

**HOUSE OF ASSEMBLY**  
**Friday, 21 September 2018**  
**ESTIMATES COMMITTEE B**

**Chair:**

Mr S.J. Duluk

**Members:**

Hon. S. C. Mullighan

Mr B.I. Boyer

Mr J.P. Gee

Dr R.M. Harvey

Mr S. Murray

Mr S.J. Patterson

*The committee met at 09:00*

*Estimates Vote*

**DEPARTMENT OF TREASURY AND FINANCE, \$150,449,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,**  
**\$1,748,226,000**

**Minister:**

Hon. R.I. Lucas, Treasurer.

**Departmental Advisers:**

Mr D. Reynolds, Chief Executive, Department of Treasury and Finance.

Ms T. Pribanic, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms T. Scott, Executive Director, Department of Treasury and Finance.

Mr B. Gay, Executive Director, Commercial and Economics, Department of Treasury and Finance.

Mr E. Brooks, Executive Director, Industrial Relations, Department of Treasury and Finance.

Mr G. Raymond, Director, Department of Treasury and Finance.

Mr T. Crowe, Principal Management Accountant, Financial Services, Department of Treasury and Finance.

Mr M. Beveridge, Account Management, Budget and Performance, Department of Treasury and Finance.

**The CHAIR:** The estimates committees are 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 of the opposition have agreed on an approximate time for the consideration of proposed payments which will facilitate a change of departmental advisers. Can the minister and lead speaker of the opposition confirm that the timetable for today's proceedings previously distributed is accurate?

**The Hon. R.I. LUCAS:** Yes, sir.

**The Hon. S.C. MULLIGHAN:** I understand it has been distributed by the government. I have not been contacted directly about it but given at this late stage we do not have much choice but to adhere to it we will have to proceed.

**The CHAIR:** So it is accurate?

**The Hon. S.C. MULLIGHAN:** Well, according to the Treasurer. It certainly has not been raised with me.

**The CHAIR:** Thank you, member for Lee. Changes to committee membership will need to be notified as they occur. Members should ensure the Chair is provided with a completed request to be discharged form. If the ministers undertake to supply information at a later date, it must be submitted to the committee secretary by no later than Friday 26 October 2018. I propose to allow both the minister and the lead speaker of 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 asking questions based on about three questions per member, alternating each side. Supplementary questions will be the exception rather than the rule.

A member who is not part of the committee may ask a question at the discretion of the Chair. Questions must be based on lines of expenditure in the budget papers and must be identifiable or referenced. Members unable to complete their questions during proceedings may submit them as questions on notice for inclusion in the House of Assembly *Notice Paper*. There is no formal facility for the tabling of documents before the committee; however, documents can be supplied to the Chair for distribution to the committee.

The incorporation of material in *Hansard* is permitted on the same basis as applies in the house; that is, that it is purely statistical and limited to one page in length. All questions are to be directed to the minister and not the minister's advisers. The minister may refer questions to advisers for a response. The committee's examinations will be broadcasted in the same manner as the sittings of the house are broadcast, through the IPTV system within Parliament House and via the web stream linked to the internet, which I think is a first.

I will now proceed to open the following lines of examination: Department of Treasury and Finance and administered items for the Department of Treasury and Finance. I declare the proposed payments open for examination and refer members to the Agency Statements, Volume 4. I now call on the Treasurer to make a statement, if he wishes, and to introduce his advisers.

**The Hon. R.I. LUCAS:** On my right is David Reynolds and on my left are Tammie Pribanic and Mark Beveridge. I do not propose to make an opening statement. We are anxious to allow members to have as many questions as they wish. In the interests of starting off on a friendly, convivial front, as is always my wont in parliamentary proceedings, all I can advise Mr Mullighan is that, from our understanding, the discussions went on between Mr Koutsantonis and Mr Gardner in relation to the timing of the sittings.

I agreed to extend the appearances before the committee beyond what the former treasurer had last year by an hour or an hour and a quarter, I think. The last request we had, through discussions with his colleagues, we assumed that we would extend the SafeWork SA schedule by an extra half an hour. So all I can say is that the negotiations were conducted between Mr Gardner and Mr Koutsantonis. We agreed to extend my appearances before the committee. In particular, the last request we had was to extend the SafeWork SA timing.

**The CHAIR:** Thank you, Treasurer. Would the lead speaker for the opposition like to make an opening statement?

**The Hon. S.C. MULLIGHAN:** Only very briefly. While I appreciate that the Treasurer may have been under that impression, my understanding is that it is customary for the minister to speak with his shadow, or indeed their officers, to converse on a proposed timetable as distributed by the government, to see if the allocation of time between the different lines of inquiry is appropriate, and that did not occur. Given that we may be doing this again in a bit less than 12 months, I would appreciate it if that would happen in the future.

My understanding, from the discussions that occurred between the Leader of Government Business and the Leader of Opposition Business, was mainly around trying to resolve the conflicts where lines of inquiry for different portfolios—where shadows, in particular, had overlapping responsibilities—were resolved, not so much the allocation of time within the portfolio examinations.

**The Hon. R.I. LUCAS:** I will happily ignore Mr Koutsantonis in the future and deal with Mr Mullighan.

**The Hon. S.C. MULLIGHAN:** Well, we will see by the end of the day.

**The CHAIR:** Member for Lee, could you bring your microphone a bit closer to you?

**The Hon. S.C. MULLIGHAN:** Sure. Is that better?

**The CHAIR:** Thank you very much. That being the case, the lines are open and I call on members for any questions.

**The Hon. S.C. MULLIGHAN:** One thing I should perhaps have referred to is that I intend to place a number of omnibus questions on the record. I am in the committee's hands as to when—if there is any preference—that is to occur but perhaps we might start with the regular questions, if I can put it that way. I draw the Treasurer's attention to Budget Paper 3, page 16, table 1.7 on that page, in particular the line in bold three-quarters of the way down: Net effect of policy measures up to the 2018-19 Budget. I assume this is where the \$2.57 million payment to Henry Keogh resides?

**The Hon. R.I. LUCAS:** My advice is no, it comes out of SAFA's insurance fund.

**The Hon. S.C. MULLIGHAN:** So it is not represented in that table?

**The Hon. R.I. LUCAS:** My advice is no.

**The Hon. S.C. MULLIGHAN:** Perhaps we will leave that line of questioning open for SAFA.

**The Hon. R.I. LUCAS:** That would be appropriate.

**The Hon. S.C. MULLIGHAN:** If you could draw your attention to Budget Paper 5, page 168, the second initiative outlined on that page, namely, operating efficiencies for the Department of Treasury and Finance. Can I ask how these savings were calculated? Were they calculated on the basis of the description that is outlined earlier in the budget, of 1 per cent of employee expenses and 1 per cent of net cost of services?

**The Hon. R.I. LUCAS:** I am advised that that calculation was done on an FTE basis.

**The Hon. S.C. MULLIGHAN:** Purely on the FTE basis—so separately from the description in Budget Paper 3, page 28. Is there a notional allocation, then, given the FTE allocation across the different divisions and business units within the Department of Treasury and Finance?

**The Hon. R.I. LUCAS:** So the key clarification—do you mean there is a notional clarification? What do you mean?

**The Hon. S.C. MULLIGHAN:** If there is a total number of full-time equivalent staff working in the Department of Treasury and Finance, there are different divisions and business units, or however they may be described, within the department; for example, SAFA, which you just mentioned. Has there been an identification of the budget allocation or budget savings for each division or business unit?

**The Hon. R.I. LUCAS:** My advice is that we are still working through that particular process. Ultimately, in terms of the overall shape and structure of the budget, as I have said publicly on a number of occasions, those agencies that had, for want of a better phrase—and this is not all-encompassing—doctors, teachers, nurses and police suffered less of an impact in terms of the savings tasks, both inherited from the former Labor government's Mid-Year Budget Review and any additional task that the new government added.

Therefore, those agencies, such as Treasury and others that obviously did not have doctors, teachers, nurses and police, shared a heavier load of the burden in terms of trying to achieve a balanced budget overall. In terms of Treasury, again, one of the other issues you have to bear in mind is that, with the machinery of government, we have actually inherited significant new

components from other departments, such as Shared Services and DPC, and a range of other functions. They happily brought with them their inherited savings tasks as well.

We have lost smaller bits and pieces to other agencies, like Veterans, the Valuer-General and those sorts of things, so the machinery of government changes blur the boundaries a little bit. The big task, for example, in Shared Services and which came with it now rests within our sort of aggregate savings tasks to which you are referring there.

**The Hon. S.C. MULLIGHAN:** Thank you. While the table for that operating efficiency initiative outlines the money to be saved and also the FTEs underneath it—

**The Hon. R.I. LUCAS:** That is \$25 million or \$28 million or something.

**The Hon. S.C. MULLIGHAN:** It grows to \$25 million; yes, that is correct, though a bit smaller in the first year. Can I ask, then, why there is a full-time equivalent saving of 146 against a dollar saving of just over \$12 million? The following year the FTE saving grows to 159, but there is a much more significant proportionate increase in the operating expense savings.

**The Hon. R.I. LUCAS:** I think the member would be familiar with past budgets. These FTE targets are both aggregate. Therefore, the subcomponents, including this particular one, are notional. I think there is an explanatory note in Budget Paper 3 beneath the table that confirms the former government's position, which we have confirmed in this budget, and that is that this is sort of the FTE equivalent of the savings task.

Ultimately, it is for the minister and the chief executive of his or her department to resolve. They have to achieve the savings task and we have to achieve our savings task in Treasury. Whether we do it with that actual notional number of FTEs or whether we do it with more or less is essentially up to us, as it is up to other ministers and CEOs.

There is a clear warning in Budget Paper 3, consistent with past practice, that ultimately these FTEs are notional. I would not be placing too much emphasis on the precise nature of the numbers, either for this department or, indeed, for other departments. Ultimately, as has been past practice, as long as the savings task is achieved, that is the major task that confronts the ministers and the CEOs.

**The Hon. S.C. MULLIGHAN:** I appreciate that explanation. I am just trying to get a clear idea of what the expectation will be of your agency. Your first response was that the dollar figure savings task is purely a reflection of the number of FTEs to be saved. The figures do not bear that out as the savings grow much faster in dollar terms than the FTEs, so your subsequent explanation—

**The Hon. R.I. LUCAS:** No, the savings task is calculated, or so I am advised, on the basis of the number of FTEs that existed in the particular departments at the times we did the calculations. Then, there is a separate issue, as you gave forward. You have calculated what your savings task is—in our case, up to \$25 million for Treasury—and you then have to work through a process of how you achieve it. Notionally, there are some numbers in there in terms of what that might be—in terms of notional FTE calculations. Ultimately, it is up to me, as the responsible minister, the chief executive and others within the agency as to what the FTE impact will be or whether we can achieve the savings with a lower FTE number.

As a former chair of the Budget and Finance Committee there was many a CEO who came before that committee who said, 'Yes, this number says we have to reduce 300 FTEs but we've achieved the savings and we've only had to reduce the FTEs by 100.' Ultimately, that is the process that the former government used, and we are going to use a similar process.

**The Hon. S.C. MULLIGHAN:** I appreciate that explanation. Certainly for the 2018-19 year, at the commencement of that year, the machinery of government changes that affected Treasury were complete.

**The Hon. R.I. LUCAS:** Yes, with the small exception of the Employment Tribunal which is coming across on 1 October but, by and large, all the machinery of government changes across the whole of the public sector, I think, had been achieved by 1 July. However, there is a minor issue of the Employment Tribunal which is coming across on 1 October.

**The Hon. S.C. MULLIGHAN:** For 2018-19 it seems reasonable that the 146 FTEs anticipated to be saved or variations thereof might be loosely based on an average FTE cost, for example—and I am picking a figure out of the air, I am not sure what the current average public sector FTE cost is, but let's say it is \$90,000 or \$95,000 or something—that would roughly equate to the \$12 million. The reason I am asking this question is because of that quite significant escalation in the dollar savings that are required, but the FTE is not. The reason I ask it is because I am wondering if any other savings measures that do not require such an impact on FTE numbers are currently being investigated by the department, and what they are.

**The Hon. R.I. LUCAS:** The answer to the question is absolutely yes. We, but in particular I guess the CEO and the senior management, are looking at a whole range of potential savings options. You would be familiar with all of the devices that departments and agencies use in terms of meeting savings tasks. Individual divisions will only get—and I am not saying that these are the decisions that have been arrived at yet, I can take advice as I talk here briefly. A number of CEOs and ministers will take a decision to only pass on the same nominal amount as the previous year to the various divisions; that is, indexation is not passed on to each of the individual sections, so the savings task is partially achieved in that way.

For services and supply there is a variety of other issues like that which will be looked at in terms of how you might achieve savings tasks. FTE equivalents are an important component but not the only component and, again, the evidence before the Budget and Finance Committee has demonstrated the sometimes creative and innovative thinking that ministers and CEOs utilise to arrive at savings tasks. Ultimately, from the new government's viewpoint, innovation and creativity is fantastic but the new government is more interested in an actual savings task being delivered in an ongoing way.

One of the problems is that sometimes agencies use their creativity with the one-off savings, so it helps them to get to a savings task for this year but it does not actually lock in an ongoing savings capacity for the forward estimates period. All that means is that every year you have to go back and try to find some new one-off one, whereas what the new government has tried to say to agencies, with what I described in the budget speech as a simplified version of zero-based budgeting, is to actually take some hard decisions early and stop doing things or stop funding certain programs because that is a permanent ongoing savings, as opposed to one-off savings tasks.

**The Hon. S.C. MULLIGHAN:** I think we have established that the savings requirement to be imposed on the Department of Treasury and Finance in that initiative on budget 169—so it has not been determined just on the FTE cost and it has not been determined on the 1 per cent of employee expenses and 1 per cent of net cost of services outlined in Budget Paper 3, there is some other manner in which it has been determined. Can the Treasurer rule out any outsourcing or privatisation of the functions or operations currently being undertaken by DTF?

**The Hon. R.I. LUCAS:** No; the new government made it quite clear in an explicit commitment to Nev Kitchin from the PSA. I wrote to Nev Kitchin, who sought a commitment from the alternative government, to say that we would not entertain, entertain was not the right word, that we would not utilise any privatisation—actually, I think I might have a copy of the letter—outsourcing or commercialisation, I think, was the question that was put to me as the alternative. Let me read the correspondence, signed 12 January:

Will your party commit to not privatising, outsourcing or commercialising any public sector assets and services...

Without reading the whole lot of it, we made a commitment not to privatise SA Water. Subsequently, due to claims being made by some of our scurrilous opponents that we were going to sell off hospitals, we committed to not selling off hospitals. In relation to outsourcing or commercialising, the explicit commitment I gave prior to the election on behalf of the alternative government was:

There are many current examples where public services are being successfully delivered by private or non-government suppliers. We have a responsibility to consider such options where it is clearly in the public interest to do so.

There was an explicit promise made by the alternative government that we would leave open the option of commercialising or outsourcing. As I explained in the budget speech and subsequently, we

have announced the decision in relation to the outsourcing of the Adelaide Remand Centre and we have left open the option, if savings tasks are not achieved, in the health area of some outsourcing in that particular area.

Consistent with that in terms of Treasury, and I do not have any current proposal, on my recollection, before me at the moment in terms of outsourcing a particular function of Treasury, but I am always encouraging in particular the CEO and the commercial and economics people in particular, if we can deliver an equal or better service and do it at a lower cost to the taxpayers, why would we not entertain that particular option?

**The Hon. S.C. MULLIGHAN:** I appreciate the explanation, particularly the reference to the letter from you to the PSA. It is a bit incongruous with the Premier's statement on the ABC on 16 March, the day before the election, that 'we have already ruled out privatisations'.

**The Hon. R.I. LUCAS:** I think it is only incongruous to you, Mr Mullighan. He was quite explicit. He referred to privatising, as Mr Kitchin's letter to me was, 'Will your party commit to not privatising, outsourcing or commercialising?' We explicitly ruled out the privatisation of SA Water and various other assets. We explicitly left open the option of outsourcing and commercialising. I would have thought someone with your background might have understood the differences.

**The CHAIR:** I just remind the committee to refer to the budget papers not to statements from the Premier on the radio and look at the specifics in the budget.

**The Hon. S.C. MULLIGHAN:** Or letters to the PSA?

**The CHAIR:** The member for Lee, continue.

**The Hon. S.C. MULLIGHAN:** Thank you for clearing that up. I think we have established where the difference lies, not so much with us but perhaps between you and the Premier. So no initiatives then, from your answer, are currently being considered or developed by Treasury that, if implemented, would involve outsourcing or privatisation?

**The Hon. R.I. LUCAS:** I am encouraging consideration in my agency and indeed across the board. Again, I can only say in response to your question, if we can actually deliver an equal or better service to the people of South Australia and do it at a lower cost, I have no concerns in relation to Treasury. I do not think, with great respect to my hardworking Treasury employees, there is a huge amount of concern out there in the community about what we might do within Treasury in this particular space. There is, I suspect, much more concern in some of the other portfolio areas.

**The Hon. S.C. MULLIGHAN:** Okay. Just turning on the same Budget Paper 5, but page 77. Just from Treasury's perspective, the second to last line of the table at the bottom of the page, 'Achieving national efficiency benchmarks by 2021–22', were those savings targets devised by your department or by the health department?

**The Hon. R.I. LUCAS:** Ultimately, the final decisions rest with the cabinet, but the Treasurer and the Treasury drive these. Sorry, are you talking about what the national efficiency benchmark is?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** There would have been advice from Health, obviously, as to what the national efficiency benchmarks were, the national efficiency price and those sorts of things. Clearly, there would have been advice from Health as to what those particular national efficient price and benchmarks were. Then, in discussions with Treasury officers, these calculations would have been arrived at. Ultimately, as Treasurer and Treasury and then the cabinet, we took the decision in relation to what the task should be and how much of the inherited savings tasks the former Labor government had left Health in the Mid-Year Budget Review was achievable or not in terms of the enormous size of that particular task. For the reasons we have outlined, we have had to put extra money into Health, but nevertheless there is still a significant savings task ahead of them.

**The Hon. S.C. MULLIGHAN:** So your advice from Treasury is that they are satisfied that savings task reflects the detailed calculations that have been undertaken by Health to work out the variance from the current operations to what is established as the national efficient prices for all the services that they provide to the community?

**The Hon. R.I. LUCAS:** Yes.

**The Hon. S.C. MULLIGHAN:** For every service that the health department provides to the community that is benchmarked nationally?

**The Hon. R.I. LUCAS:** We are relying on the good sense and hard work of health officers in terms of doing the precise calculations, etc., but in terms of the aggregate of the overall national efficient price, I am advised that the hospital activity number is the thing that drives this particular calculation. I think we have quoted, and so has health, at varying stages how various health networks are performing in terms of the national efficient price and how much higher than the national efficient price some of our health networks are. Again, that has been driven by the hospitals within those health networks.

**The Hon. S.C. MULLIGHAN:** That is a useful explanation. So it is benchmarked against an average price of treating a patient, not necessarily benchmarked for a cardiothoracic service, for example, or inserting a stent or something like that? It is just a general: how many patients were treated, what is the cost of that hospital and how are they going?

**The Hon. R.I. LUCAS:** I am advised that if you get the great fortune to participate in the health one, you might get a more detailed breakdown from the health officers. We are advised here that the Independent Hospital Pricing Authority, which is a national body that applies to all, is the body that sets these nationally efficient prices against which, evidently, we are all judged. The precise nature of your question is about cardiothoracic services—

**The Hon. S.C. MULLIGHAN:** Just as an example.

**The Hon. R.I. LUCAS:** Sure, as an example—and a range of other specialist services, as to how that is comprised. Our best suggestion would be to raise, or have one of your colleagues raise, that particular issue with the health minister and his advisers, because I suspect they will be much better placed to answer that particular aspect of the question.

**The Hon. S.C. MULLIGHAN:** I turn your attention to Budget Paper 3, page 11. There is a surplus forecast for the current financial year, 2018-19, of \$48 million across government. Could you perhaps advise the committee if you have monthly monitoring data, perhaps, for July, which gives some indication of how the general government sector is tracking against that forecast?

**The Hon. R.I. LUCAS:** I am advised not yet.

**The Hon. S.C. MULLIGHAN:** You are not able to say whether any or all agencies are progressing according to budget and meeting their unallocated savings task?

**The Hon. R.I. LUCAS:** We have no monthly monitoring, which is the answer to your first question. I think I said in the budget speech, and I have certainly said publicly on a number of occasions, that the government, and certainly myself as Treasurer, accept the fact that 2018-19 is going to be a transition year. We accept the fact that, because the budget is not brought down until September, we are almost a quarter of the way through the financial year, and therefore we sensibly, I think, have tried to treat 2018-19 as a year in transition.

We accept the fact that some agencies, in terms of some of their savings tasks, certainly would not have achieved them by the time of the budget because ultimately the final decisions were only taken and announced very recently. Then you have the situation where, with some of their savings tasks, it is going to take them a period of time to implement those savings tasks. The challenge for them is to have their savings tasks well and truly concluded by financial year 2019-20.

In some cases we have taken that into account in terms of the calculations. You will see, with some of the individual agencies, the actual savings in the first year might be a percentage of the full year savings to be achieved once fully implemented in 2019-20 onwards.

**The Hon. S.C. MULLIGHAN:** So given that it is a transition year, as you have said, has the budget a provision for operating expenditure slippage, either for expenditure not made within the financial year or for savings not delivered?

**The Hon. R.I. LUCAS:** Every budget, as you would be familiar with, would have that. We are not putting that on the public record, as consistent with past practice, but every budget has some estimation of a slippage component.

**The Hon. S.C. MULLIGHAN:** Would you like to come over and whisper it in my ear so that it does not become public?

**The Hon. R.I. LUCAS:** I do not think I would like to whisper anything in your ear, Mr Mullighan, but thank you very much for your kind invitation.

**The Hon. S.C. MULLIGHAN:** Some sweet Treasury nothings?

**The Hon. R.I. LUCAS:** It might be misconstrued.

**The Hon. S.C. MULLIGHAN:** And there is an investing slippage provision?

**The Hon. R.I. LUCAS:** Yes. I thought your first question covered both, but my answer to the first question was both. Clearly, there is always, as you would be familiar with, an investing and operating—investing tends to be, on past experience, significantly larger than the operating. Agencies seem better at spending their operating budgets, but investing is—

**The Hon. S.C. MULLIGHAN:** Terrific. So you are not able to provide that to the committee?

**The Hon. R.I. LUCAS:** No, but thank you for the invitation.

**The Hon. S.C. MULLIGHAN:** That is all right—it is a pleasure.

**Dr HARVEY:** I have a question from Budget Paper 3, page 27. Can the Treasurer update the committee on the scale and impact of overspending in the health portfolio?

**The Hon. R.I. LUCAS:** I thank Dr Harvey for that question, because there has been some public debate and difference of opinion about the true extent of the health budget and health overspending. I think in the budget statement we made it clear that health and all agencies had inherited very significant savings tasks, and one of the decisions we have taken in this particular budget is to put an additional \$800 million over five years into health, \$730 million over the next four years. In essence, our view was that the savings tasks outlined for health by the former government in the Mid-Year Budget Review were unachievable, and they were, of course, helping manufacture surpluses in the forward estimate years, because health very rarely ever achieved the savings tasks that have been outlined for them.

Two things I would like to put on the public record: one is that there has been some public debate about overspending within the Central Adelaide Local Health Network (CALHN), and some disputation about the extent of the overspending in that particular area. Of course, CALHN takes in the Royal Adelaide and The Queen Elizabeth Hospital, so it is the biggest of the networks.

What I can place on the public record (and the Hon. Mr Mullighan earlier referred to the monthly monitoring reports) is that, certainly from very early in the last financial year—so from a period of August/September onwards—health was advising Treasury and the former treasurer—so, the former minister for health and the former treasurer were well aware—that CALHN was projected to overspend its budget for 2017-18.

In August or September last year they were talking about \$150 million to \$160 million, by November it was about \$180 million, by December it was about \$230 million, and by January and February—just prior to the state election—Health was advising Treasury that the CALHN overspend was just under \$250 million. So the notion that there was no problem with overspending within Health and that that was unknown to the former treasurer or the former minister for health, the now Leader of the Opposition Mr Malinauskas, clearly belies the facts in terms of what Health was advising Treasury all through that period.

What I want to place on the record today is new information that has now been provided to the government from the corporate advisory firm KordaMentha. At the time of the budget, I think, I indicated that KordaMentha had met with minister Wade and myself and provided an interim verbal report, saying that for 2018-19, on their early look—which was on the basis of July and a little bit of August, at that stage—it looked like CALHN was continuing to overspend at about the same rate and maybe even worse.



We have now received the first of what will be two reports from KordaMentha. In essence, the first one is a clinical analysis by what is, I think, well-known by anyone in the community as a highly regarded corporate advisory firm that is brought in to look after, bail out or administer businesses that are in trouble. Their advice is that they are now forecasting—and this report was received in the last week or so—a massive overspending of \$303 million in CALHN, including statewide clinical services, for 2018-19 unless urgent corrective action is taken. I will quote from their report (this is a verbatim quote from the report to the government):

Absent significant and immediate intervention, we forecast that CALHN's 2018-19 financial performance will be a circa \$375 million deficit equating to a \$274 million unfavourable variance to budget. On a consolidated basis, (including Statewide Clinical Services) we forecast a deficit of \$421 million representing a \$303 million unfavourable variance.

KordaMentha has also reported to the government that CALHN was operating at a cost—and this comes back to the question the Hon. Mr Mullighan was asking earlier—significantly higher than the national efficient price in the period July to December 2017, and that margin was 29 per cent higher than the national efficient price during that period. KordaMentha also reported to the government that the anticipated savings the former government claimed from moving to the new Royal Adelaide Hospital had not been achieved and, in fact, costs had increased as a result of the move to the new hospital.

I think some of the more damning aspects of KordaMentha's report to myself as Treasurer and the minister relates to the attitude of CALHN and those within it to financial controls and accountability. I will read briefly from some of the report:

There is a systemic and widespread breakdown and lack of respect for financial controls and performance accountability. Even when systemic breakdowns in controls have been identified, limited or no action has been taken. There is an absence of departmental and individual accountability to deliver against budgets and performance KPIs, there is little commitment to reducing costs with a range of staff openly refuting the importance of cost containment, inadequate training has been provided to budget owners.

I have spoken about this in the past couple of weeks and said, based on the advice KordaMentha has provided to the government and others, there is clearly a very significant cultural problem within some sections of CALHN and SA Health. It is a very significant cultural problem which was sadly allowed to flourish under the former Labor government.

The reality of the massive overspending within CALHN and SA Health, and its impact on the budget—the mere fact that we have had to bail out Health in this budget to the tune of \$800 million over five years is a significant indication that, with great respect, the claims being made by the former health minister and now Leader of the Opposition Mr Malinauskas, Mr Mullighan and others, that the overspending in CALHN has been overstated, are frankly fanciful.

There is still a significant problem that has to be tackled. KordaMentha will come to the government in the very near future with specific recommendations for the government, and the health minister in particular, to take. It is clearly in the best interests of the budget and the people of South Australia that urgent corrective remedial action is taken. The Minister for Health will have to have responsibility for that. I am sure he will have more to say on that in his estimates committee next week.

As the Hon. Mr Mullighan referred to earlier in relation to the potential impact of health and health spending on the budget, it is critical, from the budget's viewpoint and from the state's viewpoint, that this cultural problem—this massive overspending within CALHN and SA Health—is tackled by a minister and a government who are prepared to take on the vested interests.

**The Hon. S.C. MULLIGHAN:** While I am sure the Treasurer was keen to provide that information to the house, taking nearly nine minutes to do so and spending the first third of that time repeating almost verbatim information that was in the budget speech is not appreciated by the opposition in this committee.

**The CHAIR:** Member for Lee, it is your time as well, so I would not chew up any more time.

**The Hon. S.C. MULLIGHAN:** Thank you. I am hoping that we do not see a repeat of that performance, needlessly chewing up time.

**The CHAIR:** I hope you are not reflecting on the Chair. Member for Lee, if you have a question I suggest you ask it.

**The Hon. S.C. MULLIGHAN:** The responsibility could be shared, if you like. You are here to administer proceedings, after all.

**The CHAIR:** The member for Taylor may assist.

**The Hon. S.C. MULLIGHAN:** Thank you. As a supplementary for Mr Lucas, I refer to Budget Paper 4, Volume 3, page 56, Sub-program 2.1: Central Adelaide Local Health Network, and the final result to which he made lengthy and overzealous reference. The 2017-18 budget figure is \$1.395 billion; the estimated result in the budget is \$1.493 billion. My maths is probably not as good as yours, Mr Lucas, but I make that a discrepancy of \$98 million, not the \$400 million that you have just been walking us through.

I am also a little perturbed by the discrepancy, given that minutes released to me under freedom of information from the Under Treasurer to you, Mr Lucas, said, 'The CALHN deficit is overstated for a number of reasons when you look at the portfolio position as a whole.' I put it to you, Mr Lucas, that it is deliberately disingenuous of you to continue to try to represent the budget position of the health portfolio by continuing to quote the issues you describe in CALHN.

**The Hon. R.I. LUCAS:** Mr Mullighan, you might like to put it to me, and you are perfectly entitled to do so. I admire your loyalty in trying to defend your leader and former health minister—

**The Hon. S.C. MULLIGHAN:** No, I am just pointing out that you are being deliberately disingenuous. It is a reflection on you, not them.

**The Hon. R.I. LUCAS:** As I said, I admire your loyalty, because I think—

**The Hon. S.C. MULLIGHAN:** Even your Under Treasurer does not believe what you are saying.

**The Hon. R.I. LUCAS:** —the only two people probably in the state who have swallowed the story that there is no overspending problem with CALHN are your good self and the former health minister. Mr Chairman, the member—

**The Hon. S.C. MULLIGHAN:** You have overstated it by a factor of four, according to your budget papers.

**The Hon. R.I. LUCAS:** —deliberately or otherwise misunderstands the KordaMentha—

**The Hon. S.C. MULLIGHAN:** They are your budget papers, Rob.

**The CHAIR:** The member for Lee and Treasurer! Treasurer, if you could just address your remarks through the Chair.

**The Hon. R.I. LUCAS:** Thank you, sir.

**The Hon. S.C. MULLIGHAN:** We are back to formality now, are we?

**The Hon. R.I. LUCAS:** Thank you for your protection, Mr Chairman. The KordaMentha report actually refers to budget year 2018-19. The figures the member is referring to refer to a different financial year, 2017-18. The FOI document to which the member refers, refers to a different financial year, 2017-18. I can only remind the member that they are two different financial years. As to relying on what happens in one financial year, as opposed to what happens in the next financial year, I would have thought a member with the background of the honourable member may well perhaps not have fallen for that particular error.

