

HOUSE OF ASSEMBLY**Tuesday, 2 August 2016****ESTIMATES COMMITTEE B****Chair:**

Mr L.K. Odenwalder

Members:

Hon. T.R. Kenyon

Ms A.F.C. Digance

Mr S.J. Duluk

Mr E.J. Hughes

Mr M. Pengilly

Mr T.J. Whetstone

*The committee met at 09:00**Estimates Vote***DEPARTMENT OF STATE DEVELOPMENT, \$638,999,000****ADMINISTERED ITEMS FOR THE DEPARTMENT OF STATE DEVELOPMENT, \$10,488,000****Minister:**

Hon. M.L.J. Hamilton-Smith, Minister for Investment and Trade, Minister for Small Business, Minister for Defence Industries, Minister for Veterans' Affairs.

Departmental Advisers:

Mr D. Russell, Chief Executive, Department of State Development.

Mr M. Hnyda, Chief Executive Officer, Investment Attraction South Australia.

Dr P. Heithersay, Deputy Chief Executive, Department of State Development.

Mr M. Johnson, Executive Director, International Engagement, Department of State Development.

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

Dr D. Blackstock, General Manager, Policy, Department of State Development.

Ms N. Slivak, Director, International Engagement, Department of State Development.

Mr P. Klar, Director, International and Higher Education, Department of State Development.

The CHAIR: The estimates committee is a relatively informal procedure and, as such, there is no need to stand to ask or answer questions. I understand that the minister and the lead speaker have agreed an approximate time for the consideration of these estimates. Are we sticking to the timetable? Is there no change to the timetable?

The Hon. M.L.J. HAMILTON-SMITH: No.

The CHAIR: If the minister undertakes to supply information at a later date, it must be submitted to the secretary by no later than 28 October. This year estimates committees responses will be published during the 15 November sitting week. I propose to allow both the minister and the

lead speaker for the opposition to make opening statements of about 10 minutes each, should they wish.

There will be a flexible approach to giving the call for questions. Questions must be based on lines of expenditure in the budget papers. They must be identifiable and referenced. Questions must be directed to the minister, although the minister, at his discretion, may call on an adviser to answer questions. During the committee's examinations, television cameras and the media will be permitted to film from both the northern and southern galleries.

Minister, you are appearing today as the Minister for Investment and Trade. I declare the proposed payments open for examination, and I refer members to the Agency Statements, Volume 4. I now call on the minister to make a statement, if he wishes, but first of all to introduce his advisers.

The Hon. M.L.J. HAMILTON-SMITH: Thank you, Chair, and I thank the committee for its work today. It is very important work. I am here with the chief executive of DSD, Mr Don Russell, who has overarching responsibility for my portfolio execution and implementation in the areas of trade, immigration and international education. I am also here with the CE of the investment agency, Mr Mike Hnyda, who has prime carriage and responsibility for implementing our actions in the investment area.

I also have with me Mr Matt Johnson, who is the Executive Director for trade, immigration and international students and those functions, working closely with the CE, Mr Don Russell. Behind me, I have a very talented group of senior executives from the department—Dr Paul Heithersay and others from the agencies—who will help with today's hearings.

The CHAIR: Thank you, minister. Do you have an opening statement?

The Hon. M.L.J. HAMILTON-SMITH: I will be very brief with my opening statement because I want to give members of the committee as much chance as possible to ask questions. The overarching point I would like to make is that substantial reorganisation has occurred within government in this area of international engagement. I indicated this to the committee last year and the year before.

The government is dead serious about creating jobs and enterprise through trade and investment, through international students and through targeted migration programs. Since I have been the minister, we have had a massive change of approach. We have changed the way we are doing business in all of these portfolio areas. We have reorganised across the whole of government in a number of ways in response to the Premier's direction to reactivate and re-energise this area. So, building on the good work done by my predecessors in this portfolio and by the departments, we have basically taken things to a new level.

We have been working to the analysis that 65,000 jobs hinge on exports in South Australia—that is 65,000 meals on the table—but preliminary analysis for 2014-15 suggests that that figure has risen to 73,000. I am going to test that data more stringently before making it official, but it is a lot of meals on the table, every night, directly linked to the things we are selling overseas. Our integrated approach aims to grow that number of jobs and that amount of investment.

We have strategies for China, India and South-East Asia that go into quite some detail. We have strategies of a different form in place for North Asia, for the Middle East, for Europe and for the US, and we will be talking about that. All of those regions are important to us. We do not put our eggs in one basket. We are approaching a broad array of regions as we promote trade and investment.

We have a record number of businesses attending our trade missions. We have reorganised the whole of government to bring together all of those people who were involved in investment attraction into one agency. We have done it at no net cost to budget because we have simply reorganised the people and resources from elsewhere in government into the Investment Attraction agency at no net cost by just simply reorganising what we do better. I took the view from the outset that I was not going to ask for more money: I was simply going to round it up from across government. The Premier took that view when he announced the agency, and that is what we have done.

We can talk about the success of many of our missions—the Export Partnership Program and the TradeStart system—but I am sure the shadow minister will have questions about all of those things. I would say that, despite the plunge in resources prices in recent years with metal ore exports

falling 34 per cent in the most recent 12 months to April 2016, South Australian goods exports grew over the year, and we are growing faster than the national average led by 12 per cent growth in key food, wine and fibre sectors. Services exports as well are doing extraordinarily well.

In the first three months of 2016, there were nearly 25,000 international students enrolled in South Australia, up 8.3 per cent, and international visitor arrivals grew by 8 per cent. Services exports generate about four times more jobs per dollar than goods exports, by the way. We can talk about our immigration program. We have targets of 2,400 annual skilled migration nominations and 250 business migrants. I am happy to entertain questions on those and also about the Investment Attraction agency, which I must say has hit the ground running and achieved really good results. We aim to do a lot, lot more.

We work very closely with PIRSA, Defence SA and other arms of government in all that we do because promoting jobs through investment and trade is a whole of government responsibility. It is a combined effort across the whole of government, but I think the scores are on the board and we are getting results. Considering the fairly modest amount of resources that we as a state deploy in this area compared to some other states because we simply do not have the budget scale of the biggest states, we get disproportionate results. I just want to thank all of the people in my departments and agencies who have made all of that possible. Those are my opening remarks, and I am happy to have questions.

Membership:

Mr Gee substituted for Hon. T.R. Kenyon.

The CHAIR: Do you have an opening statement, lead speaker?

Mr WHETSTONE: Straight into questions, please. Minister, I refer to Budget Paper 4, Volume 4, page 106, under Financial commentary. There is \$400,000 in extra expenditure to advance the South Australia China Engagement Strategy by increasing the state's presence. Can you provide a breakdown of how that extra money will be spent?

The Hon. M.L.J. HAMILTON-SMITH: I thank the member for his question. We have made a decision to increase our presence in China to build on the success that we have achieved there. I would make the point that we took over 300 people to China this year; it was around 250 last year. The interest in selling goods and services into China is extraordinary and Shandong is a crucial part of that. We have also taken account of the Hartley Review from some years ago. In fact, I recently produced a report on that review and outlined that we have achieved nearly all the recommendations set out in that Hartley Review in regard to the reorganisation of our overseas offices. DSD operates a stand-alone office of one employee, at the moment, in Jinan, primarily to support the state's relationship with Shandong.

We have a representative in Hong Kong and a representative in Shanghai embedded with Austrade on behalf of DSD. We went away from the large, expensive and inefficient office that we had in Shanghai that simply was not working and, on the basis of the Hartley Review, started to reorganise things. We have a service level agreement with Austrade. These representatives are in addition to three positions operating from the Adelaide DSD office and report to the Adelaide-based China director.

The 2016-17 budget allocation to which the member refers—and there is another amount, I think in 2017-18, ongoing—has been provided in this year's budget to increase the state's representation in Shandong and to subsume what was the SinoSA House initiative in Qingdao. What we are proposing to do is: we have our person in a fairly modest office in Jinan at the moment. It is not big enough and it is not appropriate enough, I think, for our representation, so we are going to move that office across the road into better accommodation that is more professional and more suited to supporting businesses as they come through Shandong. I am also going to hire an additional person for that office who will support the chief representatives so that we have a better structure.

We also have two locals employed in a smaller office in Qingdao. We are just giving consideration to that—that was done under the auspices of Bio Innovation SA as a separate initiative; that has been reallocated to me—and we are just going to rationalise how we deploy those people on the ground while maintaining our person in Shanghai and Hong Kong. The amount to which the member refers has to do with reinforcing that presence in China. We are doing it in Shandong, while keeping a presence in Hong Kong and Shanghai, because it is delivering results in terms of jobs and enterprise for the state. It is being held up by our mission overseas—the Department of Foreign Affairs and Trade, and Austrade—and by the two national governments as probably the best example of some national level cooperation between Australia and China that is in existence. No other state is doing it as well as we are.

The general thrust of it is that if we go fishing, as we try to sell our goods and services, where everybody else is fishing, we will be competing for the same catch. When we go to Shandong, we are going to ground pretty much where only we are fishing and as a result we are getting disproportionately strong results. So that is what that money is for, it is to reinforce our presence there. I am very cautious about throwing money at offices; that is why we do not have very many. We have one in London and we have a small one in Jinan. We are not going to waste money setting up many embassies all around the world that just chew up millions and millions of dollars' worth of resources and deliver very little, only to find that after a short period of time the people are out of touch because of government regime change or just general time. Our offices were not working, Hartley was right, we have made the system more efficient, but now we are going to ramp up our presence in Shandong, and that is what that money is for.

Mr WHETSTONE: You say that the previous offices were not working. Is that primarily due to, as you have just explained, the position of the office or because the offices were not staffed?

The Hon. M.L.J. HAMILTON-SMITH: There are a number of reasons. The Hartley Review goes over those reasons in some detail. The government had set up offices in places like Chennai in India that were costing quite a lot of money. They were very expensive and there were limited benefits flowing from those offices. We had also set up offices in places like the Middle East and various parts of Asia and even South America that were touted to be offices, but when Hartley put the microscope over the effectiveness of those offices they were found wanting.

That was equally true in Shanghai. The office there had become less than effective, and Hartley pointed to this. The government has not ruled out reinforcing and growing its presence in China and, in fact, that is exactly what we are doing with this amount of money. We are now going to expand that office and put extra people in it. However, there was a lack of an overarching strategy and an overarching system in the way that we had established our office representation. It is not a given that by establishing an office in a country you will get a better outcome. That is not a given at all. It needs to be subjected to a rigorous business case. What we have found by embedding people with Austrade is that we have access to Austrade's broader global and national network. When we go there our person is working inside the tent with the federal government.

May I just commend the former minister for trade and investment, Andrew Robb, who, from my experience in the first two years I was in this portfolio, provided extraordinary leadership in this area with his Team Australia approach. He made sure that Austrade was there for the states as required and was full of support and encouragement for the way that South Australia was approaching things. Mr Gosper, the head of Austrade, has been absolutely fantastic, as has Austrade as a whole.

We found that embedded model to be better. For example, in Indonesia I think Victoria maintains an office with 17 people in it in Jakarta, I am advised. It would be interesting to know exactly what those people do and how effective that office is, but we are putting one person into Jakarta into Austrade, and I expect that we will get a very good result from that running things out of here. We have just gone to a different model. We have kept the office in London, we are keeping the office in Jinan and we are expanding the office in Jinan, but we do not see a need to set up offices all around the globe and we actually do not think that that will help and that it will just drag a lot of money out of the budget that would be better spent supporting small businesses to sell their goods and services through programs like the Export Partnership Program.

Mr WHETSTONE: Minister, surely you are not comparing the performance of an office with one staff to an office with 17 staff.

The Hon. M.L.J. HAMILTON-SMITH: Yes, you do have to compare the performance. You have to subject these things to a rigorous business case. If you are going to put an office of 17 staff together you have to ask yourself: what will those people do? What will each of those 17 people do? What will be their job descriptions and their duty statements? How effectively can they do their job acting independently and separate to the national government?

I believe that when we are overseas trying to sell our goods and services we are perceived in market as being Australians. We are part of Team Australia. They see us firstly as trying to sell Australian goods and services. Within that we then position ourselves as South Australians and the doorway to Australia and so on. However, what the federal government—and this is successive federal governments and particularly under Andrew Robb—does not want is all the states over there competing with one another and muddying the Australian brand by trying to position themselves and jockey with one another for position. By all means do that and promote jobs and enterprise in their own states but do it under the Team Australia banner.

That is certainly the view that the Coalition took and I think it was the right one. My initial dealings with Steve Ciobo suggest that he will adopt the same approach. It is with the full recommendation and support of Austrade and DFAT, and I think it is pretty much a thing that has been agreed to by successive federal governments. Where it is appropriate to have a big office, we will have one, and where it is not appropriate we will deploy the money more effectively to get results for small businesses back home with things like the Export Partnership Program and TradeStart.

Mr WHETSTONE: Minister, how many trade representatives do we have currently in China? Can you give me a breakdown: part-time, full-time and the number of stand-alone employees as opposed to embedded?

The Hon. M.L.J. HAMILTON-SMITH: I will just run over that with you. We have an embedded person in Shanghai, Julia Zhu, who is an absolutely outstanding representative for us. She is located and embedded with Austrade in Shanghai. The estimated full cost of positioning that person there, when all is taken into account, is \$287,659, and I have budgeted \$246,000 for 2016-17. I do not know why it has come down, but it is an averaging.

We have another officer embedded in Hong Kong with Austrade. The cost of that position last year was \$219,583; it is around the same next year, slightly less, \$215,000. Jinan: we have, as I mentioned, one person, Fion Jia, who is absolutely fantastic, but I am going to put someone else in there with her and I will regroup the two staff we have in Qingdao and reorganise them. We budgeted \$132,000 in 2015-16, but I have \$822,000 there for next year.

Our office will be based in Shandong, but it will be the office for the whole of China, and there will be a loose dotted line between that office, Shanghai and Hong Kong. We do not have anyone in Beijing, but we have engaged the services of an in-country adviser, Mr Brendan Mason, who formerly headed up Cochlear, the Australian company, in China. He is a very talented person and based in Beijing, but he deploys to wherever we need him in country as required, so we do have someone in Beijing upon whom we can rely.

We have three staff back in DSD on the China desk, as well as Mr Johnson on my right. We have a very hands-on approach running things from back here, and we use our people in country to help facilitate our inbound and outbound missions to support companies as they come through.

Mr WHETSTONE: I refer to Budget Paper 4, Volume 4, page 107, under Financial commentary. An additional \$1 million was spent on the implementation of the South East Asia Engagement Strategy. Regarding the state's overseas presence in South-East Asia, South Australia has advertised for Austrade employees in Jakarta and Bangkok: have they been appointed?

The Hon. M.L.J. HAMILTON-SMITH: First, the implementation of the South East Asia Engagement Strategy was the good work of my predecessor, the Hon. Mr Kenyon, in putting together that strategy. However, the implementation of it largely has fallen to me. When I became the minister we had virtually no representation embedded in any of the South-East Asian countries, although the government does fund positions through Food SA, and tourism has certain representations in

South-East Asia. PIRSA has from time to time had certain representations, so there was a presence, but in my opinion it needed to be professionalised.

One of the first things I did was access a strategic adviser in Malaysia, Mr P.K. Chin, and an additional budget allocation was made for China, as I mentioned. I also looked to secure additional funding (and you have mentioned it and pointed to that budget figure for South-East Asia) to improve our presence in South-East Asia.

I am intending on behalf of the government to put an embedded officer into KL, Malaysia, into Singapore, into Bangkok and into Jakarta. We will reserve our judgement at this stage in regard to Vietnam, the Philippines and certain other South-East Asian destinations. Where are they at the moment? Applications were sought. The assistance of Austrade was engaged. A shortlist was received. We had about 20 to 50 applications for each role. I can provide the exact number if required.

In Jakarta, round one interviews have been completed, and round two is to be run this very week. In Malaysia, we agreed to a position. That position is in transition and will be filled by a current employee of Austrade, who will be switching over to us. In Singapore, we have had someone in the role for three weeks, Ms Abby Chan. In Thailand we have offered someone the position. We are going through security checks, and that person should commence in mid August.

In the recent trade mission that was organised by my agency to South-East Asia that went to Singapore, Malaysia and Thailand, and which I asked the minister for primary industries to head up, all of those positions, all those people that we have identified, were involved. Within a few weeks, we will have someone on the ground in Singapore, Malaysia, Thailand and Jakarta. That will give us a complete network throughout South-East Asia upon which we can rely as businesses come to us wanting to grow their presence in those countries.

It is, by the way, an area of enormous potential. Exports were valued at \$1.9 billion in 2014-15 from South Australia to the region. The two largest export categories by a significant margin were food and live animals, and manufactured goods. Remember that this is 10 countries in the ASEAN region, including Timor-Leste. The region is at a critical and transformative stage and is growing rapidly. Our goal is to make sure that we have someone on the ground dedicated completely to us, who can be responsive to our office here and our companies as they deploy to the region selling their goods and services, and provide support for trade missions. It will be done at a fraction—an absolute fraction—of the cost of setting up full representative offices.

If you can imagine the difference in cost between maintaining a full mini embassy of 17 people in Jakarta—which the Victorian government is doing at an extraordinary cost—and putting one highly qualified individual into Austrade embedded and running things out of Adelaide, we are getting an extraordinary bang for our buck and doing things much, much better. At the same time, we are in the tent with the commonwealth government as part of the Australian team rather than paddling our own canoe from outside with all of the problems that brings with it.

Mr WHETSTONE: In last year's estimates, officers were going to be considered, or you stated that they would be considered, being embedded in Singapore and Malaysia at a cost of \$570,000, yet only \$80,000 has been spent on the two positions. Where will the rest of that money be spent? Last year you stated that officers were being considered at a cost of \$570,000. To date, less than \$80,000 has been spent on the two positions in Singapore and Malaysia. Where is the \$490,000?

The Hon. M.L.J. HAMILTON-SMITH: We budgeted a certain amount in anticipation of hiring people. In the process, we then had to negotiate with Austrade a service agreement. How that works is that we do not get Austrade's space for free. We need to hire office space, computers. There is a support level agreement. They charge us far too much, I hasten to add. This is an ongoing thing between me and Austrade. I do not think they should be charging quite as much as they are, but we understand that by lodging into Austrade we need to pay our way. As I have just mentioned, though, clearly it has taken some time for the in-service agreements to be negotiated, so all of the amount to which you refer has not been expended, but it will be in the current financial year.

Mr WHETSTONE: There is no funding in the budget for these two positions in Singapore and Malaysia.

The Hon. M.L.J. HAMILTON-SMITH: That is not correct. Under the South East Asia Engagement funding, there is adequate funding to provide for all of the positions that we refer to, and I will give you some detail. The cost of the international representations will be met within the South East Asia Engagement Strategy budget, which is referred to in the budget papers 2016-17. It will be \$250,000 for Singapore, around \$170,000 for Malaysia, \$164,000 for Thailand and \$150,000 for Indonesia. Investment Attraction South Australia will contribute \$164,000 to the operation of some of these offices, with a focus on Singapore as Investment Attraction facilitation, and the provisional actuals for 2015 for the South East Asia Engagement Strategy are around \$1.2 million.

I would also remind the committee that the South Australian engagement strategy is also supported by Mr P.K. Chin, senior adviser South-East Asia. The cost of engaging Mr Chin, including fees, travel, accommodation and other expenses in 2015-16, which is included in the South East Asia Engagement Strategy budget, was \$47,744. So the money is there under the South East Asia Engagement Strategy budget. We do not pay any more than we have to. There is a differential from place to place because you can hire advisers more cheaply in some destinations than in others, and it is significantly less—significantly less—than engaging consultants to do this for you or setting up your own office, which brings with it extraordinary cost.

