrace, people are not required to pay to ride that tram service. I think there are also three stops in Glenelg, between Brighton Road and the terminus at Moseley Square, where people are not required to validate their ticket. The concern can be whether people are boarding either in those free areas and assuming a seat or standing somewhere on the tram vehicle and then not doing the right thing once they pass into a 'ticketed zone'.

**Mr WINGARD:** When people are fined in that situation, do you give out expiation fines as well as expiation cautions like the police do? Is that how the fines are handed out?

**The Hon. S.C. MULLIGHAN:** There are a few approaches. Just to close off my earlier point, it could be that people are boarding in areas where they are not required to validate their ticket, where they can travel for free, and then they find themselves in the ticketed part of the corridor. Or it might be the other way around, where people think, 'Well, I'm a few stops out of South Terrace heading into the city; I'll chance it, what's the risk?' They jump on and they do not pay and they travel in to their place of work, for example, into the CBD, without paying. So what we have is both transit police and PSAs and they undertake operations both in uniform and undercover, and they are able to issue expiation notices for \$220 to people who have not done the right thing.

As to the use of cautions as opposed to the issuing of expiations, I have to say that I am not 100 per cent familiar with the prevalence of issuing cautions. My advice is that we do not tend to issue cautions. What we may do in some instances, for example, is if somebody has the incorrect concession or if they claim a concession fare and they are not able to substantiate that they are entitled to that concession fare, we may give them a small window of time to be able to come back and demonstrate that they are in fact entitled to that concession.

**Mr WINGARD:** So unlike the police, who can give an expiation fine and an expiation caution, the transit police or PSAs cannot do that? Cannot or do not?

**The Hon. S.C. MULLIGHAN:** My advice is that generally they do not. It appears that they may have a discretion, because I have some figures here—and this is not necessarily related to fare evasion, I should caution before providing the figures. In 2013-14, there were 4,808 transit incident reports and 3,984 expiations issued. So we are talking about one in six of those transit incident reports. They may be cautions or they may be some other incidents that were not followed up with either a fine or an arrest.

**Mr WINGARD:** So the system is different to the police system? Even when police come on and are involved in these operations that you have had recently, they can give an expiation fine and/or a warning or can they only give the fines, as you are pointing out?

**The Hon. S.C. MULLIGHAN:** I am not sure it is the case that they are restricted and they must provide a fine. I think the advice is that they tend not to issue cautions; they tend to fine people. That is really because, as I spelt out, we estimate that we are losing \$3.152 million in fares through fare evasion, and when you contemplate that we collect in the order of the mid 80s in millions of dollars of revenue, that is a significant proportion, some 3.7 per cent. We need to get the message out there.

We have 60-odd million passenger journeys each and every year across buses, trams and trains, and there are a significant number of people who do the right thing. I get a lot of correspondence into my office, and I know that I have had several members of parliament write to me about this, saying 'Look, this person thinks they have extenuating circumstances, is there any

discretion that can be shown?' I have to say that I get a fair bulk of correspondence which also says 'Do know what really gives me that heebie-jeebies, minister Mulligan? It is that I did the right thing and validated my ticket and I sat there on the service that the government is providing today and saw one or more people board and not do the right thing.'

**Mr WINGARD:** I fully understand what you are saying. I just want one last bit of clarification, if I can, from an official point of view, again just getting clarification between transit police and police from SAPOL that they do issue expiation warnings and fines. If you just give a warning, from a transit police officer or PSA's point of view it is just a verbal; if you are given a piece of paper that is a ticket. Is that the case? I do not expect you to know that, minister, but I am hoping that someone alongside you does.

**The Hon. S.C. MULLIGHAN:** I might have to come back to the committee with an answer because, as you can imagine, the abilities and powers of a PSA are quite separate from the ability of a transit police officer. Transit police are sworn officers with all the same training and all the same powers as a normal police officer; it is just that they are dedicated to the transit corridors and to the public transport system.

**Mr WINGARD:** Could you ask for that answer now for me? Is that possible, to clarify that now?

**The Hon. S.C. MULLIGHAN:** The advice I have—and I am happy to bring back better particulars to the committee on this—is that both PSAs and the police have a discretion to issue a warning. What may happen in other instances is that a name and address may be requested from the offender by a PSA. That is then provided to the regulatory section, and then an expiation can be issued to that person. So it is not necessarily on the spot but it is not too far from the spot.

**Mr WINGARD:** So the issuing officer can make the decision as to whether it is a fine or not, even if the transit person has said otherwise?

**The Hon. S.C. MULLIGHAN:** Yes. My understanding is that they do have that discretion, but that in practice we tend not to use the discretion as far as possible. Of course, I should also make it clear that PSAs do not have the sorts of powers that police do in terms of detention or arrest for people who are not necessarily just fare evaders but who are not doing the right thing on public transport; if there is drunken or disorderly behaviour or antisocial behaviour, or assaults or anything like that.

**Mr WINGARD:** Just to jump quickly to Budget Paper 4, Volume 3, page 95, the 2013-14 estimated result/2013-14 budget. It states that the \$7.1 million increase in expenses is primarily due to the bus substitute service and other operating costs in 2013-14 to support the rail capital program. I am just wanting to know what was the impact on total revenue of the bus strike in February 2014 when SouthLink company bus drivers walked off the job, and was the cost of the strike borne by the bus company or the government?

**The Hon. S.C. MULLIGHAN:** If you think about the impact on revenue, yes, you might think that we were collecting less revenue, but we were also procuring less services from bus contractors. My understanding is that it is just as valid a point to make that if we are procuring less bus services, for which we do not fully cost recover through public transport fares, any cost to the government in lost revenue may in fact be netted out by not having to pay to procure those services.

**Mr WINGARD:** They were still running the services, they were just not collecting tickets.

**The Hon. S.C. MULLIGHAN:** That was an incident that I am aware of, or incidents of which I am aware, but if we are running less bus services, if we are procuring less bus services at a point in time, if as part of a strike action, for example, buses are not being operated full stop, let alone whether they are operating and picking people up, but if they are not being operated full stop we are obviously not paying the bus operator to procure those services. Given that we do not fully cost recover for bus services then whatever cost we may have borne, in theory, through not collecting fares from those other incidents may well have been reduced or even netted out from not having to procure other bus services.

**Mr WINGARD:** Would you mind getting back to the committee with a figure from when they were not collecting bus fares, if there was a—

**The Hon. S.C. MULLIGHAN:** As you can imagine, the way in which we can estimate patronage is through validations, so if people are not paying to ride public transport, they are not validating, it can be very difficult for us to make estimations about patronage, hence it would be difficult to make an estimation of the number of patrons on a vehicle who have not paid, because other than having to sit down and review CCTV footage we do not have a reliable system like the Metrocard system gives us of boardings on buses, for example. So, that may be difficult but we can look into it.

**The CHAIR:** Thank you, minister. There being no further questions for the minister, I declare the examination of the proposed payments for the Department of Planning, Transport and Infrastructure and administered items for the Department of Planning, Transport and Infrastructure completed. I lay before the committee a draft report.

**Mr GEE:** I move:

That the draft report be the report of the committee.

Motion carried.

At 17:02 the committee concluded.