The KordaMentha report is outlining the situation as it exists today for financial year 2018-19. They have had the position of having looked at, clearly, all the July figures and all the August figures, as it turns out now, in terms of the report that has just been presented to the minister and to myself. It is their estimate of where we are now in 2018-19. It is not a historical look at 2017-18, although other parts of the report clearly look at the historical record in terms of informing their current position. That is the first important point to make.

The second point to make is the member refers to the 2017-18 figure and says, 'The extent of the problem is really only \$98 million.' I would invite the member to go out to the community and say, 'The problem is really only \$98 million. It is not \$250 million,' and see where he gets with that sort of an argument. The \$98 million is, if I can use the member's own words, disingenuous in and of itself when he argues—

**The Hon. S.C. MULLIGHAN:** Not of the figure, of you.

**The Hon. R.I. LUCAS:** —that that is the extent of the problem. The Under Treasurer's memo to me highlights the fact that the \$250 million can be brought down eventually to this \$98 million number, which is what is presented in the budget papers, because, firstly, the former government, in the Mid-Year Budget Review, bailed out Health to the tune of \$132 million. This massive overspending was principally within CALHN. Some of the other health networks are in and around about the national efficient price, but CALHN in particular is the one which is haemorrhaging taxpayer dollars.

So the former government, in its Mid-Year Budget Review, bailed Health out and gave them \$132 million. What the Under Treasurer says is that money was being held centrally—and with good purpose. You actually have sections within your business, and you say to them, 'You have a budget. We expect you to perform at the budget level.' The former treasurer and the former government bailed Health out generally and gave them money at the end of the financial year because most of the other sections were performing at or around about where they should have been, or their overspending was nowhere near as significant, so there was additional money put in.

In this budget, we bailed them out with another \$70 million. So we put another \$70 million into Health, all of which Health was able to distribute amongst its constituent parts, including CALHN, in accordance with whatever decision they might have wished to have taken. So that is what the Under Treasurer's memo to me said. It is an entirely rational and sensible piece of advice to me as the Treasurer.

The member and, as I said, also the former health minister I think are the only two people who do not want to recognise that we have a significant overspending problem within CALHN. Some government, clearly the former government, was not prepared to take it on; some government actually has to take it on in the interests of the taxpayers.

**The Hon. S.C. MULLIGHAN:** Thank you to the Treasurer. We will come back to your misuse of those figures in a moment, but for now I draw your attention to Budget Paper 3, page 160. If you look towards the bottom corner of that table, you will see some payments to be made from the Consolidated Account to Joint Parliamentary Services and also administered items for Joint Parliamentary Services. Does Treasury have an estimate of the cost of the refurbishment of the Premier's office within the Parliament House complex?

**The Hon. R.I. LUCAS:** We would have no line of sight of that at all, I suspect. I think the member would probably realise that these sorts of decisions are taken by, I assume, Joint Parliamentary Services, on my experience, in terms of upgrades of offices within this particular precinct, not just Parliament House but also, I suspect, Old Parliament House, but certainly Parliament House upgrades, and the various upgrades that have been going on over the last three or four years through Parliament House through most of the floors. I think also the lovely new carpets in the House of Assembly and various things like that on various occasions are taken either by Joint Parliamentary Services or potentially the constituent houses, the House of Assembly and the Legislative Council.

You would need to work out where the final decisions are taken there, but I suspect, for example—and I think the member would remember some controversy going back a few years about the new furniture in the House of Assembly lounge, which attracted some publicity. I think that was a decision taken by the House of Assembly and the Clerk of the House of Assembly. At varying stages, there has been criticism of the rollout of new carpets in Parliament House. I think that might have been a criticism collectively of the JPSC, which is both houses. There may well have been criticism of upgrades in the Legislative Council, perhaps the carpet that we see here today, but that would be a criticism of the Legislative Council Clerk at the time, I suspect.

In terms of the Premier's office, coming back to the question: no, that is not the sort of detail that we would have. We would give a budget to JPSC, and JPSC would allocate bits to the House of Assembly and bits to the Legislative Council, and keep the bits of themselves for the shared areas, and then either one of those three constituent parts would have to accept responsibility for the decisions that are taken.

**The Hon. S.C. MULLIGHAN:** I am advised that the Premier has just advised the other estimates committee that this is not a matter for him to answer; it is a matter for you, Treasurer.

**The Hon. R.I. LUCAS:** I am happy to take it on notice, but I have answered it already in terms of my knowledge. I was not even aware there was an upgrade. It certainly cannot be too significant because I have been going in and out of it for the last four or five months, and it is not as if it has become a work zone and we have not been able to get into it. We are talking about the one here on the ground floor of Parliament House, are we not?

**The Hon. S.C. MULLIGHAN:** Indeed.

**The Hon. R.I. LUCAS:** Well, I have been going in and out of it over the last four or five months—however long we have been in government—and it has not been a work zone, whereas in some other government departments, when there is a renovation or an upgrade, you have workers and work signs and worksites and you cannot get into them.

**The Hon. S.C. MULLIGHAN:** Are you saying there are occupational health and safety issues in the Premier's office, Mr Treasurer?

**The Hon. R.I. LUCAS:** No, I am not. I am just saying I suspect it cannot be too significant.

**The Hon. S.C. MULLIGHAN:** Okay.

**The Hon. R.I. LUCAS:** I cannot even recall what I have seen that might be different. I think there might be different paintings.

**The Hon. S.C. MULLIGHAN:** If there is any change, it looks modest in your view, does it?

**The Hon. R.I. LUCAS:** I have to confess that I am not the most observant person in terms of interior design changes or those sorts of things.

**The Hon. S.C. MULLIGHAN:** This has been fairly consistent for a while, has it not?

**The Hon. R.I. LUCAS:** Indeed. As you can see from the ceiling, we have nowhere near as ornate and expensive ceiling as you good members from the House of Assembly. Ours is done much more frugally.

**The Hon. S.C. MULLIGHAN:** And rightly so.

**The CHAIR:** It merely reflects the status of the house, I think.

**The Hon. S.C. MULLIGHAN:** And rightly so.

**The Hon. R.I. LUCAS:** But we do welcome you strangers into our house.

**The CHAIR:** Member for Lee, your next question, please.

**The Hon. S.C. MULLIGHAN:** So it is a matter for JPSC. Can you remind me who the Chair of JPSC is?

**The Hon. R.I. LUCAS:** It alternates every year.

**The Hon. S.C. MULLIGHAN:** Is it Mr McLachlan or Mr Tarzia?

**The Hon. R.I. LUCAS:** I do not know. It alternates every year, so it is the Speaker one year and the President the next.

**The CHAIR:** It is Mr Tarzia.

**The Hon. S.C. MULLIGHAN:** It is Mr Tarzia.

**The Hon. R.I. LUCAS:** You have answered your own question.

**The Hon. S.C. MULLIGHAN:** Well, I have had some welcome assistance from the member for Waite. I draw your attention to Budget Paper 5, page 27. Does the Department of Treasury and Finance have any estimate of the operating savings likely from the privatisation of the Adelaide Remand Centre?

**The Hon. R.I. LUCAS:** We do have some ballpark estimates of the savings from the outsourcing of the Adelaide Remand Centre but, for reasons I am sure the member would understand, we have started the process. I think Correctional Services advertised the day after the budget. We have started the early stages of expressions of interest, or whatever it is technically called. It is a competitive process. We do not want to put on the record that we are expecting \$X million of savings when some outsourced provider might come with an even bigger potential saving. From the government's viewpoint, we do have some estimate but we are not publicly expressing it, for the reasons I have just outlined.

**The Hon. S.C. MULLIGHAN:** But the general government sector net operating balance forecasts—in Budget Paper 3, page 10—incorporate the anticipated savings.

**The Hon. R.I. LUCAS:** We hold it in that ubiquitous section of the budget called contingencies, which you would be familiar with.

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** In accounting speak, it is miscellaneous. It covers a multitude of sins, if I can use that colloquial expression.

**The Hon. S.C. MULLIGHAN:** It depends on which side of that table you are sitting, I guess.

**The Hon. R.I. LUCAS:** There are lots of things included in the contingency, and part of that contingency is obviously an early estimate of what the potential saving from outsourcing the Adelaide Remand Centre would be.

**The Hon. S.C. MULLIGHAN:** So it is held in contingencies and not notionally against the Department for Correctional Services?

**The Hon. R.I. LUCAS:** We might need to take that on notice. It may well be, Mr Mullighan, that that particular saving might not be held in the Treasury's contingency. It might be notionally held in some element of the Corrections budget, but it is just not specified. We can clarify that through today and, before the end of the day, give you a clarified response. I think the view now is that, rather than being held in that grab bag of contingency in Treasury, it is actually notionally allocated against Corrections but is not explicitly specified.

**The Hon. S.C. MULLIGHAN:** Is it the intention that those unspecified savings arising from the privatisation of the Adelaide Remand Centre be available for the Department for Correctional Services, perhaps, to help them meet the savings measure on page 28 of Budget Paper 5 under the heading 'Better prisons—high performing benchmark services'?

**The Hon. R.I. LUCAS:** I think that is a separate one.

**The Hon. S.C. MULLIGHAN:** It is a separate measure; I appreciate that.

**The Hon. R.I. LUCAS:** The answer to your question is yes. This is one of their ways of achieving what was their aggregate savings task. One of their options, which was discussed during the budget bilateral process, was the outsourcing of the Adelaide Remand Centre. It assists them in achieving their aggregate savings task. In relation to the one you have just referred to, I am advised that that is a separate budget measure and a separate savings task.

**The Hon. S.C. MULLIGHAN:** Will it or will it not be available to offset that savings measure?

**The Hon. R.I. LUCAS:** That particular one?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** No. My advice is that that is a separate savings measure that they are going to achieve. The Adelaide Remand Centre outsourcing is a separate budget measure, but we have just not put what the dollar figure is.

**The Hon. S.C. MULLIGHAN:** I appreciate that; that is fine.

**The Hon. R.I. LUCAS:** My advice is that they are two distinct budget measures, in terms of savings, but they both help them save money, and it helped them achieve their aggregate savings task during the budget bilateral process.

**The Hon. S.C. MULLIGHAN:** Indeed. I think the justification from the government for privatising the Adelaide Remand Centre has been that—I am not sure what the right nomenclature is—the average cost of providing those correctional services is much higher, on average, than what occurs throughout the portfolio of Correctional Services. Is that right?

**The Hon. R.I. LUCAS:** Yes, in broad terms, as I understand it. I think the figures that Corrections have quoted is that, for example, the average prisoner cost per day in the Mount Gambier Prison is \$154, which, as you would be familiar with, is an outsourced prison. I think we have quoted the Adelaide Remand Centre at \$314. The various other ones range—Yatala is over \$300 as well. The prisoner cost per day metric in the outsourced Mount Gambier Prison is significantly lower than for other institutions like the Adelaide Remand Centre and Yatala, for example.

**The Hon. S.C. MULLIGHAN:** Is the Mount Gambier prisoner cost per day the benchmark by which other prisons will have to save money under that measure to improve their service delivery or meet a benchmark?

**The Hon. R.I. LUCAS:** No. I think to be fair to Corrections, and again I would encourage you to go into a little bit more detail with them, they would accept that some of the institutions, such as Yatala, are highly complex. To apply such a metric or measure to them would be unreasonable. I think that would be their position in relation to Yatala.

To answer your question: no, we would not be applying that particular measure right across the system. They are all different. Yatala, I suspect, is the most complex, high security and difficult of the lot, ranging through to some of the other institutions that are low security—Cadell, for example. The member will probably be familiar with Cadell.

**The Hon. S.C. MULLIGHAN:** Just out of interest, you were making reference to Yatala and its prisoner cost per day. I think that was the metric you were using. What is the prisoner cost per day at Yatala?

**The Hon. R.I. LUCAS:** I think the number we have here is \$302. Again, Corrections will probably give you or your colleagues precise numbers. That is the number we have as Treasury.

**The Hon. S.C. MULLIGHAN:** And it was \$314 for the Adelaide Remand Centre?

**The Hon. R.I. LUCAS:** Yes: \$314. It is even higher, which is intriguing in and of itself. One understands the ins and outs of the Remand Centre—

**The Hon. S.C. MULLIGHAN:** City rent.

**The Hon. R.I. LUCAS:** One also understands the complexity of Yatala, in terms of managing that as a prison and as an institution. Certainly, with Corrections the current CEO has been there for a reasonable period of time. He was certainly as well versed as any CEO when he came to the budget bilaterals. This was not something that was being imposed on him by a new Treasurer and a new Treasury. He had obviously had detailed work done and, I suspect, had probably had detailed discussions with the former government and its ministers at varying stages.

**The Hon. S.C. MULLIGHAN:** The reason I am interested in those figures is because Mount Gambier, in my understanding, is a lower security or a medium security facility, whereas the Adelaide Remand Centre and Yatala are higher security facilities. The justification to privatise the Adelaide Remand Centre is that it is nearly double the metric cost of Mount Gambier Prison, but so is Yatala. If Yatala is unable to meet its proportion of that savings measure on page 28, would you also look at privatising that?

**The Hon. R.I. LUCAS:** We are not privatising prisons. The former government did look at—I am not sure what you called it—privatising PPP for prisons at Mobilong. This is an outsourcing option, in relation to the Adelaide Remand Centre, and no, we are not contemplating outsourcing Yatala. Just going back to the designations of the prisons: again, I am not the expert, but the

Mount Gambier Prison, according to Corrections, is designated as medium security. The Adelaide Remand Centre is designated medium-high.

**The Hon. S.C. MULLIGHAN:** So you will not look at outsourcing or privatising Yatala as a correctional facility, but you are happy to do that for the Adelaide Remand Centre, even though, compared with Mount Gambier, its unit cost is of the same order?

**The Hon. R.I. LUCAS:** We are not slaves to just the numbers; we take advice from Corrections and senior officers within Corrections as to what their recommendations are in terms of the best way of achieving savings tasks. I do not think you can do these things just on the basis of a desktop look at the numbers. You take advice from those who know better as to what they think makes good sense. Their advice to the government was, 'Hey, we've demonstrated, under both Labor and Liberal governments, the good sense in the interests of taxpayers of having an outsourced operation at Mount Gambier.' As you would well know from public statements your current leader, when he was the prisons minister, had the option to take it back in-house or to—

**The Hon. S.C. MULLIGHAN:** To nationalise it.

**The Hon. R.I. LUCAS:** Not to nationalise it, just to take it back in-house.

**The Hon. S.C. MULLIGHAN:** To nationalise it.

**The Hon. R.I. LUCAS:** You still own it; it is just a question of taking it back. He had that option and my understanding or my guess would be that he took it to cabinet on the basis of the advice he got that it was cheaper for taxpayers and in the interests of taxpayers to roll the contract over for another five years with another option for five years afterwards because to do otherwise would increase the costs for taxpayers.

I think his argument has been, publicly as I have seen it, that he wanted to spend money on rehabilitation and programs like that. If he actually had to get rid of the outsourced operators in Mount Gambier those increased costs would mean that he would have to spend it on Public Service provision for that particular institution and he would not have money available for the rehabilitation programs that he was interested in. The bottom line is that under both governments Mount Gambier has been seen to be a sensible outsourced provider.

**The Hon. S.C. MULLIGHAN:** My recollection is that the chief executive of the Department for Correctional Services advised ABC media that he had not had any discussions at all about privatising or outsourcing the Remand Centre prior to the state election. You are now telling us that the decision for the government to outsource the Adelaide Remand Centre was based on its very high prison cost per bed per day, or whatever the metric was that you described, against Mount Gambier, and even though it is the same as Yatala you will not be outsourcing Yatala. The explanation as to why was because you do not look at the numbers solely in making the decision to outsource the Remand Centre. Excuse me if I am confused.

**The Hon. R.I. LUCAS:** That is your particular problem, Mr Mullighan, not mine.

**The Hon. S.C. MULLIGHAN:** It is because your story has changed three times in the discussion we have just had about your rationale of outsourcing the Remand Centre.

**The Hon. R.I. LUCAS:** I cannot help the member's confusion, Mr Chairman. The simple reality is that we took advice from the CEO of Corrections and his senior officers, together with discussions with Treasury, and his advice was in relation to achieving a budget savings task that confronted them—

**The Hon. S.C. MULLIGHAN:** Right. I see.

**The Hon. R.I. LUCAS:** —was that the Adelaide Remand Centre made good sense. That was not just on the dollar issue. I am sure that was a key part of the driver but I assume it also involved the fact that he believed, given their experience with Mount Gambier Prison, and to a lesser extent there is already an outsourced provider of prisoner transport that the member would be aware of, which again was commenced by the former Liberal government and continued and renewed by the former Labor government.

His experience, and I assume his officers' experience, was that past performance had shown that this was in the best interests of taxpayers and he believed that the logical extension of that would be the Remand Centre. He certainly did not advise that we outsource or privatise—to use the member's word—Yatala. There is nothing, at least from my viewpoint, inconsistent with all of that; that is, we are dealing with the numbers. We also take advice from people who have knowledge of how to manage prisons and prisoners.

**The Hon. S.C. MULLIGHAN:** Thank you for clarifying that because that does substantially clear up the confusion.

**The Hon. R.I. LUCAS:** We are here to help.

**The Hon. S.C. MULLIGHAN:** I appreciate that; it just depends who you are helping. It does not seem for many South Australians, but we will move on. As a result of discussions between the Department for Correctional Services and the Department of Treasury and Finance, in response to a requirement to deliver savings, the outsourcing of the Adelaide Remand Centre was identified by the chief executive of the Department for Correctional Services as a potential saving. That is the basis of making a saving, not the metric that you quoted earlier that it is nearly double the unit price of providing services than Mount Gambier.

**The Hon. R.I. LUCAS:** No, no, it is a combination of both. In the discussion with the CEO of Corrections part of that discussion was in relation to: how do we achieve a saving? If one of your metrics is it is only going to cost you \$154 in Mount Gambier and it is currently costing you \$314 per day in the Remand Centre, that was clearly inextricably part of the discussion that we had. All we are saying to you is: it is not just an issue of a desktop audit of the numbers without understanding the implications of what you are doing.

You raised the question of Yatala earlier. I am assuming, because of the complexity of Yatala and the fact that it is high security and all of those other correctional services type issues, the Corrections people believe that in terms of achieving a savings task it made much more sense, based on their long experience. I think it has been 20-plus years in terms of running Mount Gambier Prison as an outsourced provider. It has been 20-plus years in terms of having the private provider transporting prisoners from the Remand Centre to prisons. They have long experience in this. This is not just blue-sky stuff for them. They have managed it successfully for 20 years and they believe that they continue to extend that in some small way in relation to the Remand Centre.

**Mr PATTERSON:** Chair, in terms of privatisations, if I could ask a question?

**The CHAIR:** Absolutely, member for Morphett.

**Mr PATTERSON:** I draw your attention to Budget Paper 5, page 170. Treasurer, I hope you could advise us on the status of the scoping study for the privatisation of the motor vehicles registry?

**The Hon. R.I. LUCAS:** I thank the member for the question. I guess one of the nasty surprises as Treasurer we found was the deal that was done by the former Labor government in relation to the privatisation, to use Mr Mullighan's words, of the Land Services Office. I think it is referred to in a lot of the documents as the land services commercialisation. I think Treasury and others, and the former government I think, used the phrase that Mr Kitchin from the PSA distinguished; that is, privatisation, outsourcing and commercialisation. Anyway, I think many in the community saw this as privatisation.

The hidden nasty that was in that particular document was the secret deal the government had done to open up the option for the privatising or commercialising of the motor registry division. What we found in the contract was a secret provision which actually said, 'Look, you have a certain amount of time'—I think until October 2020—

**Ms PRIBANIC:** Yes, October 2020.

**The Hon. R.I. LUCAS:** —12 October 2020 to finally make a decision as to whether or not you are going to privatise the motor registry division. The former government actually received a payment of \$80 million for that particular secret deal in the contract.

One of the criticisms, Mr Chairman, I have of the particular deal is, if the government wants to do a deal like that, as they did with the land services commercialisation, fess up, defend it and be



transparent and accountable about it. But there was no reference ever by the former government, the former treasurer, or indeed anybody, of this secret deal that was in there. It was only when I became Treasurer that I became aware that there was this secret deal and that we had received, as a state, \$80 million for this particular option.

If we do not proceed by 12 October 2020, we have to repay the \$80 million at 10 per cent interest per year. I have no idea how the former treasurer and his people arrived at 10 per cent interest per year. I guess it was a nice even, round number for the former treasurer. One could look at long-term bond rates or SAFA borrowing rates. Mr Chairman, with your banking background you would be familiar with all sorts of measures one might have for what an appropriate interest repayment rate might be. But I am sure in your former occupation, Mr Chairman, the notion of just rounding it up to 10 per cent would not have been something that you would have willingly signed up to.

**The CHAIR:** Only if it was an increase in sales targets year on year.

**The Hon. R.I. LUCAS:** Unless it was something that you were going to receive, I suppose, and then you are willing to sign up to it. How they arrived at the 10 per cent, I have no idea. The other option is that if we do not proceed we have to give the private sector operators a further seven-year free kick on the 40-year deal in terms of the commercialising or privatising of the Lands Titles Office.

The issue in relation to the scoping study is that we have now commenced the process of looking for potential people to do the scoping study. The timing of that will be in the next few weeks. We are in the market advertising for an appropriate group or firm to do the scoping study for us. We will obviously have to appoint somebody. 'Best endeavours' may not be the right word. We cannot just appoint the receptionist to do the scoping study and have him or her do it; it will have to be best endeavours or some sort of phrase in terms of a scoping study.

We are looking at a reputable firm, national or South Australian, to undertake the scoping study. They will undertake the scoping study and provide us with advice, we think no later than the middle of next year, in terms of giving them a reasonable time, having been appointed, to give us that particular advice. The government, having received that advice in the middle of next year, will have a period through till 12 October 2020, or anytime before then, to decide whether or not we should privatise or commercialise the motor registry division.

There is another provision in the contract as well. Part of this provision says these new operators have first right of refusal if we decide to privatise or commercialise any other registry that the state owns. In the informal discussions that we have had, we are assuming that the former government referred, when they were talking about any other registry, to perhaps things like Births, Deaths and Marriages or the occupational licensing registries that might exist in business consumer services. There would be others, I am advised, but essentially, if the government decides to privatise or commercialise any of those registries, we have to give them the first right of refusal, which I think is the layperson's description of it.

As I said, it was a hidden nasty in the contract. Ultimately, if the former government wanted to do it, good luck to them, but in this case they actually kept it secret. They obviously hoped to be re-elected and they were hell-bent on privatising the motor registry division, and, it would appear, hell-bent on having a look at privatising a whole range of other registries like Births, Deaths and Marriages and maybe even occupational licensing registries and the like.

We will work our way through the process, do what we are required to do on behalf of the taxpayers, and ultimately will have to make a difficult decision. If ultimately the government ends up having to privatise the motor registry division, that would be the end result of the secret deal done by the former government and the former treasurer.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 4, Volume 3, page 56. The Treasurer was concerned in the lead-up to the state budget that he had received advice that CALHN was \$240 million over budget—albeit we have already had on the record the advice from the Under Treasurer that that was overstated—and you now have a secret report from KordaMentha saying that that figure is even more in the subsequent financial year, 2018-19. My first question is: can you table the KordaMentha report?

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** If you are concerned, will you make it public in any other manner?

**The Hon. R.I. LUCAS:** No, it is a cabinet document.

**The Hon. S.C. MULLIGHAN:** It is a cabinet document?

**The Hon. R.I. LUCAS:** You would be familiar with cabinet documents, Mr Mullighan.

**The Hon. S.C. MULLIGHAN:** Did KordaMentha prepare the cabinet submission?

**The Hon. R.I. LUCAS:** I am not discussing what goes on in cabinet, Mr Mullighan.

**The Hon. S.C. MULLIGHAN:** It would not have gone on in cabinet because the document would have needed to be prepared before the cabinet meetings.

**The Hon. R.I. LUCAS:** Mr Mullighan, I am not discussing what goes on in cabinet. You are just trying to get me sacked!

**The Hon. S.C. MULLIGHAN:** No, I think you have already said that you will be going anyway, have you not?

**The Hon. R.I. LUCAS:** In 2022, yes. Not as of today.

**The Hon. S.C. MULLIGHAN:** Right, okay. Now that we have established it was not actually a cabinet document, that they did not prepare it for cabinet or the cabinet submission, will you release it publicly, will you table it in this parliament, or will you provide it to the health worker representatives?

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** Okay. So if you had advice before budget that for the 2017-18 year they might have been under a budget pressure, which you claim was \$240 million (albeit that was overstated, according to the Under Treasurer), and you are now claiming that for the 2018-19 financial year the budget pressure in CALHN is \$400 million, quoting from KordaMentha, perhaps you could explain—

**The Hon. R.I. LUCAS:** Three hundred and three million—I think was the phrase they used—was unfavourable variance to budget.

**The Hon. S.C. MULLIGHAN:** Three hundred and three, okay. So could you explain to the committee why, on page 56, the estimated result in 2017-18 for CALHN was \$1.493 billion, yet they have only been allocated \$1.357 billion?

**The Hon. R.I. LUCAS:** The question is what? Everyone has to achieve savings tasks and CALHN and all the other parts of health still have a significant savings task, which has been inherited from the former Labor government's Mid-Year Budget Review.

**The Hon. S.C. MULLIGHAN:** So despite you recognising that CALHN, as one discrete part of the health portfolio, is experiencing budget pressures, you have deliberately targeted them for savings to worsen the situation?

**The Hon. R.I. LUCAS:** I admire the member's extraordinary loyalty to the former health minister—

**The Hon. S.C. MULLIGHAN:** I do not need a reflection on my loyalty. I want you to answer the question. This is budget estimates.

**The Hon. R.I. LUCAS:** I am congratulating you. With the savings task that has been left to SA Health generally, CALHN is the biggest component (I think its budget is \$2 billion-ish or something out of \$6 billion-ish, so it is the biggest component of SA Health). So if the former Labor government, of which the member was a cabinet minister, left a huge savings task to SA Health, the former government left a huge savings task to CALHN as well. We have piled in \$800 million over five years, in terms of SA Health generally (but obviously it impacts on CALHN), but there is still a significant savings task we have inherited from the former Labor government.

**The Hon. S.C. MULLIGHAN:** So is your claim now to the committee that despite the additional \$500 million over the forward estimates that was provided in the Mid-Year Budget Review and, as you say, a further \$800 million provided in the Mid-Year Budget Review, after all of that there still remains a budget pressure of \$300 million within CALHN?

**The Hon. R.I. LUCAS:** The KordaMentha report, as I read to you, says 'absent urgent corrective action'—

**The Hon. S.C. MULLIGHAN:** No, no, that is not the question. The question is—

**The Hon. R.I. LUCAS:** Well, it is the answer.

**The Hon. S.C. MULLIGHAN:** —after those two very significant injections of funds, first in the Mid-Year Budget Review and, secondly, within the recent state budget, are you saying that, after those two injections into the health portfolio—

**The Hon. R.I. LUCAS:** There is still a problem.

**The Hon. S.C. MULLIGHAN:** —there remains a problem of the order of \$303 million in CALHN?

**The Hon. R.I. LUCAS:** There is still a problem in CALHN.

**The Hon. S.C. MULLIGHAN:** So the answer is no? It is a pretty simple question.

**The Hon. R.I. LUCAS:** Do you want to answer your own questions or do you want me to answer them?

**The Hon. S.C. MULLIGHAN:** Well, I would like you to answer them, but you are refusing to—that is the difficulty.

**The CHAIR:** Order!

**The Hon. R.I. LUCAS:** If you want me to answer, let me answer, rather than you answering your own questions.

**The Hon. S.C. MULLIGHAN:** Well, perhaps answer it.

**The Hon. R.I. LUCAS:** Otherwise you could have a happy estimates; you could ask your questions and answer them yourself.

**The Hon. S.C. MULLIGHAN:** Well, at least we would get some answers.

**The CHAIR:** Order!

**The Hon. R.I. LUCAS:** In relation to the challenge for CALHN and health, KordaMentha's advice is quite explicit.

**The Hon. S.C. MULLIGHAN:** Yes, you have already repeated it.

**The Hon. R.I. LUCAS:** And I am going to repeat it—

**The Hon. S.C. MULLIGHAN:** And we do not need a breach of standing orders for repetitious behaviour.

**The CHAIR:** Order! Member for Lee.

**The Hon. S.C. MULLIGHAN:** So could you please answer the question?

**The CHAIR:** Member for Lee.

**The Hon. S.C. MULLIGHAN:** In fact, I think this is your role, is it not, Chair, to elicit answers as well?

**The CHAIR:** Are there any further questions? Member for Davenport.

**The Hon. S.C. MULLIGHAN:** Could you please answer the question?

**The CHAIR:** The member for Davenport has the call.

**Mr MURRAY:** Just a general question to the Treasurer regarding levels of advertising expenditure, which have been the subject of considerable discussion. What actions has the Treasurer put in place to curb that? Can the Treasurer enlighten us as to what they are?

**The Hon. R.I. LUCAS:** I thank the member for his question.

**The Hon. S.C. MULLIGHAN:** Which budget line are we looking at?

**Mr MURRAY:** We are looking at the budget in its entirety. Do you want to pick a department? You pick a department.

**The Hon. S.C. MULLIGHAN:** You need to pick a budget line.

**Mr MURRAY:** Really?

**The Hon. S.C. MULLIGHAN:** Yes, as I have been doing for every question.

**The CHAIR:** Member for Lee, I am chairing the meeting. Member for Davenport, you do have to refer to a budget line or budget paper. What budget paper are you referring to?

**Mr MURRAY:** I am not referring to any particular paper.

**The Hon. S.C. MULLIGHAN:** Thank you. Can we go back to the previous question, please?

**The CHAIR:** Member for Lee, your question, please.

**The Hon. S.C. MULLIGHAN:** Can you please answer the question I asked you previously?

**The Hon. R.I. LUCAS:** Which is what?

**The Hon. S.C. MULLIGHAN:** Is your advice to the committee that following the nearly \$500 million over the forward estimates that was provided in the Mid-Year Budget Review and, as you claim, an extra \$800 million provided over the forward estimates in the recent state budget, are you still claiming there is a budget pressure on CALHN and Health of \$300 million?