Mr WHETSTONE: Minister, your prudent spending and savings seem to be more of a priority than actually driving our export values. When we look at what the values are here in South Australia, we start at a very low base. Yes, we are working towards improving those numbers, but all I hear is a focus from you on Austrade charging too much, trying to save money. You are taking an extended period of time to bring employees into our trade offices, or the embedded offices. That seems to be your focus at the moment.

The CHAIR: I did not hear a question in that speech, but the minister can explain if he chooses to.

The Hon. M.L.J. HAMILTON-SMITH: Yes, thank you, I am happy to answer it. It is loosely related to how prudently we are managing the budget that we have in the papers, and actually it is a good question. The answer to it is that, as a responsible minister, I make sure that every single dollar my agency spends is well deployed. I am not up for waste. I am not up for pet projects. I am not up for the expenditure of money on chasing rabbits down burrows because somebody thinks it is a good idea. It is always a challenge because occasionally, I must say, people do come up with ideas that can cost a lot of money and may not deliver results.

However, you correctly observe that in my agencies we manage every dollar down to the last cent, and I apply a test to it, and that is: what will this expenditure, what will this dollar do to create an extra job or some extra investment in a business back in Adelaide? If the agency cannot give me an answer to that question, I say no, because it is all about jobs. In fact, I think they are sick of me asking: how many jobs will this proposal create?

Mr DULUK: It is because you are a good Liberal, Marty, that you are actually fiscally responsible.

The Hon. M.L.J. HAMILTON-SMITH: Well, that is it. It is because I am a cranky Conservative and I probably frustrate the living daylights out of my Labor colleagues. I am the cranky businessman around the table, the cranky Liberal, and I am always saying that I used to run a small business—

Mr PENGILLY: You are not a Liberal.

Mr WHETSTONE: You are not a Liberal. Gee whiz.

The Hon. M.L.J. HAMILTON-SMITH: Well, it may come as a shock to members on my right, but they do not own the word 'Liberal'—

Mr WHETSTONE: Come on, let's just get on with it; we do not want to hear about you. It is not about you.

The Hon. M.L.J. HAMILTON-SMITH: —any more than they own the word 'Conservative'.

Members interjecting:

The CHAIR: Order! Are there any more questions?

Members interjecting:

The CHAIR: Order! Minister.

The Hon. M.L.J. HAMILTON-SMITH: I will not respond.

The CHAIR: Thank you, I appreciate that. Are there any other questions, or shall we close down?

Mr WHETSTONE: I would really like to ask another question. Relating to jobs, with the state government's engagement strategies, why did the state government award a contract to a New South Wales business, Phassion Corporation, to conduct the update of the India engagement strategy? Were there no South Australians qualified, to create jobs in South Australia?

The Hon. M.L.J. HAMILTON-SMITH: Thanks for the question; I will get some advice. I am advised that a Sydney-based company was engaged to assist with the review of the India strategy. I am advised that the amount deployed was around \$15,000 and that it was part of a broader review being conducted by our special adviser on India, Mr Brian Hayes QC, and that was because I felt that after two years of deploying the India strategy we needed to ask ourselves whether it was working or not. As a general principle, I like to get an outside opinion.

We can review ourselves and sometimes come up with the agreed orthodoxy. I often ask my agency to ensure that we have an outside opinion, but I do not micromanage the agency. That decision was not referred to me, it was a decision made competently by Mr Johnson, on my right, under the guidance of the CE of DSD. The general guidance I have given them is I want a genuinely independent fresh review of what we are doing so that I can find out if we are on track or not.

They made that decision, they felt that was the best way to get a good review done of the India strategy. It is a small amount of money, \$15,000, and that was a call the department made, and I think the review was quite effective. Remember the strategy was launched in October 2012, and the review process that occurred in 2015 was a very important part of making sure we were on track and, as a result of that work, and partly brought about by that \$15,000 expense to a New South Wales company, some national engagement through the new sister state arrangement for Rajasthan was signed in 2015, driven by a cooperative action plan.

This is a sector-driven approach. Our relationship with India and particularly Rajasthan has gone from strength to strength. Some people argue, and when we get onto industry participation and small business I can make this point, that we should never spend a dollar of the state taxpayers' money outside the state. Well, if we did that and other states reciprocated, get ready to see a lot of job losses in South Australia, because I can tell you the biggest trading partner for business in this state are the other states. In fact, there is quite a gap.

Mr WHETSTONE: Haven't we got the highest unemployment in the country?

The CHAIR: The minister clearly does not need to answer that question.

Mr WHETSTONE: Would you like answer that?

The Hon. M.L.J. HAMILTON-SMITH: My understanding is it's around 7 per cent.

The CHAIR: Would I like to answer that? I am not here to answer questions, member for Chaffey. Do you have any more questions on the budget?

Mr WHETSTONE: I certainly do.

The CHAIR: Okay, well carry on.

Mr WHETSTONE: Minister, with outbound trade missions, the highlight was taking 280 businesses on outbound trade missions. What is the budget allocation for 2016-17, and also can you give us the outbound business budget for the business mission program for 2017-18?

The Hon. M.L.J. HAMILTON-SMITH: I thank the member for his question. It is a very important one, because the government has completely reviewed and reorganised the way it does business in regard to outbound and inbound trade missions. In the past, and this was true of

successive governments, and it goes back to the 1990s (and it was no different when there was a Liberal government as to Labor) missions were often conducted based around the availability of the Premier or the minister to go on a particular mission at a particular time, subject to the parliamentary calendar and other considerations. Businesses were often asked to attend and participate at short notice and there was often irregularity and gaps in our presence, and there was no real overarching strategy.

I think the government's decision to implement the China strategy, the India strategy and the South-East Asia strategy brought a system to how we were doing things. Then the Premier's direction that he wanted a better coordinated and better organised international engagement strategy, his leadership on this, after the last election in particular, brought about a change of thinking. That change of thinking was manifested and built on the recommendations of the Hartley Review, because Hartley made the same point, that there needed to be a better system in place for missions.

What I did, based on that direction from the Premier, was come up with a calendar of regular outbound missions to every major trading precinct, and a regular system of inbound missions. As a consequence, we are now going to China regularly, every year around April/May; we are now going to India every year around August; we are going to South-East Asia twice, in two packets, every year at around the same time. We will be going to the Middle East; we will be going to North Asia and we will be going to Europe, and North America, at the same time every year.

People will know in advance when the trips are on. We put out a calendar in 2014 for 2015. We have put out a calendar in 2015 for 2016, and I am going to put out a calendar in 2016 for 2017. Government will be able to budget ahead, businesses will be able to budget ahead, and, most importantly, our trading partners know when we are coming back and know that we are fair dinkum and that we want continuity in our relationship. The missions are funded within our engagement strategy. Approximately \$2 million was spent on seven to eight missions in 2016-17. That is a minuscule amount of money in overall budget terms, and compared to other states, but it is getting an extraordinarily strong result—so that was for 2016-17.

Now I am just going to run through the amounts that were deployed in the current year, and these are estimated, because the bills are still coming in, if you like, in some cases. For the China mission in April, we spent around \$352,000; South-East Asia/Malaysia/Thailand/Singapore, we spent about \$380,000—that was in 2015 by the way. The 2015 mission in August to India was around \$430,000. The South-East Asia mission to the Philippines/Indonesia/Vietnam in May/June 2016 was around \$255,000. In overall terms, these are small amounts of money, given that we have, as I mentioned earlier, towards 75,000 jobs now hinging on this activity.

I hasten to add, these are not the only things that we are doing in these countries. We have a core-hinge outbound mission, but there are other missions that go overseas in between times. Sometimes they are sponsored directly by business associations or they are businesses themselves, going at their own expense. Sometimes they have government involvement, but they are not the only thing we are doing, but they are a principal core foundation to outbound, that our friends overseas know are coming on every occasion.

I will just repeat some of the outcomes: China 2016, the delegation of 181 business representatives secured more than 370 new business connections, 13 export deals valued at more than \$5 million, 130 export leads, which we hope will be worth \$50 million to the South Australian economy. In August 2015 the Premier and I led 114 businesses to Singapore/Malaysia/Thailand. The mission provided powerful points of government engagement. It included Penang, where we have a sister relationship. In August 2015 I led a mission to India—83 delegates—it will be more this time—over 100—we are going next week—as well as laying the foundations for the sister state relationship, and so it goes on.

Businesses themselves are reporting back to us the success of these missions. Sometimes they are businesses that are already trading in these countries that want to grow their presence. Sometimes they are businesses that have never been, but they see an opportunity and we pave the way for them and they go back and do good things. Some of these businesses are private. Some of them are semi-government.

For example, TAFE is doing business overseas. Our universities are doing business overseas, rounding up students. It is our fourth biggest export. Even the arts community is doing business overseas; people like Artlab are doing business overseas. It has been extraordinarily successful but, most importantly, our food and wine producers are doing good business overseas, and these missions are pivotal to them.

Mr WHETSTONE: But those businesses you are referring to were already doing business overseas before you have come along.

The Hon. M.L.J. HAMILTON-SMITH: In some cases, that is correct. In other cases, it is not correct. We are taking quite a lot of businesses that have never been before and we are taking businesses that are already exporting to new destinations. Let me give you an example. In places like China—and just ask anyone in Austrade or DFAT about this—the government to government side needs to be right before the business to business side will be right.

If the government to government side is right, doors start to open. Very few of our companies that are trading in China would be trading in China if the Chinese government did not want them there and if relations were not right, so it is not correct to say that businesses can just be left to their own devices. Larger businesses certainly do better. For example, bulk grain, bulk commodities, minerals and ores constitute a large proportion of our exports. They are big companies—multinationals, in some cases, if you look at companies like BHP and Rio. They do not need a lot of help from us, although Santos certainly appreciated our help recently in Indonesia and Vietnam.

It is the smaller companies, the SMEs, that really need our help. It is the SMEs employing fewer than 20 to 30 people that find it very difficult to just cold canvass in countries like China and in South-East Asia and really welcome the doors we open. By the way, in our business missions, we match—for example, in food and wine, we took something like 20 wine producers to Yantai, Linyi, Qingdao and Jinan in China. In Yantai, in particular, which is a big wine-producing area in China, when I was there, we had about 20 wine producers and it was like Tasting Australia. The room was full of buyers.

Some of these wine producers had never exported before. They had never been overseas. One lady I spoke to sold her entire stock for a year from the McLaren Vale on the back of that one mission, and they cannot wait to go back, having broken the ice and seeing that it can be done. The contacts they make—we line up, through Austrade, the buyers and the matching businesses and, in that matchmaking process, people work out who they want to do business with and go ahead and do it. It does work.

Mr WHETSTONE: What was the whole-of-government total spend on our overseas outbound missions?

The Hon. M.L.J. HAMILTON-SMITH: I am advised that our total spend on overseas missions in 2015-16 was \$1,663,329.

Mr WHETSTONE: Is that for all the missions?

The Hon. M.L.J. HAMILTON-SMITH: Yes.

Mr WHETSTONE: All of government costs? Every department?

The Hon. M.L.J. HAMILTON-SMITH: That is the costs deployed by the Department of State Development for which I am responsible. If you wanted to know—

Mr WHETSTONE: I am talking of whole of government.

The Hon. M.L.J. HAMILTON-SMITH: You will have to ask others what they have spent. We would be the principal investor, so that would be most of the amount but, for example, there may have been some expenses by PIRSA or by Tourism, which I would not have oversight of. You could ask those questions of the Minister for Tourism and Agriculture, Food and Fisheries.

There may have been some expenses by DPC or others on international engagement over which I would not have purview. You can ask them that or you can put a question on notice to DPC and we will endeavour to get a whole-of-government response. But that is the amount that DSD has

spent and we run these trade missions. We are the principal investor. I could happily spend two or three times that amount and get two or three times the result, but—

Mr WHETSTONE: I am not asking you to do that. I just thought you might be able to give me the numbers for the whole of government. Obviously, a lot of different departments travel on these trade missions, and there must be some form of a collective amount of money that the state government spends on trade missions.

The Hon. M.L.J. HAMILTON-SMITH: If you would like to put that question into a form that is on notice, I am more than happy to pursue an answer for you, but some aspects of that I will not have overview of.

Mr WHETSTONE: Just on the trade missions, where is the money from the \$200 non-refundable registration fee spent?

The Hon. M.L.J. HAMILTON-SMITH: I will ask Mr Johnson to put that figure together and come in with it at the end, but that was a very prudent suggestion to me from the agency. When we started these missions, I think the largest number we had previously ever taken to China, for example, was around 40 or 45, perhaps 60 at the most. I came back from my first reconnaissance as minister and said, 'Let's triple or quadruple,' and we agreed that we would aim for 200 or 250.

We noted what other states were doing. We noted that Victoria, for example, as we understand it, was taking large supermissions off overseas and actually paying people to attend. They were actually paying their airfares, filling up a jumbo jet or a plane, and taking hundreds of people off. I am not sure what results they were getting.

Mr WHETSTONE: Very good results, minister.

The Hon. M.L.J. HAMILTON-SMITH: Were they?

Mr WHETSTONE: Yes.

The Hon. M.L.J. HAMILTON-SMITH: Well, that is interesting because they have stopped doing it, so it could not have been that good.

Mr WHETSTONE: They have changed their strategy with the markets they already have but, anyway, I do not need to give you commentary.

The Hon. M.L.J. HAMILTON-SMITH: Let's go on.

Mr WHETSTONE: Let's get on with the questions.

The Hon. M.L.J. HAMILTON-SMITH: The feedback that I got from in country was, if you pay for people, if people get something for free, from my experience, they often do not appreciate it quite as much as they do if they have had to pay for it themselves. I was concerned, I must say, that we would not get the uptake in these missions and that we might have to consider assistance. I was pleasantly surprised at the response, so much so that I felt that it was appropriate to accept advice from the department that we should charge a nominal fee.

The reason is that we run dinners, we run functions and we run events that cost money, so we started charging participants for China \$200 each, and I think it applies to the other missions as well. This is the amount of revenue we have had as a consequence: from China, \$40,400; from South-East Asia, in May-June 2016, \$11,000; from the South-East Asia mission in July 2016, \$2,400; and, from India, \$8,000, making a total of \$61,800. All of that money has been deployed to offset the cost of the missions.

It goes nowhere near covering the cost of the missions, but it does return to the taxpayer \$61,800, and my view is that the companies hope to achieve a benefit from it, and it is only reasonable that they should be asked to pay a nominal fee. It is pretty nominal, but it also sorts out who is serious and who is not. There is no point in taking a company off overseas if they are not genuinely committed to selling their goods and services. Apart from the \$200 fee, we go through a process of ensuring that they have an export-ready plan, and they are not just coming along on the trip for a junket. I do not think any of the participants that we have had come on our trips fall into that category. I think they are all dead serious.

Mr WHETSTONE: Minister, there were 280 businesses, as you said, that went on state government trade missions in 2015-16. Why were only 15 supported to achieve the export success as per your targets?

The Hon. M.L.J. HAMILTON-SMITH: Can you just refer me to the budget paper?

Mr WHETSTONE: Budget Paper 4, Volume 4, page 108, under Performance indicators.

The Hon. M.L.J. HAMILTON-SMITH: I am advised that the answer to your question is that there are certain companies who, after attending a trade mission, come back to us and say, 'Right, now I need further help. I really want you now to provide a tailored and targeted package of assistance and support to my business alone, because I intend to go back separately for a further mission of my own to grow my business in country.' In other words, there are various outcomes from our trade missions. One might be a direct sale between an Australian or a South Australian company and a buyer in China, another might be the start of a big idea for that business. So, with certain companies we sit down and provide a more targeted package of support to help them grow their business.

In the FCAP we have signed with Shandong—the cooperation agreement—both jurisdictions have agreed to support a certain number of companies to do certain things in the way of selling goods and services to one another. That is the level of support to which this figure refers. We targeted to support 10 companies to an additional level; we did 15 and we aim to do 30 next year. There is another column above the line to which you refer that talks about support to South Australian companies to achieve export success. This is another level of support that we are providing.

So we support all the companies that come on the mission and then we sit down with a smaller number and go into things in far more detail, at their request. So we are actually supporting far more than that figure, but this deals with another layer of support. An example is Anderson Hill winery, which made its first-ever export deal with China on our mission in April and which we are engaged with in terms of providing that further level of support.

Mr WHETSTONE: These businesses that meet your target: are they all businesses that have been on your missions or are they stand-alone businesses that have not asked for government support?

The Hon. M.L.J. HAMILTON-SMITH: We will help anyone who comes our way. For example, we get applications for export partnership and program grants from companies that have never been on a mission. Where we get TradeStart inquiries from companies that have not been on a mission, we encourage them to come—sometimes they need it, sometimes they do not. No-one is making them come, they can do their own thing. Provided they come up with a cogent plan to sell their goods and services in country and create jobs back here, we will support them no matter where they come from.

Mr WHETSTONE: Yes, but are those companies that are not using your assistance part of your targets?

The Hon. M.L.J. HAMILTON-SMITH: The companies that we are assisting have engaged with us in one form or another, either by coming on a trade mission with us or by applying for one of the grants I mentioned earlier—EPP or TradeStart—or by coming to us and seeking assistance in one form or another.

Mr WHETSTONE: That is not the question that I asked—

The Hon. M.L.J. HAMILTON-SMITH: They come to us in different ways.

Mr WHETSTONE: That is not the question I am asking. What I am saying is: are companies that do not use government support part of your target's numbers?

The Hon. M.L.J. HAMILTON-SMITH: Well, we do not know about them. If we do not know about them at all and they have had no contact with the state government, then we are relying on ABS information to tell us about their activities. In other words, if we do not know about their existence or their export activities—and there are ways for us to find out, but we do not know what everybody is doing—then they may not be within our purview. The companies that we have listed in the budget paper on page 108 are companies that we know about, that have come to us for support. I might just

point out to the member that TradeStart signed up 63 first-time exporters as clients in 2015-16, and 22 of the Export Partnership Program applicants in 2015 were first-time exporters.

The point you made earlier about 'people are just exporting anyway and they do not need our help' is not quite borne out by those figures. I would just make the point that the ABS's most recent figures on exporter numbers for 2014-15, only released a few weeks ago, show that South Australia had 78 more exporters than in the previous 12 months. So what we are doing is working based on that information, because 78 exporters—who knows how many they are employing—is a pretty good growth off a small base in South Australia. It is about 3.5 per cent growth in the numbers.

I must say that one of the things that I was not completely happy with when I first took over this portfolio was the amount of data that we had available, the science that we had available to us on exactly how many companies were exporting and to where. I commissioned a process to make sure that we had better science and data and the agencies embraced that fully and we now have a better understanding of who is trading and to where they are trading. It is still a work in progress but we are getting better at it, and I think these figures bear that out.

Mr WHETSTONE: In estimates last year you stated that there was \$100,000 budgeted for a North Atlantic director to be appointed in January of this year. This has not happened. Is that funding still available? If it is, where, and when will you appoint a director for North Atlantic?

The Hon. M.L.J. HAMILTON-SMITH: I am glad you asked this question because there has been significant change in this area. At last year's budget estimates my thinking was to commission a North Atlantic strategy, and the idea was that we would group Europe and North America together and use our office in London, which is reasonably well resourced, to run both and that we would run a coordinated North Atlantic approach.

A number of things came along to change the way we were thinking. One of them, of course, was the decision to award the submarine contract to DCNS in France, and a broader desire by government to use that as a platform to extend the reach of our trading and international engagement with Europe, and particularly with France. The other thing that happened was that the downselect for the frigate program pointed to an Italian, a Spanish or an English frigate, and the downselect for the offshore patrol vessel program pointed to either a German or a Dutch offering.

That put the emphasis very much towards Europe. It was my view, on the basis of that, that we needed to move away from the North Atlantic approach and adopt a separate strategy for Europe and give it a particular focus and treat the United States and North America separately. So we are no longer continuing with a North Atlantic strategy. We will have a Europe strategy and we will have a strategy for North America and America generally.

We did provision for a person to fill that role within the agency a year ago. I must say, though, that on the basis that we have a good office in London that is well resourced, I decided not to spend that money until it was absolutely necessary because we have a couple of very good people operating out of our London office. I have just come back from Europe and I am thinking about, apart from Bill Muirhead, the Agent-General, the very good services of Mr John Rees and Mr James Mraz. Mr Rees is a French speaker and is more than able at the moment to help us with what we are doing in France.

South Australia's exports to Europe are pretty important. It is about \$1.4 billion in export merchandise for South Australian businesses over 12 months. I would like to see it increase; it should be more. I think we have not put enough effort into Europe and I think we could do more. South Australia's exports to Europe increased by 13.5 per cent in the 12 months to December 2015, so the timing is right to be more aggressive in pursuing opportunities in the region. South Australia hosts about 100 European companies that have invested in the state, but our thinking now is that our first priority focus in Europe is France, given the DCNS opportunity—it is a massive one—so we are building a comprehensive French strategic coordination plan within the Europe strategy, and I am advancing that through the processes of government at the moment.

The Department of State Development will engage a director in 2016-17 who will work here in Adelaide to lead input into this work and to plan and deliver the business mission schedule

established in the region. The director will be supported by the Office of the Agent-General in London. Mr Johnson, on my right, was the former deputy agent-general in London, so he (and, through him, the agency) have very thorough knowledge of how to do business in France and Europe generally, but we will basically spend the money when the money needs to be spent and we will ramp up our engagement as the opportunities unfold.

I have just completed a mission to France and to England and will be going back in October for Euronaval, the major naval expo in Paris, and SIAL, the major food expo in Paris, with a large outbound trade delegation. Over the coming year we will be hiring someone, and I will have more to say about that when we get to that point.

Mr WHETSTONE: So, you are going to hire someone—is this extra staff in the Agent-General's Office in London?

The Hon. M.L.J. HAMILTON-SMITH: No, that person will work here. I prefer to run things as much as we can from Adelaide, because that way I make sure that the agency and our outcomes are responsive and well managed. We can do most of what we need to do from Adelaide by having the right expertise. We then need people in country to give it effect.

The wrong way to go, and a way to chew up an enormous amount of money, is to set up many embassies overseas and split the decision-making process and the execution of your plans too broadly. It needs to be agile, needs to be quick off its feet, it needs to be responsive to change, so I would rather put someone in the office here on the Europe desk and make sure that we are running things well and then give good instructions to the Agent-General's Office and to our people embedded on the ground, and that is working well.

Mr WHETSTONE: Sadly, it seems to be going back to the future, having the office here in Adelaide with no presence in a country. To be agile—anyway. Now that we see Brexit—

The Hon. M.L.J. HAMILTON-SMITH: Hang on—

The CHAIR: Hang on, member for Chaffey, let the minister respond.

The Hon. M.L.J. HAMILTON-SMITH: You have made a comment; I will respond to it. Firstly, the comment is wrong. I have just explained to the member how we are putting a person into each region in South-East Asia that I outlined and how we are expanding our office in China. I have also explained to the member the important role being played by our Agent-General's Office in London, which is effectively our office for Europe, and how we have all bases covered. So, the comment the member made is wrong and the record needed correcting. Next question.

Mr WHETSTONE: Minister, how will Brexit affect that decision?

The Hon. M.L.J. HAMILTON-SMITH: The quick answer to that is that we will have to wait and see. It is very early days in the Brexit process. Great Britain has not yet determined a timetable. Essentially, for the moment, it is business as usual and there is no change. Britain is still part of Europe and the EU, and there has been no change, so the immediate effect of Brexit has been minimal, zero, no change.

Once Britain makes its decisions, we will have to see how that affects us and what opportunities and challenges that presents to us. It may be that it presents opportunities to us. It may be, as a consequence of Brexit, once the details are outlined, that Britain moves its focus more to the east, our region, to China, to India, to South-East Asia and to Australia, and we have a great deal in common with the UK, so there may be enormous opportunities from Brexit.

Conversely, there may be some challenges with Brexit that we have we have to identify. I have asked the agency to look into this. They have provided me with a very thorough brief. There has been some discussion within government on this, of course. Remember that the Australian government has commenced negotiations with the European Union for a future Australia/European Union free trade agreement. Obviously a Brexit would impact on that. There may need to be a separate negotiation with the UK, and then there is some uncertainty about what is going to happen in the US with the forthcoming election, which may affect our international trade agreements, depending on how that lands.

Other elections in Europe, for example in France, may also affect things. It is something that we are monitoring closely. It may be a positive, it may be a negative or it may balance out, but for the moment it is business as usual. There is no change, and I expect there will be at least a two-year window before we really see. There will be plenty of time for markets and for South Australian businesses to respond to that development as it takes shape.

Mr WHETSTONE: Performance indicator mentions programs for North Asia, the Middle East and North Africa. Why have trade strategies not been completed for North Asia, which was promised in 2015, or for the Middle East and North Africa, which was promised in 2016? When are we going to see those?

The Hon. M.L.J. HAMILTON-SMITH: First of all, I am not sure if a strategy was promised.

Mr WHETSTONE: It was.

The Hon. M.L.J. HAMILTON-SMITH: Was it?

Mr WHETSTONE: Am I correct?

The Hon. M.L.J. HAMILTON-SMITH: Well, I do not know, I am going to check that out. I will check out the member's claim and see if it is true. I will just make a point. Perhaps the member would like to explain to the committee what he means by a strategy. If the member means that in order to have a strategy to trade with any region, we need a glossy brochure—

Mr WHETSTONE: Just get on with it.

The Hon. M.L.J. HAMILTON-SMITH: No, I am answering your question.

Mr PENGILLY: You don't ask us the questions. We ask you, mate.

The Hon. M.L.J. HAMILTON-SMITH: Do you? I like to play tennis, because often when I do I find there is a mishit that comes back.

The CHAIR: I don't like to watch tennis.

The Hon. M.L.J. HAMILTON-SMITH: That is alright. There is a strategy for the Middle East, there is a strategy for North Asia, and there is a strategy for Europe and North America. The government has made a decision that it will make its major focus China, because it is our biggest trading partner, and Europe, in light of the very significant developments with naval shipbuilding that are to occur with France. We have made a decision, and it is really a decision that has evolved in the last six months as those things have taken shape that will put most of our effort now into China and Europe.

Sitting right behind China and Europe are the two strategies which we have fully developed: South-East Asia, which when you look at the whole of South-East Asia is almost as big for us as China when you aggregate all of those countries, and India, for which we have a developed strategy. On the basis of government's resolve to focus on those, we will still have a strategy for North Asia and the Middle East, but it will not be as advanced or as developed as China or India, or as Europe. That is a reflection of the fact that we are not going to spread ourselves too thinly. We are not going to put the same amount of effort, for example, into the Middle East, as we put into China. The reason for that is pretty clear. More jobs and more investment hinge on our trading relationship with China than with the Middle East just on the basic figures.

We have a limited amount of resources. I am going to deploy them to get the best result for South Australian jobs and businesses. For that reason, we will be conducting a trade mission to North Asia in November. That is an area where I think we can do more. It will be focused on creating jobs and enterprise back home. I am planning a Middle East trade mission in February next year, which is long overdue, and we will synchronise that with activities being run by the commonwealth.

We will have a strategy and actions in place for those two areas, but it will be slimmer and it will be more abbreviated than our strategies for the other places I have mentioned, simply because the size of those markets and the demand for us to attend to them from local businesses is smaller. We have a strategy for every region we go to, but you will not see the same level of effort deployed

in those regions simply because, based on the basic fundamental dollars and jobs, they are not as big as the main games.

Mr WHETSTONE: It was a pretty simple question actually: when?

The Hon. M.L.J. HAMILTON-SMITH: When what?

Mr WHETSTONE: When will you have the trade strategies released?

The Hon. M.L.J. HAMILTON-SMITH: For what? For the Middle East or for North Asia?

Mr WHETSTONE: For all of the programs that you have just talked about.

The Hon. M.L.J. HAMILTON-SMITH: Well, you will not see a glossy brochure and you will not see—

Mr WHETSTONE: I am not worried about brochures.

The Hon. M.L.J. HAMILTON-SMITH: Yes you are. What are you expecting to see released?

Mr WHETSTONE: I am expecting to see some form of an export strategy so that businesses can see what direction the government is taking and what sort of support the government is putting into those programs so that they can make decisions on whether or not they will pursue those markets.

The Hon. M.L.J. HAMILTON-SMITH: You will see plenty of announcements from the government making clear its strategy in regard to North Asia and the Middle East in the coming months and over the coming 12 months, so you will not be lacking information.

Mr WHETSTONE: So we have about a 12-month wait; is that what you are saying?

The Hon. M.L.J. HAMILTON-SMITH: No. I have just told you that we are going to conduct a trade mission to North Asia in November and I have told you that we will be conducting a trade mission to the Middle East in February. Very shortly I will be outlining the countries that we will be visiting. The dates are already on the website. There is already quite a bit of information on our strategy in those two regions available on the websites. I will be giving you plenty of information about that, so you will hear lots about our strategy.

In discussions about strategy, people often get confused about strategy and plans, or tactics or implementation. Some people talk about strategy and they really mean plans. Some people talk about plans and they really mean strategy. So, if you are looking for a glossy brochure from us on North Asia and the Middle East, you will be waiting a long time because I will not be putting a lot of effort in distracting the resources of the department into that and spreading ourselves too thin. What you will see from us is a coordinated trade mission that pitches to businesses that want to trade in those regions to go over there and get the job done. The focus on those regions will be on the practicalities. I think we have already had a pretty strong response to North Asia and I think we will see quite a lot of companies take advantage of what we are doing.

Mr WHETSTONE: Investment Attraction SA, Budget Paper 4, Volume 4, page 110, under Program summary, what was the 2014-15 cost to provide services and FTEs related to Invest SA, and how much investment did Invest SA attract in that year?

The Hon. M.L.J. HAMILTON-SMITH: I will answer the first part of that question first. I think you asked me how much has been spent on Invest SA, or words to that effect.

Mr WHETSTONE: What is the cost of providing services?

The Hon. M.L.J. HAMILTON-SMITH: And then you asked what results they have achieved. Is that the question?

Mr WHETSTONE: It is pretty simple, yes.

The Hon. M.L.J. HAMILTON-SMITH: Let me deal with what resources have been deployed first of all. I just want to make a couple of points. The government decided that, rather than have investment attraction carried out by a whole host of agencies with people spread all over government, we would congregate them all together and focus the resources. So we carried out a review. The

EDB was very helpful in the course of that review. We identified that there were something like 120 or so people spread across the whole of government who had investment attraction alongside their job description. I put a proposal forward at the Premier's request and we regrouped a lot of those people into a single agency, and with them the resources, and created Investment Attraction South Australia. There was a precursor to it called invest in SA that was part of DSD, but we basically decided that we would concentrate the resources.

I just want to make a very important point because I think it is a point that some members have missed. My understanding and my advice is that there has effectively been no net increase, from an administrative point of view, in the amount we are spending on investment attraction. We have simply reorganised existing resources into one agency. What is new is the Investment Attraction fund, which the government has put in, and that is new money.

The rest of it is money reorganised across the whole of government into a single agency. Now how much is that money? I think this is a very good point because the member might want to talk to his leader who has been misinforming both the public and the house about this for some time, and it might end in embarrassment unless he straightens his facts out, and I am happy to brief him on it. In 2016, your leader told the Press Club that in excess of \$13 million was being spent administering the Investment Attraction South Australia agency; completely and utterly factually wrong. The correct information is that in 2015-16, IASA's operating budget was \$4.996 million comprising \$3.169 million on salaries and on costs.

Mr WHETSTONE: I think it was the Budget and Finance Committee that released that number.

The Hon. M.L.J. HAMILTON-SMITH: Your leader repeated it at the Press Club and in so doing misinformed the Press Club and got his facts wrong. It is a very good idea to get your facts right.

Mr Pengilly: We could start on dodgy documents, I suppose, couldn't we? Dodgy documents, Scientology. I was there that day.

The Hon. M.L.J. HAMILTON-SMITH: The member for Finniss wants to be very careful; very careful indeed. In 2016-17, IASA's operating budget was \$8.9 million comprising \$5.37 million in salaries and on costs, \$408,000 for board fees, and \$3.153 million for supplies and services. So it is just completely and utterly wrong, and I think it is a very good idea to be able to read a budget paper and to be able to understand or at least ask for a briefing. So that is incorrect.

The other incorrect statement that the leader has made is that there are 41 people in the agency, which I think he has drawn from some information which is now quite out of date. That might be a target, but it is certainly not the number of people who are in the agency and it may never be. The correct figure is, I am advised, 27.6 FTE who are in the agency. So it is a good idea not to get out there with the wrong information, because if you get out there with the wrong information and that is proven to be wrong, it throws into question every other claim that is made.

So that is the correct information about how much the agency has spent administering itself, and I emphasise that those people and that money are not new money; it has all been regrouped into the agency from elsewhere in government. Other agencies had to give that money up at considerable pain. Just ask the CE of DSD because the IASA is an attached agency and therefore is a separate entity that reports directly to me as the Minister for Investment and Trade. The member then asked me what results have we achieved?

Mr WHETSTONE: That is in the 2014-15 year.

The Hon. M.L.J. HAMILTON-SMITH: The fundamental idea behind the Investment Attraction agency was to, as I mentioned, bring together the various players in government into one entity and get better results for the businesses and works of South Australia as a consequence, and there are essentially a number of tasks that the Investment Attraction agency has been given.

One of those tasks is to help existing South Australian companies to expand, to reinvest, to attract new money in. That is a function that was performed by other branches of government, and still is to some extent in the smaller areas, but for the big opportunities it is now under the guidance

of the Investment Attraction agency. That is one role. That is nothing new, that is business as usual, but it is pretty important. The next thing is to package up certain opportunities that are out there for investment, everything from Iron Road and their mining proposal over on Eyre Peninsula, on the one hand, to the Riverbank Precinct or the Port Adelaide Precinct, on the other, as an investor-ready project and to take that to the world and look for an investor. Considerable work has been done on that.

The next thing is to look more towards the blue sky at strategic opportunities. For example, the nuclear industry has been raised as one. What investment opportunities could hinge on that if the government and the state decided to go down that road? How do we significantly change or reorganise our food and wine offerings? For example, should we be producing dairy or should we be producing more grain? Is there any opportunity around the world that we need to seize? For example, is South Australia the right place as a retirement destination for wealthy foreigners who may be looking to spend their summers or their winters in another destination?

There are some blue sky questions, where, in the same way that Thomas Playford said, after World War II, 'Perhaps we should produce motor cars? Why can't we build on our World War II infrastructure and maybe become a manufacturing state?' We are asking similar questions, given the transformation that is going on and tasking the investment agency to give them careful thought. Of course, the minute something is created, the opposition wants to see all the results at once. If it has not happened within 24 hours, then it has been a failure, and the general process of belting the bejesus out of everything that walks.

Having said that, it is extraordinary that in less than a year the agency has achieved what it has: 10 significant new investment projects, worth nearly \$1 billion, that have created 3,800 new jobs. The member mentioned earlier in a flap something about the unemployment rate—

Mr WHETSTONE: It was not a flap, it was a concern.

The Hon. M.L.J. HAMILTON-SMITH: It is a concern for us all. It is too high. I just want to talk to the member about that. Do you know what the non-accelerating inflation rate of unemployment is?

The CHAIR: Minister, please come back to the answer.

The Hon. M.L.J. HAMILTON-SMITH: I get back to the point. These 3,800 jobs are very important because there is a thing called the natural rate of unemployment that economists talk about—and I ask the member to go and read up on his economics—and it is around 4 to 5 per cent. You will never get the unemployment rate down below around 4 to 5 per cent because of the NRU. Now, you can take the view, is the cup half empty or is the cup half full? My view is that we have a lot of work to do on jobs. It is the number one issue this state is facing, and until that unemployment rate is down towards the NRU of 4 to 5 per cent I will not be happy, and I will work tirelessly to get it down and every member of the state government will do the same.

You can take the view that 93 per cent of people have a job and 7 per cent do not. You can take the view that Tasmania and South Australia have always struggled. We do not have the coal of Queensland; we do not have the oil and gas of Western Australia; we do not have the population centres of New South Wales. We have always struggled with this issue, and that is why we work tirelessly. There is transformation going on, and the investment agency is helping to deliver that transformation by creating these 3,800 jobs, but I will just make this point: where would that unemployment rate be if these 3,800 jobs had not been created? The fact is we are replacing jobs as quickly as we can. I want to run through and give you some examples, since you have asked the question.

The CHAIR: You have about 45 seconds, minister.

The Hon. M.L.J. HAMILTON-SMITH: Yes. ScreenAway, Orora, Wineflow, Buddy Platform, Micromet, Hornsdale (Neoen France), Zhentung West Franklin, NEC, Inghams and Babcock. These are all companies that the investment agency has assisted with new investment that have created nearly \$1 billion worth of new investment and all that within one year, and you have not seen anything yet, because we have plans to do far more, and I would put it to you that this is exactly what any government needs to do, and we have done it. It is getting results already and it is going to get more.

The CHAIR: The agreed time has expired. I declare the examination of the proposed payments be adjourned until later today.

Sitting suspended from 10.30 to 10.46.

Membership:

Mr Wingard substituted for Mr Whetstone.

Departmental Advisers:

Mr D. Russell, Chief Executive, Department of State Development.

Mr J. Chapman, Small Business Commissioner, Office of the Small Business Commissioner.

Mr A. Reid, Executive Director, Industry and Innovation, Department of State Development.

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

Mr I. Nightingale, Industry Participation Advocate, Department of State Development.

The CHAIR: Minister, welcome back. You are appearing in your capacity as the Minister for Small Business. I declare the proposed payments reopened for examination and I refer members to Agency Statements, Volume 4. I now call on you, minister, to introduce your new advisers.

The Hon. M.L.J. HAMILTON-SMITH: I am sitting at the front here with Mr Don Russell, the CE of the Department of State Development, which has overarching responsibility for small business; the Small Business Commissioner, John Chapman, on my left, who is playing a very important role; and Adam Reid who, at the operational level, is the executive director responsible for small business. Behind me are Ian Nightingale, the industry advocate, of course, and other officers of the department who are here to answer any questions the committee may have.

The CHAIR: Thank you, minister. Do you have an opening statement?

The Hon. M.L.J. HAMILTON-SMITH: I will be fairly brief. I will simply say that this is a portfolio that the government considers to be extraordinarily important. The bulk of employment in the state is within small business. We want to do everything we can to support it. It relates to priority No. 7 and priority No. 10 of the government's economic priorities. A small business development fund and, of course, the Small Business Commissioner and the industry advocate are deployed to support small businesses.

I just want to point out to the committee that in the 2016-17 budget papers, for the first time, we have brought together into one program the three main areas dedicated to supporting small business: the small business unit within DSD, the Office of the Small Business Commissioner and the industry advocate. In previous budgets, they have been spread about. I wanted to bring them together so that the committee and the parliament had better visibility of the resources being deployed by the government to help small businesses. That is why there has been a change to the formatting in the budget papers.