**The Hon. R.I. LUCAS:** I have been saying that publicly—

**The Hon. S.C. MULLIGHAN:** So the answer is yes, is it?

**The Hon. R.I. LUCAS:** Putting aside the issue of—

**The Hon. S.C. MULLIGHAN:** So all those additional resources—

**The Hon. R.I. LUCAS:** Could I just answer the question? There is clearly still an overspending problem within CALHN, and KordaMentha's advice is that absent urgent corrective action, part of which is what is locked into the forward estimates—

**The Hon. S.C. MULLIGHAN:** Right, thank you.

**The Hon. R.I. LUCAS:** For example, in relation to the forward estimates, the member referred earlier to national efficient price savings measures and various other things which are in SA Health and which apply generally but also in particular to CALHN, there are savings measures that Health and CALHN have to achieve. What KordaMentha has said is that after the first two months those things have clearly not been actioned. They have identified cultural problems. What they are saying is that urgent corrective action is going to have to be taken to deliver on the savings tasks we currently have in the forward estimates.

I suspect they are also identifying additional savings pressures which have become evident only in the KordaMentha report, which was provided to the government after the bilaterals and budget documents were put together.

**The Hon. S.C. MULLIGHAN:** Thank you for confirming that. So the additional resources provided in both the MYBR and the budget to the health portfolio by Treasury constitutes what you call urgent corrective action to insulate the budget position of CALHN and the health portfolio?

**The Hon. R.I. LUCAS:** The member—

**The Hon. S.C. MULLIGHAN:** I am just trying to get a straight answer.

**The Hon. R.I. LUCAS:** The member does not understand the situation, that is the problem.

**The Hon. S.C. MULLIGHAN:** I understand the situation perfectly: you are refusing to answer the question.

**The Hon. R.I. LUCAS:** He is struggling, Mr Chairman, to actually understand how the budget works in relation to Health.

**The Hon. S.C. MULLIGHAN:** Oh, please; just answer the question.

**The Hon. R.I. LUCAS:** Well, you have not been a minister for health and you have not been a treasurer so—

**The Hon. S.C. MULLIGHAN:** But you will be surprised to learn that I have gone through this process more times than you—

**The CHAIR:** Gentlemen—

**The Hon. R.I. LUCAS:** Mr Chairman, the member has not been a minister for health and he has not been a treasurer. With great respect he has no knowledge of the way this actually works.

**The Hon. S.C. MULLIGHAN:** Perhaps I am unfamiliar with dodging questions about this issue, perhaps that is the problem.

**The CHAIR:** Treasurer, it is perhaps not appropriate for you to reflect on what the member for Lee may or may not know, and perhaps it is important—

**The Hon. S.C. MULLIGHAN:** You have to protect me. I am not used to being bullied by a 40-year parliamentary veteran.

**The CHAIR:** Member for Lee, I am providing protection. I am pretty sure the Treasurer does not know what you do or do not know. Perhaps we can just continue to ask questions within the budget.

**The Hon. R.I. LUCAS:** As the member might be aware, the bailouts of Health, not just the Mid-Year Budget Review and in this budget, that have occurred over the last five or 10 years on a regular basis, the bailouts in Health do assist towards meeting unmet savings tasks. In essence, they bail them out because they did not achieve them.

So the two bailouts to which the honourable member refers, the Labor Party bailout of Health in the Mid-Year Budget Review in December last year and the new Liberal government's bailout of Health in this particular budget, help reduce the size of the savings task that has to be achieved. It does not get rid of it. There remains a very significant savings task that is still in front of Health and they have to achieve that. KordaMentha is saying to us that, on the current performance, in their professional judgement unless something happens they are not going to achieve it.

**The Hon. S.C. MULLIGHAN:** So the \$300 million figure, then, is somewhat of a furphy, given those additional resources that have been provided in the MYBR and the budget. I appreciate you clearing that up. We do not refer to these things as bailouts, we refer to them as additional appropriation for the hospitals to treat South Australians, but I appreciate that we are in different political parties there. Does the KordaMentha report identify what impact this will have on staffing levels if future savings are required?

**The Hon. R.I. LUCAS:** There is detailed advice in relation to the current situation. There will be a second KordaMentha report in the next few weeks, which will provide explicit recommendations to the minister and to the government as to what they believe needs to be done. The government will then need to consider what their specific recommendations might be, and the implications that might mean in terms of managing the CALHN and SA Health budgets generally. At this stage, we have not yet received the specific recommendations; we can only consider those when we receive them, obviously.

**The Hon. S.C. MULLIGHAN:** Once you make those decisions, those additional savings will impact staff further to the 880 FTEs which need to be saved from the health portfolio in 2018-19.

**The Hon. R.I. LUCAS:** Can you say that again?

**The Hon. S.C. MULLIGHAN:** Once the government decides to adopt the recommendations in the KordaMentha report, it is likely that there will be additional staff reductions in CALHN and in the health portfolio.

**The Hon. R.I. LUCAS:** I do not think you can make that assumption at this stage. Until we actually see what the recommendations are, we will not know.

**The Hon. S.C. MULLIGHAN:** It is possible that you can accept recommendations to make further savings in CALHN without impacting staff?

**The Hon. R.I. LUCAS:** Until we see the recommendations, I do not know.

**The Hon. S.C. MULLIGHAN:** So further staff reductions are not out of the question?

**The Hon. R.I. LUCAS:** Until we see the recommendations, I do not know.

**The Hon. S.C. MULLIGHAN:** Thank you for clearing that up. Just one quick question on the government question that you took previously—I am referring to Budget Paper 3, page 11. You mentioned the opportunity for the motor registry to be privatised. Has the government already decided to not merely extend the licence period that exists over the land services arrangement but to proceed with the privatisation of the registry of motor vehicles?

**The Hon. R.I. LUCAS:** Mr Mullighan, given that you were the minister for transport, I assume you were all over this particular secret deal.

**The Hon. S.C. MULLIGHAN:** I am, which is why I would like you to clear it up.

**The Hon. R.I. LUCAS:** If that is the case, you would understand we actually have to—whatever the phrase is—'best endeavours' go through a scoping study. We actually have to look at it.

**The Hon. S.C. MULLIGHAN:** So my question is—

**The Hon. R.I. LUCAS:** This is your deal, so you should explain it to us.

**The Hon. S.C. MULLIGHAN:** My question is: has the government already made a decision—

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** —to proceed? Right, okay. And the government has made a decision not just to extend the licence period for the land services transaction?

**The Hon. R.I. LUCAS:** Mr Chairman—

**The Hon. S.C. MULLIGHAN:** No, you can answer me; I am right here.

**The Hon. R.I. LUCAS:** No, I am not allowed to; I have to answer through the Chair.

**The CHAIR:** All answers through the Chair. All questions through the Chair and all answers through the Chair.

**The Hon. S.C. MULLIGHAN:** I thought this was informal? We are back to formality now, are we?

**The CHAIR:** No, it is still per the standing orders.

**The Hon. S.C. MULLIGHAN:** Would you like me to stand? Would you like Rob and I to stand?

**The CHAIR:** The standing order says you do not have to stand, but you have to direct questions and answers through me.

**The Hon. S.C. MULLIGHAN:** Alright, terrific; thank you for clearing that up.

**The CHAIR:** As per the standing orders. I did not write the standing orders.

**The Hon. R.I. LUCAS:** Thank you, Mr Chairman. Some of us have more experience at estimates committees than Mr Mullighan, obviously. Mr Chairman, I will always respond through you.

I would have thought that the member who was all over this secret deal, because he was the minister partially responsible for it, would have the answers to his own questions. The advice I have is that we actually have to go through a best endeavours, or 'good faith' type process, where we genuinely look and then make a decision.

As I said earlier, we cannot just appoint the receptionist to do a scoping study and comply with the terms of the contract. Again, Mr Mullighan would be aware of this secret deal because he was all over it.

**The Hon. S.C. MULLIGHAN:** How much has the Department of Treasury and Finance set aside for the commercial advice and other work which needs to be done to conduct this scoping study?

**The Hon. R.I. LUCAS:** I do not think we have actually indicated that. Sorry; no, we have—I stand corrected—on page 170 of Budget Paper 5: \$500,000.

**The Hon. S.C. MULLIGHAN:** \$500,000? Thank you. And commercial advisers have not yet—

**The Hon. R.I. LUCAS:** We would hope we would actually spend less than that.

**The Hon. S.C. MULLIGHAN:** I am sure. And commercial advice has not yet been engaged?

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** Does the budget assume any further revenues or payments from a potential privatisation of the motor vehicle registry?

**The Hon. R.I. LUCAS:** No. We will obviously have to take into account that if we do not privatise the motor registry, we might have to hand back the \$80 million, plus—

**The Hon. S.C. MULLIGHAN:** Or just extend the licence period.

**The Hon. R.I. LUCAS:** —your 10 per cent per year—

**The Hon. S.C. MULLIGHAN:** Or just extend the licence period.

**The Hon. R.I. LUCAS:** —plus your 10 per cent per year interest.

**The Hon. S.C. MULLIGHAN:** Is it an option for you just to extend the licence period?

**The CHAIR:** Member for Morphett, did you have a question?

**The Hon. S.C. MULLIGHAN:** I am sorry; I was halfway through a question. Is it an option for you just to extend the licence period?

**The Hon. R.I. LUCAS:** I said earlier we could give them a free kick for seven years on—

**The Hon. S.C. MULLIGHAN:** Right, so the answer is yes. Sorry, you are seeking to protect the 40-year veteran of the parliament from me.

**The CHAIR:** Order!

**Mr PATTERSON:** No, we are talking about this. I have a pertinent question.

**The CHAIR:** The member for Morphett.

**Mr PATTERSON:** Can the Treasurer just update the committee on the accounting treatment for the land services commercial transaction, while we are talking about this matter?

**The CHAIR:** Member for Morphett, you are referring to page 11 as well?

**Mr PATTERSON:** Yes.

*Members interjecting:*

**The Hon. R.I. LUCAS:** Unlike the former government, we do not entertain internal Dorothy Dixers.

**The Hon. S.C. MULLIGHAN:** Well, it seems we are.

**The CHAIR:** Order!

**Mr PATTERSON:** We are talking on this matter.

**The CHAIR:** Order!

**Mr PATTERSON:** It is perfectly relevant.

**The CHAIR:** Order!

**The Hon. R.I. LUCAS:** I am advised, Mr Chairman, that as recently as the last hour or so, the Auditor-General has confirmed his latest advice to the parliament, so this is hot off the presses. The budget papers actually highlighted the fact that there was an interesting—interesting only to accounting nerds, I am sure—

**Mr PATTERSON:** And myself.

**The Hon. R.I. LUCAS:** —and those interested in budget issues—

**The Hon. S.C. MULLIGHAN:** That is an unfair reflection on the member for Morphett.

**The CHAIR:** And the Chair.

**The Hon. R.I. LUCAS:** —debate about how we would actually treat the proceeds of the land services commercialisation, the \$1.6 billion. The former Labor government had treated it in a particular way that was entirely consistent with advice and past practice—I am not making any criticism—but the Auditor-General, as is evident in I think the budget paper we outlined, in a very complicated note, and I will get a reference to it—

**The CHAIR:** It was the bottom of page 11.

**The Hon. R.I. LUCAS:** On page 11 of Budget Paper 3, there is a very long and complicated note. That highlighted the fact that the Auditor-General was contemplating for the financial years 2017-18 and 2018-19 actually doing a completely different treatment from the one the former Labor government had used. That treatment was in essence going to take \$1.6 million in financial year 2017-18 as a revenue item, which would have all of a sudden turned 2017-18 into a huge operating surplus.

**The Hon. S.C. MULLIGHAN:** We could not have that now, could we?

**The Hon. R.I. LUCAS:** No, that is the Auditor-General—

**The Hon. S.C. MULLIGHAN:** We could not have that now, could we? That would be a disaster for you.

**The Hon. R.I. LUCAS:** I would be the last person to want to, on the public record, be criticising the Auditor-General, as the member is inferring.

**The Hon. S.C. MULLIGHAN:** Let's not confuse it.

**The Hon. R.I. LUCAS:** I am just saying it had nothing to do with the government. This was the Auditor-General's view that he was putting at the time. However, from 2019-20 there is this new wonderful Australian Accounting Standard 1059 which is going to change the whole world as we know it in terms of the public sector and private sector, in terms of how we treat some of our accounts. What that particular treatment would mean is in essence it would be treated as revenue over the 40-year period of the budget.

So from 2019-20 the accounting treatment will change from the way the former Labor government treated the \$1.6 billion land services windfall, and from the way the Auditor-General was talking about doing it just for 2017-18 and 2018-19, and under that treatment approximately \$38 million to \$40 million a year will be added to the revenue line over the duration of the contract. The \$38 million is on page 11. That would actually improve the net operating balance by \$38 million a year for each year of the forward estimates.

We are told, hot off the presses, that the Auditor-General has just confirmed in another estimates committee that he has agreed with, in essence, the early treatment of the land services transaction consistent with the new Australian Accounting Standard 1059, and he will do that from



2017-18 and 2018-19. So in his accounts, which he will produce in the next couple of weeks, I assume—the first week of October—he is actually going to reproduce or recreate the accounts and the treatment of the land services commercialisation project so that the revenue is spread over the 40 years.

There will be some reclassifying of the accounts for 2017-18, and it will obviously have an impact in 2018-19, and we will need to—we, being now the government—take it into account as we treat 2018-19 in the forward estimates. So when we come to the Mid-Year Budget Review, in not too many weeks away, if that is what the Auditor-General has just said we will have to consider that and look at his advice.

If that is the nature, and let me put that proviso on it, it may well be that in the Mid-Year Budget Review, to be consistent with the Auditor-General and to be consistent with the new Accounting Standard 1059, we may well reclassify how the transaction and the revenue treatments impact. So there will be, potentially, a not insignificant impact on the forward estimates as a result of the Auditor-General's decision. It was a very important question and, as I said, it is hot off the press, as we think, in terms of how the Auditor-General has decided.

**The Hon. S.C. MULLIGHAN:** We are all sated. We can go home satisfied after that contribution. Budget Paper 3, page 11: the \$3.32 billion increase in debt over the forward estimates in the general government sector coincides with the devolution of fiscal target 3. So there is no longer a debt target in fiscal target 3, and in its place is 'maintain the level of debt at a sustainable level'. Can the Treasurer outline what this means? How much more debt can be taken on before it becomes unsustainable?

**The Hon. R.I. LUCAS:** The two issues which we should address in relation to this particular issue, that is, in the Mid-Year Budget Review forward estimates, the former Labor government had forecast—

**The Hon. S.C. MULLIGHAN:** I am talking about your budget.

**The Hon. R.I. LUCAS:** I am talking about the budget that we inherited from the former Labor government. Can you understand that? We actually inherited—

**The Hon. S.C. MULLIGHAN:** Could you give me a budget paper reference for the Mid-Year Budget Review figures?

**The Hon. R.I. LUCAS:** Well, they are included in these particular figures.

**The Hon. S.C. MULLIGHAN:** No, the figures for the 2018-19 budget updated from the Mid-Year Budget Review are included in this budget, so if you do not have a page reference, I will ask you to just answer the question.

**The CHAIR:** Order!

**The Hon. R.I. LUCAS:** Mr Chairman, the—

**The CHAIR:** Continue, Treasurer. You are very much in order.

**The Hon. R.I. LUCAS:** —member is reluctant to have any blowtorch of exposure placed on the former government.

**The Hon. S.C. MULLIGHAN:** No, I think the reluctance is solely yours.

**The Hon. R.I. LUCAS:** Under the former government's Mid-Year Budget Review, which we inherited, and that is the base from which we had to commence this particular budget process, the forward estimates showed a very significant increase in general government sector net debt up to the \$7.3 billion mark for 2021-22. That is the natural extension for the year beyond the Mid-Year Budget Review forward estimates.

The new government has actually added to that proposed level of debt in a modest way to the tune, in the general government sector, of \$1.3 billion. The three billion plus dollars that the member is referring to includes a couple of billion dollars of decisions taken by the former Labor government, and the Liberal government has added to that in a modest way to the tune of \$1.3 billion extra in terms of productive infrastructure that we have invested in.

In terms of the fiscal target, which is the member's question, there are a couple of things that are going to impact on that as well. The first thing is that because of this new Australian Accounting Standard B1059, and others, the current debt—under the former government or under us—is going to be reclassified and there is going to be a significant increase in what is classified as net debt to the tune of another, we guess, a bit over \$1 billion.

So, just through the accounting treatment, the net debt is going to increase as a result of the new accounting standard being locked in. That is not just going to impact us; it will impact every other state and territory government as well. So we have this period in the next 12 months where, until we know the full implications of these new Australian Accounting Standards and what the impact will be on net debt, the issue of what the appropriate precise nature of a fiscal target might be is a moot point.

The other point that I would make, in terms of answering the member's question, is in terms of what is an appropriate level.

**The Hon. S.C. MULLIGHAN:** No, 'sustainable' is the word in the budget.

**The Hon. R.I. LUCAS:** Sustainable. The government believes that the forward estimates include sustainable levels of debt. We would refer the member to—

**The Hon. S.C. MULLIGHAN:** We have established that.

**The Hon. R.I. LUCAS:** —other triple-rated states.

**The Hon. S.C. MULLIGHAN:** Yes, that is in the budget paper. I do not need that read out to me.

**The Hon. R.I. LUCAS:** Mr Chairman, whether he needs it or not—

**The Hon. S.C. MULLIGHAN:** My question was: how much more debt can we take on before it becomes unsustainable?

**The CHAIR:** Order!

**The Hon. R.I. LUCAS:** My answer is that what is in the forward estimates is sustainable. I am adding to that answer by indicating that other triple-rated states—for example, Victoria—have a net debt to revenue ratio slightly higher than the South Australian government's projected net debt: 41.8 per cent in 2021-22, it is estimated, and the South Australian government's is 41.1 per cent. Western Australia, which is not a AAA rated state but which is AA+ in terms of SMPs, which is a higher rating than South Australia, has a net debt to revenue ratio of 77.4 per cent. There are some states, in terms of what they see as sustainable, which actually have higher net debt to revenue ratios than the former government's target of 35 per cent.

We believe 41.1 per cent is sustainable. We would also note, in relation to what is occurring in other states, that in New South Wales, for example, over the forward estimates period, they were estimating their net debt to revenue ratio jumping from 3 per cent to 32 per cent in the four-year period, and Queensland jumping from 4.9 to 22 per cent—

**The Hon. S.C. MULLIGHAN:** I have to rise on a point of order on relevance. We are here asking questions about the South Australian state budget. It is of little interest to me what is happening in other states.

**The Hon. R.I. LUCAS:** Mr Chairman—

**The CHAIR:** Thank you. Treasurer, it is for me to rule on points of order. The question was obviously in regard to net debt to revenue, and I think it is completely germane to see what other jurisdictions are doing.

**The Hon. S.C. MULLIGHAN:** No, that was not my question at all. My question was: how much more debt can be taken on in the South Australian budget before it becomes unsustainable?

**The CHAIR:** I think in that context the Treasurer was comparing what other jurisdictions are doing.

**The Hon. R.I. LUCAS:** I am quoting what other states are doing.

**The Hon. S.C. MULLIGHAN:** I am not interested in other states. I am interested in what can occur in South Australia.

**The Hon. R.I. LUCAS:** Mr Chairman—

**The Hon. S.C. MULLIGHAN:** If I was interested in them, I would be over in their estimates.

**The Hon. R.I. LUCAS:** The member might be used to attempted bullying and intimidation, but—

**The Hon. S.C. MULLIGHAN:** It is not bullying and intimidation.

**The CHAIR:** Order!

**The Hon. S.C. MULLIGHAN:** It is a request for information.

**The CHAIR:** Order! Member for Lee, the Treasurer is entirely in order. Treasurer, please continue. This is your budget estimates, member for Lee.

**The Hon. S.C. MULLIGHAN:** If only we could get an answer.

**The CHAIR:** Treasurer, if you could continue your answer as you were.

**The Hon. R.I. LUCAS:** The member's question is in relation to what is sustainable, and my answer to the question is, on the basis of what I have said to him, that we believe what is here is sustainable. As part of that, we are indicating at looking at other AAA rated and AA+ rated states to see what their equivalent measures are as evidence to indicate why we believe what we are doing is sustainable.

**The Hon. S.C. MULLIGHAN:** That was not my question. My question was: how much more debt can be taken onto the general government sector before it becomes unsustainable?

**The Hon. R.I. LUCAS:** Mr Chairman, that is my answer.

**The Hon. S.C. MULLIGHAN:** Do you have a figure?

**The CHAIR:** It is your prerogative to give that answer. Member for Lee.

**The Hon. S.C. MULLIGHAN:** So you are not going to answer the question. We will move onto something else. You could have just been upfront and said that you will not answer the question—

**The Hon. R.I. LUCAS:** Mr Chairman, that is my answer.

**The Hon. S.C. MULLIGHAN:** —rather than running down the clock.

**The CHAIR:** Treasurer, I appreciate your answer. Member for Lee, your next question.

**The Hon. S.C. MULLIGHAN:** Thank you. Budget Paper 5, page 174: what informed the decision to take an extra \$37 million from SA Water over two years?

**The Hon. R.I. LUCAS:** What page are you referring to?

**The Hon. S.C. MULLIGHAN:** Page 174, Budget Paper 5.

**The Hon. R.I. LUCAS:** I am advised that this is the savings task that SA Water undertook. It is not inconsistent with past treatments in relation to SA Water. This particular project is the innovative Zero Project, where a large sum of money is being spent on solar panels and storage to significantly reduce their electricity operating costs.

**The Hon. S.C. MULLIGHAN:** How was the figure of \$18.5 million for 2018-19 calculated?

**The Hon. R.I. LUCAS:** I assume on the basis of them looking at their savings task.

**The Hon. S.C. MULLIGHAN:** They offered the savings?

**The Hon. R.I. LUCAS:** They were given a savings task, the same as everyone else.

**The Hon. S.C. MULLIGHAN:** And that was the task they were given—the \$18.5 million?

**The Hon. R.I. LUCAS:** Yes, and how they achieve that is essentially up to them.

**The Hon. S.C. MULLIGHAN:** So the explanation is that it will occur through temporary water allocation sales, augmentation revenue and operating efficiencies, including the project you made reference to: the zero net electricity costs by 2020 project. Does Treasury have any understanding of how far progressed that particular project is?

**The Hon. R.I. LUCAS:** Well, I think you would need to speak to the minister—

**The Hon. S.C. MULLIGHAN:** It commences this year, does it not?

**The Hon. R.I. LUCAS:** It commences this year.

**The Hon. S.C. MULLIGHAN:** It commences this year?

**The Hon. R.I. LUCAS:** My advice is that it will happen this year, but for the precise detail of the starting date you would need to speak to the minister for SA Water, or SA Water.

**The Hon. S.C. MULLIGHAN:** Have you been advised how many temporary water allocation sales will be required to meet this target?

**The Hon. R.I. LUCAS:** No. I think, again, you would need to put that to the Minister for Water.

**The Hon. S.C. MULLIGHAN:** So it was a decision by cabinet, not a recommendation by the SA Water board?

**The Hon. R.I. LUCAS:** I do not know. Again, you would need to ask the minister in relation to—

**The Hon. S.C. MULLIGHAN:** You have a board observer on the SA Water board.

**The Hon. R.I. LUCAS:** We may, but I do not have him or her here with me, so I am not sure.

**The Hon. S.C. MULLIGHAN:** You do have Treasury staff that do see those board observer reports, though.

**The Hon. R.I. LUCAS:** I do not have him or her with me.

**The Hon. S.C. MULLIGHAN:** There is a him and her with you, you could ask them.

**The Hon. R.I. LUCAS:** I could, but I am not going to.

**The Hon. S.C. MULLIGHAN:** So you do not want to answer that question either?

**The Hon. R.I. LUCAS:** I will take that one on notice.

**The Hon. S.C. MULLIGHAN:** You will take it on notice and provide a response afterwards?

**The Hon. R.I. LUCAS:** Yes.

**The Hon. S.C. MULLIGHAN:** Okay.

**The Hon. R.I. LUCAS:** We are very reasonable people.

**The Hon. S.C. MULLIGHAN:** That is not the impression I am getting.

**The CHAIR:** Just to take questions on notice in estimates, member for Lee.

**The Hon. R.I. LUCAS:** I think that is the first one we have taken on notice.

**The Hon. S.C. MULLIGHAN:** You will be taking a few more when I get to the omnibus questions. Budget Paper 1, page 17: why was the transfer made from the Attorney-General's portfolio to SAFA for the \$146.4 million in 2017-18?

**The Hon. R.I. LUCAS:** It is the National Redress Scheme—

**The Hon. S.C. MULLIGHAN:** Yes, I am aware of what it is for. Why was the transfer made in that financial year?

**The Hon. R.I. LUCAS:** I outlined that in the budget speech, so I refer the member to my budget speech. When I first came to be Treasurer, one of the early questions I asked was how much money the former Labor government had put aside for compensation for victims of child abuse in state institutions, and the answer I got was, 'Nothing, not a dollar.' So the government took a decision to quarantine and lock away safely within SAicorp the estimated cost of that particular scheme.

**The Hon. S.C. MULLIGHAN:** And who took that decision to make that payment in 2017-18? Was that a cabinet decision?

**The Hon. R.I. LUCAS:** It was all part of the budget process.

**The Hon. S.C. MULLIGHAN:** Was it a recommendation of the Attorney-General?

**The Hon. R.I. LUCAS:** It is something I strongly supported.

**The Hon. S.C. MULLIGHAN:** I can imagine, yes.

**The Hon. R.I. LUCAS:** Well, someone needs to protect and make sure that these compensation payments are made, because the former government did not.

**The Hon. S.C. MULLIGHAN:** So it is preferable to have the money sitting in SAFA rather than in the administered items of the Attorney-General's department?

**The Hon. R.I. LUCAS:** We want it locked away and quarantined so that nobody, either this government or a future Labor government, can actually get at it. We want it there for compensation payments. Frankly, some estimate of the compensation payment should have been provided for by the former government.

**The Hon. S.C. MULLIGHAN:** Did you think there was a risk of the Victims of Crime Fund being exhausted over the 10-year period that would be—

**The Hon. R.I. LUCAS:** No, we just took a decision that it made very good sense to actually provide for compensation, which I think most South Australians would support.

**The Hon. S.C. MULLIGHAN:** I am not questioning the government's decision; I think you are roundly lauded for it, including from my perspective. My questions are with regard to the timing of the transfer in 2017-18 rather than in some other time frame which might better align to when payments are actually made to victims.

**The Hon. R.I. LUCAS:** It might surprise the member, but we are a government of action. We saw something, we fixed it, and we did it straight away.

**The Hon. S.C. MULLIGHAN:** Was it a recommendation of the SAFA board?

**The Hon. R.I. LUCAS:** I do not believe it was a recommendation; it was a decision that I took with the—

**The Hon. S.C. MULLIGHAN:** You took the decision?

**The Hon. R.I. LUCAS:** I took and obviously the Attorney-General took as part of the budget process.

**The Hon. S.C. MULLIGHAN:** Other than increasing debt by nearly \$150 million at the beginning of the forward estimates, what other financial impacts does the prepayment have on the budget?

**The Hon. R.I. LUCAS:** I think it is self-evident. You have just outlined it.

**The Hon. S.C. MULLIGHAN:** So there are no other impacts?

**The Hon. R.I. LUCAS:** I am sure there will be other impacts.

**The Hon. S.C. MULLIGHAN:** There is no operating impact at all?

**The Hon. R.I. LUCAS:** There is obviously an operating impact. You have referred to it in your budget speech.

**The Hon. S.C. MULLIGHAN:** How much is that operating impact?

**The Hon. R.I. LUCAS:** It is the \$146-odd million number.

**The Hon. S.C. MULLIGHAN:** Sorry, I said other than the increase in debt and perhaps other than the initial operating impact in 2017-18, is there any other impact across the forward estimates?

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** There is no impact, so this does not affect any further dividends that will come from SAFA over the forward estimates?

**The Hon. R.I. LUCAS:** Dividends from SAFA?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** Please explain.

**The Hon. S.C. MULLIGHAN:** Quite often funds not held in reserve to meet the cost of insurance claims or free reserves, as they are described in the budget papers, are invested through Funds SA to generate financial returns which then informs the level of dividend which is paid by SAFA. Is that not likely to occur with these particular funds?

**The Hon. R.I. LUCAS:** I am advised that this is being held within SAicorp.

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** Ultimately if, at the end of the process—which is many years down the track, 10 years down the track from now—if 10 years down the track that number of \$146 million was too much, that is, too high an estimate in terms of the payments, my advice is that that would then automatically go back to the Victims of Crime Fund, so it goes back as a transfer there. Obviously, if it is not enough then the government of the day would have to supplement that through some other mechanism.

**The Hon. S.C. MULLIGHAN:** I appreciate that but my question really is: given that some of SAFA's financial holdings, particularly in SAicorp funds, are able to be invested in Funds SA to generate returns while those funds are not being used and, in particular disbursed to meet the cost of claims, is there any expectation from the budget that the level of SAFA's dividends will change as a result of having this near \$150 million sitting in their accounts?

**The Hon. R.I. LUCAS:** I can only repeat what I think I said earlier, and that is that my advice is that this is held within SAicorp and it is not going to impact on the SAFA dividend arrangements between SAFA and the—

**The Hon. S.C. MULLIGHAN:** At all, across the forward estimates?

**The Hon. R.I. LUCAS:** My advice is as I have just given it to you.

**The Hon. S.C. MULLIGHAN:** So there will be no benefit to the budget?

**The Hon. R.I. LUCAS:** Mr Chairman, I am not sure how many times—

**The Hon. S.C. MULLIGHAN:** No, that is fine. I just wanted to be clear.

**The CHAIR:** Member for Lee, the time is almost 11am. Do you have some omnibus questions that you want to read in or would you prefer to leave them?

**The Hon. S.C. MULLIGHAN:** I might leave them when I have a little more time.

**The CHAIR:** For the end of the day.

**The Hon. S.C. MULLIGHAN:** I can start going through them if you like and you can call—

**The CHAIR:** At some point in the day you have to insert them so whether it is at this point or at the end of the day it is up to you.

**The Hon. S.C. MULLIGHAN:** I will do it before the end of the day—how about that?

**The CHAIR:** That is fine.

**The Hon. S.C. MULLIGHAN:** I have some questions about the Economic and Business Growth Fund. I understand that you will be a decision-maker on which companies are eligible to receive grants out of that fund.

**The Hon. R.I. LUCAS:** Are you asking me if I, as Treasurer, will be the decision-maker?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** So who will be the decision-maker?

**The Hon. R.I. LUCAS:** You would like me to explain how it is going to work. From the government's viewpoint no, I will not be 'the' decision-maker as the Treasurer. It is held as a contingency within Treasury over the four-year period, but the broad process will be that there will be the Economic and Infrastructure Committee of the cabinet, on which I sit, and beneath that will be a senior officials group that will work with the four or five key departments in this particular area: trade, tourism, investment, Treasury, PIRSA, industry and skills and Department of the Premier and Cabinet—I think they are the five.

The officials are there and any proposals for funding to come out of that will go through the senior officials committee. They will check them against the guidelines for disbursements out of the fund and they will make recommendations to the Economic and Infrastructure Committee of the cabinet. The Economic and Infrastructure Committee of the cabinet will then make final recommendations, probably to cabinet. So the final decision-maker will actually be cabinet in terms of allocations out of the funding through that process.

**The Hon. S.C. MULLIGHAN:** Have assessment criteria been established for the fund?

**The Hon. R.I. LUCAS:** Almost concluded, but the guidelines are still being developed. I have seen a draft of the guidelines. I offered some commentary—

**The Hon. S.C. MULLIGHAN:** On what basis was the quantum of funding that was provided for the fund determined?

**The Hon. R.I. LUCAS:** A combination of issues of what the budget could afford in terms of producing a balanced budget, and what was a reasonable allocation in our view in terms of the purpose of the fund which, as I think the member would be aware, was to move significantly away from—not completely but significantly away from a picking winners approach but more trying to direct funding to industry sectors or groups of businesses rather than individual businesses.

**The Hon. S.C. MULLIGHAN:** So individual businesses will not be eligible for funding under this.

**The Hon. R.I. LUCAS:** I think I said in the budget speech and I say it again now, I have said it everywhere; that is, every government will eventually or on occasion allocate funding to individual businesses, but the emphasis will be more on industry sectors and groups of businesses rather than an individual business.

**The Hon. S.C. MULLIGHAN:** Can you give an example of how funds might be disbursed from this growth fund—

**The CHAIR:** Order! It is 11 am.

**The Hon. S.C. MULLIGHAN:** —to an industry group?

**The CHAIR:** It is 11am, last question.

**The Hon. R.I. LUCAS:** Sorry.

**The Hon. S.C. MULLIGHAN:** Can you give an indication or an example or two about how funds would be disbursed to industry groups? What would constitute an industry group?

**The Hon. R.I. LUCAS:** Industry sector?

**The Hon. S.C. MULLIGHAN:** Or industry sector.

**The Hon. R.I. LUCAS:** The government may well decide, for example, that a particular industry sector is well suited, if there was government assistance in terms of growing, whether it was beef exports or dairy exports or cheese exports or wine exports or something. It would be something that departments and agencies, together with industry groups that work together, might say, 'If we actually, the private sector, spent this money and if the government actually put this infrastructure in, we believe that we could have a 10 per cent increase in dairy exports,' or something, and we see that as being a significantly better way of growing the economy and growing jobs.

**The CHAIR:** Thank you, Treasurer. It being 11.01am I declare the examination of the proposed payments for the portfolio Department of Treasury and Finance completed. In accordance with the agreed timetable, the committee stands suspended until 11.15am.

*Sitting suspended from 11:01 to 11:15.*

#### **Membership:**

Hon. J.R. Rau substituted for Mr Gee.

#### **Departmental Advisers:**

Mr D. Reynolds, Chief Executive, Department of Treasury and Finance.

Mr R. Cordiner, Chief Executive Officer, ReturnToWorkSA.

Mr D. Quirk, Chief Financial Officer, ReturnToWorkSA.

Ms T. Pribanic, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms T. Scott, Executive Director, Department of Treasury and Finance.

Mr T. Crowe, Principal Management Accountant, Financial Services, Department of Treasury and Finance.

**The CHAIR:** Once again we are back looking at the portfolio of ReturnToWorkSA within the Department of Treasury and Finance. I declare the proposed payments open for examination and refer members to the Agency Statement, Volume 4. I call on the Treasurer to make a statement, if he wishes, and to introduce his advisers.

**The Hon. R.I. LUCAS:** No, I will not be making a statement. I still have David Reynolds and Rob Cordiner, and Mr Des Quirk, who is the CFO for ReturnToWorkSA.

**The CHAIR:** Thank you, Treasurer. Member for Lee, if you wish to make a statement, you can. If not, we will go straight to questions.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 4, Volume 4, page 197. The first table on that page indicates an estimated loss of 13.1 FTEs for the South Australian Employment Tribunal. How is that to be managed?

**The Hon. R.I. LUCAS:** The Employment Tribunal, as I think we indicated in the earlier session when we were talking about machinery of government changes, is the only beast in the government that did not transfer on the convenient date of 1 July. I think there were other examples that actually transferred earlier than 1 July, but in essence most of the machinery of government changes occurred on 1 July.

The Employment Tribunal actually transfer on 1 October, and so the issue of how the particular saving tasks are going to be achieved is an issue still in discussion and negotiation in relation to it. It is still technically with the Attorney-General's Department until 1 October, but in nine or 10 days' time, or whatever it is, it will transfer responsibility to Treasury and it will be, ostensibly, an issue for the Under Treasurer. So I am advised that that number, or the dollar figure, is a part year.



Until the Under Treasurer gets line of sight of the Employment Tribunal formally, which is 1 October, we really do not have anything specific, I am afraid, in relation to how that particular task will be achieved.

**The Hon. S.C. MULLIGHAN:** Just to clarify, is the information that is provided in that table for the full financial year or for part of the financial year?

**The Hon. R.I. LUCAS:** It is a part year effect. That is nine months, so that is three-quarters of the year.

**The Hon. S.C. MULLIGHAN:** I see.

**The Hon. R.I. LUCAS:** You will find the first quarter of the year in the Attorney-General's Agency Statement somewhere.

**The Hon. S.C. MULLIGHAN:** So this is the task ahead from 1 October, basically?

**The Hon. R.I. LUCAS:** Yes

**The Hon. S.C. MULLIGHAN:** Is it the understanding perhaps of the Under Treasurer that there are further separations that need to be made or further FTE reductions that need to be made in 2018-19 that reflect the other quarter of the financial year which is not represented in this table?

**The Hon. R.I. LUCAS:** Again, we do not have line of sight of that at the moment. When we inherit it, we will be in a better position, I guess, to know whether they have achieved savings tasks in the first quarter of the year. Based on my past experience, I am not holding my breath.

**The Hon. S.C. MULLIGHAN:** You would not want to inherit a budget mess now, would you, from your colleague?

**The Hon. R.I. LUCAS:** No—shock horror—but I am prepared for anything. After the first six months, I am prepared for anything.

**The Hon. S.C. MULLIGHAN:** When will consultation or conversations start with staff about these reductions?

**The Hon. R.I. LUCAS:** If they have not occurred already—we do not know—they will commence very soon after 1 October.

**The Hon. S.C. MULLIGHAN:** Okay. Alright, terrific. My next question refers to the same page and that is whether there has been any evidence that ReturnToWork has seen or noticed indicating that labour hire providers are purposefully avoiding paying the ReturnToWork premiums?

**The Hon. R.I. LUCAS:** I am happy for Mr Cordiner to respond to that.

**Mr CORDINER:** In short, there is no new evidence. If you go back a couple of years, we gave evidence to the other hearing, when it was in place, about our experience then. To be fair, we have no new evidence at all, but we have had new programs to make it tighter. In essence, there is certainly no new evidence.

**The Hon. S.C. MULLIGHAN:** Does that indicate that the practice has ceased or that a similar level of practice is continuing with a similar type of player?

**Mr CORDINER:** From the point of view of—

**The CHAIR:** Please put all questions through the Chair and then through the Treasurer and then the Treasurer can seek—

**The Hon. S.C. MULLIGHAN:** Is this an indication, Chair, that the—

**The CHAIR:** No, it is absolute standard practice. As I always remind you, member for Lee, everything I have learned about how to chair this committee and EFC has been through the member for Elizabeth's wonderful tutelage when he was Chair in this committee previously.

**The Hon. S.C. MULLIGHAN:** Would you like me to face you for the remainder of estimates?

**The CHAIR:** If you wish. Yes, that would be nice.

**The Hon. S.C. MULLIGHAN:** You would be unsurprised to learn that I do not wish.

**The CHAIR:** That is fine. Whether you choose to face me or not, all questions are to be directed through me to the Treasurer.

**The Hon. S.C. MULLIGHAN:** Thank you, Chair. Is your understanding that the practice has ceased now, or that a similar level of behaviour exists amongst a similar cohort of industry participants?

**The Hon. R.I. LUCAS:** I am happy for Mr Cordiner to answer that.

**Mr CORDINER:** A reduced level of behaviour, we saw a reduced level once we started addressing the premium issue in relation to labour hire, and we have been able to sustain premium collections in that space at our target level.

**The Hon. S.C. MULLIGHAN:** Are there still any instances in more recent times, say in the last financial year or so far experienced in the current financial year?

**The Hon. R.I. LUCAS:** Mr Cordiner.

**Mr CORDINER:** We have 53,000-odd employers that compulsorily insure with the ReturnToWork scheme. Of those, 418 are known to be labour hire employers. We have a fairly close watch on those 418. That is less than 1 per cent of all the employers. It is nearly 6 per cent of the premium take, which indicates their size.

There is always going to be someone, just as there are workers and employers and providers who are probably doing the wrong thing, but our approach to outliers is fairly sophisticated these days and I am reasonably confident that very few people are getting away with things they should not be getting away with.

**The Hon. S.C. MULLIGHAN:** You might need to take this on notice, but are you able to advise the committee, both for 2017-18 and so far this financial year, how many instances of this practice have occurred and what the impact has been financially?

**Mr CORDINER:** I certainly could not tell you the answer to that off the top of my head.

**The Hon. S.C. MULLIGHAN:** No, that is fine; that is absolutely fine. If you are happy to take that on notice.

**Mr CORDINER:** I am happy to take it on notice.

**The Hon. R.I. LUCAS:** We will take it on notice.

**The Hon. S.C. MULLIGHAN:** Perhaps you might also want to take this one on notice. Over the last five years, can you provide, for each year, the premiums paid to ReturnToWork?

**Mr CORDINER:** I probably need to clarify. We publish the premium in our annual report every year. Do you mean for that particular cohort of people?

**The Hon. S.C. MULLIGHAN:** Yes.

**Mr CORDINER:** I will have to take that on notice as well.

**The Hon. S.C. MULLIGHAN:** That is okay. That is fine. Over that time frame, that last five years, could you provide it both for that cohort and also generally?

**Mr CORDINER:** Yes.

**The Hon. S.C. MULLIGHAN:** Terrific. Could that data indicate the variance between now and five years ago, and is there a forecast for the next financial year, both generally and for that cohort?

**Mr CORDINER:** Yes, but—

**The Hon. S.C. MULLIGHAN:** You do not have it with you?

**Mr CORDINER:** No.

**The Hon. S.C. MULLIGHAN:** That is okay.

**The Hon. R.I. LUCAS:** We will take it all on notice.

**The Hon. S.C. MULLIGHAN:** Could you also provide some advice to the committee about the rate by which injured workers are returning to work?

**Mr CORDINER:** Yes.

**The Hon. R.I. LUCAS:** I think that might be one that I am well briefed on. I have been quoting 87.1 per cent in terms of 13 weeks. Return to work rates at key milestone dates are: the 13-week mark is 87.1 per cent. The number that ReturnToWorkSA has given me for 2013-14 was 81 per cent. If I can give you the 52-week return to work rates: in 2013-14 it was 88 per cent and in 2017-18 it is 93 per cent. One of the things that I have said to business groups—and I pay due credit to the former minister, who is with us today, in relation to this. The legislation that he led through the parliament, which we were very pleased to support in a bipartisan fashion, has had two effects: one is obviously the well-publicised impact for employers in terms of their premium rate dropping from just under 3 per cent to 1.8 per cent last year and 1.7 per cent this year.

But the point that I make to a lot of groups is that it has been a win-win, because everyone concedes or accepts that it is in the best interests of the injured worker, it is in the best interests of the injured worker's family and friends, it is in the best interests of the injured worker's employer, and it is in the best interests of the community and the scheme that an injured worker gets back to work as soon as is possible.

The fact is that the scheme, as currently constructed, has actually achieved the twin benefits of reducing premiums, therefore costs to businesses, but also in terms of the treatment of injured workers has actually got a higher percentage of them back to work, and it significantly increased within a short space of time, which is a credit to the scheme designers and also a credit to ReturnToWorkSA in terms of how they implemented the new operation. The critics that occasionally we hear about the scheme do need to bear in mind that it has had the twin benefits of both reduced premiums and significant increases in return to work rates for injured workers.

**The Hon. S.C. MULLIGHAN:** In addition to what you have just mentioned, can you highlight any other improvements to the scheme over the last five years?

**The Hon. R.I. LUCAS:** Mr Quirk may have some information.

**Mr QUIRK:** The movement from having a \$1.4 billion deficit to a surplus of \$527 million, maintaining a funding ratio, which is assets over liabilities, last year of 119.5 per cent and for 2017-18 of 119 per cent, is significant in the stability of the scheme.

**The Hon. S.C. MULLIGHAN:** Would the figure you gave, the \$1.4 million to the \$500-odd million surplus, be as at 30 June?

**Mr QUIRK:** The surplus at 30 June 2018 is \$527.5 million, which compares to \$501 million last year.

**The Hon. S.C. MULLIGHAN:** Do you have an estimate for the position at the end of this current financial year?

**Mr QUIRK:** We would be setting the premium—as the Treasurer says, the premium has been reducing to 1.7 per cent, which approximates the break-even premium rate, so on that basis we are expecting a break-even result, so the net asset should stay, depending upon investment markets, at around the \$525 million to \$530 million.

**The Hon. S.C. MULLIGHAN:** What is the assumption that the scheme uses for investment returns?

**Mr QUIRK:** We have a long-term investment return, so the portfolio is aiming to have a target return of CPI, plus 2.5 per cent. In the current environment somewhere between 4.6 and 5 per cent would be the return expected.

**The Hon. S.C. MULLIGHAN:** That is generally all for the coming financial year?

**Mr QUIRK:** Generally, and it holds for the current financial year.

**The Hon. R.I. LUCAS:** The issue—and I am sure the member for Enfield will be interested in this—we have had some private discussions: the forward estimates, or that estimate for this year, is heavily contingent on one particular Supreme Court decision in the case of Mitchell.

I think the actuary's report, and indeed the advice from ReturnToWorkSA themselves to me as minister, is that there is a particular Supreme Court decision—there is a whole range of Supreme Court decisions, but this one in particular—that does have the possibility of significantly impacting on the financial viability of the scheme and potentially undermining some of the good work the member for Enfield and the parliament brought about in the original design and implementation of the scheme some years ago.

Our best idea of when that decision might be available is early next year. My advice is it might be closer to April next year; it seems to be getting further and further away. If that is the case I guess it will not impact as much on financial year 2018-19, or it will still impact in part on 2018-19 but it will have a significant potential impact on 2019-20, depending which way the decision goes, obviously. If it confirms the essence of the scheme as it exists then that will be fine in terms of the projections for the future, but if it goes against the position of ReturnToWorkSA, the corporation, then it may have a significant impact on both the latter end of 2018-19 and for 2019-20 as well.

**The Hon. S.C. MULLIGHAN:** Could you confirm whether all government departments and agencies are part of the Return to Work scheme, or are there some that are effectively self-insured?

**The Hon. R.I. LUCAS:** All the government departments and agencies self-insure, which would be a matter of some interest, again, to the member for Enfield.

**The Hon. J.R. RAU:** Has the Treasurer—

**The Hon. R.I. LUCAS:** Welcome aboard; we are delighted to see you.

**The CHAIR:** Member for Enfield, could you refer to which budget paper—

**The Hon. J.R. RAU:** The same one.

**The CHAIR:** Which is?

**The Hon. J.R. RAU:** Budget Paper 4, Volume 4, page 197. In relation to the matter the member for Lee raised, Treasurer, have you had an opportunity of reflecting again upon whether or not greater transparency within government could be achieved if there were to be some opportunity for government agencies to not be automatically self-insured, but have the opportunity of having Mr Cordner and his excellent team manage their activities?

**The Hon. R.I. LUCAS:** The answer to the member's question is that yes, I have had a chance to reflect, but probably not in the way the member would wish me to have reflected. The issue in relation to the Crown would certainly be much better informed if I could actually get a copy of the Bentley-Latham report. This is one of the vagaries of new governments—

**The Hon. S.C. MULLIGHAN:** It might be attached to the KordaMentha report.

**The Hon. R.I. LUCAS:** The member for Lee will be well-versed in this, because we had a discussion about a cabinet document earlier and the Bentley-Latham report, I am advised, was a cabinet document. So even as the minister responsible for ReturnToWorkSA I am not privy to a copy of it—

**The Hon. S.C. MULLIGHAN:** You can quote it in parliament, apparently, but not table it.

**The Hon. J.R. RAU:** You appeared to be able to quote it at length before you were minister.

**The Hon. R.I. LUCAS:** —other than the photographs I have on my mobile phone of a number of pages of the draft report that were provided to me in opposition. It was not the whole report, but a significant number of pages that I had my mobile phone. However it is inconvenient, I must admit, going back to my mobile phone trying to reread sections of the Bentley-Latham report.

It is one of the vagaries of new governments. I assume this is an entirely apolitical document in terms of its construct; the bits I have read, for example, are uncontroversial in terms of a political sense. It argued the case both for and against the way the Crown was working, the advantages and

disadvantages that had, the advantages of ReturnToWorkSA taking over and vice versa. That is one of the dilemmas I have; the issue I have to decide is whether I go out and commission Bentley-Latham to redo the report for me so that I can get my own report.

To provide a more serious answer to the member's question: we are looking at the whole structure of this. Now that the budget has been substantially put to bed, there are a number of pieces of work to do. One of them is: what can we do to improve the performance of the Crown? The bits of the Bentley-Latham report I have on my mobile phone would indicate that there are some areas where the Crown performs pretty well.

It is not a slam dunk that the former minister's model was the only way to go; there are a number of alternative options. We might be able to pick the best out of some of the things ReturnToWorkSA have done and see whether versions of that might be applied to the public sector in general.

The people within this particular area who are looking after the government as a whole were previously under the Commissioner for Public Sector Employment. We have restructured the commissioner's role significantly. As the member would be familiar, the industrial relations and enterprise bargaining section has been recreated within Treasury as a specific unit, with a unit head. The other area that is no longer in the commissioner's purview is this area, in terms of ReturnToWorkSA. That is now within another division of Treasury. I understand they are some of the happy participants about to head to the wonderful new office down in Port Adelaide.

That particular section, now under the responsibility of the Under Treasurer, will be having a fresh look at what we can do to tackle this issue. There are some areas, for example, in Education and in Corrections. Some areas particularly relate to psychological and stress-related claims, which the member and I have discussed on a number of occasions. There are a number of hot spots, if I could put it that way, in terms of public sector performance.

We have learned some things from the good work done by ReturnToWorkSA that might be able to transposed or utilised—or a version of it—in the public sector. As minister, I am open to all of that. We are about to have that discussion with the people within Treasury and the Under Treasurer, and we will also pick the brains of the good people at ReturnToWorkSA, in terms of how we might tackle this particular issue.

**The Hon. J.R. RAU:** I am very encouraged to hear that, and I would be happy to keep encouraging you, if I possibly can.

**The Hon. R.I. LUCAS:** If the member was prepared to offer free consultancy and advice, for no fee, we would be happy to continue to consult.

**The CHAIR:** Are there any questions?

**The Hon. J.R. RAU:** Yes. I have a series of questions which I assume, Treasurer, you will possibly want to take on notice or ask Mr Cordiner to do so. Perhaps if I go through some of them without expecting you to necessarily reply immediately. I refer to the same page and volume. What are the total legal expenses for the scheme in 2017-18? If that is easily at hand, great; if not, happy to take it on notice.

**The Hon. R.I. LUCAS:** You keep going, and then if we can find answers at the end of these questions, we will answer them straight away. If not, we will take them on notice.

**The Hon. J.R. RAU:** What were the total regulated costs paid to workers and/or their representatives for the same period? What was the total cost paid to employers and/or their legal representatives? Then, of course, the legal expenses of the corporation itself for that period. The number of disputes lodged by workers in 2017-18—Treasurer, having regard to a brief conversation I had with Mr Cordiner before we started, perhaps if that could be broken down into old scheme and current scheme disputes, so that we are getting a clearer picture of what we are talking about.

If we could then be given any information to get a picture of the dynamics of how these disputes, once lodged, are progressing. For example, how many of them are resolved by conciliation within three months, six months or whatever it might be; how many of them go on to become a

contested matter within the Employment Tribunal; and how many of those ultimately wind up going on appeal, whether it be within the tribunal or the Supreme Court?

I would also be interested in the number of disputes with an original determination of at least a single member of the tribunal sitting. I am not talking about anything to do with conciliation officers here. How frequently are those original decisions being overturned, as a percentage of the number of decisions made?

To be a bit more precise, if that can help, a member of the tribunal makes a determination in a particular matter and that determination is, upon appeal, overturned. Any information about that that you can provide will be helpful. This may or may not be easy for you to do, but if that could be broken down between a successful appeal on the basis of an issue of fact, as opposed to an issue of law. You may not have those numbers. That might be a little bit hard. I am certainly not expecting you to tell me right now.

Then, please provide the number of disputes lodged by employers in 2017-18. Inasmuch as employers have been agitating matters under the legislation, what has been the trajectory of those? How many have been successful, unsuccessful and so forth?

**The Hon. R.I. LUCAS:** Sorry, Mr Cordiner just needs to clarify your last question.

**Mr CORDINER:** I need some specific clarification about employer disputes. Are they employer disputes relating to the 50,000 premium notices we send out, or employer disputes relating to a claim?

**The Hon. J.R. RAU:** No, a claim.

**The Hon. R.I. LUCAS:** That is easy.

**The Hon. J.R. RAU:** I am sure your notices are all correct. I cannot imagine they would be disputing those. The other question is: as a percentage of those workers on the scheme, or by reference to some other meaningful figure if you have a better one, again for the year 2017-18, how many people who were receiving income support right up to the 104<sup>th</sup> week were terminated, as they were required to be, at that point; in other words, the people who were running all the way to the end of the two-year limit and losing an ongoing entitlement, not because of any necessary improvement in their condition but because of the effluxion of time?

**The Hon. R.I. LUCAS:** I am advised, if I can respond on behalf of the corporation, that for those questions so far, with best endeavours, we will get as much information as we can. I am sure the member will be appreciative of the fact that they are quite detailed, but to the extent that we can answer as many of those questions as we can, we will endeavour to do so. Do you have some further questions, John?

**The Hon. J.R. RAU:** Yes, there are a couple here. This is specifically to do with the operating expenses of ReturnToWorkSA. What were the number of investigations in 2017-18, broken down by employer, worker and provider, if that is possible? What were the total number of referrals made to external legal providers for opinion—including the Crown in that context as an external provider—on the matter of prosecutions arising from investigations, broken down by employer, worker and provider in the same period, 2017-18? What was the total number of prosecutions, broken down again by employer, worker and provider, in 2017-18?

**The Hon. R.I. LUCAS:** I am advised we can take those on notice as well and make our best endeavours to bring back some replies for you.

**The Hon. J.R. RAU:** I just have one last question, which is on a slightly different topic which the member for Lee touched on before. Again, it may be that you cannot provide an answer at the moment. In respect of the question of the non-payment or avoidance of payment of premiums by, in particular, labour hire operators—which I think, Mr Cordiner, you agreed was a matter of some concern a few years back—I have two questions. The first one is: is the concern about that less presently because there is objectively an improvement in behaviour, or is it that the same level of scrutiny of that particular sector is not necessarily being maintained at the level that it was a couple of years back?

**Mr CORDINER:** The level of scrutiny remains the same. We have from that time dedicated some resources to target high-risk matters and, because of the nature of labour hire and the growth of labour hire, it is a high-risk area if you are an insurer. It is more because things have changed: it is a little clearer, it is a little harder and there is more scrutiny.

**The Hon. J.R. RAU:** Are you still seeing evidence of phoenixing and other sorts of behaviour amongst the operators of these businesses?

**Mr CORDINER:** Yes, but I would have to say there is a danger in being caught on a small number of outliers in a 53,000 employer scheme. So, yes, we have processes where we look at phoenixing with the tax office and other organisations. Our effort in that regard is risk based. So sometimes we look at it and say, 'You know what? We are not going to do anything,' even if we suspect it; other times, we might go hell for leather. It is a tricky component. We are only a small part of the phoenixing issue. All we are looking at, in that sense, is our premium leakage from the scheme. As a result of it, a business or a director might do lots of phoenixing for all sorts of other reasons that are more significant.

**The Hon. J.R. RAU:** The last one on that point is, again, about the same topic. Have you been able to work with Mr Reynolds' people responsible for collecting state revenues in a collaborative way to make sure the people who are not paying what they owe you are being caught up with where Mr Reynolds wants them?

**The Hon. R.I. LUCAS:** I am advised from both sides, from Mr Reynolds and Mr Cordiner, the answer is yes. There is a mutual shared interest in that particular issue the member just raised.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 4, Volume 4, page 197, regarding the recommendations of the Independent Review of the Return to Work Act. Is there a time frame in which they are likely to be considered and then the government announces its position in regard to those recommendations?

**The Hon. R.I. LUCAS:** The broad response that I have given thus far, member for Lee, remains the same, although it is now impacted by the delay in this particular decision. I have actually said that in relation to any potential formal government response, which may or may not require legislative change, it would make sense for the government to wait for the Mitchell decision to which I referred earlier. When I first started saying that, we thought the Mitchell decision was maybe going to be late this year and very early next year. I am now advised, hot off the press, that maybe it is even as late as April.

There is eminent good sense in terms of if the Mitchell decision goes against the corporation, then the government, and ultimately the parliament I suspect, will have to address the issue as to whether it is prepared to confirm the sound basis upon which the member for Enfield's and the former government's scheme was established, and whether the new parliament is prepared to, in essence, reinforce those principles or not—and it is completely the prerogative of new parliaments to revisit the issues. It is such a significant issue, so I am advised, that it would not make sense to start looking at the other issues and then soon afterwards have to come back again and tackle it.

I am also advised that there is nothing so pressingly important, and this is advice I have received from the corporation as well: there is nothing so pressingly urgent in the Mansfield review that requires urgent legislative action. It is not as if the advice is saying—and the report is public, is it not?

**Mr CORDINER:** Yes.

**The Hon. R.I. LUCAS:** The report is public, so you would have had the capacity to have a look at it. There was nothing pressingly urgent in relation to that that had to be done, so the view is that the government is pausing and waiting for Mitchell. As we have done that, there have been one or two other decisions which were not quite as important, which have been resolved to the satisfaction of the corporation, and so they have not raised any prospect for legislative change to the scheme. So the current position is that I do not propose, at this stage anyway, to bring anything to the parliament until we have seen the Mitchell decision and then we can determine what, if anything, we have to do.

**The Hon. J.R. RAU:** I am not sure to what extent John Mansfield's report really focused on this, but one of the issues that is a potential weakness for the scheme is the whole person impairment process. Even though, theoretically, it is a scale, the scale is applied by a human being—albeit according to guidelines—and some doctors (I could mention names but I do not want to ruin the day) have completely different views about these things, which leads to what appears to be a hard, objective boundary within the scheme actually being quite a rubbery, flexible and risky proposition.

I am wondering whether, first of all, you agree that there are potential weaknesses there and, secondly, whether you and your team have thought about what steps, administrative or legislative, you might take in order to try to guard against those risks.

**The Hon. R.I. LUCAS:** I am happy to respond to that. This has been an issue that has occupied the minds of both the corporation and myself. Without inferring anything about the member's views on this issue on the public record, there is cause for vigilance in relation to this particular area. The member's views in relation to the propensity for some practitioners to liberally interpret this particular measure are well known to the corporation, to the former minister and to me as the new minister. It is an issue that I have had discussions about with the corporation. We are looking at the issue of guidelines and what actions, if any, I as the new minister, or we as the new government, might take in terms of better performance, if I can put it that way, in this particular area.

We have not concluded that decision-making process yet. We are going through a process of consultation and discussion. I have taken advice from the corporation in relation to what the options are. I have approved their recommendations in terms of the next steps in considering options, and we will wait for that process to conclude. Certainly, I enter this discussion with the view that I think there is an issue, and I enter the discussion with the view, without having a concluded view, that it is important enough for us to have a good, hard look at what our options are in terms of improving performance and options in this particular area. I will await the results of the discussions and the process. I imagine that, not too far down the track, I as minister would indicate, on behalf of the government, what our proposals might be.

**The Hon. J.R. RAU:** Thank you for that. As part of that consideration, are you including some consideration of prequalification before a practitioner is eligible to provide a certification? By way of analogy, under the Local Government Act we have private certifiers, but you have to be credentialled in order to deliver that certification. Are you at least considering whether or not some similar sort of credentialling-type arrangement for the certification process might be one way of going forward?

**The Hon. R.I. LUCAS:** My advice is that we are looking at the issue to which the member has referred, in particular qualifications in terms of the speciality of particular areas. Based on my past informal discussions with the member, I do not think he would be discouraged by the direction in which the corporation and myself are looking in terms of what the options might be. Some sort of change in relation to qualifications in terms of the specialities of particular areas is something that we are consulting on.

**The Hon. S.C. MULLIGHAN:** I might use this opportunity to read some omnibus questions, and if I manage to belt through that we can always come back to this line of questioning.

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors with a total estimated cost above \$10,000, engaged between 17 March 2018 and 30 June 2018 by all departments and agencies reporting to the minister, listing the name of the consultant, contractor or service supplier, the estimated total cost of the work, the work undertaken and the method of appointment?

2. Will the minister provide a detailed breakdown of the forecast expenditure on consultants and contractors with a total estimated cost above \$10,000 for the 2018-19 financial year to be engaged by 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?

3. For each department and agency for which the minister has responsibility:

(a) How many FTEs were employed to provide communication and promotion activities in 2017-18 and what was their employment expense?