We have also established a \$10 million Small Business Development Fund, which has obviously seen a kick up in the figures in terms of spending, as part of the Northern Economic Plan to encourage northern Adelaide small businesses to grow. In 2016, efforts were focused on connecting government services to provide a seamless, holistic customer service experience for small businesses. The office of the commissioner provides services and they are outlined in the paper. The Office of the Industry Advocate is crucially important in terms of ensuring we get the best possible slice of state government spending without compromising our relationship with the other states because many small businesses depend on work from them.

I have gone for as many performance indicators as possible in the budget papers, so there is as much transparency as possible. There have also been very high economic contributions from construction with major projects valued at above \$50 million not mentioned in here but very important

to small businesses. In particular, the spend in the state going to state-based companies is estimated now to be above 90 per cent for subcontracted work packages for SMEs in 2015-16. This is just an extraordinary outcome from the Industry Advocate.

In March, KPMG's Competitive Alternatives report listed Adelaide as the most competitive performer in Australia and 23rd worldwide in areas of tax, labour cost, commercial rent, transport and utilities. This budget's small business program supports government's endeavours to make South Australia the best place to do business. This is great news for small businesses, including those in northern Adelaide.

It is never easy in small business. I have been there myself. I employed 120 people in six businesses. I know better than anyone just how tough it is but, in the face of difficult headwinds, the government is doing its very best to deploy the right resources to help businesses when and where they need it. I am open to questions, Mr Chair.

The CHAIR: Thank you. Do you have an opening statement, member for Mitchell?

Mr WINGARD: No, straight to questions. I refer to Budget Paper 4, Volume 4, page 100 and the opening line, Growing Small Business. The Description/objective states that the program's objective is to support small businesses to establish, grow and be sustainable. How many small businesses have been established in the past 12 months, in line with the previous 12 months, and how many small businesses have grown and by how much?

The Hon. M.L.J. HAMILTON-SMITH: I will focus in responding on the business start-up rates. The total number of small businesses in this state is something that is reported on by the ABS. Businesses are opening and closing—shutting up business—all the time, but according to the latest data from the ABS Counts of Australian Businesses, including Entries and Exits June 2011-2015, the business entry rate for South Australia in 2014-15 was 11 per cent, which was the lowest in mainland Australia.

The business exit rate for South Australia in the same year was 11 per cent, which was also the lowest in mainland Australia. The state's overall business survival rate is the highest in mainland Australia at 65 per cent and, similarly, our survival of entries rate for new businesses was 53 per cent, which was also the highest in mainland Australia and 3 per cent above the national average. Whilst our rate of business entries is relatively low, more of our businesses survive. This has been consistently true over the past five years.

The ABS data does not present a complete picture of new venture creation or start-ups in Australia. The ABS counts of Australian businesses only includes businesses that are actively remitting GST. The ABS recognises that there are actively trading businesses, both new and existing, that have not registered for either the ABN or the GST in the data. Their data is also limited to a very narrow definition of 'business entry': those who have either started or recommenced remitting GST. There would be a lot of businesses that do not fall into that category, so the figures could be much larger.

The fact that more of our state's businesses, including new entries, actually survive is of crucial importance and demonstrates the programs the government has in place to support start-ups and entrepreneurs are increasing their likelihood of success. The business entry rate statistic cannot be viewed in isolation. It clearly does not capture or reflect the full range of entrepreneurial activity in the state.

Mr WINGARD: From that, how many new jobs were created in the past 12 months, compared with the previous 12 months?

The Hon. M.L.J. HAMILTON-SMITH: Given the nature of small business, I am not sure anyone anywhere is able to capture accurately the exact job creation and job removal flows in the ebb and flow of small businesses' daily churn. Some businesses are closing, some businesses are opening. I am not sure if there are accurate figures anywhere. I am advised we do not have any here—we cannot press a button and tell you exactly how many jobs on any one day are linked to small business. The employment minister may have that data. Members could ask the employment minister during that session of estimates for that information, but I do not have that to hand. I can try find out and come back to you.

Mr WINGARD: Thank you, that would be great. Can I ask, in lieu of that, if any modelling is done to forecast what potentially might be created? I understand if you want to take that on notice.

The Hon. M.L.J. HAMILTON-SMITH: Yes. Cabinet is informed weekly on the jobs outlook, which, of course, is across the whole of the South Australian economy, including small business. There is a weekly monitoring of developments across the board, based on a host of data. The segmentation and modelling out of that purely for small business is something on which I will have to come back to you.

Mr WINGARD: Thank you.

The Hon. M.L.J. HAMILTON-SMITH: I certainly take the member's point. I think the science of these things and the accurate reporting of the information is very important, but it is sometimes hard to segment out.

Mr WINGARD: Yes, if you can, that would be great. I still refer to Budget Paper 4, Volume 4, page 102, under Highlights 2015-16. Dot point 1 at the top of the page talks about supporting business to access seed or early-stage capital to expand and grow. It also goes on to say, and I know, that 19 innovative start-ups have started this year under the early stage business and they have received funding through the South Australian Micro Finance Fund. How many of those 19 start-ups that received that funding under the Micro Finance Fund were successful and how many were failures? Do you keep a record of the successes and failures?

The Hon. M.L.J. HAMILTON-SMITH: Nineteen grants were awarded through the SA Micro Finance Fund across two funding rounds: \$500,000 in 2014-15 and \$428,667 in 2015-16. Round 1 opened in March 2015. Forty-six applications were received, with funding awarded to 10 recipients, who each received \$50,000. Final reports on the outcomes for each firm that received funding in this round are not yet due, but it is estimated that these firms have so far created 8.25 full-time and five part-time jobs.

Round 2 opened in July 2015. Ninety applications were received, with funding awarded to nine recipients. Seven recipients each received \$50,000. Seer Insights received \$30,000 and Group Kinetica received \$48,667. Grant recipients include companies like:

- Makers Empire
- ODD Games
- MakeSafe Pty Ltd
- eSMART 21
- Soldales Pacific
- PT BIZ Pty Ltd
- Ofreddi (formerly Jing Su)
- Money Buddy
- Personify Care
- Six Foot Kid

Further grant recipients include:

- Arkwright Technologies Pty Ltd
- Global Aquatica Pty Ltd
- Paracombe Premium Perry
- Seer Insights Group
- Fleet Space Technologies Pty Ltd
- Silice (formerly Flints of Coonawarra)

- Group Kinetica Pty Ltd
- INNOVO Healthcare
- Vinnovate Pty Ltd

Mr WINGARD: Of those 19, how many are continuing and have had success and how many have been failures? How many did not work out?

The Hon. M.L.J. HAMILTON-SMITH: I am advised that they are projects where there is work in progress. There has been no reporting at this point because they are still busily investing and have not yet been able to measure the success or otherwise of their actions. Some of these grants are quite recent so it is work in progress.

Mr WINGARD: Over the course of the Micro Finance Fund, do you have a record of how many were successful and how many were failures and did not progress?

The Hon. M.L.J. HAMILTON-SMITH: I am just making the point that this fund is actually managed by minister Maher in the innovation portfolio. It is not a fund for which I am responsible but I happen to have the officer here. I have not had day-to-day management of this fund. I am advised that these are the only two rounds that will be offered and they are now complete. If you want further information on the actual mechanics of those 19 grants it is probably best to ask minister Maher but I can certainly ensure that Mr Reid provides you with whatever follow-up information we can.

Mr WINGARD: If you are happy to follow that up I appreciate that. I refer to Budget Paper 5, the Budget Measures Statement. At page 6 you will see 'Extend the small business payroll tax rebate'. First, how many small businesses are there in South Australia with between one and 19 employees that you have identified will be eligible for this rebate?

The Hon. M.L.J. HAMILTON-SMITH: I wish I could give you a detailed response but this is under the management of the Treasurer. As you would be aware, the government announced that the small business payroll tax rebate introduced in the 2013-14 budget would be extended for an additional four years to 2019-20 as part of the 2016-17 budget. Once the rebate payments have been made, eligible employers with a taxable annual payroll of up to \$1 million effectively only pay payroll tax at a level of 2.45 percentage points, lower than the statutory rate of 2.95 per cent. It is a very significant saving for small business. The rebate payment for eligible employers who have taxable wages below \$1.2 million is determined in accordance with the difference in rates shown.

It is a very significant saving, but if you want detailed information on the mechanics of that, we have already had Treasurer's estimates but I am sure that we could take on notice any detailed questions you have. I am sure that the Treasurer would be happy to provide a briefing as well should you wish to have one on that.

Mr WINGARD: Just to roll it back more specifically to the small business section, this line talks about 2,300 employers expected to benefit from the rebate. From a small business perspective, how much modelling has been done to work out how many of those 2,300 small businesses will benefit? Again, that is employers with between one and 19 employees.

The Hon. M.L.J. HAMILTON-SMITH: Again, I will have to seek the Treasurer's advice on that. By its nature small business touches every portfolio of government and everything to do with small business is not grouped under the small business minister. As you can see from the budget papers, the main capabilities I am responsible for are the Industry Advocate, the Small Business Commissioner and the small business unit within.

There are others, for example, the red tape reduction unit that exists within Treasury and Finance having been recently moved there from DPC. You are touching on areas now that are under the control of the Treasurer. Quite rightly, every portfolio from health and education right through, all have small business functions, so I cannot answer all of the questions for every other minister but I can ask the agency to follow up and get you an answer.

Mr WINGARD: Thank you, I very much understand. Genuinely I ask then, whilst they do cross over and I understand that, do you do modelling and do you look to do modelling when such a significant line has such an impact on your portfolio?

The Hon. M.L.J. HAMILTON-SMITH: In regard to the payroll tax?

Mr WINGARD: As an example, yes.

The Hon. M.L.J. HAMILTON-SMITH: Treasury does the modelling on tax measures: all tax and revenue measures are under the responsibility of the Treasurer. In regard to what modelling he has done about the benefits of that program, you will have to ask him.

Mr WINGARD: But, again, he does not forward that information to you so that you can put it in a perspective of a small business?

The Hon. M.L.J. HAMILTON-SMITH: I would not ordinarily seek it. He and I work very closely together. This was his portfolio until earlier this year. He gets on with his job and I get on with mine. I am sure that information will be available to you. I will ask Mr Reid to pass that on to the Treasurer and ask him to provide you with a written response.

Mr WINGARD: Potentially going down a similar line, I will put the question again and it may get a similar answer, I understand. In Budget Paper 5, the Budget Measures Statement, page 13, the Jobs Creation Grants Scheme: I am interested to know from a small business perspective how long you need to have resided in South Australia to be able to access this scheme.

The Hon. M.L.J. HAMILTON-SMITH: I think the program to which you refer is the \$109 million initiative announced in the budget by the Treasurer. Again, that particular program is completely under the control of the Treasurer. Whilst I would love to provide further information, I had better leave the responsible minister to do that. Again, I will ask Mr Reid to talk to the Treasurer about whether a written reply can be provided to that question.

Mr WINGARD: If I can add to that (and I understand if it fits the same way), how many small businesses have registered at the moment?

The Hon. M.L.J. HAMILTON-SMITH: For that particular grant?

Mr WINGARD: Yes, for that grant as well. Pardon my ignorance on this, but how does the Treasurer relay this information to you as small business minister, and how often to you get briefings and updates?

The Hon. M.L.J. HAMILTON-SMITH: For a start, this program is in its very early stages. We meet on this weekly. It would not be normal to get a detailed and thorough briefing on such programs on a weekly basis, but the information will be there if I seek it. Ordinarily, I would leave a program for three months at least, possibly six, to measure its success or otherwise, but it is a program that is completely under the Treasurer's control. He and I and other ministers just work together on small business matters as best we can.

We do not report to each other on a weekly basis on the details of how each other's grant programs are being run. The way government tends to work, Treasury is generally across everything that is going on across the whole of government. Ultimately, in regard to fiscal measures, whether they are grant programs, revenue measures, taxation or payroll tax rebates, generally Treasury has its finger on the pulse of all those initiatives. So, if anything, we report to Treasury on how our grant programs are going.

For example, the Northern Adelaide grant program is one for which I am responsible. We report up to him, and then there is an overall reckoning of how things are going and what results we are achieving. I also host a small business round table every few months of business associations, and I ask them how it is going. Regularly the Treasurer comes and speaks to that group.

Mr WINGARD: Thank you for that: I will ask about that in a few moments. Just to round off on that, no modelling is done from the small business side of things under your portfolio to look at these programs and to work out how many jobs you will think will be created? That is not done: you get a report back from the Treasurer to tell you how things are going?

The Hon. M.L.J. HAMILTON-SMITH: Any monitoring, modelling or performance reporting of grants is monitored by the responsible minister, so I am sure that work is done. The responsible minister for that program is the Treasurer, so he does that and we then communicate as a group about progress, and there is ongoing devices that we have to do that. Again, I am sure that is being

done. It is simply not practical for one minister to control everything to do with small business—it is just too broad.

Every minister has responsibilities for small business, and every minister has tasks, funding lines of one form or another, or connections in one way or another with the small business community. Frankly, everybody is involved. Really, the main functions that have been allotted to the small business minister are responsibilities in regard to the commissioner, the advocate and the small business unit within DSD through Mr Russell, the CE, to address these issues at the overall policy level.

Mr WINGARD: I refer to Budget Paper 4, Volume 4, page 101, Financial commentary, first dot point, regarding the Small Business Development Grant, again under the Northern Economic Plan, as you pointed out. What percentage of the \$3.3 million will go towards the business expansion grants, and what will go towards the business start-up grants, given there is \$3.3 million allocated for this financial year?

The Hon. M.L.J. HAMILTON-SMITH: On 28 January 2016, we announced the establishment of the Small Business Development Fund. It is a \$10.5 million initiative to assist small businesses in northern Adelaide to create and grow jobs. As part of the Northern Economic Plan, the fund is targeted at small businesses and start-ups in Playford, Port Adelaide Enfield and Salisbury council areas. The fund will provide financial support over three years, from 1 July 2016, through two competitive grant programs. In the start-up business grant program you referred to, \$4 million has been allocated to support the creation of up to 400 new small businesses in northern Adelaide.

Grants of up to \$20,000 are available to new businesses on a one-to-one matched funding basis. In the business expansion grant program, \$6 million has been allocated to support business expansion that will create multiple direct ongoing jobs. Grants of between \$10,000 and \$100,000 are available on a one-to-one matched funding basis. The guidelines for the fund were developed in consultation with key stakeholders. We talked to Business SA. We talked to the Motor Trades Association, Northern Futures, and local government and industry representatives on the Small Business Roundtable, and following finalisation of the guidelines, applications to the fund opened on 19 May.

They are open on a continuous rolling basis for both programs. The first round of applications was assessed on 25 July. Two business expansion grants totalling \$120,000 plus GST have been approved for the following businesses: Accent Wine Packaging, \$100,000 and Auto Transformers, \$20,000. Additional clarification has been sought from two business expansion grant applicants before a decision on their application will be finalised.

Ten start-up business grants totalling \$159,175 were approved for the following new businesses: Nature Australia Healthy Living, \$20,000; Drivelight, \$20,000; Dry Creek Paint N Panel, \$20,000; EmbroidMe Salisbury, \$20,000; Handijax, \$20,000; Lyon Facility Maintenance, \$20,000; V Rents, \$20,000; NRM Plumbing, \$13,000; Mental Health Partners, \$4,000; and Dial-a-Resume, \$2,175. I was pleased to meet with those people at Mawson Lakes just in the past week to announce the successful winners and to encourage further applications to the Small Business Development Fund, open in May 2016.

I am encouraging businesses to apply for these grants. I would really like to see the money out the door. I have instructed the agency to keep the paperwork to a minimum. I think I have said two pages; I do not know if we are sticking to that. There is no point in having grants that people cannot access. I will be reviewing this, because I do have a concern that the applicants will not come in and we will not get the money out the door. I do have a concern about that, so I will be watching it very closely. I will be monitoring it on an ongoing basis, because we want to get that money out the door. The North faces some specific and unique challenges. Businesses there need help, and that is the point of the fund.

Mr WINGARD: Just a quick question for clarification. We said that there was \$3.3 million, and I got the breakdown of the money that has gone out, which I think is around \$300,000 so far. You mentioned the other \$3 million, that you are worried about getting it out the door. I appreciate that as well. I was just wondering, with the \$3 million that is left, do you have an idea of how much

will go into the business expansion grants and how much will go into the start-up business grants, or will that depend on who applies, arguably?

The Hon. M.L.J. HAMILTON-SMITH: As a rough rule of thumb, we have allocated \$4 million to the Start Up Business Grant Program and \$6 million to the Business Expansion Grant Program, so it is a 40-60 split.

Mr WINGARD: So it could be all one year—

The Hon. M.L.J. HAMILTON-SMITH: Yes, roughly.

Mr WINGARD: —and then all in the third year, depending on how it presents itself?

The Hon. M.L.J. HAMILTON-SMITH: Yes, but we will be flexible on that. If we find that on one side of the balance sheet there are lots of requests for funding and we are short on the other, we can review that. I am very open to that. We have done that in the past with our Export Partnership Program. We had a previous program where the money was not getting out the door, so we changed the rules of the program and got the money out there, deployed. We will be pretty flexible. We have designed something that we are fairly confident will work, but if there are signs that it is not working I will find a new way to get it out there. We are certainly getting a lot of support and interaction with the mayors in those areas. The important thing is to just get the money out there.

Mr WINGARD: How many jobs will be created by the first two successful recipients of the Business Expansion Grant? To be successful for these grants, they are assessed on their ability to directly create jobs in the northern Adelaide area, so to get the funding they have to have this as part of their condition?

The Hon. M.L.J. HAMILTON-SMITH: Yes. I would have to come back to you on the details of each individual applicant. There is a panel, if you like, or an assessment board that has been formed under the direction of Mr Reid. I think it includes an industry person, some government officers and I think a council. There is a group that assesses these things. The applicants would have to explain how many jobs they think they could create by the grant and then there would be a process of checking to make sure that there has been delivery on that. What I wanted to do was get the balance right between getting the money out and making sure that it was not rorted. That is the other thing: if you make it too easy, people can get their hand into the government's pocket and take the money and not deliver. We just have to manage that balance.

I am advised that each one of those applications has gone through a rigorous process, and the job and investment benefits flowing from it will be made public in the fullness of time. Remember that these grants are matching grants, so if we give someone 20 grand, they have to put in 20 themselves. The precursor is that they have to grow jobs. People are coming to us and saying, 'If I can spend this 40 grand, I can hire an extra 10 or 15 people.' We will have a process of measuring that. If we put in 20 and they put in 20, we expect to see the jobs.

Mr WINGARD: Given that they have to put this in their application, will you be able to get that for me?

The Hon. M.L.J. HAMILTON-SMITH: Yes. If you ask me next year, we will have a full year of reporting on this and I should be able to give you some good information.

Mr WINGARD: I refer to Budget Paper 4, Volume 4, page 102, dot point seven. What was the cost of constructing the small business shopfront in the Adelaide CBD for the Office of the Small Business Commissioner, the Department of State Development and the Office of the Industry Advocate, and what exactly are you selling from the shopfront?

The Hon. M.L.J. HAMILTON-SMITH: The government is continuing to increase its efforts to assist small businesses with the establishment of this shopfront in the CBD. It is going to be located at 99 Gawler Place, Adelaide. The new Office of the Small Business Commissioner will bring together services and advice from the Department of State Development and the Office of the Industry Advocate. The government has recognised the need to showcase the work that is being done for small business but also to provide a first shop where businesses can obtain information relating to the management or development of their businesses.