- (b) How many FTEs are budgeted to provide communication and promotion activities in 2018-19, 2019-20, 2020-21 and 2021-22, and what is their estimated employment expense?
    - (c) The total cost of government-paid advertising, including campaigns, across all mediums in 2017-18 and budgeted cost for 2018-19.
4. For each grant program or fund the minister is responsible for please provide the following information for the 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 financial years:
  - (a) The name of the program or fund;
  - (b) The purpose of the program or fund;
  - (c) Balance of the grant program or fund;
  - (d) Budgeted (or actual) expenditure from the program or fund;
  - (e) Budgeted (or actual) payments into the program or fund;
  - (f) Carryovers into or from the program or fund;
  - (g) Details, including the value and beneficiary, of any commitments already made to be funded from the program or fund; and
  - (h) Whether the grant was subject to a grant agreement as required by Treasurer's Instructions 15.
5. For the period of 17 March 2018 and 30 June 2018, provide a breakdown of all grants paid by the department/agency that report to the minister, including when the payment was made to the recipient, and when the grant agreement was signed by both parties.
6. For each department and agency reporting to the minister:
  - (a) The total number of FTEs in that department or agency;
  - (b) The number of FTEs by division and/or business unit within the department or agency; and
  - (c) The number of FTEs by classification in each division and/or business unit within the department or agency.
7. For each department and agency reporting to the minister, could you detail:
  - (a) How much is allocated to be spent on targeted voluntary separation packages in 2018-19?
  - (b) How many of the TVSPs are estimated to be funded?
  - (c) What is the budget for TVSPs for financial years included in the forward estimates (by year), and how are these packages to be funded?
8. For each department or agency reporting to the minister in 2018-19 please provide the number of public servants broken down into headcount and FTE's that are (1) tenured and (2) on contract and, for each category, provide a breakdown of the number of (1) executives and (2) non-executives.
9. Between 30 June 2017 and 17 March 2018, will the minister list the job title and total employment cost of SA executive positions—(1) which has been abolished and (2) which has been created?
10. Between 17 March 2018 and 30 June 2018, will the minister list the job title and total employment cost of SA executive positions—(1) which has been abolished and (2) which has been created?
11. For each year of the forward estimates, please provide the name and budget for each individual program administered by or on behalf of all departments and agencies reporting to the minister.

12. For each year of the forward estimates, please provide the name and budgeted expenditure across the 2018-19, 2019-20, 2020-21, 2021-22 financial years for each individual investing expenditure project administered by or on behalf of all departments and agencies reporting to the minister.

13. For each department or agency reporting to the minister, how many surplus employees are there at 30 June 2018 and for each surplus employee, what is the title or classification of employee and the total cost of the employee?

**The Hon. J.R. RAU:** I know we only have a second left—

**The CHAIR:** Member for Enfield, you have one minute.

**The Hon. J.R. RAU:** To the Treasurer or Mr Cordiner, probably on notice: what evidence, if any, does the corporation have for behaviour, on the part of some people in the system, which I would call 'costs farming'? In particular, the frequent lodging of applications in unmeritorious matters, the only basic point of which is to secure some form of payment? If so—

**The CHAIR:** I assume you are referring to page 197?

**The Hon. J.R. RAU:** I am, yes; I am constantly on that one. If there is any evidence of that sort of thing, what, if anything, can be done to discourage that sort of behaviour? I am talking about unmeritorious behaviour; I am not saying things that are legitimate matters of argument of fact or law. That is not what I am talking about. I am talking about unmeritorious matters.

**The CHAIR:** Treasurer, are you happy to take that on notice?

**The Hon. R.I. LUCAS:** I am happy, and I will be anxiously looking forward to the answer to that particular question myself.

**The CHAIR:** Thank you very much, Treasurer. There being no further questions, I declare the examination of proposed payments for the portfolio ReturnToWorkSA complete.

#### **Departmental Advisers:**

Mr D. Reynolds, Chief Executive, Department of Treasury and Finance.

Ms E. Ranieri, Commissioner for Public Sector Employment.

Ms T. Pribanic, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms T. Scott, Executive Director, Department of Treasury and Finance.

Mr E. Brooks, Executive Director, Industrial Relations, Department of Treasury and Finance.

Mr T. Crowe, Principal Management Accountant, Financial Services, Department of Treasury and Finance.

Ms N. Morris, Director, Office of the Commissioner for Public Employment.

**The CHAIR:** We will move back to the Office of the Public Sector within the Department of Treasury and Finance. I declare the proposed payments open for examination and refer members to the Agency Statements, Volume 4. If the Treasurer wishes to make an opening statement he certainly can and, once they are settled, if he could introduce his advisers, please.

**The Hon. R.I. LUCAS:** Thank you, Mr Chairman. I do not propose to make a statement again. I still have Mr Reynolds on my right. I have Erma Ranieri on my left, the commissioner, and I have Elbert Brooks on my far left—which is appropriate—and he is now formally within Treasury. He is in the industrial relations and policy division of Treasury; formerly that sort of responsibility was with the commissioner. In terms of this year's budget the commissioner's role does not include industrial relations or enterprise bargaining issues, but we have Mr Brooks in reserve should there be residual matters from 2017-18 that need to be considered.

**The CHAIR:** Thank you, Treasurer. Member for Lee.

**The Hon. S.C. MULLIGHAN:** Does OPE, is that the acronym now or OCPE, the Commissioner for Public Sector Employment, all of them—the options were wrong?

**The Hon. R.I. LUCAS:** You can call her commissioner for short, if you like.

**The Hon. S.C. MULLIGHAN:** Does the commissioner or Treasury hold estimates for—

**The CHAIR:** Member for Lee, could you give us a page and reference number, please.

**The Hon. S.C. MULLIGHAN:** Budget Paper 3, page 33. Does either the commissioner or Treasury hold estimates for FTE numbers across general government sector agencies across the forward estimates? I think the budget paper reference I gave was the total general government sector. I was inquiring, by department and agency, that broken down.

**The Hon. R.I. LUCAS:** The commissioner advises that that is in the workforce information report which, as you know, is always—the last one available is 2016-17; 2017-18 is available in December, so it will be hot off the presses in December. It comes out at that particular time every year so you will have to stay tuned for that. The commissioner may well be able to highlight—I think there are some processes that the commissioner has in train to provide, potentially in the future, some more immediacy in terms of the figures that she collects on behalf of the public sector. I will ask the commissioner to respond.

**Ms RANIERI:** This year—and we have been working on this for the last 12 months—we are getting real-time data for every agency. We have increased the number of agencies that are reporting, so it is across the whole government sector. You can get the workforce information report online for 2016-17, but 2017-18 will be for the last year. As we are improving the systems, and the CHRIS 21 system now can identify employees in a particular way, we will have real-time data within the next 12 months, given all the work we did over the last two years to actually build up that record of knowing an employee's life cycle in the Public Service.

**The Hon. R.I. LUCAS:** Could I add very quickly one further point, which we have discussed briefly this morning, for the member for Lee. With the machinery of government changes, when this very worthwhile report comes out, because there have been so many transfers in and out of government departments and agencies, the sort of information that I know some members are seeking as to a comparison between agencies will be made more complicated inevitably because, as I instanced this morning, Shared Services, for example, has moved from DPC into Treasury. Indeed, a number of other sections of DPC have moved into Treasury and various sections have moved out of Treasury.

So the report that the commissioner will produce will be accurate as of, I assume, 30 June. But inevitably, from 1 July there will have been significant machinery of government changes. When it settles down, which will be in essence the 2018-19 report, which will be December next year, a more valid comparison might be available for the member.

**The Hon. S.C. MULLIGHAN:** I appreciate that advice. Just in terms of Budget Paper 3, page 33, though, the basis on which those whole-of-general-government sector FTE estimates are made across the forward estimates, does either Treasury or the commissioner hold those estimates, broken down by department and agency? Can that be taken on notice and provided to the committee subsequently?

**The Hon. R.I. LUCAS:** Those estimates on page 33 are compiled by Treasury.

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** With the provisos I made this morning, which I will not repeat at length this afternoon; that is, those numbers are notional not actuals, because it depends on what ministers and CEOs actually do in terms of the numbers.

**The Hon. S.C. MULLIGHAN:** I appreciate that.

**The Hon. R.I. LUCAS:** I will take on notice as to what other information, if any, might be available and whether or not we can provide anything useful in addition to that. We will look at past

practice to see whether former treasurers have assisted the committee in that particular way or not. I would be well informed if they have, and then we would follow that particular practice.

**The Hon. S.C. MULLIGHAN:** I appreciate that. I believe that in years gone by—not last year, admittedly—that information used to be published as part of the budget papers but has not been for some time. In fact, perhaps in some budget statements or Mid-Year Budget Review papers there might have been an estimate of the FTE impact of budget measures both globally for the budget but also by agency. I think, perhaps as subordinate questions to the first one, if you are able to provide that level of detail, that would be terrific. I completely understand and agree that they are notional, depending on what chief executives intend to do.

**The Hon. R.I. LUCAS:** Just one quick bit of further advice from the Under Treasurer is that in the Agency Statements for each agency, I am told, there is actually an estimate.

**The Hon. S.C. MULLIGHAN:** That is for 2018-19. I was seeking going forward as well.

**The Hon. R.I. LUCAS:** You mean for the forward estimate years?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** Yes.

**The Hon. S.C. MULLIGHAN:** Thank you. I just want to talk about TVSPs. Budget Paper 3, page 33 also refers to the \$170 million that has been provisioned for TVSPs. My understanding from reading that page is that \$150 million is provisioned generally—and I am now half putting words in your mouth for your agreement or refusal—for agencies effectively to bid for or to seek for release. Is that the case that they will identify staff and then make some sort of application to Treasury to have those funds?

**The Hon. R.I. LUCAS:** I can see how you are interpreting that particular provision. There was \$20 million in there, and I think the phrase is 'to facilitate specific government reforms'. The new government is treating that \$20 million as TVSP money which is available in 2018-19, and the \$150 million we are going to treat in exactly the same way. There is a bucket of \$170 million. We are not going to distinguish between the two buckets.

Essentially, what the member has said is correct; that is, every agency, I suspect, will come to Treasury and say, 'We believe that we can offer so many TVSPs to help achieve our savings task.' There will then be a process of discussion and negotiation with Treasury in terms of how we allocate that \$170 million amongst all of the agencies.

**The Hon. S.C. MULLIGHAN:** That figure, the total of the \$170 million, is held centrally by Treasury?

**The Hon. R.I. LUCAS:** Yes. Again, the important point of this, very quickly, is that previously the former government's position, which I understood completely, was that every agency had to fund its own TVSPs. There were two exceptions given: Health and TAFE. Everybody else—the Attorney-General's, for example, and Transport—who had TVSPs under the former treasurer and government had to fund them themselves, but Health and TAFE were deemed to be special COT cases and therefore needed assistance and were centrally funded.

What we have done this time is we have said, given 2018-19 is going to be a year of transition and given we actually do have to make some quick, difficult decisions, we will centrally fund in 2018-19 alone the packages that give agencies and ministers incentive to get on with it and do it, but from 2019-20 the forward estimates are predicated on the basis that TVSPs will be funded by individual agencies.

**The Hon. S.C. MULLIGHAN:** In the budget papers, where it refers to the specific government reforms, I appreciate you are saying that that is actually just rolled into what is now 170. Can you provide some advice on what were initially at some point identified to be specific government reforms that the \$20 million was provision for?

**The Hon. R.I. LUCAS:** I am told they were the Health and TAFE reforms of the former government. The former government did have a policy, I think until February 2018, down at Port Adelaide, where the former government seemed to move away from the 'TAFE has to be competitive

from 1 July 2019' policy. That was a reform that the former government had until then, which basically said, 'If you are going to be competitive, we are going to have to help you fund TVSPs to reduce your numbers.'

Regarding Health, because of the COT case in terms of the budget haemorrhaging over the last X years, which we talked about at length this morning, the former government, I assume, within that broad ambit, said there were various reforms about achieving the nationally efficient price and all those sorts of worthy reforms, and it funded centrally. They were the specific reforms I am advised the former government had, and why they funded those two, as opposed to the Attorney-General's or Transport or Environment or anybody else.

**The Hon. S.C. MULLIGHAN:** Putting aside that \$20 million, which now contributes to it, regarding that amount of \$150 million, is there an average cost of TVSP that the department anticipates, based on the wages parity agreement requirements about maximum amounts of TVSP, etc.?

**The Hon. R.I. LUCAS:** The member, being a former minister, will understand that it obviously varies, but the average I think Treasury works on is just under \$100,000 per TVSP. It will obviously vary depending on the employee level of classification within a particular department or agency.

**The Hon. S.C. MULLIGHAN:** I know this is held centrally, so this question may not be relevant, but is there any notional allocation that Treasury has across the agencies for the expectation of take-up of TVSPs?

**The Hon. R.I. LUCAS:** The answer is no. There is a bucket of money that we have allocated, and agencies will now need to move, and move quickly, to bid against that.

**The Hon. S.C. MULLIGHAN:** Will there be any restrictions on the rehiring of public sector employees who receive a TVSP payment?

**The Hon. R.I. LUCAS:** My advice is that this is now a Treasury guideline, which says that if you come back within the period for which the TVSP payment applied, you have to repay that section. You could actually come back the next month, as long as you repaid most of it. There used to be a policy back in the old days. It was three years and then you could be re-employed, but that was evidently changed about 12 months ago under the former government. It was changed so that you could technically come back—I am not sure why you would—very soon afterwards, but you would then have to repay virtually all of your TVSP package. I guess the longer it goes the less of the package you would have to repay.

**The Hon. S.C. MULLIGHAN:** Okay, so that three-year restriction has now gone, and the amount of time that becomes the time when you would have to start repaying the TVSP is based on how that TVSP was calculated, your term of service?

**The Hon. R.I. LUCAS:** That is my advice, yes. You have summarised it very accurately.

**The Hon. S.C. MULLIGHAN:** I am getting a little cobwebby now around my recollection of how the wages parity agreement provides for this, but is there not a base payment or base amount up-front and then on top of that there is a length of service that is provided?

**The Hon. R.I. LUCAS:** For the salaried employees, you are talking about?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** I am advised there is a flat amount of \$15,000 if you take it in the first three months, and after that there is a set number of weeks for the years of service, etc. To answer your question, yes, there is a base of \$15,000 if you take it within the first three months.

**The Hon. S.C. MULLIGHAN:** And that base payment does not contribute to a length of time, which becomes relevant if you have to make a repayment?

**The Hon. R.I. LUCAS:** It says at this stage it does not. That is the answer at the moment. If we need to clarify that during the day or on notice we will clarify it.

**The Hon. S.C. MULLIGHAN:** That is fine, that is okay. I had a question with regard to Budget Paper 4, Volume 4, page 194. Commissioner, I know that not so much as a role but as an individual you have instituted a regime of capturing and monitoring data far more effectively than in the past. Do you keep any records on requests for advice from agencies?

**The Hon. R.I. LUCAS:** I am happy for the commissioner to answer that.

**Ms RANIERI:** Not formally. It is a good question. I keep it on record in terms of the way we keep records of any correspondence that comes through, so I could give you those records. It would take me a bit of time to collect it, but I would say that, yes, it is collected because we save it on our objective and we flow correspondence through in the right way. I have a place where people can request information, and that is monitored and given to the right person. I could monitor it.

**The Hon. S.C. MULLIGHAN:** But it is not relevant for the way in which, say, the Crown Solicitor's Office would keep records of this sort of thing and amounts of time and effort dedicated towards providing advice on particular matters?

**Ms RANIERI:** No. Although, before it gets to the Crown Solicitor's Office often you could have a complaint or someone who wants to know how to manoeuvre through the system if there was an issue in their workplace. Those sorts of requests I would have a record of. Inevitably, they then will be either filtered through to an ICAC or to the Crown Solicitor's Office, or whatever, and I would have a record because that would be required if there was an investigation. Those sort of records I do keep.

**The Hon. S.C. MULLIGHAN:** Have you kept any of those records or have there been any approaches since 17 March for advice from ministers or ministers' officers?

**Ms RANIERI:** Not formally. I have had verbal requests about matters around the act and other things, but I cannot recall formal requests in relation to—it depends on what you are referring to.

**The Hon. S.C. MULLIGHAN:** In particular I was wondering whether there have been any formal requests or informal requests from the office of the Treasurer or the Treasurer, particularly around the act?

**The Hon. R.I. LUCAS:** I am happy to respond. Do you mean about the act? I talk to the commissioner about the Public Sector Act constantly, particularly now that she has been freed up from being superwoman and running DPC as well. We have been mindful of the fact that she has had a number of roles to undertake in the first few months, but now that the commissioner is back to core business there is, in my to do pile which we referred to earlier in ReturnToWork, issues in relation to the Public Sector Act and various things like that. We have had discussions in relation, for example, to the operation of various determinations.

I have had discussions with the commissioner. I was stunned—I do not know whether the former government ever did it, but I asked my office to work with the commissioner's office to give me a list of all the Treasurer's Instructions, commissioner's determinations, premier's circulars, premier's guidelines, and whatever else it is, and there was a manila folder that I could not high jump over.

**The Hon. S.C. MULLIGHAN:** It would not have been a manila folder.

**The Hon. R.I. LUCAS:** I am not a very good high-jumper. The Under Treasurer has already commissioned some work to be done in terms of rationalising the Treasurer's Instructions; I think that is massively outdated. He has already started work on that, and we are having a look at what overlaps and stuff are there. The discussion I am about to have with the commissioner in relation to determinations and circulars is, equally, that I think we should be having a good hard look at all these determinations and circulars because, frankly, some of the new ministers and their officers are blissfully unaware of some of the things hidden within guidelines—

**The Hon. S.C. MULLIGHAN:** Oh, we know.

**The Hon. R.I. LUCAS:** And I think former government ministers and officers would have been blissfully unaware of what was in some of these guidelines and circulars and things like that. So yes, I have commenced some discussions—they will be much more intensive now that the budget

has been settled—in terms of how we might streamline some of the red tape I see that constipated decision-making within the Public Service and ministers' offices.

**The Hon. S.C. MULLIGHAN:** I look forward to you bringing that up, Treasurer.

**The Hon. R.I. LUCAS:** I am happy to consult you, member for Lee—

**The Hon. S.C. MULLIGHAN:** Let us not pursue that further.

**The Hon. R.I. LUCAS:** You have had unique experience both in an office and as a minister so—

**The Hon. S.C. MULLIGHAN:** Unfortunately, I am at an age now and of a gender where I am in a high-risk category for certain procedures—

**The CHAIR:** Gentlemen: it might not be this afternoon, so if we just stick to the budget we will all be safe.

**The Hon. S.C. MULLIGHAN:** Treasurer, did you or your office seek advice from the commissioner or her office about your power to direct public servants?

**The Hon. R.I. LUCAS:** I do not believe so. I think I am pretty clear in my powers; it is something I talk to my colleagues about. Essentially, in the first instance it was the power to appoint or terminate public servants, and I made it quite clear to my incoming colleagues that ministers had no power at all. The Premier has the power in relation to CEOs, and ministers do not have the power even in relation to chief executives or senior executives within their department.

I have always been pretty clear on what the powers are, so no. In my recollection I certainly never went searching for information in relation to powers. In terms of the general context of the Public Sector Act, it may be that as we looked at various provisions and things like that that these issues may have been ventilated, but I do not recall them if they were.

**The Hon. S.C. MULLIGHAN:** My question is related to evidence that was given in a Budget and Finance Committee meeting, that Treasury officials were unable to answer certain questions put to them about the Keogh payment because they had been directed by you. Are you able to provide this estimates committee with some understanding of which part of the Public Sector Act you were relying on in doing so?

**The Hon. R.I. LUCAS:** The Attorney-General had claimed privilege in relation to various legal documents regarding that. I am happy to take advice on that, but she claimed privilege. It was evidently her privilege to claim, it was not my privilege. As a result she wrote to me indicating that she had claimed privilege and therefore in essence—and in a very nice legal sort of a way, as some of you lawyers might understand—very politely indicated that it was not my right to breach her claim of legal privilege and that therefore I should not, and neither should my officers, release information that would breach the legal privilege.

In terms of the powers of the act—and I will check whether my recollection is wrong—I am pretty sure that in that same package of very nice legal advice there may have been legal advice that the Attorney-General may have received from the Crown Solicitor or the Solicitor-General, one of those very worthy legal boffins at the high end of the department. He provided advice in relation to the power for the Attorney-General to insist that her privilege not be breached, whatever it was. In the same way I got advice that said I had the power—as indeed I should—to direct my Treasury officers not to breach that. It was within the broad context of that.

If anything, I put on the record that that bears clarification after I go back and have a look at the legal advice that was very kindly provided to me. I would be happy to correct the record on notice, but that is my recollection without actually having the documents in front of me, that is my recollection of the sequence of events.

**The Hon. S.C. MULLIGHAN:** Do you recall how you directed the Treasury officers?

**The Hon. R.I. LUCAS:** Yes; I wrote a very nice note to the Under Treasurer, I think, which said something like—I am always very careful in these things, Mr Chairman—

**The CHAIR:** 'Dear Under Treasurer...'

**The Hon. R.I. LUCAS:** 'Dear sir or madam.' It said, 'Given that the Attorney-General has claimed'—

**The Hon. S.C. MULLIGHAN:** So it was a written direction?

**The Hon. R.I. LUCAS:** Yes. It was something like, 'Given the Attorney-General has claimed legal professional privilege,' or whatever it is, 'and consistent with the advice I've received,' or something like that, 'I direct you not to, in essence, breach that privilege,' or whatever it happens to be. That was the nature.

**The Hon. S.C. MULLIGHAN:** You may need to consult with the Under Treasurer, but it is your understanding and your recollection that the only direction that was made to those Treasury officials was that they should not be breaching the legal privilege about the nature of the legal advice that was provided in the Keogh payment matter?

**The Hon. R.I. LUCAS:** I think it also covered cabinet. It might have also covered cabinet confidentiality, which is obviously self-evident anyway. It may well be that the advice I received covered both. It may well be that, consistent with that advice, I also referred to cabinet confidentiality, but I would need to check the record. If it is different to that, I am happy to clarify it, but I think the member would understand that nobody can breach cabinet confidentiality in relation to—

**The Hon. S.C. MULLIGHAN:** Well, not usually.

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** So your recollection is that the direction was only about the legal advice which had been provided, presumably to the Attorney, and also that they were not to breach the privilege or confidence of cabinet in relation to decisions that cabinet made, for example?

**The Hon. R.I. LUCAS:** Yes, that is my recollection. I was very happy for them to respond cooperatively, as they always have when I chaired the committee and I am sure when others are chairing the committee, and assist the parliamentary committee in its deliberation to the best extent they can.

**The Hon. S.C. MULLIGHAN:** Did you have the opportunity to review the evidence that was given to the Budget and Finance Committee on that matter, where the officers claimed that privilege?

**The Hon. R.I. LUCAS:** I think I might have had a quick skim, but it was not at the top of my priorities, in the preparation of the budget, to be going over the entrails of what the Budget and Finance Committee had done. I was confident in my officers that they would do as per the legal advice that had been provided to them.

**The Hon. S.C. MULLIGHAN:** On your quick skim, did that provide you with sufficient confidence that the direction you provided, through the Under Treasurer, was reflected to the committee by the Treasury officials?

**The Hon. R.I. LUCAS:** I do not think I can say my quick skim was sufficient to make that sort of considered judgement. But, my confidence in my Under Treasurer and senior officers is sufficient to say I would have every confidence in them that they would have complied with the terms and requirements I gave them as the minister, based on the legal advice that I had. No, it would not be on the basis of a quick skim; I do not think that was enough to make a considered judgement about whether they had or had not complied.

**The Hon. S.C. MULLIGHAN:** Were you aware, from your quick skim, that the Treasury officers had invoked that direction?

**The Hon. R.I. LUCAS:** I am not sure that I was aware from the quick skim or whether I was actually told by one of my staff, or the media, or somebody. That is not something that I can give you an accurate response to at this stage. Someone told me, and I was aware that I had been made aware of that.

**The Hon. S.C. MULLIGHAN:** Did you take any steps to satisfy yourself that the manner in which they answered questions in the committee was consistent with your direction?



**The Hon. R.I. LUCAS:** No, I did not; I had faith that they did, and if they did not, I was sure that you or one of your colleagues in the upper house would have questioned me about it during question time.

**The Hon. S.C. MULLIGHAN:** Did the Under Treasurer take any steps to make it clear to himself that the manner in which the officers that answered questions in the Budget and Finance Committee was consistent with the direction?

**The Hon. R.I. LUCAS:** Did the Under Treasurer?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** I am sure he would have; I have absolute faith in him.

**The CHAIR:** Member for Enfield, last question for the session.

**The Hon. J.R. RAU:** Yes, sir. Very quickly—and this will no doubt be on notice—but my first question—

**The CHAIR:** Member for Enfield, if you could refer us to what budget paper you are—

**The Hon. J.R. RAU:** Exactly where we just were.

**The CHAIR:** Which was?

**The Hon. J.R. RAU:** Have you not been following this?

**The CHAIR:** The rules state that each member, before they put their question—

**The Hon. J.R. RAU:** Was it 193?

**The CHAIR:** Page 194, member for Enfield.

**The Hon. J.R. RAU:** Page 194; there you are. See? You were following after all. The two questions are these. The first question is: of the whole number of employees of government, what percentage are on contract—in particular, a subset of those earning \$120,000 and above and those earning \$150,000 and above?

**The Hon. R.I. LUCAS:** The commissioner is happy to take that question on notice.

**The Hon. J.R. RAU:** On notice is fine. The other question, which again might require some thought, is one for the commissioner really. In the context of return to work obligations imposed on the state government under the act to make all reasonable attempts to place an injured employee—albeit perhaps not in the place where they were previously employed, let's put it that way—are you, Treasurer, satisfied that agencies are being sufficiently cooperative in meeting these obligations, notwithstanding the fact that some of them seem to have the view that they are a silo and the obligation applies only within their agency, not across government?

**The Hon. R.I. LUCAS:** We will take that on advice. That used to be in the commissioner's area and is now in the Under Treasurer's area, so we will put two great heads together in the interim and bring back a considered response, both historical and prospective, we hope.

**The CHAIR:** It being after 12.30, I declare the examination of the proposed payments for the portfolio, Office for the Public Sector, completed. In accordance with the agreed timetable, the committee stands suspended until 1.30pm.

*Sitting suspended from 12:31 to 13:30.*

#### **Membership:**

Hon. Z.L. Bettison substituted for Mr Boyer.

#### **Departmental Advisers:**

Mr D. Reynolds, Chief Executive, Department of Treasury and Finance.

Ms D. Bennett, Chief Executive, Super SA.

Ms J. Townsend, Chief Executive Officer, Funds SA.

Ms J. Holmes, Commissioner, RevenueSA, Department of Treasury and Finance.

Mr K Cantley, Executive Director, South Australian Government Financing Authority, Department of Treasury and Finance.

Ms T. Pribanic, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms T. Scott, Executive Director, Department of Treasury and Finance.

Mr T. Crowe, Principal Management Accountant, Financial Services, Department of Treasury and Finance.

Mr T. Burfield, Department of Treasury and Finance.

**The CHAIR:** I declare open the portfolios of the South Australian Government Financing Authority, Funds SA, RevenueSA and Super SA and I declare the proposed payments open for examination and refer members to the Agency Statements, Volume 4. Treasurer, could you please update your advisers for us?

**The Hon. R.I. LUCAS:** We are still joined by the Under Treasurer, Mr Reynolds. We have Kevin Cantley from SAFA and Ms Julie Holmes from RevenueSA

**The CHAIR:** Thank you, Treasurer, and I assume you will not be making a statement?

**The Hon. R.I. LUCAS:** No.

**The CHAIR:** Member for Lee, over to you.

**The Hon. S.C. MULLIGHAN:** I refer the Treasurer back to our earlier conversation—

**The CHAIR:** Could you kick us off with a budget paper and page? For the member for Enfield's benefit.

**The Hon. S.C. MULLIGHAN:** We turn our attention to Budget Paper 4, Volume 4, page 190. We started today by talking about the payment of \$2.57 million to Henry Keogh and I was advised at the time that that came via SAFA. When the Treasurer approved a payment of that money to Henry Keogh, had he received any advice from any agency advising caution or advising against the payment being made?

**The Hon. R.I. LUCAS:** No, I did not have any advice from an agency recommending against it or recommending caution.

**The Hon. S.C. MULLIGHAN:** When the Treasurer approved the payment, had he received, read, or been briefed on the legal opinion that was provided to government by Jonathan Wells QC and Ben Doyle?

**The Hon. R.I. LUCAS:** I certainly had advice directly and indirectly. I would have to check the record from the Attorney-General in relation to this issue. I am almost certain that in part of that advice, either in whole or in part, the advice of esteemed legal counsel was referred to. Again, I would have to check the record but certainly it was part of some of the material, if not all of the material, that I got from the Attorney-General in and about the time that she was actively engaged in the issue.

**The Hon. S.C. MULLIGHAN:** That particular advice that I mentioned.

**The Hon. R.I. LUCAS:** As I said, it was referred to either in whole or in part. I cannot recall whether I actually had—I think there was legal opinion from, again, someone eminent within Crown Law or someone like that perhaps, or the Attorney-General perhaps, equally eminent, referring to the advice. It might have been attached to it as well. I have a recollection of seeing something of some considerable length which went into considerable legal detail, parts of which, as a non-lawyer, were beyond my immediate remit in terms of some of the legal issues.

**The Hon. S.C. MULLIGHAN:** Did SAFA have access to that legal opinion?

**The Hon. R.I. LUCAS:** I am advised yes.

**The Hon. S.C. MULLIGHAN:** Was it reflected or was it mentioned at all in their advice to you regarding the payment?

**The Hon. R.I. LUCAS:** I would have to check the record but certainly in the totality of the advice that I was getting—the position I have publicly said, and I am happy to say to the committee, was that essentially in relation to this particular issue I took advice from the government's legal advisers through the Attorney-General, who in essence was the provider of legal advice to me, and whatever advice she had. I took advice from the government insurer, which was SAicorp within SAFA, and made a decision on the basis of the collective, both legal advice and government insurer advice that I had, in terms of the settlement.

**The Hon. S.C. MULLIGHAN:** Did SAFA at any time issue any advice to you, Treasurer, advising that the Keogh matter not be settled, or that it not be settled in the manner in which it was?

**The Hon. R.I. LUCAS:** No.

**The Hon. S.C. MULLIGHAN:** Can I clarify that you were responsible for approving the payment not cabinet?

**The Hon. R.I. LUCAS:** As the minister responsible for SAicorp, the government insurer, I had to sign off on the final approval in relation to the payment of that. Clearly, the Attorney-General, as she has publicly indicated, was actively engaged in terms of this whole issue right from the word go. She handled all of the discussions and all those sorts of matters with the lawyers, but ultimately, as I have indicated, I had to accept responsibility for the approval of the payment from the government insurer, which is SAicorp. I did that, so it was my approval.

**The Hon. S.C. MULLIGHAN:** What date was that payment approved?

**The Hon. R.I. LUCAS:** I am happy to check that, but I think it is part of the public record under FOI documents, or something. I am happy to check that for you.

**The Hon. S.C. MULLIGHAN:** Do you recall which financial year it was expensed against (if that is a verb)?

**The Hon. R.I. LUCAS:** Yes. The decision was taken well before 30 June, so it was in 2017-18.

**The Hon. S.C. MULLIGHAN:** Can I ask how the figure of \$2.57 million was arrived at?

**The Hon. R.I. LUCAS:** That was a number that was discussed, I assume. Without going into the detail and evidently and potentially breaching the legal professional privilege that the Attorney-General has claimed, in broad terms it was a discussion between, ultimately, the legal advisers to the government and the government insurer advisers in terms of an appropriate number. Ultimately, I approved that. In terms of the precise nature of that calculation, I am told that may well breach the legal professional privilege the Attorney-General has claimed.