You will see from the budget papers the workload through the Small Business Commissioner's office. There are a lot of inquiries. You will also have noted the activity of the Industry Advocate. By putting them on the ground level, where they can be accessed, where small business people can walk in the door and make an inquiry, instead of up in a high-rise, which is the situation at the moment, we think it will provide a better service. What government support for small business is about is service and accessibility. Dare I say that we are here to help, and it is a bit hard to help when you are on the 14th floor. It is much easier to help when you are at the shopfront. That is the whole idea of it.

Work on the shopfront has commenced and it is scheduled to be completed by mid-to late August 2016. The total project will cost about \$625,000 to refit and, of course, that is why it is listed as a highlight and a major goal. I am very keen to get the terrific work being done by the Small Business Commissioner and the Industry Advocate out there. I would like to see them twice as busy as they are at the moment—they are probably breaking into a sweat when they hear me say that—although that is hard to imagine because they are both going flat chat, but I think this shopfront will be part of that solution. I think, if I am correct, there is still going to be an element of both agencies upstairs.

Mr CHAPMAN: We will sharing facilities and, in fact, our rental footprint between the Industry Participation Advocate and my office actually shrinks because we will be sharing a boardroom and mediation rooms, and we have been doing that currently but by collocating in the same building we can actually produce some savings.

Mr WINGARD: Does that mean the cost will come down for the rental of both places?

Mr CHAPMAN: The overall rental cost, I am told, will come down by about \$45,000.

Mr WINGARD: Fantastic. Back to the point, given that it is a shopfront and you are supplying services as you say, how do you intend to measure the benefits of the shopfront? What KPIs have you put in place?

Mr CHAPMAN: We will be measuring it in terms of the inquiries we get through the door. At the moment we get very few inquiries because people do not realise that we are actually there. By being visible and building our profile in a physical context, I expect the number of walk-ins will increase considerably so we will be measuring that.

Mr WINGARD: Have you put expectations or forecast figures on the growth that you will get?

Ms CHAPMAN: Not at this stage.

Mr WINGARD: Is that something you will be doing in the immediate term? If you are going to have a shopfront, do you put those expectations and those forecasts in place?

The Hon. M.L.J. HAMILTON-SMITH: If you look at the budget paper on page 183, you can see the sorts of inquiry levels that the commissioner is already getting: a total of 3,175 calls across those various issues, and it is going up all the time as you will see year on year. If you divide that by the number of working days in the week and the year, you can figure that the phones are ringing pretty often at the Small Business Commissioner's office. We are hoping that we will see those figures increase with the shopfront. I think, too, it sends the right message, being able to see this service. It is a service that we are providing here, and I think where government provides a service to mums and dads and to small-business people, it behoves us to try to put it where it is accessible.

It is a bit of an unknown quantity and we cannot be certain whether having a shopfront will significantly increase those inquiry levels. What it will mean, though, when people go looking for the Small Business Commissioner or the Industry Advocate, they will be able to find him easily and I think it will help with the culture as well.

Mr WINGARD: On that point, I refer to Budget Paper 4, Volume 4, page 102, the dot point second from the bottom under Targets 2016-17, and also referring to some of that activity statement that you just mentioned then, given the target to increase contact by 5 per cent in 2016-17, and that is obviously a target that you have put in place that you want to increase contact by 5 per cent, which some might say is quite low given the shopfront presence that you are searching for.

You want to increase contact by 5 per cent, but then your budget for dispute resolution cases opened to decrease from 261 in 2015-16 to 241 in 2016-17, so opened cases are going to decrease and you are almost expecting 1,000 less visits to the website, which I imagine would also generate business for the shopfront, and you are only holding one more event or training session in 2015-16. There is a decrease in cases opened in the budget, there are 1,000 fewer visits to the website and only one more event, yet you are saying this shopfront is going to increase activity.

The Hon. M.L.J. HAMILTON-SMITH: First, let me answer that question in parts. You point to dispute resolution cases and I presume you are referring to the budget paper on page 103 to the estimated result of 261 compared to the 214 that was the target for 2015-16.

Mr WINGARD: Yes.

The Hon. M.L.J. HAMILTON-SMITH: I am advised that there were some one-off reasons for that spike, particularly the Arrium issue in Whyalla, and the commissioner has been asked to spend quite a bit of time up there, and he has been. There have also been some issues in Port Augusta. You need to look at that result for 261 as a spike, as a result of those one-off things.

It is better to look at the target for 2015-16 of 214, and then the target of 2016-17 of 241 as an increase. I would be delighted to see that figure with a zero in front of it, because that would mean that the disputes were being resolved by businesses directly or through their industry associations. I just make that point in regard to those figures. I take the point that the member is raising, and it is a fair point to raise, and it is a very astute observation. I would not necessarily link that to the shopfront and argue that if we open a shopfront we would be helping to resolve more disputes. I think the nature of things tends not to work that way.

The other thing is, and this is something I am particularly sensitive to, having been the national secretary of an industry association and state president of one, I do not want the small business commissioner's office to start to replace the role and function of industry associations, because quite often disputes are resolved. Take the Master Builders Association for example: disputes between contractors and builders are often resolved, or even customers and builders, are resolved by the association. They pay a fee for service. We charge a fee as well. We do not want to compete with the private sector. We have to get that balance right too. The whole idea was that the commissioner was there to go above and beyond and do those things that the industry could not do of its own account. I think part of that is having a shopfront.

You are right to ask these questions. We do not know for sure what the impact, up or down, will be of having a shopfront. We do not know whether it will result in an increase in workload for the commissioner or if it will result in a decrease. We just do not know. What we do know is that it will be more friendly, more open, more accessible to people because, instead of being on the fourteenth floor, they will be on the ground floor, and that is the sort of presence and message that this government wants to convey to businesses: 'You can find us when you need us and we are there for you.' After a year, let us see how it has worked. Maybe it will be a measurable benefit, maybe it will have a modest benefit, but I think that it will send the right message to small business and that is that we are accessible and open for business.

Mr WINGARD: Can I confirm again that no modelling has been done in this space, from the point of view that we have website statistics and visits budgeted to go down, yet this shopfront will be in Gawler Place; a lot of mum and dad businesses operate in the suburbs as well. Mum and dad businesses are likely to inquire through websites and emails, I would have thought, so I am just trying to check on the modelling that you have done that would indicate those variances.

The Hon. M.L.J. HAMILTON-SMITH: I understand this was a decision taken about a year ago when the portfolio was under the management of the Treasurer. I think it has more to do with a general view by government that government services need to be visible, accessible and available to those we serve, rather than as a consequence of any business modelling or business case on a dollar and cents basis. This is a particular type of service we are offering here. It is to do with businesses that are really engaged in some pretty rigorous disputes with one another. We are trying to help them fix the problem. We just want to be available to them easily, when and where needed. I think it was more about the government engaging with the community rather than through any business case.

What I have found in government is that the government could have run out and spent fifty grand doing a business case for this and modelled it with Deloitte or something, and that would have been fifty grand that would not have been available to help resolve disputes. We just want to make sure that, when disputes need to be resolved and the businesses need help, they know where to find us. There was a concern that being on the 15th floor or the 14th floor was a bit remote.

Mr WINGARD: There was some noise there, and I missed the first part. You said the Treasurer was responsible for this before when he was—

The Hon. M.L.J. HAMILTON-SMITH: Yes, the decision to set up the shopfront was made, I think, about a year ago. I took over the portfolio in January. I think it is a good decision. I think it is going to make both the industry advocate and the Small Business Commissioner more available to people. We will simply see, after a year, how that pans out and how that works.

Mr WINGARD: In terms of the breakdown of the costs of the facilities that are used by all the bodies now and the costs when we add in the shopfront, what additional cost is going to be incurred by these departments?

The Hon. M.L.J. HAMILTON-SMITH: I am advised that we will need to get back to you on that. I think the question you are asking is: 'What were the annual office costs prior to this decision and what do you anticipate the annual office costs will be after it?' Is that the question, essentially?

Mr WINGARD: Yes.

The Hon. M.L.J. HAMILTON-SMITH: There is a level of complexity to answering that. We negotiated a pretty good deal, as I understand it, so we will just have to get back to you on the net cost, but the costs of being available and accessible to the public are worth it. We will get back to you with a more detailed answer, but I can tell you that there is an anticipated rental saving from the relocation that equates to about \$45,000 a year. In addition, a rent-free period for the first six months was negotiated to a value of \$60,000, providing a total of \$105,000 in savings for 2016-17. That is a good job, John.

Mr WINGARD: I presume the rent-free period is because of a long-term contract. If I can get the length of that contract as well, that would be great.

The Hon. M.L.J. HAMILTON-SMITH: Yes. I am advised that the Small Business Commissioner has driven a pretty good deal here and saved himself \$105,000.

Mr CHAPMAN: The Small Business Commissioner and the department.

Mr WINGARD: Everyone is taking credit. I like it.

The Hon. M.L.J. HAMILTON-SMITH: I am advised the credit should be shared between the CEO of DSD as always and the Small Business Commissioner. Essentially, it sounds like, in the short term at least, we are better off from the move.

Mr WINGARD: Can you confirm whether it was a rental from a government agency? Is it a government-owned property or a privately-owned property? Thank you. I refer again to Budget Paper 4, Volume 4, page 103 and the performance indicators, which you outlined before. The 2015 target was 214 and the estimated result of dispute resolution cases was 261, so they have clearly gone up.

Some might argue that you could anticipate more, especially if you are putting up a shopfront and making yourself more accessible and visible, which is the intention of what we are doing here. I am interested to know: what was the reason for so many cases being opened? Can you give a breakdown of the types of dispute resolution cases, with particular reference to how many cases are between state government and small business?

The Hon. M.L.J. HAMILTON-SMITH: I will just ask Mr Chapman to go into some of the examples.

Mr CHAPMAN: In terms of the increase, most of them related to dealings with Whyalla small businesses who were seeking urgent assistance following the appointment of the administrators with Arrium. We created case files for each of those and we are progressively working our way through them, through the Whyalla business loan scheme. Many have applied for that. A number of other

issues have come out of the Whyalla situation, again, relating to business. In terms of the breakdown of numbers relating to state government, I do not have not those, but I am happy to take those on notice. It is only a small number. Most are business to business disputes, occasionally business to local government and occasionally business to state government.

Mr WINGARD: You will give us a breakdown; thank you for that. As you pointed out, a lot of them hinge around Whyalla—potentially, the reason for the spike—where there is a loan scheme in place and, now, there is an extra \$10 million going into small business schemes. Given those small business schemes and given the increased profile with the shopfront, would that not then indicate that there will potentially be more work?

The Hon. M.L.J. HAMILTON-SMITH: The \$10 million northern areas grant scheme is sort of separate. The commissioner's job is to get into disputes in everything ranging from franchisee/franchisor disputes on the one hand to non-payment of bills. There is a whole host of complexities. I do not think there would be a connection between what he does and the grant program—the northern areas scheme—except that an added advantage of having the shopfront is that we will be able to showcase other services that we have available for small business at that shopfront.

For example, Mr Reid will be able to make sure that all of his brochures for the \$10 million northern areas scheme are laid out there on the table and in the window. The Industry Advocate will be able to make his services known to people. The red-tape unit in Treasury will be able to be there. We will be able to promote other services across the board to small business through the shopfront generally rather than being on the 14th floor, so there is a loose connection.

In terms of disputes, who knows what the demand will be? If industry associations are doing their job well, then that will intercept a lot of demand. It really is dependent on so many different factors ranging from economic conditions on one hand through to what goes on with the industry associations sector on the other. It is just difficult to assess from year to year.

Mr WINGARD: For sure. So, simplistically, do you think the shopfront will create more business or less?

The Hon. M.L.J. HAMILTON-SMITH: We will have to wait and see, but the object of the exercise is not necessarily to create more business. The object of the exercise is to provide a visible presence for the public and easy accessibility for small business. I suspect it will create more business. I think we will find it does, but that is not reason why we have done it. We just think that, if you are providing a service to the public, you should be where the public can come in and say g'day, and where you can communicate with the public and be seen to be providing that service, and we will save some money in the process.

Mr WINGARD: If it does create more business, is it then not surprising that some of these indicators that outline you getting more business are not going to grow?

The Hon. M.L.J. HAMILTON-SMITH: Let me put it this way, you have used the term 'create more business'. I do not think we are setting out with this enterprise to create more business. In fact, I would be happy if the Small Business Commissioner was not busy at all and he had no business because that would tell me that there would be no disputes. We are not actually out there trying to create business: we are out there trying to create a service.

I would be delighted if some of these figures headed south because that might indicate that we are doing a good job by getting the information out there and by getting businesses to resolve their own differences directly through other means. So, it is not so much that we have come up with a business case on how we can do more turnover or create more business and have decided to set up a shopfront so we can grow the size of the business. It is not that sort of a proposition. It is really about being accessible to the public. They are the people we serve, at the end of the day.

Mr WINGARD: And provide more services?

The Hon. M.L.J. HAMILTON-SMITH: Yes.

Mr WINGARD: And more of the services, arguably, in the indicators, but that is by the by. I refer to Budget Paper 4, Volume 4, page 133, Additional information for administered items for the

Department of State Development, Statement of cash flows. The 2015-16 budget was \$1.3 million, but the estimated result for 2015-16 shows \$2.16 million. What was the reason for the \$860,000 blowout in that line?

The Hon. M.L.J. HAMILTON-SMITH: This is page 133?

Mr WINGARD: Yes.

The Hon. M.L.J. HAMILTON-SMITH: You are talking about the budgeted figure of \$1.301 million in 2015-16 and the result of \$2.162 million?

Mr WINGARD: Yes, there is an \$860,000 blowout there.

The Hon. M.L.J. HAMILTON-SMITH: I am advised that the budget was \$1.301 million. Funding for the extra resource of an ASO8 was provided after that of \$97,000. There was the removal of a surplus to a balanced position of \$11,000, and then there was the shopfront funding we have mentioned of \$625,000. There was a further balancing item, really an accounting measure, where a budget measure—the RSLF, the Retail Shop Leases Fund interest revenue—was adjusted from one year to the other when that funding was received. That was 150,000, which led us towards 2,162,000. There was some receipt supplementation of \$2,000 as well, bringing it to 2,164. Essentially, most of that adjustment is the shopfront funding, which is a one-off thing, and then there was this balancing item of 150 and then the extra ASO8 position.

Mr WINGARD: I refer to Sub-program 9.2: Office of the Industry Advocate. I am running out of time, so I want to make sure I get through my questions. Let's go with the first one: in Budget Paper 4, Volume 4, page 103, the description or objective of the program is to develop and implement reforms that aim to generate more local jobs. How many local jobs have been created through the Office of the Industry Advocate and how is this calculated?

The Hon. M.L.J. HAMILTON-SMITH: I am glad you have asked this question because this is a very exciting area of government. With the Industry Advocate's Office, performance indicators have identified a significant improvement in the economic contribution of goods and services procurement across state government. It is up almost 40 per cent from 2014-15 over the 2012-13 baseline—that is taken from the State Procurement Board's Annual Report 2014-16. So there has been a pretty high economic contribution to construction for major projects—\$50 million.

Essentially, what has happened is that previously around 50 per cent of government contracts were going to local suppliers. In 2014-15, the Office of the Industry Advocate, on behalf of government, got that up to 90.2 per cent of the value of contracts reported. That is an extraordinary increase and it has been done through information flow and awareness—things like Meet the Buyer programs and a whole host of measures that the Industry Advocate has implemented, without upsetting the other states.

This is the important point that people miss. If you say that 100 per cent of everything the South Australian government is going to do is going to be spent locally, do not be surprised if New South Wales, Victoria and Queensland say, 'Okay then, two can play that game' and South Australian companies are locked out of bidding for work in other states. That would significantly hurt jobs and enterprise and kill quite a large number of businesses in the state.

We are constitutionally constrained, we cannot predicate that only South Australians will get the work, but what we can do is make sure they have information they need to put their best foot forward to win the work on a competitive basis. That is what the Industry Advocate is doing superbly.

Mr WINGARD: Given that, I refer to Budget Paper 4, Volume 4, page 105, performance indicator No. 1: you talk about the growth in South Australian contractors receiving work. In 2014-15, the percentage value of goods and services contracts awarded to suppliers in South Australia was 90 per cent. It was 90 per cent in 2014-15. Why is the 2016-17 industry indicator set at 81 per cent? That is a drop of 9 per cent in South Australian suppliers winning work.

The Hon. M.L.J. HAMILTON-SMITH: The percentage value of goods and services contracts awarded to suppliers in SA.

Mr WINGARD: In 2014-15 the actual was 90 per cent, the target for 2016-17 is 81 per cent, and it was 81 per cent in the last financial year.

The Hon. M.L.J. HAMILTON-SMITH: We are trying to estimate the flow of state government funded projects that ebb and flow a little bit and what the opportunities might be for local industries as a consequence of that deal flow. It fluctuates from year to year, I am advised. Consequently, the target for 2015-16 was 81 per cent, and it is the same target for 2016-17. However, the actual for 2014-15 pumped up there a little bit.

Mr WINGARD: So we are not seeing a growth to return to that 90 per cent level from 2014-15?

Mr NIGHTINGALE: Yes, it is. It is staying around about 90 per cent.

Mr WINGARD: We have the target at 81 per cent.

The Hon. M.L.J. HAMILTON-SMITH: I will hand over to Mr Nightingale.

Mr NIGHTINGALE: The reason for the difference is that, first, we were being conservative and, secondly, we did not know the sort of large construction flow leading into those forward years which we do now. The evidence we are getting from all of the major projects is that we are still meeting that 90 per cent going to local contractors and around 86 per cent to 90 per cent being local employees from the principal contractor.

Mr WINGARD: So the target just gives you a buffer.

Mr NIGHTINGALE: Yes, it does.

The CHAIR: I am going to declare that the time has expired. I want to put on the record my appreciation, and hopefully I speak on behalf of the rest of the committee, for the work that the Small Business Commissioner and the Industry Advocate have done, particularly in my region but across the state generally. I declare the examination of the proposed payments be adjourned and referred to Committee A.

Sitting suspended from 11:46 to 12:45.

DEFENCE SA, \$17,158,000

Membership:

Mr van Holst Pellekaan substituted for Mr Wingard.

Minister:

Hon. M.L.J. Hamilton-Smith, Minister for Investment and Trade, Minister for Small Business, Minister for Defence Industries, Minister for Veterans' Affairs.

Departmental Advisers:

Mr A. Keough, Chief Executive, Defence SA.

Mr R. Barnett, General Manager, Corporate Services, Defence SA.

Ms J. Barbaro, Executive Director, Government Relations, Marketing and Communications, Defence SA.

Mr K. Naughton, Chief of Staff.

The CHAIR: Welcome back, minister. For the next hour you are appearing in your capacity as Minister for Defence Industries. I declare the proposed payments open for examination and refer members to Agency Statement Volume 4. I call on the minister to make a statement, if he wishes, and to introduce his advisers, please.

The Hon. M.L.J. HAMILTON-SMITH: Thank you, Mr Chair. Can I acknowledge the presence of the CEO of Defence SA who is with me up here, Mr Andy Keough, and also Mr Rob Barnett, the General Manager of Corporate Services at Defence SA, and behind me Julie Barbaro, who is the Executive Director, Government Relations, Marketing Communications at Defence SA, and my Chief of Staff, Kevin Naughton.

As everyone knows, Defence SA is an independent agency reporting directly to the minister, and I would just like to make some brief opening remarks, if I may. There have been a number of fantastic and positive outcomes in defence industries in the past 12 months since the committee last met, and they are to be welcomed. The announcement of the build of at least two offshore patrol vessels as a risk-mitigation exercise for the future frigate program, and to lessen the impact of skills lost from the AWD program, and is welcomed. I would dearly like it to be more than two offshore patrol vessels, but we can talk about that during questions.