**The Hon. S.C. MULLIGHAN:** But it was not based on a formulated claim that had been submitted by Mr Keogh or his legal representatives?

**The Hon. R.I. LUCAS:** Again, I am not going to go into the detail of that. In broad terms, it was based both on the legal advice and the government insurer advice that I was provided with. Ultimately, at the end of the process, I signed off on it, and I accept responsibility.

**The Hon. S.C. MULLIGHAN:** Were you or the Attorney advised by SAFA at any time that a formulated claim should be sought for Mr Keogh or his representatives?

**The Hon. R.I. LUCAS:** I was never advised of that.

**The Hon. S.C. MULLIGHAN:** I understand that documents released to the Budget and Finance Committee indicate that the minute you signed to approve the payment had an annotation from you, asking 'Whose decision is this—Treasurer or A-G?' Can I ask why you signed the minute without understanding who was responsible for the payment?

**The Hon. R.I. LUCAS:** It was pretty clear, ultimately, in terms of the verbal discussion I had in relation to this, that it was my responsibility as the minister responsible for the government insurer.

**The Hon. S.C. MULLIGHAN:** What prompted the annotation?

**The Hon. R.I. LUCAS:** I think it was to make it clear in terms of seeking clarification. I had a discussion with someone on my staff, who would have spoken with SAFA to confirm it, and then I signed it.

**The Hon. S.C. MULLIGHAN:** So you annotated the minute and then sent the minute back before approving the payment, and then you subsequently approved the minute. Is that what you are telling us?

**The Hon. R.I. LUCAS:** Can you restate the question?

**The Hon. S.C. MULLIGHAN:** In response to my previous question, you said that you were seeking to clarify whether you had the capacity to approve the payment and that you wrote that annotation so that a staff member, for example, or somebody could follow up with the agency just to make it clear that you were entitled to make this approval. I am asking: was the sequence of events that you signed the minute and made the annotation and then asked your staff member to check, or did you write the annotation, return the minute unsigned and hence unapproved, and then, once it was clarified with you, you then approved the minute?

**The Hon. R.I. LUCAS:** My recollection is pretty good, but I cannot recall that sort of detail. I look at dozens, hundreds, of documents a day, and I am not in a position to provide any further information to the member as to what the sequence of these things was in terms of the actual signing and seeking of information. Ultimately, I was advised, in some form or another, that it was my decision as the minister responsible for SAicorp. I was aware that the Attorney-General had been actively engaged in the issue from the legal viewpoint, and ultimately I was advised that it was my decision in terms of the full approval of the payment. As I have made clear, whilst I have not been actively engaged, or engaged in any way, in terms of the process that came to that particular position in the end, I was not involved in the negotiations.

**The Hon. S.C. MULLIGHAN:** Was all of the advice received by you from Treasury officials, either from SAFA/SAicorp or from the Treasury executive, consistent with the legal advice and the advice you were receiving from the Attorney as to whether the payment had been made?

**The Hon. R.I. LUCAS:** I believe so. I do not have any recollection of any advice that was heading in a different direction. Generally, if I were getting advice from two different agencies or departments which were in conflict, I would have a fairly clear recollection, if that were the case, because I would have to resolve the conflict of the two particular views. As a former minister, I suspect you may have been in a position where that might have happened occasionally: where two agencies or two parts of the government may well have had differing views on a particular issue.

No, I have no recollection that there was any sort of difference in view. As I said again today and as I have said before, the legal advice I got was in terms of supporting the settlement, and the government insurer advice I got was to support the settlement. I ultimately accepted both the legal and the government insurer advice to do so.

**The Hon. S.C. MULLIGHAN:** Do you recall when you were told or somehow satisfied that it was indeed your decision—or required your decision, I should say—to approve the payment, whether or not that occurred on the same day that you signed the minute?

**The Hon. R.I. LUCAS:** No, I cannot recall that sort of detail, I am afraid.

**The Hon. S.C. MULLIGHAN:** So you cannot rule out that you signed the minute approving the payment, and that it was not until some time later that you were assured that you indeed had the capacity to do so?

**The Hon. R.I. LUCAS:** When I signed the minute, I had satisfied myself that, ultimately, it was my responsibility.

**The Hon. S.C. MULLIGHAN:** So why the annotation?

**The Hon. R.I. LUCAS:** We have been here before: I just said that I do not remember the exact sequence of that, but it was there as a record of the process I was going through at the time, in terms of satisfying myself that this was a particular issue that I had to sign off on as the minister responsible for SAicorp.

**The Hon. J.R. RAU:** Treasurer, same topic really—

**The CHAIR:** Same page?

**The Hon. S.C. MULLIGHAN:** Yes, page 190.

**The Hon. J.R. RAU:** Treasurer, in relation to any payment made by the agency, as a matter of form it is required that the Treasurer of the day does, ultimately, become the signatory for such a payment, is it not?

**The Hon. R.I. LUCAS:** By SAicorp?

**The Hon. J.R. RAU:** Yes, over a certain threshold.

**The Hon. R.I. LUCAS:** Over a threshold, there are delegations which are available to SAFA officers, where they would just sign off on things beneath a certain delegation. This one was evidently above the level of delegation that comes to me, which is about \$1 million. That is why this particular one came to me.

**The Hon. J.R. RAU:** But the fact of this coming to you to be signed is nothing extraordinary in that sense; it is simply a function of the scale of the payment?

**The Hon. R.I. LUCAS:** That is right.

**The Hon. J.R. RAU:** Would I be correct in gleaning from what you have told the committee so far that, substantially, your position was that you were receiving advice, predominantly from the Attorney-General, about the desirability or otherwise of this payment?

**The Hon. R.I. LUCAS:** No, I do not think you could glean that. What I have said is that I was taking substantive advice on legal matters, obviously from the Attorney-General as, in essence, the provider of legal advice to me as the non-lawyer but as the Treasurer, and I was taking government insurer advice from SAicorp or SAFA. I was getting advice significantly from both of those in the end.

Ultimately, to come back to one of the member for Lee's earlier questions, if the governance lawyer through the Attorney-General is arguing to do something and yet SAicorp is the agency responsible and saying, 'Hey, no go, don't do it,' then it would be as in the example I referred to earlier, where there was clear conflict between the two agencies. I would need to resolve in my own mind what I would ultimately do as the minister for SAicorp. However, that was not the circumstance as it presented to me in relation to this. It was, on the one hand, the legal advice saying, 'Settle this at this particular level,' and the government insurer advice coming to me and saying the same thing.

**The Hon. J.R. RAU:** The decision by any treasurer to resolve a matter on the basis of advice is something that can be taken for a range of reasons, not necessarily just one reason. I do not see anything unusual about that but in this particular instance—and if you do not know the answer to this please just say you do not know—is it not the case that the legal advice that had been provided to the government indicated that there was no significant risk of successful litigation against the government, as disclosed so far by the propositions advanced by Mr Keogh's lawyers?

**The Hon. R.I. LUCAS:** I cannot remember the exact words but certainly I think they have been placed on the public record as to the nature of the advice: you have either had access to it or it has been quoted from, so I will not dispute the exact words and what they were, but that was the flavour. With great respect to you and your profession, member for Enfield, I have a healthy degree of scepticism and cynicism on occasions—

**The Hon. S.C. MULLIGHAN:** Do you mean as a parliamentarian?

**The Hon. R.I. LUCAS:** No, as a lawyer. I know that on a number of occasions, both when I was formerly in government and elsewhere, that sometimes the best legal advice did not always sustain itself when a court decision finally came down. As I said, I had the legal advice on the one

hand and I had the government insurer's advice on the other hand, and there was—and I cannot remember the exact words—the potential downside.

As the Treasurer I was asking: what is the upside? What is the downside? The potential downside of this was \$7 million or \$9 million, of that order if you added cost together or something, and the proposal was to settle at a number significantly less than that. As I said, with great respect to eminent legal counsel that may well have lined up, even you I am sure would not be able to guarantee that that may well sustain itself before an eminent bench somewhere or other. There are any number of eminent counsel and lawyers whose eminent opinions have floundered at the bench.

When I looked at this I had on the one hand the lawyers arguing that this is what ought to occur, and the insurers—as I placed my Treasurer's hat on this and asked, 'What is the downside?' The potential downside was—and the thing that applied my mind as Treasurer was: what happens if the eminent legal counsel was not right and we end up in a court and we end up getting done for \$9 million or \$10 million, then I am sure the opposition would come at us and ask, 'Did you have advice from SAFA and the lawyers to settle this at a considerably lower sum, and why didn't you do that?'

There are always both sides to a particular decision that has to be taken. As I, in this happy case, had the lawyers arguing for one thing and the government insurer arguing for exactly the same thing, and as I looked at it from the Treasurer's viewpoint, if there was a potential downside of \$7 million to \$9 million, if that was the number, settling at a significantly lesser figure I could see why the lawyers and the insurer were saying, 'Treasurer, have we got a deal for you. We think you should sign it.'

**The Hon. S.C. MULLIGHAN:** That was the advice, that the potential exposure was up to that \$9 million figure, was it?

**The Hon. R.I. LUCAS:** That is my recollection. If my recollection is wrong—but it was of that order. I think that was with the costs for everybody on both sides being counted and all that sort of stuff.

**The Hon. S.C. MULLIGHAN:** On both sides?

**The Hon. R.I. LUCAS:** I will go back and check but there were legal costs and what a potential settlement cost might be. The member for Enfield would understand the jargon better than I would. I was just looking at it from a Treasury viewpoint in terms of what the total costs might be to the taxpayers of South Australia and it was in and of that particular order.

**The Hon. S.C. MULLIGHAN:** But SAFA has not had to settle a sum on the Crown side, have they?

**The Hon. R.I. LUCAS:** Sorry?

**The Hon. S.C. MULLIGHAN:** SAFA has not had to provide a settlement payment of any description for the Crown as the prosecutor or the Department for Correctional Services or the police force?

**The Hon. R.I. LUCAS:** You mean in other cases?

**The Hon. S.C. MULLIGHAN:** No, in this matter. It is merely a payment to Mr Keogh.

**The Hon. R.I. LUCAS:** You might have further questions on this, so I am advised that we have paid for our costs, which is the Crown costs—we being SAFA. We have paid for our Crown costs and barrister costs in relation to this particular issue. That is a cost against SAFA or SAicorp.

**The Hon. S.C. MULLIGHAN:** So SAFA has had to pay for that, not the Attorney-General's Department?

**The Hon. R.I. LUCAS:** I am advised yes, SAFA or SAicorp has paid for that.

**The Hon. S.C. MULLIGHAN:** Are they for costs incurred since the intention became clear that a settlement payment would be contemplated?

**The Hon. R.I. LUCAS:** Since or before?

**The Hon. S.C. MULLIGHAN:** Since.

**The Hon. R.I. LUCAS:** These were costs incurred before the settlement, obviously?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** I mean, they might have been paid after the settlement, but they were costs incurred before the settlement. Is that your question?

**The Hon. S.C. MULLIGHAN:** Yes, and for what period were the costs incurred? Roughly; I will not pin you to an exact day.

**The Hon. R.I. LUCAS:** Actually, it was through part of your period in government—since last year evidently. Since late last year sometime—we do not have a precise date—but it was certainly under the former government that the costs being incurred by SAFA and SAicorp were being incurred in relation to this issue and then obviously would have continued once the new government was elected post March and up to the settlement.

**The Hon. S.C. MULLIGHAN:** So the costs incurred on the government side for that sort of legal advice, etc., that you mentioned before, that became payable for the first time from SAFA to reimburse AGD or Crown or whoever was procuring external legal advice, etc., or indeed reimbursing the CSO's costs in dealing with this matter, because the payment was made? Or were those costs likely to have to be reimbursed in the event that no payment, no settlement, was made?

**The Hon. R.I. LUCAS:** I am advised payable anyway.

**The Hon. S.C. MULLIGHAN:** They were payable anyway. Had a claim for reimbursement of those costs been issued by the CSO or the Attorney-General's Department before the statement of claim was issued by Mr Keogh's representatives?

**The Hon. R.I. LUCAS:** My advice is that the first SAicorp became aware of the matter was 19 July 2017, so it is a fair while ago. I think if you have a specific question about the timing of payments and stuff, I might just take it on notice.

**The Hon. S.C. MULLIGHAN:** There was a statement of claim lodged, as I understand it. SAFA officers have advised the parliament's Budget and Finance Committee that a statement of claim was lodged, so I am interested to know when—

**The Hon. J.R. RAU:** A statement of claim or a letter?

**The Hon. S.C. MULLIGHAN:** A claim had been lodged; let me put it like that. A claim had been lodged for a compensation payment of some kind by Mr Keogh's representatives.

**The Hon. R.I. LUCAS:** I think the letter to which the member is referring was a letter to the previous attorney-general on 31 May 2017.

**The Hon. S.C. MULLIGHAN:** And my recollection is that the former government had communicated to Mr Keogh's representatives that a payment would not be made, based on legal advice.

**The Hon. R.I. LUCAS:** I do not know. You would need to take that up with the—

**The Hon. S.C. MULLIGHAN:** SAFA might be able to advise you because they would have been managing this issue on the way through as well.

**The Hon. R.I. LUCAS:** I think you will need to put that question, when you get a chance, to the Attorney-General and her legal officers.

**The Hon. S.C. MULLIGHAN:** Okay. Do you also recall making a second annotation on that minute that approved the payment?

**The Hon. R.I. LUCAS:** You will have to help me. I do not recall all the annotations I make. I make considerable annotations on considerable minutes, I can assure you.

**The Hon. S.C. MULLIGHAN:** The reason I ask is that my understanding, both as somebody who had the fortune or otherwise to have to sight and manage a number of minutes to and from

treasurers and also as a minister myself, is that it is not unusual to annotate minutes in the manner that you suggest.

It is also customary for most—I cannot speak on behalf of you, of course—that once a query that has been annotated to a minute is satisfied that annotation is crossed out, perhaps initialled that that query or concern has been dealt with, and then you are able to sign the minute or deal with the minute finally in whichever way the minute seeks. You obviously recall the annotation seeking advice about whether you had the capacity to make the payment, but you do not recall any other annotation on the minute?

**The Hon. R.I. LUCAS:** The process of crossing out annotations might be a process that the former minister engaged in, but it is not a process I have ever engaged in.

**The Hon. S.C. MULLIGHAN:** You certainly have not crossed it out. We know that from FOI.

**The Hon. R.I. LUCAS:** No, I am just saying as a general principle—you were talking about general principles about annotations—that is not a process that I have engaged in. If I cross something out, it is because I have thought about it again and I have found the answer somewhere buried within the entrails of the memo. Sometimes I will write an annotation after I read the first couple of pages and then on page 10 I find the answer, so then I go back and scrub it out, but not the process you are talking about, that is, where I would cross it out and then sign it as having been satisfied or whatever else it is.

**The Hon. S.C. MULLIGHAN:** Would that lead us to then assume, going back to the earlier line of questioning, that your annotation about querying whether you had the capacity to make the payment, because that annotation was not dealt with, had not been satisfied?

**The Hon. R.I. LUCAS:** Not in the paper, in the document, that I read, but I obviously satisfied myself through, as I said, some other mechanism in relation to that issue. Do you not have a copy of the memo? I do not have a copy with me. There either is or is not a second annotation on it. I cannot remember.

**The Hon. J.R. RAU:** We are still on page 190. Let's go back to the earlier conversation about the ultimate settlement number. There is nothing unusual or unorthodox about the process that you describe to the committee that you went through, in the sense that what I understood you to be describing is a risk-based assessment of a claim and then offering an amount to resolve the claim commensurate with the assessed risk. I do not want to put words in your mouth, but is that the process that you were describing, or am I misunderstanding you?

**The Hon. R.I. LUCAS:** I think that is not an unreasonable broad characterisation, without being specific, about a process that I and, I would assume, other ministers go through.

**The Hon. J.R. RAU:** Again, in general terms, if that is the process that those who advise you were putting to you, and if you assume that the maximum exposure, for argument's sake, was something in the order of \$8 million or \$9 million, or assessed to be in that order if everything went terribly badly, what ultimately occurs is something in the order of 30 per cent of that sum or slightly less being arrived at as a settlement to resolve the matter. As a matter of mathematics, that is correct, is it not?

**The Hon. R.I. LUCAS:** On the basis of \$9 million and whatever it was.

**The Hon. J.R. RAU:** I am not holding you to the \$9 million, but I am just trying to understand the process.

**The Hon. R.I. LUCAS:** Yes, in broad terms.

**The Hon. J.R. RAU:** If that is the case, it would be reasonable then to think that somebody must have advised you, 'Look, we reckon there's a one-in-three chance of us doing badly.' If you actually go to litigation, there is either a winner or a loser—you do not get to split the difference. If this matter had gone on, and assuming that Mr Keogh had made good on his promises and had got lawyers to sue the state, the ultimate outcome would be that Mr Keogh gets nothing and owes his lawyers a great deal of money and the state as well, or the state pays Mr Keogh an amount of money and pays his legal fees.



It brings me back to the point. The risk-based assessment, or the judgement, here was that Keogh's claim was substantial enough to be worth paying roughly a third of the quantum, and it was not a so absolutely frivolous or blue-sky sort of claim that you could dismiss it with \$100,000 to get him to go away sort of thing; is that a fair summary of the advice?

**The Hon. R.I. LUCAS:** The advice ultimately—SAFA and SAicorp have considerable experience in these sorts of things over many years. Ultimately, I can assure the former attorney, as I am sure he would have had experience in the past, there was no precise mathematical formula that was produced for me that said, 'Voila, here's the magic number and there's a one-in-three chance of this occurring, and therefore that means under this magic formula that this is the appropriate number above which you shouldn't go,' or whatever else it happens to be. That sort of discussion, I suspect, would have gone on in broad terms within SAFA and SAicorp.

But, ultimately, as I said, I received the legal advice, I received the considered government insurer advice, I applied my own experience, as a former minister and now as the Treasurer, to it and I made the judgement, which I am quite happy to defend publicly, as I have on many occasions, that it was a reasonable judgement in the interests of taxpayers that we settle on the basis of that advice. I took the decision and I am happy to stand by it.

**The Hon. S.C. MULLIGHAN:** From whom did SAFA get their advice, or with whom did they consult in order to form their advice to the Treasurer regarding the payment to Keogh?

**The Hon. R.I. LUCAS:** They would have had access to the legal advice the government had, and they would have had access to their own not inconsiderable expertise within SAicorp and SAFA in terms of managing these sort of things on behalf of government generally. I am not aware that they went beyond that. They did not go beyond what I have just outlined.

**The Hon. S.C. MULLIGHAN:** So it was the sets of legal advice—the one procured by the Attorney-General from the Crown Solicitor's Office, the one provided by Mr Wells QC and Mr Doyle, and then their own views about the payment—is that right?

**The Hon. R.I. LUCAS:** Member for Lee, I am not best placed—you need to put that question to the Attorney-General in terms of the length and breadth of the legal advice she got. I am not sure whether it was just those areas you talked about or whether she had other legal advice, but that is a question for her. But, in relation to me, you are correct; that is, whatever advice the Attorney had access to, she then gave me her legal view in terms of what the government should do. I had that, and then I got from SAicorp and SAFA the government insurer advice, and I put that together. I will not repeat myself, but I then made the decision.

**The Hon. S.C. MULLIGHAN:** No other advice was procured by SAFA beyond what was provided by the Attorney and those two or more sets of legal advice?

**The Hon. R.I. LUCAS:** My advice is no; that was the length and breadth of the advice they had and that ultimately I had the value of.

**The Hon. S.C. MULLIGHAN:** Did SAFA ever seek or receive further legal advice beyond what is provided by the Crown Solicitor for other claims that are made against insurance funds, for example for medical malpractice claims or similar?

**The Hon. R.I. LUCAS:** In relation to medical malpractice, my understanding is that it is not uncommon that they would take expert advice from medicos or medical specialists. I am told that sometimes a private law firm might be used if there was a potential conflict in relation to the Crown position. Again, I think that as a former minister the member would be familiar with the fact that there are occasions where agencies have to take advice from private counsel because there is a conflict within the Crown.

**The Hon. S.C. MULLIGHAN:** I have a copy of the minute you annotated. Would it help if you saw it to refresh your memory about your second annotation?

**The Hon. R.I. LUCAS:** There is a second annotation, is there?

**The Hon. S.C. MULLIGHAN:** Yes. Would it help to refresh your memory about what that might be by sighting it?

**The Hon. R.I. LUCAS:** I am sure it would. I am advised that the second annotation I had—I cannot remember exactly what it was—related to cabinet, and therefore the instruction in relation to cabinet confidentiality meant that whatever I annotated there would in some way have breached cabinet confidentiality, so—

**The Hon. S.C. MULLIGHAN:** Does that mean it was solely your decision to approve the payment to Mr Keogh? The government had not already reached a position that payment should be made and you were just giving effect to that payment?

**The Hon. R.I. LUCAS:** I would have to check the sequence of issues, and I would have to do so in a way that did not breach cabinet confidentiality. As the member would know, I am not in a position to discuss what, if anything, was discussed in relation to the cabinet. I am not sure whether I am going to be able to provide anything additional that would be useful in relation to the sequence that involved cabinet.

**The Hon. S.C. MULLIGHAN:** I think you can understand my line of questioning. I am trying to determine whether you were given the opportunity, as the minister responsible, to form a view based on the advice given to you by your agency or whether you were basically there just to give financial effect to a payment that had already been considered and approved by the government.

**The Hon. R.I. LUCAS:** I do not believe this breaches cabinet. I have said publicly that I accept responsibility, that I took the decision, and I have not resiled from that publicly or in here. I am not seeking to hide behind any other minister or any other organ of government, if I can refer to cabinet as that. I accept that ultimately, whilst the Attorney was fairly actively engaged in relation to the management of the issue, I had legal advice, I had government insurer advice, and I had to make the decision. So as I said, I do not seek to hide behind anybody else or any other body in terms of responsibility for the decision, and I am more than prepared to defend it.

**The Hon. S.C. MULLIGHAN:** This was a matter that had been under consideration for some time, I assume weeks or maybe even months in the lead-up to the public announcement that the payment had been made in order for officers to gather advice and prepare advice to you, and—

**The Hon. R.I. LUCAS:** I have been advised, to put it on the record, that the earliest reference to this appears to have been May 2017, so yes—

**The Hon. S.C. MULLIGHAN:** I mean insofar as the decision to make a payment was made.

**The Hon. R.I. LUCAS:** I think what predates that was that when you are talking about people being involved in this, I presume the lawyers and at some stage the insurers from the government from soon after May or June 2017, under the former government, were engaged in discussions in relation to this particular issue.

**The Hon. S.C. MULLIGHAN:** This might be something we can pursue with the Attorney, but the reason I raise that is because she advised the media on Monday 2 July that cabinet that day had decided to make the payment. Clearly, given the documentation that has been provided, that payment was authorised sometime earlier.

**The Hon. R.I. LUCAS:** I am not aware of the statement; you would have to ask—

**The Hon. S.C. MULLIGHAN:** The 14<sup>th</sup> of May, I am told.

**The Hon. R.I. LUCAS:** You would have to ask the Attorney in relation to the claimed statements there. Again, I repeat: I made the decision, on whatever date that decision is annotated. I accept responsibility on behalf of the government for having made the decision.

**The Hon. S.C. MULLIGHAN:** I just have a couple of non-Keogh questions to ask regarding SAFA, which you would probably be relieved to hear.

**The Hon. R.I. LUCAS:** Not at all. I welcome the Keogh questions; it means you are not looking at other issues.

**The Hon. S.C. MULLIGHAN:** Depending on your perspective, this may be far more interesting. I am looking at Budget Paper 3, page 76. There is a description of the role of SAFA in managing the debt raised on financial markets in order to finance the activities of government. This is probably a question best taken on notice, but I would be interested to know the total at market,

and also the duration of that debt. If you can provide an amount of debt by the duration, and also the terms of that debt, that would be helpful.

**The Hon. R.I. LUCAS:** We are happy to take that on notice. Just on the debt issue very quickly, we are very lucky today. Hot off the presses, Moody's have issued their credit update. You would be familiar with credit rating agencies that cast their forensic eye across issues. Some issues were raised earlier today about the fiscal target 3 and the level of the debt. I am pleased to say that Moody's, in updating their credit analysis today, have confirmed us as Aa1 with a stable outlook. I think the member will be pleased.

**The Hon. S.C. MULLIGHAN:** So no change.

**The Hon. R.I. LUCAS:** In terms of any concerns about—I think he was asking a series of questions this morning about sustainable debt. Clearly, if there was a view in rating agencies that this was unsustainable, there might have been some prospect of us being paid on negative watch. I will just quote one last sentence without wasting your time: 'The state's debt burden (see exhibit 6)'—which we looked at earlier—'however, remains moderate compared to peers and is supported by a high level of liquid financial assets.' I think the member should be much comforted in relation to his questions earlier about the sustainability of the state's level of debt.

**The Hon. S.C. MULLIGHAN:** How many FTEs does SAFA employ? You can take that on notice.

**The Hon. R.I. LUCAS:** We will take it on notice, but it is about 78, I am told.

**The Hon. S.C. MULLIGHAN:** Roughly how many are involved in the raising of debt on the markets? I am happy for you to come back with a precise figure.

**The Hon. R.I. LUCAS:** We think it is about 10, but we will come back with a forensic examination of that.

**The Hon. S.C. MULLIGHAN:** How many are involved in managing the state's insurance arrangements? I can leave that question until a little later if you like.

**The Hon. R.I. LUCAS:** Maybe about 15; if we need to clarify that, we will.

**The Hon. S.C. MULLIGHAN:** No worries. That was it for SAFA, if you are happy to move on. My next question was about Funds SA if that helps.

**The Hon. R.I. LUCAS:** You do not need RevenueSA?

**The Hon. S.C. MULLIGHAN:** Depending on how quickly we belt through this.

**The Hon. R.I. LUCAS:** You have Super SA as well.

**The Hon. S.C. MULLIGHAN:** Perhaps if I can ask these questions. If you could provide an FTE number for Funds SA and Super SA as well.

**The Hon. R.I. LUCAS:** Sure.

**The Hon. S.C. MULLIGHAN:** And RevenueSA. With regard to Funds SA—

**The Hon. R.I. LUCAS:** Can I just, for the benefit of the Chairman, introduce Jo Townsend from Funds SA. Kevin Cantley has departed. I am happy to take on notice, to help the member get more questions in, FTE equivalents for each of the four agencies that are in this particular section of the estimates.

**The Hon. S.C. MULLIGHAN:** Terrific, thank you.

**The Hon. R.I. LUCAS:** Just in relation to Funds SA, they are self-funding, so they are not actually public servants, I remember reading recently, but we are happy to give you a number of bodies—warm bodies and otherwise—within Funds SA. They are all warm, I am advised.

**The Hon. S.C. MULLIGHAN:** There was a reference in Budget Paper 3, page 68, specifically about the unfunded superannuation liability and the pretty healthy return that was achieved I think for the most recent financial year of 11.7 per cent. Is that sort of broadly

representative of how the funds that Funds SA have placed into the market in the last financial year have performed?

**The Hon. R.I. LUCAS:** I will ask Ms Townsend to respond to that.

**Ms TOWNSEND:** The returns for the defined benefit scheme of 11.7 are completely in accordance with the return and risk profile for that particular investment option. It is only one of a range of diversified options that we offer. Given that there were very good returns, particularly for growth assets over the past year, that is the return that was delivered.

**The Hon. S.C. MULLIGHAN:** These next questions may be ones that you would prefer to take on notice, but if you have any information, that would be helpful today. The total funds under management as at 30 June 2018?

**The Hon. R.I. LUCAS:** We are happy to take these questions on notice, if you want to fire them off.

**The Hon. S.C. MULLIGHAN:** The clients of Funds SA—for example, Super SA and so on—and the funds held under management for each of those as at that date? How many fund managers do you engage to place those funds out into the markets?

**Ms TOWNSEND:** There are different ways of counting it, but generally 50 active managers at the moment.

**The Hon. S.C. MULLIGHAN:** Any detail that you can provide on how much each of them have under management, perhaps at a fixed point in time, would be terrific. Treasurer, this may be best for you: how many of those fund managers engaged by Funds SA have opened offices in South Australia since 17 March, consistent with the government's election commitment?

**The Hon. R.I. LUCAS:** None that I am aware of.

**The Hon. S.C. MULLIGHAN:** Have you been advised that any office openings are impending?

**The Hon. R.I. LUCAS:** Not that I am aware of, no.

**The Hon. S.C. MULLIGHAN:** Is this election commitment achievable?

**The Hon. R.I. LUCAS:** I think the honest answer to that is it is going to be very difficult. That is certainly the advice from Funds SA and the board chairs both past and present, most certainly the present one. It will be difficult. There are other options that the government is considering in terms of trying to encourage a funds management industry in South Australia. There are certainly people within the funds management world within South Australia who have a strong view that we can and should be able to help grow a fledgling funds management industry here in South Australia off the back of the \$30 billion approximately, or whatever it is, of funds that we have under management.

Ultimately, I accept as Treasurer, as I think all previous treasurers accepted, that these sorts of financial decisions have to be taken by the independent board in the interests of the members. Those will ultimately be decisions for them. As I said, there are potentially other options open to government in relation to this particular area. It is part of an ongoing discussion or debate, but the honest answer to the question is it is going to be very difficult.

**The Hon. S.C. MULLIGHAN:** With regard to the fees that are payable for the activities involving placing these funds out into the market, is there a metric that you use by which to assess the fees that these fund managers are charging Funds SA? Do you have a sort of cost per \$1 million or \$100 million or \$1 billion? I appreciate it may vary across the fund managers.

**The Hon. R.I. LUCAS:** We do not publish the individual amounts to managers because that is obviously commercially confidential, but there is some information available on the Super SA website which is what? Perhaps I will ask Ms Townsend. She can explain what is publicly available. We do not, obviously, reveal the commercially confidential information.

**Ms TOWNSEND:** Within the industry there are various surveys that do compare fees, and in the communications we have with our clients we are certainly very transparent around the fees that are charged for the different options that we actually provide. We can certainly provide some

data around how we compare, compared to those benchmarks in the industry, if we could provide that on notice.

**The Hon. R.I. LUCAS:** We will take that on notice, Mr Chairman, and see whether we can provide some useful further information.

**The Hon. S.C. MULLIGHAN:** You may be able to tell me this either accurately or roundly but how many full-time equivalents are engaged by Funds SA?