The announcement, of course, that the build of the nine frigates will be in South Australia and the down-select three—the Italian, the Spanish and the British options are welcomed—and the 12 submarines, of course, are to be on a DCNS design, which is the absolute topping. The programs are in that order: OPVs, frigates and submarines, so it is important to get the sequencing right, because we have a problem at the moment and there will be further job losses at the ASC between now and when these programs begin, so we are not through the worst of it yet.

These projects would not have been awarded to the state without the efforts of the state government in lobbying the federal government and working with others who were friends of this program to bring it to a decision. That included federal senators from all parties and persuasions, the Defence Teaming Centre, the unions and industry generally. It is a credit to South Australia that we argued the case and won, but also, to give credit to the coalition, when they realised that the people of Australia and South Australia were so determined to see this done in Australia, they finally realised that the build in Japan option was not is be viable and made the right decisions.

It is now imperative that we capture as much of that work in Australia, and that now is the focus. We are only at the beginning of this journey. The work on the offshore patrol vessel should commence promptly, and capture and retain the outstanding skills and experience of South Australian shipbuilding workers and maintain our industry base. This will require some swift decision making in Canberra, because it will avoid costly blowouts of the future frigate program if we get on with it.

On 23 May this year member for Sturt, minister Pyne, announced that more than 90 per cent of the construction on Australia's 12 submarines would be performed in Australia, and that DCNS had confirmed this. It is important that the federal government now honours that commitment: more than 90 per cent of the work, the dollar spend on the submarine, to be built in Australia. That has been the promise, and that is the promise on which I think the people of South Australia and Australia will hold the government to account.

I think it is also important now that we all work together. There has been a vigorous campaign to bring the federal government to this decision; that is now over. There can be no sour pills or grumbles over that; we are where we are—all on the same page. It is now crucial that federal government, state government, industry and unions all work together to deliver the best possible outcome.

The media will quickly savage this project if there is any sign of disharmony, disunity or a lack of, if I can call it, a 'team Australia' approach in the way we get about this, and certainly 'team France' will quickly realise that we are not working together if that is the case. Certainly the South Australian government, the Premier and I, have indicated very plainly and clearly to the federal government and all federal ministers that we will work with them cooperatively, and with whoever we need to work with, to get this job done.

For that reason, I think it would be crucial that the defence minister, Marise Payne, and the junior minister, Mr Pyne, the three defence ministers, in fact, form a ministerial council. Every other federal minister does this. The federal health minister has a council of state ministers. The federal transport minister has a council of state ministers. Just about every federal minister does it.

Minister Robb, when he was trade minister, had a three or four times a year gathering of all the state ministers. That does not happen in defence. This project will not work unless it does.

The federal minister needs to get all the states around the table and will need all the states to make this work. The federal government will struggle to make this program work without cooperation from South Australia, Western Australia and New South Wales in particular, because that is where the fleet is based, and also Victoria and Queensland, where a lot of our defence industry is located. It is really up to them to show the lead. Having made those opening remarks, I am ready for questions and invite them from the committee.

The CHAIR: Thank you, minister. Member for Stuart, do you have an opening statement at all?

Mr VAN HOLST PELLEKAAN: I will say a few very brief comments before going into questions. I agree with much of what the minister has just said. I do note that his list of credits with regard to the people and organisations who put work and effort in to get us where we are with regard to federal government contracts to be fulfilled in South Australia did not include the state opposition. That is an unfortunate omission, and I do not think it is unreasonable at all to put on the record that the South Australian state opposition worked exceptionally hard with many parties, and most importantly with the federal government. I think it is unfortunate that we were omitted in that because, as the minister said, we all need to work incredibly hard on this together moving forward to get the very most out of these contracts for South Australia. That is exactly what the opposition has been doing every single day up until now, and we will certainly continue to do that.

Defence industries in general is an exceptionally important sector of our state's economy. At the edges, it does merge with broader manufacturing, it can merge with mineral resources and the oil and gas sector, but the tens of thousands of South Australians who are employed within the broader defence industries sector are extremely highly valued by the opposition and incredibly important to our state, and the opposition will certainly work collaboratively with all parties to ensure that that sector of our economy grows the best it possibly can. I refer to Budget Paper 5, page 28. The first thing I would like to ask is about Techport. When did Defence SA commence work towards a master plan for Techport, and what work has been done already?

The Hon. M.L.J. HAMILTON-SMITH: I thank the member for his question. Firstly, the government has spent in the order of \$300 million down at Techport, in accordance with a master plan that has been in place for some time. There has been a master plan over many years to develop the precinct. In December 2015, the ASC Air Warfare Destroyer Board approved funding for an extension to the existing South Australian government-owned CUF wharf to the value of \$5 million. The commonwealth requested that Defence SA undertake the proposed construction works and advised that they will fully fund the improvements to the strategic asset. Works commenced in July and will be completed in November 2016, prior to the launch of AWD ship 2.

About Techport CUF construction, the common user facility construction commenced in 2007, with the majority of works completed and the site becoming operational in February 2010. A small amount of minor residual works have continued to be undertaken to ensure the facility meets the requirements of the AWD program. The last of these works was completed in 2015-16. The CUF was completed on time and under budget, with a total capital of \$254.529 million, and represents a project saving of \$2.223 million, with the budget reduced and \$2.2 million returned to the Treasurer in 2011 and a further final savings on completion of \$23,000.

The CUF is a world-class shipbuilding and repair facility with the largest capacity shiplift in the southern hemisphere. There has also been dredging, essential maintenance and dredging of the CUF shiplift pocket to maintain operations to meet the state's contractual obligations. Funding of \$1.1 million was initially allocated in the 2014-15 budget and further dredging operations are planned to commence in the first quarter of 2017.

Techport Australia CUF wharf expansion—a total approved capital expenditure of \$5 million, fully funded via a \$5 million revenue contribution by the commonwealth. Techport Australia CUF construction—the total approved project budget, \$256.7 million, the final capital cost is \$254 million, the total savings are \$2.23 million. The dredging I have mentioned. The CUF was delivered on time

and on budget in February 2010, as I have mentioned. There is a 213-metre long wharf with a 9,300 tonne capacity shiplift, a runway, dry berth, ship transfer and ancillary systems.

That delivers to the current requirement to produce the air warfare destroyer. What is needed now is clarity from the commonwealth on exactly what the requirements will be at the CUF going forward for support to submarines and frigates. The master plan that exists will be amended once there is clarity about what is going to happen, when it is going to happen and how it will be done. Some important questions need to be answered before we can work out what to do next in terms of extending the CUF.

For example, although we own, as a state government on behalf of taxpayers, substantial parts of the CUF—the shiplift, the runway through to the shiplift, the land behind to the west where the submarine builder will need to build their facility—the commonwealth does also own parts of the land, as does the private sector. So we need to know what the government's plans are for ownership of the precinct. Does it intend to sell any of its land? Does it intend to sell any of the ASC? If so, to whom and under what structures and on what basis, because that will determine who pays for any improvements to the shipyard. That is one question that needs to be answered.

The next question that needs to be answered is what is happening with the program for OPV? When, what and how many ships will be built in Australia? Linked to that, of course, is what is happening with the frigate build. And then, what will happen with submarines? For example, who will build the submarines and who will build the frigates? Will it be the designer? Are they considering the option of DCNS being the shipbuilder or will they ask the ASC to build the ship to the French design? Will they offer up the ASC? Will another player, such as an Austal, come in? All these questions need to be answered before we work out who pays for, and who funds further improvements to the site.

Defence SA, on behalf of the government, has done a body of work on what will be required, and we have come up with a figure that we think someone will need to spend in order to make it ready for offshore patrol vessels, frigates and submarines. It depends to a large extent now on the contract that is signed for subs, the contracts for OPV and the contract for frigates. So it really is up to the commonwealth now to negotiate and discuss with the designers, and with us, what their plans are for the site.

No-one in the country is better equipped, better organised or better able to provide advice to the commonwealth on the future infrastructure needs at Techport than the state government. It is a further reason why minister Payne and minister Pyne need to be in close communication with the state government about plans going forward, so that we can together work out how we can best reinvest in this site to ensure that it is job ready for OPVs, frigates and submarines and who pays for what. To what extent does the commonwealth, the state government and the private sector pay for the improvements that will inevitably be needed?

Mr VAN HOLST PELLEKAAN: You said that you have come up with a figure that will be needed in total, separate of who actually pays for it, to be ready for OPVs. What is that figure?

The Hon. M.L.J. HAMILTON-SMITH: We will be ready to discuss that with you once the commonwealth has made its decisions because, frankly, it needs further input. For example, who is going to build the OPVs? What infrastructure do they need to build and what will be their wharfage requirements?

If we are only to produce two or three of these things and the other nine are to be built in Perth, which was the position before the election, that may limit considerably the amount of infrastructure that needs to be built at Techport and the opportunities for South Australian industry as a flow. They might build their main facility in Perth, flat pack these ships, ship over the bits and we might just be bolting it together. Therefore, we will not need to build as much infrastructure as we would need to build if all the ships were built here and, if you like, assembled in Perth.

Then there is the question of the frigates. Which frigate designer will be chosen, what do they want built in order to sustain the delivery of the frigates into the water as launched, and how much area will be needed? Finally, the submarines: what footprint does DCNS want to build upon, how much of the work will be coming to Australia? If it is going to be 90 per cent, then quite a bit more land than will be required than if it is 19 per cent, for example.

Until we get an answer to all of those questions, we cannot give you an accurate figure and anything we put out I think would be a bit of conjecture, except to say that we have done some sums, we think we know what might be needed if all the work comes our way, but there are so many variables to it and, until we get clarity from the commonwealth, we will not be able to give you an exact and reliable figure.

Mr VAN HOLST PELLEKAAN: Given that the OPVs are due to start in 2018, is it fair to say then that there is money that the state government will have to pay that is not currently in the forward estimates?

The Hon. M.L.J. HAMILTON-SMITH: The commonwealth needs to have a conversation with us and the other states about its plans for OPV because we simply do not know what the requirements will be for OPV. For example, as I have mentioned, if the OPV infrastructure is going to be built in Perth, and we are going to see the freighting over here by ship or by rail of parts, and it is going to be assembled here, then the infrastructure needs may not be very much at all.

If, however, it goes the other way and we build the plant and most of the infrastructure here, they will be. The question is best put to minister Pyne and minister Payne: what do they anticipate the infrastructure needs will be for their OPV project? They have not yet announced any time lines and, as soon as they do, I will be able to answer your questions because we will be able to consider their plans. Until they do, we are only guessing.

Mr VAN HOLST PELLEKAAN: But right now, whatever that amount is, none of it is in the budget. There is nothing in the budget as it currently stands that goes toward that work that you are talking about.

The Hon. M.L.J. HAMILTON-SMITH: That is correct. We do not budget for thin air, and we do not budget for hypotheticals: what we do is we build surpluses.

Mr DULUK: There is no surplus in this year's budget.

The Hon. M.L.J. HAMILTON-SMITH: There is a surplus in the budget. If you read the budget paper carefully that is spelt out in black and white, and there are future surpluses. As well as that, there is a question about whether the state government needs to build that at all. This is not our project. This is the federal government's project and they are the customer. The point I would make to the shadow minister is: what has the federal government provisioned in their budget to build the infrastructure, because if they want it built, it may well end up that they are the ones who finish up paying for it to be built.

Mr VAN HOLST PELLEKAAN: Minister, the \$1 million for the master plan progress is in the 2016-17 year. Does that mean that the update to the master plan will be complete in the 2016-17 year?

The Hon. M.L.J. HAMILTON-SMITH: I am advised that that \$1 million will be spent by Defence SA to diligently and professionally develop what we think will be needed so that when the commonwealth comes to us and asks what we think should be done, we are able to provide an intelligent and informed response, and that is why we have done it. There are a number of options there and I will wait until the commonwealth explains its intentions, but we as a state government could decide that we want to be a partner with the commonwealth in this and help to build and fund some infrastructure on the basis that that would be paid back at a later time by the programs; or we might decide that the best thing to do is to ask the commonwealth to fully fund that infrastructure development based on the information we prepare; or it may be that the private sector builds a substantial part of that infrastructure themselves, and that depends on the ownership structure of ASC and who does what in regard to the building; or it could be a combination of all three.

We stand ready to consider playing a role in that process. We value our ownership role at Techport, and I just make the point that had this state government not spent the \$300 million it spent down there, we would not even be here discussing this. I have no doubt that we would not have the Air Warfare Destroyer project, it would have gone somewhere else, and we would now be talking about what supporting role we could play as ships and submarines are built in another state. It is only because the government had the foresight to build this. I know that was something at the time that the opposition recognised and accepted and supported wisely.

Mr VAN HOLST PELLEKAAN: The \$1 million for the upgrade to the master plan will be spent by 30 June next year. OPVs are meant to commence in construction in 2018. It is a fairly tight time line. Is it your intention to bring any expenditure, if it is over the \$5 million mark, I think it is, to budget and so to Public Works Committee with regard to upgrades to Techport or the common user facility?

The Hon. M.L.J. HAMILTON-SMITH: I will answer the question about Public Works and then I will hand over to Mr Keough. If the state government is spending a significant amount of money down there it would be my intention to ensure that that comes before Public Works. The member for Finnis is still on the Public Works Committee. He and I were on that committee for a long time. It is a very hardworking committee. It does a good job and the more openness, the better. I think the government brought every previous investment it made down at Techport to Public Works in the normal way and I would certainly be aiming to ensure that happens. So, be assured that if we are spending the money, it will come for full scrutiny. In regard to the other detail I might hand over to Mr Keough to respond.

Mr KEOUGH: Probably just to address one of the issues about the master planning, we are looking at the asset we have up there continually and thinking through ways that we can better optimise the asset to meet defence's needs and also to meet our potential commercial opportunities up there as well. So, it is an ongoing process and has been going on since we opened the site. In terms of infrastructure studies, you may be aware that the Department of Defence is conducting an infrastructure study into the infrastructure up there at the moment, and that is due to complete later this year, we expect around September.

Their aspiration is to assess the site to put in place world-class shipbuilding facilities in preparation for future frigate, particularly in the shipbuilding side. It is a very good aspiration they have and, as the minister said, we really need to wait until they have concluded those studies to work out what part we need to play. The master planning funding we have allows us to progress issues that we know we are going to have to potentially do. It might be, for example, access to the whole Techport area. All those broader planning considerations we need to think about, and I think we can get on and start doing that in expectation for the preparation of the government's view on what they think is going to go in there.

You do rightly point to the time—2018 is not far away. In shipbuilding terms that is just around the corner and at the moment our conversations with a number of stakeholders indicate that the most likely course of action is to use the facilities they have there, that ASC has there or at ASC South. That may need some upgrades to meet the full scope of work that is to be done with the OPVs, but that is our expectation. If that was the case, that infrastructure is actually on ASC's site: that site is owned and operated by ASC, and ultimately the Department of Finance is the owner of ASC.

We would not expect any requirements for expenditure to put infrastructure onto their site. However, we do run the common user facility up there, which is where the AWD is being assembled, and we are always in discussion with the Department of Defence to work out whether there is any requirement for us to look at investment on that site.

Mr VAN HOLST PELLEKAAN: Minister, turning to Budget Paper 5, Budget Measures Statement, Page 70, France engagement strategy: how many of defence SA's FTEs will be assigned or involved or working on that program?

The Hon. M.L.J. HAMILTON-SMITH: If I may, before I answer that question, I just want to emphasise some points from the earlier question. For any media who may be listening—I notice there is one up there—there are three main points the state government will be pushing from here on. First, as Mr Keough alluded to, we need to see a naval shipbuilding plan that brings together the programming of the OPV, the frigate and the submarines and says what is going to be done, when it is going to be done and where it is going to be done. That is critical. We do not have that yet.

Second, as I mentioned in my opening remarks, on 23 May, minister Pyne made a promise that 90 per cent or more of the submarine work would be in Australia. That is a promise and it is a promise that needs to be kept. Third, there is the absolute need now for either minister Payne or minister Pyne—the state government is not sure who is the senior minister; historically, the defence minister has been the senior minister and the other two ministers have been junior ministers or it may

be that the Coalition has now decided they will both be equal, I am not sure—to form a ministerial council, as every other federal minister does, that brings together all the states so we can work on this together. They are the three critical points that I just want to make.

Mr VAN HOLST PELLEKAAN: Chair, the minister had already made all three of those points.

The CHAIR: Sorry?

Mr VAN HOLST PELLEKAAN: You had already made all three of those points, minister.

The Hon. M.L.J. HAMILTON-SMITH: I just wanted to re-emphasise them because it is very relevant to the question, and I want to make sure everyone understands that we are only at the beginning of a process. People may think that this is over, that we are going to build 12 submarines and it is all over. We are now in a discussion about whether we get to build 90 per cent or 9 per cent of this in Australia or South Australia—or 90 per cent or 19 per cent.

It could well be that we get a hybrid by stealth because contracts are signed that provide for a significant amount of this to be done in France or somewhere else and for it only to be bolted together here. They are the discussions that have to be had in the context of the contract. Everything depends on the contract for the submarines but also, as the shadow minister points out, we have to get on with the OPV because we do not know what to build, where to build and how to do it until we have decisions. I just make that point.

In relation to your question about the France engagement strategy, on the budget paper to which you refer, there is an entry for \$1 million for the France engagement strategy. That is a budget line for Premier and Cabinet (DPC), but it is a budget line that will be accessed by Defence SA and others as part of making the France engagement strategy work. It is not only about defence. Defence and the submarine program is the platform of it all, but the Premier is very keen to ensure that we look at expanding our whole relationship with France, which will include other trading opportunities.

For that reason, we are going back in October to Euronaval, the biggest naval expo in Europe and, in that same week, SIAL, the big food expo, will be underway in Paris, so it will be a full trade mission with food and wine, other exports and defence all in one. You asked then: how many people specifically from Defence SA would be funded from within that budget line? At the moment Defence SA will be bidding against that funding for various initiatives, but we will not be using that funding to employ any additional people.

For the moment, we have access to the Office of the Agent-General (OAG) in London, including the Agent-General himself, Bill Muirhead; Mr John Rees, a fluent French speaker with extensive experience in this area; and James Mraz and others at the OAG. They are already attending in France, as they did with me a few weeks ago, and they are working on these issues for us. We are not planning to fund any new FTE from specifically within that budget line but, in the future, we will look at whether or not Defence SA needs to have a person in either France or London, and we are giving that active consideration. I will just ask Mr Keough to elaborate.

Mr KEOUGH: As you may be aware, the Premier has formed a French strategy group to coordinate the state's engagement in France and broader engagement in France, as the minister has said. I co-chair that along with the Chief Executive of DPC, Kym Winter-Dewhirst. There are a number of tasks which are being coordinated through that body, and my staff will engage with those tasks on an as required basis. Principally, at the moment, in terms of the strategy in FTEs, it is really me and some of my time. Again, I reach into my staff, now and again, for them to be involved. A good example is Euronaval, which is being coordinated through that mechanism. We will have up to four or five people working on that at various times to support that.

Mr VAN HOLST PELLEKAAN: Thanks, Mr Keough. There is also another \$420,000 in the Defence SA budget for Euronaval, so I do not want that money to be mixed up. Minister, you mentioned it is \$1 million towards this France engagement strategy. It is actually \$4 million. It is \$1 million per year for four years, so it is a \$4 million commitment from the federal government. It just seems curious to me that it is outside of Defence SA since it is so tightly linked to the DCNS contract.

The Hon. M.L.J. HAMILTON-SMITH: You mentioned the federal government; it is actually provided by the state government. The reasons for that are thus: first of all, the \$420,000 to which you refer in that particular budget line is completely under the control of Defence SA, and it is about this year's Euronaval. I have been over there and met with the organisers. This is a big thing. Defence SA will be the biggest presence from Australia at Euronaval. Our stand is bigger than the Australian stand. In fact, the Australian stand I think is organised by the industry department, not by the defence department.

There are a couple of other Australian entities present. I think Austal is present, and I think CAE from Canberra is present in very small stands. South Australia will be the Australian presence at Euronaval. It is the biggest thing that happens in Europe. It is a big undertaking. We will be taking a supply-chain group with us. I think there are 20 tables, if you like, that we will have set up, and they will all be occupied by Australian industry. We are going to make sure South Australian companies have their best opportunity to participate in this program, and that is why that funding is there.

The \$1 million you referred to in DPC is more strategic. In addition to the group that Mr Keough mentioned that he co-chairs with Kym Winter-Dewhirst, the Premier has commissioned another group under Susan Close, Minister for Education, with a lot of prominent, South Australian, French-connected individuals to look at the broader opportunities of our engagement. That is likely to include sister region relationships with those regions in France that make or maintain the ships at Normandy or Brittany, and we have had some discussions about that.

It will include engagement in food and wine, medical devices, manufacturing more broadly and an entire engagement strategy. The French and the South Australians want to approach this as an opportunity to really deepen our engagement. There will be some arts and cultural aspects to it. We are going to be joined at the hip now with France for 50 years, and we want to make sure that we understand each other, we do business with each other and we grow the opportunity out beyond defence, though I make it clear that defence is the main game. So, that \$1 million is there to support the broader strategy and to deal with the unintended, as the opportunity develops.

Mr VAN HOLST PELLEKAAN: Turning to page 82 of the same book, towards the middle of that page there is a heading that reads Defence Industry Attraction. The expenditure of the \$4 million we have just been discussing, as you just said, is associated with defence as the main game, but that \$4 million is in the Department of the Premier and Cabinet. I now turn to \$6 million for a defence industry attraction program which is in the Department of State Development. Minister, what is Defence SA going to do with the Department of State Development to pursue defence industry attraction which, I think, any normal person would think is core Defence SA business and core Defence SA Work?

The Hon. M.L.J. HAMILTON-SMITH: I thank the member for the question. These are very good questions. First of all, we have the Investment Attraction agency and we have Defence SA. Both are involved in attracting investment. The government considered, 18 months ago, whether it should roll Defence SA and the Investment Attraction agency together. I think Mr Keough will be delighted and relieved to know that we decided not to do that, and that was because the defence opportunity is so huge it warrants its own agency, its own leadership and its own funding. Therefore, the money that is being provisioned into the Investment Attraction agency is available, including for defence proposals if needed.

It was decided that we would bid for additional funding of \$2 million per year—\$6 million over three years—that was ring marked purely for defence investment attraction purposes. Part of the reason for that is that we expect that there will now be an opportunity for us to entice, invite or encourage a raft of defence primes and other companies to relocate here from other states and overseas. An example of that was my announcement just a couple of weeks ago in London that Babcock would be moving its Australasian headquarters to South Australia. That includes their Mission Critical Services function and their helicopter maintenance function from Queensland. We are in discussion, I think it is reasonable to say, with a number of other parties. Mr Keough leaves no stone unturned as he searches for people who want to relocate here from interstate or overseas. That money will be available to pitch to help with that and to facilitate that relocation; that is why it is there.

We wanted it ring marked purely for defence, but that does not mean that, if Defence SA comes up with a really good proposal, we cannot also go in for the funding that exists within the Investment Attraction agency. As the Treasurer said to me, 'If it is big enough, we will consider it out of headroom as a separate proposition.' This is a huge opportunity, and if big opportunities come our way we will grasp them. I will ask Mr Keough to just top up that answer.

Mr KEOUGH: It is positioned under the Investment Attraction agency. I should give you some confidence that I worked very closely with the CE of the Investment Attraction agency, Mike Hnyda. In fact, in most meetings I have with the key leaders from defence companies I have Mike there because he has great experience across not just the defence realm but all of the industry attraction activities that are going on. He can provide a broader perspective to the package that we are putting up to these companies. Quite often these companies are after a diverse range of support mechanisms, some financial, sometimes non-financial, and Mike is the expert when it comes to attracting business into the state.

Mr VAN HOLST PELLEKAAN: I now turn to page 28 of that same book and ask about another program, where \$2 million of what would seem to be core Defence SA business is being given to the Defence Teaming Centre. As the minister knows, I, like him, am a strong advocate of the Defence Teaming Centre. The reason I am asking these questions is that we have a \$4 million defence industry attraction agency under the Department of the Premier and Cabinet, a \$6 million defence industry development program under the Department of State Development, and another \$2 million going to the Defence Teaming Centre. The work that needs to be done is clearly very important, and I want to establish that fact without any doubt, but why is so much of what would normally be considered Defence SA's work being farmed out to other agencies and other organisations?

The Hon. M.L.J. HAMILTON-SMITH: The simple answer is that it is possible for the private sector to do it better. We take that opportunity. One has to look at the Defence Teaming Centre as one looks at Business SA. It is an important industry body, constituted by defence primes and SMEs across the defence sector. I think they have well in excess of a couple of hundred members. They are probably the lead defence industry association in the country. Bringing industry with us on this journey is a very important role. In fact, rather than have a sense of competition between the government and industry, we want to be a partner with industry. For that reason, an important KPI that I put on myself as minister and my agency, is how well we are getting along with both industry and the union movement—and others in this space—because we all have to be working together.

That is partly why we fund the Defence Teaming Centre to a degree. By the way, there is some baseline funding there for them so that they are able to engage and operate effectively as an industry, but we did also give them some project-specific funding for a vehicle program designed to ensure that we are able to export into countries in the region a range of light defence-related vehicles, and that is another purpose for the funding. It was at the request of Defence SA, so it was an industry stimulus measure.

This is the industry body and they are important to us. They work together with Defence SA, they are partners and, because they are industry, they are really crucial to making what we hope to achieve work. For instance, we recently had a big success with a company called Supashock starting the process of effectively selling its shock absorbers and technology to the Indonesian manufacturer Pindad which is the major armoured vehicle manufacturer in Indonesia with whom we have developed a relationship. We are looking to exports as well as the Australian customer for the future.

Mr VAN HOLST PELLEKAAN: Given that we all agree what an incredibly important time this is for South Australia—and has been for the last couple of years and will be, hopefully, for decades to come in defence industries—why is it that the Defence SA budget is staying stagnant? Certainly for the last two years and for this current financial year that we have just started, the total is staying very steady at \$17 million per year, but all the additional money, including the \$12 million that I have just outlined to three different other organisations, is going to areas other than Defence SA. Why is it that the government is not increasing the resources to Defence SA at all at this very important time but the extra resources that it is providing it is giving to other organisations than Defence SA?

The Hon. M.L.J. HAMILTON-SMITH: Let me just explain: if you look at page 186 of the budget, particularly the table under Program 1: Defence Industry Development, you will see that there has been a significant increase in the net cost of providing services.

Mr VAN HOLST PELLEKAAN: But that is offset by Program 2; the total has not changed.

The Hon. M.L.J. HAMILTON-SMITH: One has to understand how the programs work. Let's talk about defence industries—

Mr VAN HOLST PELLEKAAN: Net cost of services, minister, 'Program net cost of services summary' at \$17 million nonstop.

The Hon. M.L.J. HAMILTON-SMITH: An intelligent way to look at the budget paper is to diagnose it and assess it and to ask what is actually being done with each part of it. I will come to the second part of it later. The estimated result in 2015-16 was \$9.3 million, up from \$8.2 million. So in terms of developing industry an extra million dollars was spent, and there is nearly \$1.5 million extra being spent—that is an \$1.8 million increase in the net cost due to additional expenditure in 2015-16 and it mentions all the things we are working on: Land 400, one of our critical opportunities, a multibillion dollar opportunity; Civilian Aerospace has been moved into Defence SA; Euronaval which I have mentioned; and industry attraction initiatives. So we are spending more money on defence industry development.

When you look at Techport Australia you can see that, again, expenses have been steadily increasing. Techport itself runs almost as a separate entity in that it has its defined role.

Mr VAN HOLST PELLEKAAN: The net financial contribution from the government is not increasing.

The Hon. M.L.J. HAMILTON-SMITH: Yes, and as has just been explained to me part of that reason is that we have \$5 million from the commonwealth. That helps to explain why, having had the \$5 million from the commonwealth, we have been able to increase our spending on defence industry development and increase our spending on Techport whilst showing no net increase—because the commonwealth put in \$5 million. I just make the point that on page 186 it indicates how we are spending the extra \$1.8 million, and a lot of new things are being done, but that \$5 million from the commonwealth has—I will hand over to Mr Keough to go further.

Mr KEOUGH: When you look at the bottom line to the budget, there has not been a huge change or difference in it—

Mr VAN HOLST PELLEKAAN: Thank you, Mr Keough.

Mr KEOUGH: —but there has been a significant amount of funding allocated for defence-related projects. I thank you for your concern for my budget. However, I really see that my role as being the co-chair of the French strategy group, which ultimately reports to the Premier and Cabinet, allows me fairly good access to those other funds. So, even though they are not directly allocated into my budget portfolio, I still have the ability to reach in and work with those people who control the budget lines to access those funds.

As I said, the Investment Attraction agency is probably the best example where we are working closely with them. It is also not black and white at times because, as the minister said, you have companies that have defence work and civilian work. Babcock, with its Australian helicopters, is a good example. Yes, Babcock does defence work and civilian work, so in that case the Investment Attraction agency was the primary lead for that work. It did a lot of the work and we provide the support, certainly in the defence area, to allow that to be a successful activity.

So, we work closely together with IA and also with the Department of State Development, particularly in some of the funding it has passed through to DTC. We regularly meet with DTC on a fortnightly basis and talk through issues. We are small enough in South Australia, which is the advantage we have, to be able collaborate closely to ensure that we are optimising outcomes based on the state government expenditure.

Mr VAN HOLST PELLEKAAN: Thanks Mr Keough.

The Hon. M.L.J. HAMILTON-SMITH: Just before we—

Mr VAN HOLST PELLEKAAN: Thanks Mr Keough, I appreciate that.

The Hon. M.L.J. HAMILTON-SMITH: Let me just—we have not answered the question yet.

The CHAIR: The minister is entitled to consult his advisers and take as much time as he needs.

The Hon. M.L.J. HAMILTON-SMITH: You have asked a question, you have put an assertion. The argument you are trying to put in your question is that we are not spending enough on defence.

Mr VAN HOLST PELLEKAAN: I am trying to find out why the Treasurer is giving the money to organisations other than Defence SA to do your Defence SA work.

The CHAIR: What the Treasurer does is not the domain of this committee.

The Hon. M.L.J. HAMILTON-SMITH: And it is not true, anyway. I draw your attention to page 184 of the budget. Look at Program No.1, page 184, of the budget: it shows defence industry development going up from \$9.3 million to \$11.085 million, so we have spent over \$1.5 million more on defence industry development. The reason you are arguing that overall spending has not gone up is that spending at Techport has gone from \$7.768 million to \$6.121 million from the estimated result to 2016-17. If you look at the budgeted, 2015-16, it is \$9.1 million to \$6.1 million. The explanation you have been given is that there was a contribution from the commonwealth that brought down that figure. So, your proposition that the Treasurer is giving money to others and not giving money to defence is completely and absolutely wrong.

More money has been put into this area. It has been offset by an injection of capital from the commonwealth for capital in Techport. So, one needs to read the budget figures program by program and, as Mr Keough pointed out, there is \$1 million for the French strategy per year over four years, another \$4 million, which can be accessed, so we are spending more on defence than we have for some time, particularly on defence industry development. But, there are capital switches in Techport to do with federal government funding.

Mr VAN HOLST PELLEKAAN: Minister, it is not wrong, because there is \$12 million going to other agencies. So it is not wrong at all to say that there is money being given to other agencies to do what would be core Defence SA work. Have any concerns been raised within Defence SA about this process?

The Hon. M.L.J. HAMILTON-SMITH: Hang on. If you want to make propositions that are wrong and highly—

Mr VAN HOLST PELLEKAAN: You agreed before, because I asked you about each one of them.

The CHAIR: Order! It was an unnecessary comment, member for Stuart, and I ask you to move on to your next question. Ultimately, this minister is not responsible for all the spending of the Treasurer and that is not what we are here for, so let's move on. Member for Stuart, do you have another question?

Mr VAN HOLST PELLEKAAN: The next question is: have any concerns about this been raised by senior Defence SA staff? Have people within Defence SA, or in fact within your office, minister, said that it would have been better for that \$12 million or a good chunk of it to be allocated to Defence SA rather than to the other three agencies?

The Hon. M.L.J. HAMILTON-SMITH: Your \$12 million, I assume, is constructed from the \$1 million to the French engagement strategy—

Mr VAN HOLST PELLEKAAN: Four million.

The Hon. M.L.J. HAMILTON-SMITH: And where are you finding the other \$8 million?

Mr VAN HOLST PELLEKAAN: Six million to the Department of State Development under the defence industries attraction program and \$2 million to the Defence Teaming Centre. That is \$12 million.

The Hon. M.L.J. HAMILTON-SMITH: Your proposition is that they are funds that should be given to Defence SA?

Mr VAN HOLST PELLEKAAN: I am asking whether that is the case. My question was whether any senior staff within Defence SA or within your office have asked the same questions or made the same suggestions.

The Hon. M.L.J. HAMILTON-SMITH: The answer is no. The fact is that the \$2 million that is earmarked for Defence but which is in the investment attraction agency's bucket is hypothecated for Defence. Defence SA, through me, will have a key say in how that is spent, in fact will control that and will probably get more. It is an indication that the investment agency and Defence SA are working closely together.

I have explained that the \$1 million that is at DPC is not solely for defence-related initiatives in France. It is for a broader engagement strategy. If it was all in Defence SA, would it be available for other initiatives in the trade and investment area that were not defence related? That is a question mark. That is why it has been put in DPC. The money that has gone to the Defence Teaming Centre, as I have explained, is a collaboration between the government and the Defence Teaming Centre to ensure that we are all working together. It is not about who controls what. It is about how the funds are best expensed in the interests of achieving our objectives.

The other thing that the member will find out one day is that there is a need for quite a lot of cooperation between agencies and between DPC and agencies, and frankly, if the Premier decides to do things in a certain way that is the Premier's call. Certainly, he and I worked very closely together on the whole of France strategy and it is about more than just submarines. We are going to make this a much bigger thing than purely defence. The very proposition upon which the question was asked, which is that this \$12 million is all defence money that should be put in the Defence SA bucket and is anyone upset about it, is not quite logical and does not flow.

Mr VAN HOLST PELLEKAAN: You have made it very clear that not one of your staff or the Defence SA staff raised any of these concerns with you. Moving on to page 187—

The Hon. M.L.J. HAMILTON-SMITH: What? Hang on, let's go back again.

Mr VAN HOLST PELLEKAAN: You said that—that was my question.

The CHAIR: This is your time, member for Stuart. If you are going to continue to throw these things around, you have to expect a response.

Mr VAN HOLST PELLEKAAN: That was my question; that was your answer.

Mr PENGILLY: He has answered.

The CHAIR: Assuming you are right and he has answered, then why the need for the extraneous comment? I am going to let the minister respond to the extraneous comment.

The Hon. M.L.J. HAMILTON-SMITH: We have an hour to really get to some intelligent and decent questions about how defence funding is being spent, and we are going on with what appears to me to be drivel, where you paraphrase my answers at the end and place them in a context that you like to place them in. I am more than happy with the way things are structured at the moment in terms of spending in this area. We have a significant amount of additional money deployed, and until we get decisions from the members opposite's colleagues in Canberra about where to next, we will not be in a position to make further investments. The sooner we can, the better.

Mr VAN HOLST PELLEKAAN: I turn now to page 187 and Land 400. Given that the government provided bidders for the Land 400 phase 2 contract an offer of assistance contingent upon committing to establishing their production facility in the proposed land combat system precinct at Edinburgh Parks, what response has the government received, particularly from the two shortlisted bidders?

The Hon. M.L.J. HAMILTON-SMITH: Let me say from the outset with Land 400 that this is a big opportunity for the country and for the state. Diminished at the outset by the way the coalition government set it up, they required no local industry content. They disaggregated the program from the whole of the vehicle fleet into parcels. I have been to two of the tank manufacturers and they told

me that, when the federal government turned up, they asked them, 'Did you require any local industry content?' and the reply from the coalition government was no. So they just said to their industry participation people, 'You can leave now.'

I am delighted to hear utterances suggesting that that attitude has changed and that there may be, under the new ministers, a view that there should be a higher level of industry content. I think that would be very welcome. We have put together a package for all of the bidders. We have done it fairly and openly. We have offered to build a combat vehicles park and assist them with the scoping up of what they might be needing. Two bidders have been down-selected—BAE and Rheinmetall. That is wonderful. We would like to work cooperatively with them and with the federal government to put South Australia's case. I hope this is decided based on what is best for the project and without any political interference.

I completely refute the argument that because we have the ships we should not get the combat vehicles. When you look at it, the vast majority of defence spending is in other states. If we take naval ships, one-third is spent building them and two-thirds is spent sustaining them. That is mainly in Perth and Sydney. It is the same with armoured vehicles. There would be an amount of money spent building them but twice that would be spent sustaining them all around the country, so they already get the benefit.

This is the way to assist with the transformation from the automotive closedown into new industries. This is the opportunity for our workers to move seamlessly from one to the other. I really hope that Rheinmetall and BAE are able to put a South Australian option forward, and we will be working closely with them. I am actually delighted to hear minister Pyne say that he will be reconsidering the local industry content. I think that would be a good thing. If he can achieve that, that will be a good outcome because the more the better.

Mr VAN HOLST PELLEKAAN: Given how important we both agree this project is, has any money been allocated by the government for the land combat systems precinct in the forward estimates?

The Hon. M.L.J. HAMILTON-SMITH: Through the Investment Attraction agency we have put an amount of money into this. We have also commissioned funding to draw up all the design work for the precinct. We know how much we need to spend but we are not going to spend it unless we get the work. If we get the work we will provision the funding. We are not going to provision the funding to then not get the work. I will give it to Mr Keough to add some detail.

Mr VAN HOLST PELLEKAAN: At the bottom of page 189 it says, 'reduced depreciation due to the deferral of capital works'. What was deferred and what was the value of that capital work that was deferred?

Mr KEOUGH: I was just going to finish up with the Land 400 one, just to close out that point. I have a figure that we have allocated towards doing the preparatory work up there. That includes, in the bidding stage, working with each of the bidders to effectively design what their facility would look like and how they would build the vehicles here in South Australia on that site. We have land earmarked for their use. We have worked closely over the last two years on this Land 400 proposal, and I am reticent to tell you how much money we have allocated towards it because, as you would appreciate now, we are getting into the decision time and into the swing.

Between now and the middle of next year they will be doing testing of the vehicles so each of the down-selected bidders have provided three vehicles for the Army to trial, and once they do that and go through that assessment phase, then they will be making a decision, we expect late next year, three-quarters of the way through next year. The next 12 months are quite critical for that program and, as the minister said, it is a great program to transition, or assist in transitioning our automotive workers out of their current roles and those companies out of those current industries into higher value-adding defence work.

Mr VAN HOLST PELLEKAAN: Thanks, Mr Keough. Out of respect for the next committee, would you take the last question I have already asked on notice?