**Ms TOWNSEND:** At the current time there are around 40 full-time equivalent staff.

**The Hon. S.C. MULLIGHAN:** You may need to change personnel. I was going to move on to Super SA.

**The Hon. R.I. LUCAS:** Have you finished with Funds SA? Or RevenueSA?

**The Hon. S.C. MULLIGHAN:** I think Super SA.

**The Hon. R.I. LUCAS:** But instead of Funds SA?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** Mr Chairman, I introduce Dascia Bennett, CEO of Super SA.

**The Hon. S.C. MULLIGHAN:** In Budget Paper 4, Volume 4, page 192, there is a projection of the number of contributor members in state schemes, and there is a figure of 217,000; and a Triple S scheme contributor number of 29,210. You do not need to provide this number now but if you could provide to the committee the number of active contributors who are employed within the Public Service versus the total number of members, that would be terrific.

**The Hon. R.I. LUCAS:** We are happy to take that question on notice and bring back a reply.

**The Hon. S.C. MULLIGHAN:** Also, the number of staff engaged by Super SA.

**The Hon. R.I. LUCAS:** We will take that particular number on notice. There are some temporary staff at the moment. We will work through something which says, 'Here's the substantive numbers and these are the temps who are there for however long they are going to be there for.'

**The Hon. S.C. MULLIGHAN:** For Super SA, as well as Funds SA, SAFA and RevenueSA, is there any notional allocation of those savings targets that we were exploring earlier today?

**The Hon. R.I. LUCAS:** Certainly not Funds SA; not Super SA because that is funded by the members; but RevenueSA is right in there with the rest of us, as is SAFA—did you ask about SAFA?

**The Hon. S.C. MULLIGHAN:** Yes, all four.

**The Hon. R.I. LUCAS:** They are in there taking their share of the \$25 million damage that needs to be imposed in terms of savings.

**The Hon. S.C. MULLIGHAN:** So collectively for these debt-raising activities, for example, engaged by SAFA—management of insurance arrangements, managing claims and so on, the investing of funds on behalf of clients with Funds SA, and the management of superannuation accounts—are any or all of these in scope for the outsourcing or privatisation agenda that you have been encouraging your agency to pursue?

**The Hon. R.I. LUCAS:** Nothing that has come across my desk or that I have pushed in relation to it, but if you have suggestions that you think I should contemplate I am always happy to contemplate them. But, no, it is not an active or even inactive contemplation at the moment.

**The Hon. S.C. MULLIGHAN:** But it is not something that you would rule out.

**The Hon. R.I. LUCAS:** Well, I do not know; I am just not even sure what it is. If you have something in mind, I am happy to have a quiet conversation.

**The Hon. S.C. MULLIGHAN:** Earlier you said that there are other people in the South Australian community who believe that you can encourage other fund managers and to grow a fund management industry if they could have access to Funds SA. Whether it is that particular

activity or another, can you rule out any outsourcing or privatisation of any of those functions that I have just canvassed?

**The Hon. R.I. LUCAS:** We are not privatising so we have made that pretty clear. I think the Premier made that clear in the statements to which you referred earlier, but we have left open the notion across the public sector generally of outsourcing or commercialising. In relation to the SAFA or SAicorp functions, I am not even aware of what the possibilities might be. There has been no discussion by me about outsourcing or commercialising SAFA.

**The Hon. S.C. MULLIGHAN:** And not Super SA or Funds SA functions?

**The Hon. R.I. LUCAS:** No, I have had no discussion about commercialising.

**The Hon. S.C. MULLIGHAN:** But it is not something you would rule out because, if somebody provided a compelling option to you, you indicated earlier today that you would be willing to consider it.

**The Hon. R.I. LUCAS:** If it was a compelling option that was in the public interest, but I cannot see how you would actually commercialise or outsource Super SA, which is looking after the best interests of South Australian public servants and indeed some of you around the chamber today.

**The Hon. S.C. MULLIGHAN:** In different ways.

**The Hon. R.I. LUCAS:** In different ways.

**The Hon. S.C. MULLIGHAN:** Indeed.

**The Hon. R.I. LUCAS:** Not that you are bitter about that.

**The Hon. S.C. MULLIGHAN:** No, no. It is just a reflex action, Treasurer.

**The CHAIR:** I think it is outrageous and there is room for improvement. Member for Lee.

**The Hon. S.C. MULLIGHAN:** I asked that question really because, for example with the insurance arrangements, I am wondering if somebody was able to approach the government in the same way that they approached the government in the 1990s about the State Government Insurance Commission and whether you would consider privatising or outsourcing those functions.

**The Hon. R.I. LUCAS:** I think the circumstances in the 1990s, after your predecessor sort of bankrupted the state, were slightly different to the circumstances that exist now. We do not have the same—

**The Hon. S.C. MULLIGHAN:** Notwithstanding the increase in general government sector debt by the end of the forward estimates being higher than what it was in 1993.

**The Hon. R.I. LUCAS:** I have just read you Moody's report, which said Aa1 with a stable outlook.

**The Hon. S.C. MULLIGHAN:** So if there is no need for debt relief why would you continue to consider outsourcing or privatisations?

**The Hon. R.I. LUCAS:** I would have thought, I would have hoped—

**The Hon. S.C. MULLIGHAN:** Is this just an ideological thing, is it?

**The Hon. R.I. LUCAS:** No. I would have hoped that a member with at least part of the background that the member has got would understand that the issues of debt and actually balancing a budget on an annual basis canvass two different issues. That is, in terms of balancing our budget on an annual basis, if we can reduce our operating costs it will assist us in the task of annually balancing our budget and perhaps even building up surpluses over the medium to long term.

**The Hon. J.R. RAU:** I think it is 192. How does that sound?

**The CHAIR:** Brilliant. It has taken us 2½ hours to get here.

**The Hon. J.R. RAU:** Treasurer, these are just a couple of quick questions. They obviously go to you, but I am sure your colleagues in Super SA will be able to deal with them. If we do not have enough time I will leave the details there, and perhaps you can get back to us. The first one is in

relation to the computerisation of the interactive platform so that members of the funds can actually participate in the management of their funds on a real-time platform. Is that going according to plan? When will that be fully operational? When will it be that people like the Treasurer, for example, who would probably like to see how his funds are going as well, will be able to look on there and see what he has got?

**The Hon. R.I. LUCAS:** It is a very good question that you have asked. The project, which I am told is known as Bluedoor—and I credit Dascia, who is the new CEO coming in to try to clean up, sadly, yet another mess initiated under the jurisdiction of the former government. Bluedoor, as the new platform, has significant problems. There is a very significant blowout in terms of the projected costs of the project. There has been considerable member difficulty. We obliquely referred to some temporary staff earlier, some of whom are trying to fix up the problems that Super SA and Dascia and her team are also trying to sort out. There are significant concerns and criticisms about the way the whole project had been managed previously. There are some significant concerns.

Dascia as the new CEO, with her team and the board, are now having to work their way through the issues in terms of the vendor to see how this might be able to be resolved. This platform was meant to be extended to those on defined benefit schemes, which perhaps might be of interest to your good self, member for Enfield. That is certainly on hold at the moment because the initial costs of the scheme have blown out significantly, just in looking after the big, early tranche of Triple S members. We are not sure whether the budget and all those issues—this is not a taxpayer issue; this is obviously a member funds issue—will eventually occur or not.

So you have raised a very important question. It is taking a great deal of time and effort for the CEO and her team at the moment, in terms of trying to work through what we hope is some sort of workable or reasonable resolution for all the problems that are there.

**The Hon. J.R. RAU:** Just as a matter of interest, Treasurer, in July, I attempted to make a change in a mix by filling in a form.

**The Hon. R.I. LUCAS:** July in which year?

**The Hon. J.R. RAU:** This year. I now do not wish to make that change, by the way. If you could just refer that to the people there: leave it as it is. I rang them a few weeks ago to say, 'I haven't got any confirmation yet that the mix has been changed,' and they said, 'We haven't got around to it yet.' I said, 'What if the stock market had crashed since then?' and they said, 'That's okay, we would've put you back where you should have been.'

**The CHAIR:** Unfortunately, the time has expired.

**The Hon. R.I. LUCAS:** Can I just assure the member that we will elevate his request to the top of the queue!

**The Hon. J.R. RAU:** I think I want to be where I used to be. Ignore the request!

**The CHAIR:** To be honest, the rest of the committee do not want to hear about your or the member for Enfield's defined benefit scheme. I declare the examination of proposed payments for the portfolios of SAFA, Funds SA, Revenue SA and Super SA completed. In accordance with the agreed timetable, the committee stands suspended until 2.45pm.

*Sitting suspended from 14:30 to 14:45.*

#### **Departmental Advisers:**

Mr D. Reynolds, Chief Executive, Department of Treasury and Finance.

Ms T. Minett, Chief Executive Officer, Motor Accident Commission.

Mr K. Birch, Chief Executive Officer, CTP Insurance Regulator.

Ms T. Pribanic, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms T. Scott, Executive Director, Department of Treasury and Finance.

Mr K. Cantley, Executive Director, South Australian Financing Authority, Department of Treasury and Finance.

Mr J. Schell, Executive Director, Government Services, Department of Treasury and Finance.

Mr J. Esposito, Manager, Motor Accident Commission.

Mr T. Crowe, Principal Management Accountant, Financial Services, Department of Treasury and Finance.

Mr M. Beveridge, Account Management, Budget and Performance, Department of Treasury and Finance.

**The CHAIR:** Good afternoon everyone and welcome to the last session of the day, which we are all very excited about. We are looking at SA Government Insurance and Fleet, Strategic Procurement and the Motor Accident Commission. I declare the proposed payments open for examination and refer members to the Agency Statements, Volume 4. Treasurer, if you could update and introduce your advisers, please.

**The Hon. R.I. LUCAS:** Still the Under Treasurer on my right, Kevin Cantley on my left to handle all matters SAicorp and Trudy Minett from the Motor Accident Commission.

**The CHAIR:** Thank you very much, Treasurer. I assume no opening statement?

**The Hon. R.I. LUCAS:** No.

**The CHAIR:** Member for Lee, would you like to kick us off?

**The Hon. S.C. MULLIGHAN:** Thank you, Chair. Could the Treasurer or his staff—

**The CHAIR:** Which budget paper?

**The Hon. S.C. MULLIGHAN:** Sorry, of course. It is predominantly page 189, but it may cross into page 190 of Budget Paper 4, Volume 4. Could the Treasurer or his staff update the committee—perhaps choose 30 June 2018 as a point in time—and advise the number of claims which are outstanding or currently being managed by SAFA?

**The Hon. R.I. LUCAS:** The claims for what?

**The Hon. S.C. MULLIGHAN:** Claims against insurance funds and insurance arrangements for the state.

**The Hon. R.I. LUCAS:** I am told 508 claims. I can actually give you a breakdown, if you like: 354 liability, 93 medical malpractice, 56 property and five volunteer.

**The Hon. S.C. MULLIGHAN:** Other than the one we have spent some time on thus far, perhaps for each of those different areas is there some information that the Treasurer or his advisers could provide about the average duration it takes to resolve claims across those different claim types?

**The Hon. R.I. LUCAS:** I am told that the average time to settle all of our claims is seven to eight years.

**The Hon. S.C. MULLIGHAN:** And is there a particular type of claim which exacerbates the average length of time?

**The Hon. R.I. LUCAS:** Medical malpractice, particularly in relation to babies or infants.

**The Hon. S.C. MULLIGHAN:** Without those obstetric-type claims, would the duration be much shorter?

**The Hon. R.I. LUCAS:** Much shorter, yes.

**The Hon. S.C. MULLIGHAN:** Are there claims being managed by SAFA or SAicorp which result from the deaths that occurred as a result of the insufficient scheduling of doctors' leave arrangements at the new Royal Adelaide Hospital?



**The Hon. R.I. LUCAS:** Not that we are aware of but if there is anything different to that we will clarify it on notice. Not that we are aware of is my immediate advice.

**The Hon. S.C. MULLIGHAN:** The number of medical malpractice claims, has that in total increased or decreased over the last financial year?

**The Hon. R.I. LUCAS:** I will take that on notice and check but we do not think there is a significant difference. We will clarify that if we need to, if it is anything different to that, but we think it is roughly the same.

**The Hon. S.C. MULLIGHAN:** I neglected to write down both those categories of claims, let alone the number within them that you provided, but I think the largest number was what you described as liability claims.

**The Hon. R.I. LUCAS:** Yes, 354.

**The Hon. S.C. MULLIGHAN:** Do you have some further information about predominant types of matters which emerge within that statistic?

**The Hon. R.I. LUCAS:** I have, in recent times, put on the record one particular example and that is the TAFE aviation licensing issue. I think we put on the record that the estimated cost at the moment for us is about \$2 million because we are flying trainers to all parts of Australia to retrain some of these people who were trained but found out they did not have a certificate that was worth the paper it was written on.

**The Hon. S.C. MULLIGHAN:** And how many of those claims are there?

**The Hon. R.I. LUCAS:** Sorry, and we are also flying them and accommodating them when they come back to South Australia. I think that is about \$2 million, from recollection, for that particular claim. That would be included in—

**The Hon. S.C. MULLIGHAN:** In total.

**The Hon. R.I. LUCAS:** Yes.

**The Hon. S.C. MULLIGHAN:** And how many claims does that satisfy—that amount?

**The Hon. R.I. LUCAS:** There were 97 students affected and to date 27 claims have been settled.

**The Hon. S.C. MULLIGHAN:** So are they part of or not part of the 500-odd figure of the total claims which remain outstanding?

**The Hon. R.I. LUCAS:** Sorry, I stand corrected; that sits as one claim.

**The Hon. S.C. MULLIGHAN:** Right.

**The Hon. R.I. LUCAS:** So it is one claim out of the 354 but it involves potentially up to 97 students being affected, and we have settled 27 of those.

**The Hon. S.C. MULLIGHAN:** I think the total claims that you mentioned that were outstanding at the end of the most recent financial year was the 500-odd figure that you claimed, which was—

**The Hon. R.I. LUCAS:** Five hundred and eight.

**The Hon. S.C. MULLIGHAN:** —very close to the number of claims which I understand was outstanding at the same time the previous year, which I think was 489. Of those liability claims, other than the example that you have given, has there been any noticeable change in the type or composition of those claims?

**The Hon. R.I. LUCAS:** Our initial response is, no, not that we are aware of in terms of a significant difference. If, on checking, we need to clarify, we will, but if not that answer will stand.

**The Hon. S.C. MULLIGHAN:** Is there an average amount that is settled for all of the various types of claims within that bucket of liability claims that you mentioned before?

**The Hon. R.I. LUCAS:** I think if you put medical malpractice in there—

**The Hon. S.C. MULLIGHAN:** No, aside from the medical—

**The Hon. R.I. LUCAS:** Aside from medical malpractice, is there an average? I am sure you could work out an average but it would be misleading because it just depends on—

**The Hon. S.C. MULLIGHAN:** Yes, there is such a range.

**The Hon. R.I. LUCAS:** Yes, such a range. It would not make any sense to put an average on it.

**The Hon. S.C. MULLIGHAN:** I think what I was getting at is that if you have what I understand—and correct me if I am wrong—the most obviously expensive type of claims to settle, the medical malpractice claims, particularly the ones involving the birth of babies, etc., and then there are all of the other claims which present themselves to government for whichever purpose—I was interested in the delineation between the two.

**The Hon. R.I. LUCAS:** Again, it varies. I have some numbers that have been given to me indicating that the total estimated cost of the claims—I do not know how you would do that at this stage; it is very broad. The best guess, and these are only estimates because clearly in the end with medical malpractice claims and others it is going to be significant or could be significantly different, but the total estimated cost of the claims, the 508, at this stage the best guess from SAicorp and SAFA is about \$374 million. Of that, medical malpractice makes up about \$284 million of it. Even though the number of claims was 93 out of 504, they are obviously much more expensive. The next biggest category by far—and clearly by number it would be too—is \$72 million-ish for liability claims, and there were 354. So you are talking about 70 per cent of the claims in number were liability claims, and it is 20 per cent, or a bit over 20 per cent, of the value of the estimated cost of the claims.

**The Hon. S.C. MULLIGHAN:** I am not particularly familiar with the types of claims other than the example that you gave that come up in those types of liability claims, but, financial year to financial year, is there a particular type of claim that presents itself in the same way that there is with medical malpractice claims?

**The Hon. R.I. LUCAS:** I can just give you a quick flavour of two or three of the others that are in the liability ones, so I am advised. Shannon McCool sexual abuse claims goes in that category; the TAFE one we have talked about; children in state goes in that; and Oakden aged care all go into those liability. Indeed, that other one whose name we shall not mention that we spent 40 minutes on earlier goes into that category as well. That is a selection of the ones that go in the liability ones.

**The Hon. S.C. MULLIGHAN:** But my understanding is that they are relatively recent matters which are resulting in liability claims against the state, and the number of claims which SAicorp is handling, albeit increasing slightly, is remaining at a reasonably consistent level year on year for some years. I think that is a fair statement, is it not?

**The Hon. R.I. LUCAS:** See, the children in state care one, I am told—that was the Mullighan inquiry in 2008, so that is 10 years ago.

**The Hon. S.C. MULLIGHAN:** How many of those claims remain outstanding?

**The Hon. R.I. LUCAS:** Three hundred and sixty claims were made. We have settled 192 of them. We are still receiving claims evidently. We received 30 claims in the last year, so we are still getting them. Some of those would relate to this average duration issue that you are talking about earlier, about seven or eight years. So there would be an example—

**The Hon. S.C. MULLIGHAN:** So a large proportion of those 350-odd are—

**The Hon. R.I. LUCAS:** I am not sure whether they are all counted as one. I am advised in relation to this that the 30 new claims that we have got are 30 separate claims; they are not treated as one.

**The Hon. S.C. MULLIGHAN:** I see. The other category that you mentioned was property. Could you give the committee some examples of those types of claims?

**The Hon. R.I. LUCAS:** School fire.

**The Hon. S.C. MULLIGHAN:** I see, yes. Sort of general property damage to government—

**The Hon. R.I. LUCAS:** Building and contents, motor vehicle—that sort of stuff is property.

**The Hon. S.C. MULLIGHAN:** Speaking of motor vehicles, how many claims have there been the last financial year regarding state fleet vehicles?

**The Hon. R.I. LUCAS:** You are not going anywhere near MP's cars, are you, Mr Mullighan?

**The Hon. S.C. MULLIGHAN:** Perish the thought. I thought we would redirect attention to judge's scheme.

**The Hon. R.I. LUCAS:** State fleet generally, is it? I thought you were traversing very dangerous grounds. I can see the steely eyes of five of your colleagues boring in on you. We would have to take that on notice. If you wanted to put some questions on notice in relation to state fleet and claims, we will do the best we can to provide you with some useful information.

**The Hon. S.C. MULLIGHAN:** When those claims are made, is there any visibility as to whether there were any contributing or extenuating circumstances around those claims—for example, drink or drug driving?

**The Hon. R.I. LUCAS:** We will take advice in relation to that. The answer is yes, the issue of whether someone is affected by drugs or alcohol or something like that is certainly part of the process. What the impact of that is, we would just like to take that on notice and provide you with a more considered response.

**The Hon. S.C. MULLIGHAN:** If you are able in doing so to provide any advice as to what number of claims has been made against the insurance arrangements that involve—

**The Hon. R.I. LUCAS:** Impacted by drugs and alcohol?

**The Hon. S.C. MULLIGHAN:** Yes. That would be terrific. I believe you have a question, John?

**The Hon. J.R. RAU:** Page 189, Your Worship.

**The CHAIR:** Chairman is fine.

**The Hon. J.R. RAU:** Thank you. I am directing this to the Treasurer.

**The CHAIR:** Thank you, member for Enfield. I know this is the first time on this side for you in estimates.

**The Hon. J.R. RAU:** Oh no.

**The CHAIR:** On this side?

**The Hon. J.R. RAU:** I have done far worse. I have been on that side. Eight years of it.

**The Hon. R.I. LUCAS:** This is a lot more fun.

**The Hon. J.R. RAU:** This is a lot more fun, I can tell you. This is considerably more entertaining. Regarding the state fleet, obviously in the past there has been an industry policy aspect to state fleet procurement, which was linked particularly to General Motors. Now that General Motors has stopped manufacturing vehicles here in South Australia, and obviously there is some sort of residual carryover of vehicles that were procured or stored or whatever the case might have been, post or leading up to that moment, could you explain to the committee where the government sees that procurement going and what sort of factors are weighing on that policymaking? In answering that, could you also perhaps explain if there is any weighting or balance accounting for low-emission vehicles, or anything of that nature?

**The Hon. R.I. LUCAS:** My advice is—and I am happy for you to come back with some other questions—that the current fleet consists of just under 7,000 vehicles as at 30 June, which is a slight decrease of about 190 vehicles. I will not go into the details as to how that came about. The major manufacturers were Toyota at 37 per cent, Holden at 27 per cent and Ford at 12 per cent. The former government had a target to have 30 per cent of the fleet as low-emission vehicles by December 2019, and as at 30 June, 23.8 per cent qualify as low-emission, including 923 hybrids.

An approach to the market for fleet management vehicle disposal management services is being finalised. The current arrangements in relation to leasing and vehicle disposal have been in place since 2012 and end in July next year. I am told that SAFA and Treasury are actively engaged in and about to provide me with advice in terms of what they think we should do within the time frame that we have. We have about nine months. That would be the latest; obviously, we need to make a decision prior to that as to what we want to do. I have not received that advice yet.

Clearly, the issues you have raised are important. From my viewpoint, with the Treasurer's hat on, the issue of most interest to me is what dollar savings, if any, we can drive in terms of the not inconsiderable cost of the fleet that we manage and run. That is the fleet management. I have been around in this business so long that it has gone through various cycles of, 'It's much better', says Treasury to one treasurer, to own all of these vehicles', and then the next treasurer gets advice that says it is much better to lease all these things. The current iteration is that we own all the vehicles.

I will wait with bated breath as to what the advice is going to be this time in terms of where we head. I am open in relation to all of this. I do not think there is much concern out in the community as to whether they are owned or leased or whatever it might happen to be, and who does the vehicle disposal, that sort of stuff. It should be, in my view, the best possible deal.

The issue will be whether the cabinet has a strong view or otherwise in relation to our leading the charge with low-emission vehicles. I am assuming the advice I am going to get is that, 'This is a great idea, Treasurer, but it will cost you so much extra to do it.' I am only guessing that; I have not seen the advice. Ultimately, this government will have to decide whether or not it is worth our doing that.

In terms of industry development, again that will be an interesting issue in terms of the various discussions about what may or may not be occurring out at the old Holden site and whether or not there will be an electric vehicle manufacturer in South Australia. That may or may not impact within the time frame we will have to take. It will be pretty tight, I would have thought, for something new like that to bloom.

The simple answer is that we are going through the process, we cannot dillydally. It is one of those other issues where the budget is now finished and we have to get on with doing whatever it is that we need to do. There will be some impact for those of you who are young enough and interested enough in the ministerial fleet (I rule you out of that, member for Enfield, and my good self). There is obviously some interest amongst the drivers in relation to what replaces the current cars. I think that at varying stages the odd Škoda, or some other vehicles about which I have no knowledge, is being trialled by drivers. I am the last person to be consulted in relation to vehicles and vehicle types.

**The CHAIR:** Rightly so.

**The Hon. R.I. LUCAS:** Exactly. Having been the proud owner of a Vee-Dub for about 25 years and now a Hyundai XL for the last 10 or 15 years, I will be the last person, I think, to be making judgements on behalf of my colleagues, but I will always have the interests of taxpayers at heart in terms of where we head.

**The Hon. J.R. RAU:** We have done a small vox pop on this side and we think the Škoda is probably a good idea.

**The Hon. R.I. LUCAS:** I will bear that in mind.

**The Hon. S.C. MULLIGHAN:** The 7,000 figure you mentioned before for the total size of the fleet, they are vehicles across general government and non-financial public sector agencies; is that right?

**The Hon. R.I. LUCAS:** Yes, right across.

**The Hon. S.C. MULLIGHAN:** There are no other vehicles that the government owns used by parties external to either of the government sectors?

**The Hon. R.I. LUCAS:** I am told that there might be some very minor examples in small agencies. I did raise the issue of who owns the Governor's car—I am not sure.

**The Hon. S.C. MULLIGHAN:** None of us would presume to question that.

**The Hon. R.I. LUCAS:** But bear in mind that it would almost encompass the fields in terms of what we are talking about.

**The Hon. S.C. MULLIGHAN:** You mentioned that statistic of the 7,000-odd vehicles, slightly less than last year, and the categories of vehicle within that, are you able to disaggregate that by agency, particularly in the general government sector but also for other agencies?

**The Hon. R.I. LUCAS:** I will see if we can punch a button or two that does not involve too much time and see what information we can provide on that. I am told there might be some sensitivity about SAPOL information. If there is sensitivity, we will not release it, and I am sure you will understand. If there is not sensitivity, and we can get it relatively easily, we will endeavour to do so.

**The Hon. S.C. MULLIGHAN:** That would be terrific. I notice that SAFA, across its three main functions, aims and usually succeeds in generating profits from each of its operating areas. Do you have an appreciation at this relatively early stage, after the end of the financial year, what will be the profit position for the fleet activities for 2017-18, for the end of the financial year?

**The Hon. R.I. LUCAS:** I am advised that for Fleet for 2017-18 it was a \$13 million profit.

**The Hon. S.C. MULLIGHAN:** Is that largely driven by the contributions made by agencies for their staff to have access to the vehicles in the fleet?

**The Hon. R.I. LUCAS:** My advice is that the main driver was that we were getting better resale value on the vehicles we have. One of the key issues on which I have been advised over the years is, essentially, what is the resale value. One of the issues in terms of the ministerial fleet will be very much about what is the resale value, and those who are lobbying for various cars are telling me that, 'The resale value, minister, is huge, you will get all your money back, plus some.'

**The Hon. S.C. MULLIGHAN:** Unless they want to buy them afterwards.

**The Hon. J.R. RAU:** That is what I heard about Tesla.

**The Hon. R.I. LUCAS:** Tesla is your side of the political fence, not ours. So \$13 million; essentially retail value is the main driver of the value.

**The Hon. S.C. MULLIGHAN:** The arrangements are to be reviewed when they expire at the end of this current financial year, I think; July next year?

**The Hon. R.I. LUCAS:** Yes, June 2019.

**The Hon. S.C. MULLIGHAN:** Does that also include the sale proceeds of the vehicles no longer required?

**The Hon. R.I. LUCAS:** Yes.

**The Hon. S.C. MULLIGHAN:** So the purchasing, the management and the sale?

**The Hon. R.I. LUCAS:** It is the whole process, I think, from go to whoa; from purchase through to disposal. Pickles do the selling and LeasePlan do the leasing. They have done that since 2012.

**The Hon. S.C. MULLIGHAN:** Are they contracted separately or are they part of a consortium?

**The Hon. R.I. LUCAS:** They are separate. They both expire at the same time, so we have to renew both contracts or establish new providers.

**The Hon. S.C. MULLIGHAN:** Does the fleet activity section of SAFA have a target for its end of year position?

**The Hon. R.I. LUCAS:** In terms of its profitability? In comparison to the \$13 million?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** We are advised it will be lower than that. The \$13 million was inflated by the one-off value of the sales, but I am sure we will incentivise them to do better than the current budget, because it is appallingly low in comparison to that \$13 million.

**The Hon. S.C. MULLIGHAN:** Does the government intend to impose any change in policy or restrictions on public servants who may have access to vehicles either as part of their remuneration package or in the course of their duties?

**The Hon. R.I. LUCAS:** Nothing has come across my desk at the moment. I have not brought to the table any bright ideas in relation to this particular area, so there is nothing in active contemplation. If the member has any ideas he would like us to consider I am happy to receive them, but nothing has been discussed with me or raised with me at this stage and I have not brought anything to the table that I think ought to occur.

**The Hon. S.C. MULLIGHAN:** I wondered, because it had been speculated to me previously, with no firm opinion, whether it is better for Fleet and for Treasury that people are just remunerated at a particular level that did not involve the provision of a fleet-sourced car, or whether it is better to have a fleet-sourced car.

**The Hon. R.I. LUCAS:** I do not know whether this review is actually going to go back to that stage. I am advised it may be one of the issues that is canvassed in all of this, but I do not come to the table with a view that that is the direction I am heading in. If someone wants to make that proposition I will have a look at it, but at this stage the suggestion you have raised is the first time it has been raised with me. I just assumed these things were some entitlement or right.

Evidently there is some disparity between some executives who get access to vehicles and others, and that advice was given to me by an executive, so—

**The Hon. S.C. MULLIGHAN:** I am sure it flows in the other direction. Does Fleet own the car park behind the State Administration Centre?

**The Hon. R.I. LUCAS:** No. We lease it from the private sector and we charge agencies for the parks they utilise.

**The Hon. S.C. MULLIGHAN:** Are there any other car parks that are leased by Fleet in the CBD and car parks are similarly made available for a fee to agencies?

**The Hon. R.I. LUCAS:** There is one you probably have some knowledge of, the Wilson car park in Hindley Street.

**The Hon. J.R. RAU:** We know it well.

**The Hon. S.C. MULLIGHAN:** That is a ripper.

**The Hon. R.I. LUCAS:** You know it well? There are knowing nods around the chamber.

**The Hon. S.C. MULLIGHAN:** Actually, I think we are shaking our heads.

**The Hon. R.I. LUCAS:** As a result of that decision to very quickly build the car park at the back of Parliament House, which occurred about 55 years ago, I think in about 15 years' time there may well be a replacement car park at Parliament House. In the absence of that, I understand that someone—I am not sure whether it is DPTI or parliament—is leasing a space in Wilson Parking in Hindley Street for the use of members of parliament.

**The Hon. S.C. MULLIGHAN:** I am sorry to jump around a bit, but do you have an estimated end-of-year profit position for the insurance activities?

**Mr CANTLEY:** This year?

**The Hon. S.C. MULLIGHAN:** For 2017-18.

**The Hon. R.I. LUCAS:** I am advised we made \$78 million in profit on our insurance activities in 2017-18.

**The Hon. S.C. MULLIGHAN:** Can I ask what drove the increase in profit from the previous financial year?

**The Hon. R.I. LUCAS:** Astute management, I am told. Broadly: better returns on investment, which was consistent with the sort of advice we received from Funds SA in terms of the investment climate at the moment; and, I am also advised, some settlements of claims lower than what had been the estimated liability.

**Dr HARVEY:** My question relates to Budget Paper 4, Volume 4, page 202. Can the Treasurer indicate the status of the end user computing agreement entered into by the former Labor government in 2017?