The Hon. M.L.J. HAMILTON-SMITH: Is this about the point two—

Mr VAN HOLST PELLEKAAN: The depreciation.

The Hon. M.L.J. HAMILTON-SMITH: I can tell you it is just a balancing item from the CUF works.

Mr VAN HOLST PELLEKAAN: Sorry?

The Hon. M.L.J. HAMILTON-SMITH: The CUF, the common user facility. It was just a slight delay in some aspects of the work at Techport.

Mr VAN HOLST PELLEKAAN: What was the value of capital work that was not undertaken?

The Hon. M.L.J. HAMILTON-SMITH: No, the \$200,000 was a delay in some of the infrastructure work.

Mr VAN HOLST PELLEKAAN: But it was \$200,000 of depreciation that could not be accrued because capital was not spent and I am asking how much capital?

The Hon. M.L.J. HAMILTON-SMITH: The capital has been spent. The reduced depreciation is a result of a delay in that work. What was the value of the capital work? We will have to get back to you on that.

Mr VAN HOLST PELLEKAAN: On notice, great. Thank you, minister.

The CHAIR: I declare the examination of the proposed payments completed and we will now move onto Veterans SA.

DEPARTMENT OF TREASURY AND FINANCE, \$55,641,000

**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,
\$1,582,470,000**

Membership:

Mr McFetridge substituted for Mr van Holst Pellekaan

Minister:

Hon. M.L.J. Hamilton-Smith, Minister for Investment and Trade, Minister for Small Business, Minister for Defence Industries, Minister for Veterans' Affairs

Departmental Advisers:

Mr R. Manton, Director, Veterans SA, Department of Treasury and Finance

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

Mr K. Naughton, Chief of Staff

The CHAIR: I think it is an excellent idea if the member for Davenport reads in the omnibus questions while we change advisers.

Mr DULUK: You can time me; I want to go under three minutes:

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2015-16 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. In financial year 2015-16 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 2016-17?

3. For each department and agency reporting to the minister, please provide a breakdown of attraction, retention and performance allowances, as well as non-salary benefits, paid to public servants and contractors in the years 2014-15 and 2015-16.

4. For each year of the forward estimates, please provide the name and budget of all grant programs administered by all departments and agencies reporting to the minister, and for 2015-16 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, the purpose of the grant and whether the grant was subject to a grant agreement as required by Treasurer's Instruction 15.

5. For each year of the forward estimates, please provide the corporate overhead costs allocated to each individual program and subprogram administered by or on behalf of all departments and agencies reporting to the minister.

6. For each department and agency reporting to the minister, could you detail:

- (a) How much was spent on targeted voluntary separation packages in 2015-16?
- (b) Which department funded these TVSPs?
- (c) What number of TVSPs was funded?
- (d) What is the budget for targeted voluntary separation packages for financial years included in the forward estimates (by year), and how these packages are to be funded?

7. What is the title and total employment cost of each individual staff member in the minister's office as at 30 June 2016, including all departmental employees seconded to ministerial offices and ministerial liaison officers?

The CHAIR: Welcome back, minister, appearing now in your capacity as Minister for Veterans' Affairs. I declare the proposed payments open for examination, and I refer members to Agency Statement Volume 4. I now ask the minister to introduce his new advisers and make a statement if he wishes.

The Hon. M.L.J. HAMILTON-SMITH: I am here with Mr Rob Manton, Director of Veterans SA; Paul Williams, Director of Financial Services, Veterans SA, being administered by Treasury; and I am also here with Kevin Naughton, my Chief of Staff.

I would like to make some opening remarks. The period 2014-18 opens a great opportunity for us to reflect on the sacrifice and service of our World War I veterans, and we have been doing that throughout the period. We have had a number of significant initiatives. The Framework for Veterans' Health Care 2016-20 was launched on 9 August. The Veterans Advisory Council has focused its effort on issues associated with contemporary veterans transitioning into civilian life, child care for defence families, veterans' homelessness, looking at ways of capturing data from government agencies relating to veterans and veteran communities use of government services.

On the commemorative side, the opening of the ANZAC Centenary Memorial Walk on Kintore Avenue has brought what had been a concept for many years to reality and is a fitting tribute to the Centenary of ANZAC, and a credit to the agency that it was delivered on budget and on time. It was nominated in three categories at the 50th anniversary of the Australian Institute of Landscape Architects SA Awards last Friday night and was successful in winning the Civil Landscape Award. The award was presented by Mr Deiter Lim who, with his team from Tract Consultants, was responsible for landscaping the memorial walk.

A very successful visit to Gallipoli to attend the centenary commemorations of the Battle of Lone Pine in August of last year was another highlight. That, together with the ongoing

maturity of the South Australian Centenary of ANZAC website, serve to remind us of the courage and commitment of those past and present members of our defence force.

We have also just completed a visit to the battlefield of the western front with the shadow minister and His Excellency the Governor to signal that these soldiers were from local communities and from the States, as much as they were from Australia, and to be part of Australia's commemorations at that time.

I would like to thank and acknowledge to the committee the work of Sir Eric Neal on the Veterans Advisory Council, who has recently retired after eight years, to be replaced by Air Vice Marshal Mr Brent Espeland. The Veterans Advisory Council is doing a sterling job. Over to questions.

Dr McFETRIDGE: Can I add to the comments made by the minister that this is one of those rare areas in politics where it is not about political personalities or politics, it is about pride and passion and place and preserving the memories of the veterans who have been in every theatre of war, whether it is World War I or right through to contemporary veterans serving this country today. It is a pleasure to have the portfolio, and I thank the minister and particularly Mr Rob Manton for his cooperation in facilitating my inclusion in many of these celebrations and commemorations and particularly the two highlights: the trip to the Gallipoli peninsula last year and the recent trip to the western front in France, just a couple of weeks ago.

Can I also mention that font of knowledge that came with us to the western front, Mr Bob Kearney; an absolute legend in the veterans' community. He, as I said, is an absolute font of wisdom and I think we need to make sure we nurture Bob's presence and include him as often as we can, because he is just an amazing guy.

It is a great privilege to be the shadow minister for veterans. I look forward to being the minister in 18 months' time, I hope. We need to make sure that we keep the area of veterans affairs well and truly up-front in all areas of the government's thinking. The first question relates to Budget Paper 4, Volume 4, page 174, and it will be the same reference for all of these questions. The net cost of providing services is \$1.328 million. Has Veterans SA done any work to establish the number of veterans in South Australian prisons and secure mental health facilities and, if so, how many are in each? If not, will Veterans SA undertake to determine these figures?

The Hon. M.L.J. HAMILTON-SMITH: I thank the shadow minister for his question and for his general support in this portfolio area. We are collecting data on veterans. The Valuing our Veterans—Community Data Collection Project aims to establish a process for collecting that data on veterans and their families used in identifying state government services: health, mental health, education, corrections, social inclusion, homelessness and higher education. It is an important step.

The Department of Veterans' Affairs (DVA) 2014-15 Annual Report states that there are 25,463 South Australians with a DVA entitlement. It includes veterans, spouses, family members, war widows, etc. It is proposed that the data be de-identified so that all data collected is not able to be linked to specific individuals and that a process be established to enable data collection to be collated and published centrally.

The project team has examined international experience identifying veterans and their families. The research suggests that a recognised need for data on veterans and their families exists in the USA, UK and Canada. In November 2015, I wrote to a number of state ministers about the project and requested that a senior public servant be nominated as a liaison for the project. All ministers responded and the project team representatives met with the nominated liaison officers to request data.

On Corrections specifically, the Department for Correctional Services committed to the collection of data in relation to incarcerated veterans. DCS has also conducted a limited survey asking prisoners to self-report previous military experience. As at 29 March 2016, 30 prisoners have self-reported past military service. A project is underway to update the DCS admissions form. This will include questions about service in the ADF. This project is scheduled to be completed during 2017. Veterans SA will continue to liaise with DCS about a communications strategy to deal with this information—when it will be provided and how often.

It is hoped that prisoners who report previous military service will be asked if they are willing to have their details provided to peer support groups, such as ex-military rehab centres and ex-service organisations, during incarceration. I have had conversations with various members of the veterans advisory board who are also concerned about this. They are aware of people who are in gaol and they want to do something to help. We are working on it and we will work closely with all members of the house to look after our veterans who are in prison.

Dr McFETRIDGE: My colleague the honourable and gallant Andrew McLachlan in the upper house recently raised the issue of giving preferential treatment to veterans in the area of public employment. What is the government's position on employment assistance for veterans transitioning from the forces? Is the legislation still in place? I think it is a very old act of parliament that does actually refer to giving veterans preference.

The Hon. M.L.J. HAMILTON-SMITH: First of all, I just acknowledge that offering from the honourable member in the other place Andrew McLachlan. I think it is a really intelligent suggestion and I listen to it with great interest. I am aware that the veterans advisory committee have been doing some thinking about this themselves. I will hand over to Mr Manton in a minute but, where the opposition comes up with a really sensible suggestion, I am very keen to adopt it, and I think this one warrants further work. I will hand over to Rob.

Mr MANTON: Thank you, minister. At its last meeting in June, the Veterans Advisory Council, under its new chair, Air Vice Marshall Espeland, determined to form a subcommittee to build on work that was done in Western Australia and New South Wales, which examined exactly this opportunity which does exist. A subcommittee has been formed. Mr Bronson Horan, member of the Veterans Advisory Council, is chairing that group, which comprises both older and contemporary veterans.

They are due to report next week, at the next Veterans Advisory Council meeting, on discussions they have had, with a view to putting some policy options to government to look at ways that veterans can be given a priority. If it comes down to an issue of discrimination during an interview and how to pick between two very even candidates, one of whom is a veteran and one of whom is not, perhaps consider giving the nod to the veteran, based on his life experience in his time in uniform.

The Hon. M.L.J. HAMILTON-SMITH: We will keep working on that and I would be very happy to meet with you and Mr McLachlan and the agency, perhaps, to work out how we might make that happen. I would be happy to bring forward a proposal, if the Veterans Advisory Council agrees.

Dr McFETRIDGE: Another issue involving my colleague in the other place, the honourable and gallant Andrew McLachlan, is the Dardanelles cenotaph. I know he has had some opinions on that. Can you update the committee on what is happening with the Dardanelles cenotaph? Is it staying on South Terrace and moving to the original position, or is it being moved up to Kintore Avenue?

The Hon. M.L.J. HAMILTON-SMITH: This memorial walk has been extraordinarily well received. The original proposal included a proposal to move the Dardanelles cenotaph from its current location in the south Parklands to the northern end of the ANZAC memorial walk. There was some opposition to this. Members might be aware that the Dardanelles cenotaph was set up by, I think, predominantly the mothers, wives and womenfolk of our servicemen after the Gallipoli campaign, before the term 'ANZAC' had really been forged.

It was put in another location. It has been moved once already to its present location, but there was some resistance to it. I found, when I first became minister, that this project, to be frank, had become bogged down. I was quite concerned that it would not proceed. It had a high level of complexity. It involved the federal government, who kindly made a contribution, the state government and local government—the council. It involved the Governor's office and Government House. There were arguments about money, planning and its scope. It had reached outside of its core objects. I had to try to get it back on track and get delivery, and we were able to do that.

One of the levels of complexity that we excised early was the moving of the Australasian Soldiers Dardanelles Cenotaph because, clearly, that needed further work. So, on advice, I made a

decision early to leave that part of the project out for the moment so that we would get on with the main game, which we delivered on budget and on time. I might ask Mr Manton to give the committee an update on exactly where that is at the moment.

Mr MANTON: The proposal to relocate the Dardanelles cenotaph required a DAC approval, so there was a process that we had to go through. It was approved, I think, about a month ago by the Development Assessment Commission. One of the folks who did not agree with the relocation applied to have it listed under state heritage; that has since been declined as well, so it can be moved. We are now in the 15-working day appeals period that is due to finish at the end of this week. My sense is that there will be an appeal and, if that is the case, we will work with the veteran community, the government and the Department of Treasury and Finance to determine how best to proceed to continue with the plan to relocate it.

To relocate it to what will be the centre of the memorial precinct will really, I think, just finish off that whole memorial precinct with the exception of perhaps tidying up along the Pathway of Honour along the northern end of Government House, but that is a project for another time. We are very confident. All of the approvals are in place. We are just waiting on the appeals process now.

The Hon. M.L.J. HAMILTON-SMITH: Can I just say that there were two considerations on my mind. One was I wanted to get the main walk completed on time, and this could potentially hold it up—that was point number one. Secondly, I wanted to give those who were concerned about the movement of this cenotaph a fair go, a fair say and a due process, which we are going through, as Mr Manton has just explained. They have every right to be listened to and have their views considered, and I just want to make sure everyone gets a fair go before we decide what the outcome will be.

Dr McFETRIDGE: On that same general area of preserving memories, minister, has any consideration been given or can consideration be given to creating some small grant funding for RSLs and community groups, particularly in small country towns, to clean and refurbish, as necessary, their cenotaphs and memorials? Certainly, when you go to the small country towns—in my case, one particularly close to me is Kangarilla—you read the names on those cenotaphs and, when you know the families, you really realise how much these cenotaphs mean to those small communities and the sacrifices that were made. Considerable parts of the community just left and never came back in some cases, so preserving those memories and cleaning and refurbishing those cenotaphs would be something that I think would be a worthwhile project for us.

The Hon. M.L.J. HAMILTON-SMITH: I thank the shadow minister for the question, which is a very good one. The answer is there is a program there that can assist these towns. The veterans' affairs portfolio allocated \$274,000 in grants to the community in 2015-16. At one end of the spectrum was a \$100,000 grant to the Legacy Club; at the other end of the spectrum was a \$2,750 grant to the Farina Restoration Group to restore their memorial in exactly the way that the shadow minister has pointed out.

So there is a grant program there. There is \$74,000 remaining from the Minister for Veterans' Affairs allocation of annual grants. We are still seeking applications for that and would be happy to receive them from any country community that wants to restore its memorial. There are certain criteria for applying for the grants. They are managed by Mr Manton and referred to me and are publicly available on the Veterans' Affairs website. Should any community want to restore, upgrade or repair its memorial, they are more than welcome to apply.

There is also a separate fund in the Anzac Day Commemoration Fund which also reports to me, and in that fund there is \$350,000 that can also be bid for. The chair of that is Mal Hyde, former police commissioner. Again, that is another avenue for communities to follow.

Dr McFETRIDGE: Perhaps I will get the Meadows community group to apply as well, because the other day I noticed theirs is in need of a bit of a tidy up. Minister, at a recent veterans' function there was a guest speaker from Flinders University who talked about an archaeological dig at the Repatriation Hospital site. He was talking about the former air raid shelters, and there are always the rumours about the underground hospital. Can you inform the committee about the dig that is going on and what will happen to any artefacts that may be recovered? Will they be displayed somewhere?

The Hon. M.L.J. HAMILTON-SMITH: Yes, I will be following this with great interest. I thank the shadow minister for his question. There is a bit of history at the Repat site. In 1942-47 it was under the control of the Australian Army. It was known as the 105 Australian Hospital Springbank. Part of the hospital's history involved being prepared for invasion during World War II. Apparently several air raid shelters were constructed on the eastern side of the hospital to house patients and staff. The facilities are thought to include a fully set up operating theatre, recovery wards and general ward areas with triple bunk beds.

Many stories abound among staff and residents who remember the air raid shelters. The hospital took a decision in 1996 to research and document the locations of the installation with the Flinders University Archaeology Department in an effort to preserve this part of history. Oral histories have been accumulated, revealing significant amounts of information and stories. The stories of air raid shelters are intriguing, with oral and photographic evidence of their existence. Unfortunately, investigations and technology have not quite located their exact position. Further lost evidence may appear or a void or staircase may be discovered one day by accident during normal service excavations. We are very mindful of this, in the future, at that site.

As with the Anzac Centenary Memorial Walk, should any future excavations reveal the existence of underground shelters or similar below-ground structures, every effort will be made to preserve any relics located, and the ex-service community will be consulted for its advice regarding preservation. Until then, it will remain, as with the old Adelaide Gaol, one of Adelaide's many mysteries. All care will be taken to ensure the matter is handled sensitively and appropriately.

Dr McFETRIDGE: Whether we should have that state heritage-listed, I am not sure. The final question is one that Mr Manton gave me—no, that is not true! I understand there are a number of very significant celebrations and commemorations that are going to be held over the next 18 months, towards the end of 2018, to commemorate the major battles of World War I. The value that is obtained by visiting and commemorating these sites is, I think, significant for members of parliament. I must admit, I am still slightly traumatised—that is probably too strong a word, but I have not finished reading the book about Pozieres yet—by the tremendous impact that that visit had. Seeing those tens of thousands of names on memorials has had a really significant impact on us. Are there official delegations planned, particularly to commemorate World War I, minister? Certainly Beersheba is a significant one and Passchendaele is another.

The Hon. M.L.J. HAMILTON-SMITH: Yes. I thank the shadow minister for the question. The western front was by far the bloodiest and most disastrous of campaigns for Australia. In July 1916 Australian troops went into action at Fromelles. There were 5,500 casualties in 24 hours, nearly 700 of them South Australians. By the end of the year about 40,000 Australians had been killed or wounded—that is a lot of very distressed mothers and wives across the country.

In 1917, a further 76,800 Australians became casualties at Bullecourt, Messines and the four-month campaign around Ypres known as Passchendaele. It is very important that the states participate in the commemorations. One has to remember that these soldiers all came from local communities. Although we had been a nation since 1901, they identified very strongly as South Australian or New South Wales or Victorian battalions. You only need to look at the memorials in the villages and towns across South Australia to see how the local communities put up their boys and welcomed them home—those who came home—and then continued the work of their rehabilitation.

For that reason I have commissioned a history. It will reflect the local stories of South Australia's involvement in World War I, and I will have more to say about it later. It will focus on what happened in Prospect, what happened in Port Adelaide, what happened in Ceduna, what happened in Port Lincoln, Mount Gambier, Stirling and wherever. It will concentrate on the local stories. It will be a readable story. It will come in both a book form and a coffee table form with more photographs. The author I have identified as one Mr Bob Kearney. I am sure it will be something that all South Australians can hold to their chests in a very special way. As the shadow minister points out, this is all about families and local communities.

Yes, for the Battle of Beersheba, 31 October 1917 and the third battle of Ypres, September-October 1917, there will be further commemorations. The commonwealth is organising

these but I want to make sure that we are representing our local communities at those commemorations. We said we would never forget and I think it is beholden on South Australians and our government and our local governments to make sure that we do not. Being there for these commemorations I think is part of that story. Instead of just leaving it up to the federal government we should be there.

I was pleasantly both surprised and happy to see so many South Australians at Menin Gate when I read the ode and the Governor laid a wreath. We were all there, including my own constituents who came up afterwards to say, 'G'day, how are you? It was terrific to be here.' It was just wonderful. Each had their own story: a great uncle or a great-grandfather, each with their connection. It was a terrific thing. That is why we need to be there representing our communities—and we will be in 2017, and I hope 2018.

Dr McFETRIDGE: Thank you, minister, and certainly I look forward to reading the book. I am sure Mr Kearney will do us proud. The late Max Venables, a good friend of mine from Glenelg, wrote a book called *From Wayville to Changi and Beyond* relating to war stories. He spent three years in Changi Prison in World War II. These books are high impact just as visits to memorials are high impact. I recommend to all South Australians to read the local stories. I look forward to reading his book. With that, thank you, minister.

The CHAIR: Yes, I thank the minister and his advisers, and members of the committee and staff for all their hard work and cooperation today. I declare the examination of the proposed payments be completed.

At 14:14 the committee adjourned until Wednesday 3 August 2016 at 09:00.