**The Hon. R.I. LUCAS:** Sadly, this is a similar story to the question I think the member for Enfield asked me earlier about his problems with the computer project within Super SA. This one—

**The Hon. S.C. MULLIGHAN:** Sorry, I am having difficulty finding it. Is it 202?

**The Hon. R.I. LUCAS:** This is in procurement.

**The Hon. S.C. MULLIGHAN:** Budget Paper 4, Volume 4?

**Dr HARVEY:** Yes.

**The Hon. S.C. MULLIGHAN:** Whereabouts? This is the statement of comprehensive income.

**The CHAIR:** I think the member for Newland means page 200, member for Lee.

**The Hon. R.I. LUCAS:** Sub-program 4.2: Whole of Government Procurement. Procurement came across from DPC to Treasury on 1 July. Sadly, this a \$400 million contract. In its origins, it was meant to save taxpayers \$11 million a year. At this stage, it has cost an extra \$48 million. Two independent expert reports have been received in relation to the project: the latter report has said there is still a high chance of failure of the project, and it might actually cost one particular agency—a big one—an extra \$40 million to \$80 million. That is not a considered final view; that was the view of that particular agency in terms of potential additional costs.

The contract was meant to eventually roll out to all agencies. At this stage, it has only been rolled out to DPC and Health. Because of the major blowout in terms of the costs of the contract, there is some serious discussion going on as to whether it makes sense to, in colloquial terms, cut our losses and not extend it to all other agencies. We could just leave it in Health and DPC and try to ensure that it operates.

It is a contract for the leasing of all desktop PCs, laptops and tablets, and it is also meant to provide their ongoing maintenance. A number of public servants were what we would call outsourced—the former government would call them privatised—and sent over to DXC Technology. There have been very significant problems in Health. The independent review conducted in August last year found that the root cause of the problem was, 'The project was considered too important to follow standard project practices because the government of the day wanted to save time.' It is damning in its criticism of the former procurement management processes engaged at the time.

The other aspect of the deal was that there was actually a commitment to provide 400 extra jobs as a result of this \$400 million deal. The independent report has said that the vendor has actually outsourced overseas a significant number of their existing jobs so that the net number of jobs instead of the 400 was 27 jobs. So, not only do we have a situation where instead of saving money it is haemorrhaging taxpayers' dollars, instead of creating 400 jobs, an independent report says there might be a net 27 jobs. Instead of covering all of the however many agencies there are in government, at this stage it is struggling to cope with Health and with DPC.

At this stage, our new people who are handling procurement in our agency now are trying to clean up the mess they have inherited. There are some, I guess, serious commercial discussions going on in relation to what the various options open are to the government. Now that I have line of sight of this, post 1 July, with the new team that is in there handling this in terms of procurement, we will have to look at what our options are in terms of trying to minimise the taxpayer-funded damage as well as see whether or not we can actually hold them to account for the jobs that they were meant to have created.

**The Hon. S.C. MULLIGHAN:** On the same page reference, could you outline which contracts were renegotiated to deliver savings in excess of \$80 million in 2017-18?

**The Hon. R.I. LUCAS:** We will finish with SAicorp and bring in procurement?

**The Hon. S.C. MULLIGHAN:** Yes.

**The Hon. R.I. LUCAS:** Mr Chairman, can I introduce Jason Schell, who is now in charge of procurement, happily ensconced in Treasury. Member for Lee, my advice is that there is a range here. We will take it on notice and provide an answer on notice to back up the \$80 million.

**The Hon. S.C. MULLIGHAN:** There is an across-government facilities management contract that to my recollection, some time ago, was superintended by the Department of Planning, Transport and Infrastructure. Given the machinery of government rearrangements and whole-of-government procurement coming into your purview, is that one of the contracts that will be managed centrally?

**The Hon. R.I. LUCAS:** I am told that that is staying in DPTI.

**The Hon. S.C. MULLIGHAN:** That one is staying in DPTI, is it?

**The Hon. R.I. LUCAS:** Yes, I am told that is staying in DPTI.

**The Hon. S.C. MULLIGHAN:** Are there major across-government contracts that will be managed by your procurement area of Treasury?

**The Hon. R.I. LUCAS:** Looking at this, it looks like most of them are things like computers; mainframe computing; PABX; travel management, which we all have some interest in; electricity metering; Master Media contract, which is obviously a whole-of-government one; professional services, which is the prequalified list of suppliers for recruitment and business advisory services; natural gas, which is a retail supply of piped natural gas at South Australian government sites; and the whole-of-government electricity contract as well. There is a stationary contract.

**The Hon. S.C. MULLIGHAN:** That is never topical!

**The Hon. R.I. LUCAS:** No, never topical.

**The Hon. S.C. MULLIGHAN:** It always goes smoothly. On the across-government professional services arrangements, can I ask what the parameters of that contract are likely to be? Is it envisaged to be a three-year or five-year contract, and which services are to be covered?

**The Hon. R.I. LUCAS:** In terms of the length of the contract, that is not a decision that has come to me by way of a recommendation, is it? So that is still a work in progress.

**The Hon. S.C. MULLIGHAN:** That is not out to market yet; is that right?

**The Hon. R.I. LUCAS:** Let me check. My current advice is that it is not out to market yet but it has to be done this year some time, so we will take on notice the timing of that but it is obviously not out at the moment is my advice.

**The Hon. S.C. MULLIGHAN:** When was the last time it was contracted?

**The Hon. R.I. LUCAS:** My understanding is that this is actually a new whole-of-government contract. Previously it was being handled individually by agencies, so there has been, I assume, some discussion predating me—

**The Hon. S.C. MULLIGHAN:** Really?

**The Hon. R.I. LUCAS:** —to put it together whole of government.

**The Hon. S.C. MULLIGHAN:** Look, I might be wrong, but my recollection is that at least the big four professional services firms were encouraged to tender for this contract back in 2011 and 2012.

**The Hon. R.I. LUCAS:** Whole of government?

**The Hon. S.C. MULLIGHAN:** Yes.



**The Hon. R.I. LUCAS:** Look, we will clarify that and get some detail for you in terms of the recollection, but I certainly do not have any line of sight on this particular contract at all yet.

**The Hon. J.R. RAU:** Your eminence, page 200.

**The CHAIR:** Thank you.

**The Hon. S.C. MULLIGHAN:** Your excellence.

**The CHAIR:** No, cardinal is eminence; we are on the red carpet.

**The Hon. J.R. RAU:** Treasurer, just on the general proposition about procurement: this question is not in the fine grain of particular procurement projects, it is a more philosophical proposition about procurement. Do you or does the current government have a particular articulation of its position on whether procurement should be seen as an instrument which serves more than one purpose, not just acquiring goods or services but also delivers some other collateral benefit? If the answer to that is yes, what other collateral benefits do you think are legitimately the sort of things that should be included in that assessment of a procurement process, and where do you think that ends?

**The Hon. R.I. LUCAS:** I am sure the government's view is likely to be a strong yes to what you are saying, that is, there are other goals in mind. For example, local jobs, South Australian jobs—well, jobs generally, and then South Australian jobs or local jobs—and there is an Industry Advocate and any other number of people beavering away in that particular space. I know, from an industry and skills department viewpoint, the minister and the government will probably be strongly supportive of the notion that we have to try to deliver 20,800 new traineeships and apprenticeships under the skilling South Australians fund that we have put together, and that is going to be a challenge to get that done.

I know that department will certainly be arguing that, as we do procurement, we should not only look at jobs we should look at encouraging numbers of apprentices and trainees to the extent that we can. So that is the government's position. I am sure it is broad-based and perhaps some other noble goals as well. As Treasurer with my Treasurer's hat on, I am essentially driven—but I am just one mere cog in the wheel—by what we can do at the lowest cost to the taxpayers and if we can achieve some other worthy goals at the same time then that is terrific.

Then ultimately the government view, which is likely to be more measured and reasonable than mine, is: where do you get that balance right? That is, do the taxpayers pay a little bit more because we get sufficient benefits through South Australian jobs or local jobs or jobs generally? I think the government's view probably is, yes, that is okay, but then comes the definition of what is a little and what becomes a lot, and that ultimately will be a call for the cabinet, I guess, and the government. Speaking personally, if I was a dictator, which I am not, then I would be driven more by the lowest cost to the taxpayers.

**The Hon. S.C. MULLIGHAN:** My question again is to the Treasurer. Regarding the professional services contract, will there be a South Australian industry participation target or requirement in the awarding of panel arrangement?

**The Hon. R.I. LUCAS:** The simple answer at the moment is: no idea at this stage. But if I am guessing, following on from the answer to the member for Enfield, I would suspect that the government may well look in terms of its whole-of-government procurement, if it does not already exist, and if you are right and there is an existing contract and there is some provision in there, then it is more than likely that the government would, I assume, err on the side of continuing with that sort of local preference, etc., and I suspect that probably applies to all of the existing procurement arrangements.

It is in the current policy, I am advised. I think that in some cases I have become aware of in recent times it was actually ratcheted up even higher. Nevertheless, the default policy is a certain percentage of preference for local supply. I know there is an issue in relation to procurement which comes back to the philosophical question of the member for Enfield and others, and which the Premier and others are quite interested in, namely, whether the default position of people like me

and some Treasury boffins is that you get the lowest cost per dollar by having the big contracts and that therefore you are actually potentially locking out smaller competitors and suppliers.

I know there is certainly a strong view within the government that maybe—and you referred earlier to the facilities management contracts, member for Lee, for which you would have been responsible as the former minister for transport—because they are so big only two or three national or international groups can actually compete for them, does it make sense to actually break them up into more mouth-sized chunks to get five, six or 10 middle-sized South Australian and Australian based companies competing on price?

That is a very interesting question that Treasury—certainly in the discussions I am having—is going to have to apply its mind to as we look at procurement and talk to the procurement people as to what the sweet spot is in relation to all of this. Is it the old-world view—which is 'the bigger they are, the economies of scale, we can do this, this and this'—or is there actually a sweet spot somewhere in between where we can get more competition and have a larger number of competitors competing for the projects, rather than just the Spotlesses of this world and ISS and whoever else there is?

**The CHAIR:** The time has expired.

**The Hon. S.C. MULLIGHAN:** I have a question that perhaps might be best taken on notice, if the Treasurer is willing to take it.

**The Hon. R.I. LUCAS:** I am always happy to assist. I am very reasonable.

**The Hon. S.C. MULLIGHAN:** I tread on eggshells in asking this.

**The CHAIR:** If it pleases the committee.

**The Hon. S.C. MULLIGHAN:** Is the across-government contract for professional services likely to include audit services as used by the Auditor-General?

**The Hon. R.I. LUCAS:** I have had no discussion about that at all and—

**The CHAIR:** You will take it on notice, Treasurer.

**The Hon. S.C. MULLIGHAN:** If you could take it on notice, that would be fine.

**The Hon. R.I. LUCAS:** I am happy to take it on notice and bring back an answer.

**The CHAIR:** Thank you very much. I declare the examination of the proposed payments for the portfolios of SA Government Insurance and Fleet, Strategic Procurement and Motor Accident Commission completed.

#### **Departmental Advisers:**

Mr D. Reynolds, Chief Executive, Department of Treasury and Finance.

Ms T. Pribanic, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms T. Scott, Executive Director, Department of Treasury and Finance.

Mr M. Campbell, Executive Director, SafeWork SA.

Mr G. Farrell, Director, SafeWork SA.

Mr T. Crowe, Principal Management Accountant, Financial Services, Department of Treasury and Finance.

**The CHAIR:** I declare the proposed payments in regard to SafeWork SA open for examination and refer members to Agency Statements, Volume 4.

**The Hon. R.I. LUCAS:** I still have David Reynolds, and I also have Martyn Campbell and Glenn Farrell from SafeWork SA.

**The Hon. J.R. RAU:** I refer to Budget Paper 4, Volume 4, page 195. I have a couple of general questions and then the member for Lee and I will do a bit of a tic-tac thing thereafter. On a general level, I think it is no secret that SafeWork has had its ups and downs over the last couple of years, including an evaluation by Commissioner Lander and a body of work done with the Crown Solicitor's Office and so forth, and I think the Coroner has been looking at aspects of things as well. So there are a number of people who have been paying a bit of attention to SafeWork.

What I am interested in, Treasurer, is getting your perspective on how you see yourself, as the responsible minister in the agency, responding to the issues that have been identified in those particular reports, bearing in mind that the Crown Solicitor's recommendations and review only occurred in the middle or latter part of last year. Likewise, I think—I cannot remember the word you used about Commissioner Lander, but whatever we call his activity—

**The Hon. R.I. LUCAS:** Evaluation.

**The Hon. J.R. RAU:** Evaluation—that was relatively recent as well. My question, first of all, is: how do you see things unfolding and what steps have you and the agency been putting in place since the change of government to advance the issues that have been identified?

**The Hon. R.I. LUCAS:** From my viewpoint, I guess I see it as being fortuitous in the respect that Commissioner Lander has decided to conduct his evaluation, because I think that will place his own special brand and perspective on the issues that relate to SafeWork SA. As a new minister settling into the job with responsibility for SafeWork SA, in the not too distant future—which will be end of October, so it is imminent—we are likely to see the results of the commissioner's evaluation.

From that viewpoint, as I am sure the member for Enfield will know, when you get reports from either royal commissioners or ICAC commissioners, the government's mind is concentrated on what, if anything, they might recommend. I think there is a natural disposition from all governments, Labor and Liberal, to try err on the side of agreeing with as many things as the ICAC commissioner or the royal commissioner might recommend.

But in some cases, and it has been the case in the past, there are some things that are just a bridge too far, where the government of the day says, 'Well, we agree with 33 of your 38 recommendations, but we can't agree with the last five,' or whatever it is. Certainly, we would reserve the right ultimately to consider as a government whatever the commissioner recommended, but we would obviously pay due respect to the evaluation and give great weight to whatever the commission might recommend.

From that viewpoint, given that this is imminent, my position, essentially, has been one of waiting out the evaluation and putting aside the budget process. Now we will have an imminent suggestion in terms of what might occur. We will consider the evaluation in terms of recommendations and move on.

In the interim, Mr Campbell, as the new boss down there, has demonstrated, in his appearances before the commission, and indeed in some of his public appearances, his firm view as to the direction in which he would like to take the management of the agency. It is an 'a new broom sweeps clean' approach, which I think is probably what the organisation might need. I was not there through the previous management, so I do not pass any unflattering comments in relation to past management, but the reality is that we have a new leader of the organisation and we are now going to have an evaluation. It is a nice little combination of events.

There is already work that Mr Campbell is initiating in terms of meeting some of the savings tasks that he has, but nevertheless he is still protecting the inspector-type function that is a critical part of the work of SafeWork SA. At the same time, we are going to have to consider what recommendations the evaluation throws up and work out what the future looks like for SafeWork SA.

**The Hon. J.R. RAU:** Thank you, Treasurer. I appreciate the point you are making about an imminent report, but can I suggest that at least over the last 12 months, possibly a little longer, it has been evident that there were some gaps in the competencies, training or skill sets in elements of the prosecutorial arm of SafeWork. In more particular detail, I am interested in what measures have been—I assume you have not let those things sit as they were pending this thing coming out in October.

**The Hon. R.I. LUCAS:** It might be useful to get Mr Campbell to address what has occurred at this stage, but I say that within the context of it being in the absence of the evaluation. If the evaluation comes back and says, 'Okay, we see what you've just done and that's great but it's not enough; we need you to do more,' then obviously both we as a government and Mr Campbell as the boss will consider that. I will ask Mr Campbell to outline what he has done as the new boss down there in terms of the prosecutorial issues that you have canvassed.

**Mr CAMPBELL:** I think it is fair to comment that we have not really stood still and waited for the ICAC evaluation to finalise. Many of the recommendations that counsel assisting made in her closing submission we were already aware of and had been actively working to correct in any event. Come the end of October we hope to have some of those recommendations completed and well progressed under the avenues to fix up some of the issues.

In relation to the prosecutorial aspects, the investigation and prosecution review undertaken by the Crown Solicitor's Office over a year ago has really well progressed over the last year. We have a new structure in that investigation team. We have a team of new investigators who are working to a revised job and person description. We have new people leading that team and much closer working relationships between our in-house Crown solicitors and our investigators. We have also tightened up our investigation procedures and are triaging to make sure that our response is appropriate, adequate and best practice in the first instance, and that we are capturing the right evidence and the right information at the earliest opportunity.

We have also refreshed and injected life into a new training program. Initially we looked at just investigators but that would have really limited our capability so I have broadened it to the whole agency. In relation to our investigation training, all of the regulator arm of the business is trained in investigation techniques, and we have gone to Charles Sturt University to partner with them. Really, I wanted to put the best regulatory compliance training on the table that is available, and Charles Sturt University is the one that has been doing that and has the background in that area.

What we have now is that the investigation training program starts with a five-day course which is linked to a postgraduate certificate in investigation. We are the first regulator in Australia to have a university qualification that is integrated into our investigation training. That has sparked a lot of interest among other regulators and has really set the benchmark for the rest of the country. It is working really well. The new investigators have gone through it and the vast majority of the inspectors have gone through it as well, so everyone is working from the same hymn sheet.

**The Hon. J.R. RAU:** Following up on that, obviously there are certain types of individuals that you could be targeting for recruitment who might be particularly useful; for example, former police officers or active police officers or perhaps even detectives who have a very current and longstanding knowledge of investigation. What, if anything, have you been doing in that space, as opposed to training up people you might already have? What are you doing to bring on board new people?

**Mr CAMPBELL:** One of the changes we made at the recruitment process for investigators was that we actually developed a behavioural psychology-based recruitment process. We have our new investigators go through an online test, a personality test. We test their character and we then test them for competency within investigation skills. That gets them at the interview table. Inevitably, when you are looking at higher level investigation skills, most people come from a detective policing background but that does not always work in my experience. Personality, character and the right behaviours are just as important as high-level competency in investigations, so we have written a recruitment program that melds those together.

The new people that we have, a lot of them are ex-detectives, but they are not straight out of the police. They have been in other regulatory functions and bodies around Australia. As of this week, we have really just selected the last few vacancies, so our investigation team and our capability is hugely improved from where it was 12 months ago.

**The Hon. S.C. MULLIGHAN:** I appreciate the background that both the Treasurer and you, Mr Campbell, have provided in terms of how you are seeking to address some of the potentially perceived improvements that may be identified in the coming weeks. Has there been a view that has been arrived at by either the Treasurer or SafeWork about ideally when you would seek to respond to whatever recommendations may be made in the imminent inquiry?

**The Hon. R.I. LUCAS:** Certainly the view of myself as the minister responsible, in collaboration with the boss, is that it will be as soon as possible. I think the fact that there have been the previous reports, the fact that there has been action—Mr Campbell has outlined that we have done some things already which we hope are heading in the direction that the commissioner is likely to recommend—may well mean that the jump that we are required to do is not as significant as it might otherwise have been. If that is the case, then it will make it much easier to take the next step.

The only issue we will have to address is that, if there are very significant recommendations in terms of resourcing, we will have to address those within the context of the Mid-Year Budget Review, which is only just around the corner anyway. My view as the minister would be that we would want to see action taken as soon as we could. It is not something that we would want to push off for any length of time.

**The Hon. S.C. MULLIGHAN:** Other than the change and improvement in the competencies and the capabilities of your investigators and addressing the shortfall of investigators against your funded levels, have there been any changes to the operations of SafeWork or the investigators within SafeWork perhaps trying to address some of those potentially perceived problems?

**The Hon. R.I. LUCAS:** I will ask Mr Campbell to answer.

**Mr CAMPBELL:** Yes, there have been a number of different change programs. Overall, we are trying to change culture. That is going to take some time. The initial driver when I started was the investigation team and that capability, but we have broadened it to be the agency. We are trying to change culture by a number of different strategies, but we are basing some of our change strategies on the introduction of new values and then living those values and holding people accountable. We are offering upskilling and training across the inspectorate. We are also putting through health programs, resilience training, which will help our staff cope with the amount of change that we are placing.

We are undertaking internal audits to look at the historic prosecutions as well as some of the compliance audits and programs that we have, as well as trying to manage future strategies, given the savings that we are planning on making.

**The Hon. S.C. MULLIGHAN:** Just on the first two things I think you mentioned, the culture and values, are you able to tell us more about that? Were there pre-existing organisational values which are being reviewed and, if so, what are the old ones and what are the new ones?

**Mr CAMPBELL:** The previous strategic plan for SafeWork SA, in my opinion and the executive opinion, was not really relevant to the agency as a whole. Given some of the significant issues that we identified very early on, we decided to have a strategic roadmap of a period of 18 months, which was to give our staff and the wider community an idea of the change projects that we plan to undertake over that period. We did not want to lock ourselves into a strategic plan for three years with so much change going on. We are three-quarters of the way through that. We are on track of delivering the projects.

Change is never an easy process. I was very cognisant that SafeWork has gone through a lot of change in the past, and some of it was not good. Our people were change weary, and the last thing we needed to do was impose a huge change program but not support them in the process. Whilst we had to go down the change process and the strategies to fix up what we had to do, it was at the forefront of my mind to make sure that we supported our people on the journey and in the process with us.

**The Hon. S.C. MULLIGHAN:** How many investigators and other staff are employed within the inspectorate function of SafeWork SA?

**Mr CAMPBELL:** In the investigations team we have one manager, two team leaders and six investigators. There are some support staff in that team as well, but they form the nucleus of the investigation team.

**The Hon. S.C. MULLIGHAN:** How many staff overall are employed by SafeWork SA? Perhaps you could pick 30 June or some other point in time that you have reference to.

**Mr CAMPBELL:** As at 30 June 2018, our FTE level was 180.3, 17.7 FTEs lower than our budget. That was predominantly through attrition and vacancies. The regulator half of the business has 94.5 FTEs, and the educator half of the business has 73.1 FTEs.

**The Hon. S.C. MULLIGHAN:** This may be impossible for you to answer given this question is by nature a hypothetical, but given the substantial number of staff engaged in the regulation operations of SafeWork SA and also the education operations of SafeWork SA, pending the recommendations would you be looking at rebalancing the disaggregation of staff between the three functions of investigations, regulation and education, with a greater focus on investigations?

**The Hon. R.I. LUCAS:** Mr Campbell.

**Mr CAMPBELL:** Yes, I would. Restructuring our team is very much in our focus, but we are not moving ahead on finalising numbers and positions in any particular area until after the inquiries. By those inquiries, I am referring to the ICAC evaluation but also the coronial inquests that are ongoing.

**The Hon. S.C. MULLIGHAN:** Of course. Do you have an understanding at this point in time what over the forward estimates your savings target may be for SafeWork SA?

**The Hon. R.I. LUCAS:** The new savings task for SafeWork SA for 2018-19 is \$1.3 million, increasing to \$3.1 million in 2021-22. There are some ongoing savings tasks from the Mid-Year Budget Review, which started at \$2.4 million-ish, increasing to \$3.4 million-ish. There are accumulated or previous savings tasks and new savings tasks that are being required.

**The Hon. S.C. MULLIGHAN:** Am I right in thinking that the total expense budget is that which is referred to on page 195 of Budget Paper 4, Volume 4?

**The Hon. R.I. LUCAS:** I will check that for you.

**The Hon. S.C. MULLIGHAN:** The \$35.4 million figure.

**The Hon. R.I. LUCAS:** Yes, my advice is that that is correct.

**The Hon. S.C. MULLIGHAN:** The first figures that you gave, the \$1.3 million in 2018-19, growing to \$3.1 million, is that a savings task that is part of the general Treasury savings task, or is it in addition to?

**The Hon. R.I. LUCAS:** It is part of the \$25 million we were talking about earlier today. The Treasury share of the damage is \$25 million and Revenue SA, SafeWork SA and all the constituent parts have their component of that, with the exceptions we talked about earlier of Funds SA and Super SA. They are not part of the process, and MAC is not part of the process either. Putting aside those sort of agencies—SafeWork SA, RevenueSA, procurement—all those bits and pieces of Treasury have their share of the \$25 million that we were talking about by 2021-22.

**The Hon. S.C. MULLIGHAN:** And how was the share of the \$25 million for SafeWork SA, the \$1.3 million grown to \$3.1 million, identified?

**The Hon. R.I. LUCAS:** It was essentially done in the first instance through FTEs—we talked earlier about how that was calculated, vis-a-vis agency to agency, but it was the same thing done within Treasury, except we then took a decision during the bilateral process to take off some of the savings that would have been attributed to the inspectorate function. The mere use of the formula of the FTEs within Treasury would have had a bigger number from the 2018-19 savings because we included the original calculations, the inspectorate function. But, because the inspectorate function was excused from the calculation, the number was reduced correspondingly as a result of that. So, essentially, the principle was FTEs broadly, but with that exception in relation to the inspectorate function.

**The Hon. S.C. MULLIGHAN:** As it represents a proportion of the DTF total pool of FTEs?

**The Hon. R.I. LUCAS:** Yes.

**The Hon. S.C. MULLIGHAN:** Is SafeWork SA the only business unit, for want of a better description, of Treasury that has those specific savings identified?

**The Hon. R.I. LUCAS:** When you say 'specific savings', you mean got the exception or had it applied in the way we just discussed?

**The Hon. S.C. MULLIGHAN:** No: there is the savings task of Treasury, growing from \$12 million up to \$25 million, I think it is, and SafeWork SA's proportion of that is \$1.3 million growing to \$3.1 million, if I have understood correctly. Is SafeWork SA the only one that has had their proportion of the Treasury savings task identified?

**The Hon. R.I. LUCAS:** They have all been identified. Each of the sections—if there had been a question directed to Revenue SA we could have given you whatever was their number. They have had their share of the \$25 million, if we forget about how we get there, but eventually by 2021-22 we have to arrive at \$25 million in savings. Revenue SA, procurement, industrial relations and budget branch, all those branches have their share of the \$25 million, because the only way, I am sure you understand, that you can arrive at the \$25 million is to share it around amongst the bits of your agency.

**The Hon. S.C. MULLIGHAN:** Perhaps I have recollected incorrectly, but my recollection of our discussion earlier this morning was that it was still to be determined how much of the \$25 million was to be saved by all of those other different groups in Treasury.

**The Hon. R.I. LUCAS:** They have all been given their share, but the Under Treasurer advises me that, in the end, when they come back and someone says, 'This is impossible', or in the unlikely event, 'We can actually do better for you, Mr Under Treasurer, we're prepared to take somebody else's burden', there will be a little bit of that tweaking in between branches and agencies. In the end, if an agency comes to the Under Treasurer and says, 'Hey, the end result of this in 2021-22 is we're going to lose this particular officer because it's the only one left, and he or she is just too invaluable', the Under Treasurer is going to have to say, 'Well, okay, we'll find someone in another part of the department to offset that.' We obviously do not want to advertise that too widely, other than a few friends here, or everyone will be—

**The Hon. S.C. MULLIGHAN:** Other than on *Hansard*.

**The Hon. R.I. LUCAS:** Yes, exactly; so if we just keep that secret for the moment and not tell anybody.

**The Hon. S.C. MULLIGHAN:** I am sorry to deviate temporarily away from the business at hand at SafeWork SA, but turning back to Budget Paper 4, Volume 4, page 195: before I started asking about staffing levels and changes to culture, values and that sort of thing, the line of questioning from both the member for Enfield as well as from me was what early activity SafeWork SA was engaging in in order to attempt to get ahead of what was likely to be the curve, so to speak, from the evaluation activity that is currently underway. Are there any other items?

I know that there has been some publication, for example, of the views of counsel assisting that investigators perhaps should wear body-worn cameras or operate in minimum numbers, groups of two, and so on. Is any of that being investigated?

**The Hon. R.I. LUCAS:** Mr Campbell?

**Mr CAMPBELL:** We have not considered it too deeply at the moment. We are acutely aware that those recommendations are still in draft form and Mr Lander has to put his gloss over the top. There may be some additional recommendations coming directly from him. However, once the final report is released then there will be aspects that we will be discussing with the Treasurer and the Under Treasurer and other people as well.

There is data and history and other agencies that are using them—SAPOL, for argument's sake, have them. We are in discussions with those organisations to see how that would operate, but they are very early discussions. The aspect of two inspectors attending a visit would have some consequences but, again, we are in the early thinking stages about that at the moment.

**The Hon. R.I. LUCAS:** I interpose, as Treasurer and someone who has to find the money eventually, that this is what I advised earlier, in response to the member for Enfield's question. That is, governments past—Labor and Liberal, state and federal—have always very carefully considered

recommendations from commissioners and others, but ultimately it is the final decision of the government of the day whether or not it takes us down a particular path.

Some of these issues, in terms of double teaming of staff and body-worn cameras, clearly have resource implications and costs and the government of the day would need to listen carefully to any recommendation in relation to that if they ensued. We would also have to consider issues in relation to taxpayer expenditure, whether the value of that was worth the investment.

If a government decided to go against the recommendations of the commissioner it would likely be roundly condemned by possibly the opposition or the media or other informed parties. Ultimately, that is a judgement call that would have to be taken by the government of the day. Our default position is that we would always give very considerable attention to the well-informed views of the commissioner, but we reserve the right to occasionally disagree.

**The Hon. J.R. RAU:** Still on page 195, there has been mention in some of the remarks made so far today of the educator function of the agency. Would you, Treasurer, or Mr Campbell, be in a position to update us on how that is progressing, in particular where the number of interactions between the agency and employers, in particular, but employers and employees or employer groups and the agency, is going, and whether or not there are any plans for improving the level of engagement even further?

**The Hon. R.I. LUCAS:** I am happy to have Mr Campbell respond to that.

**Mr CAMPBELL:** Regarding the educator function of the workplace advisory services, as we call it, that sits in the educator arm of the business, the team has done approximately 2,000 requests in its time. The vast majority of customer satisfaction surveys that businesses complete have shown that the advice and education services that were delivered were very useful.

The requirement to use the educator is growing. Certainly there has been very little negative feedback from those people who have used the service; it has been hugely positive. Our focus at the moment, which we identified ourselves but the ICAC evaluation also identified, is the communication between the regulator and educator arms of the business. It was not what it should be, and it needs to be different. We are working on that at the moment.

Overall the function of the educator is going well. It is well received, it is well used, it is growing, and it still remains in our budget and our structure going forward.

**The Hon. J.R. RAU:** Further to that, would you be able to give us a little bit of an idea, in practical terms I guess, about what sort of engagements the educator arm is having with, in particular, employers? What is a typical engagement and what is the typical sort of service that has been delivered by that arm to the community?

**Mr CAMPBELL:** I actually have Glenn Farrell, the director of workplace education, here.

**Mr FARRELL:** Thank you. There are two elements of our advisory service: one is interaction with businesses, which is individual, face-to-face, free, practical advice and support; and the other function is liaising with industry bodies. Industry advisors, for example, go out and engage with various associations, unions and business representatives in order to develop action plans in line with a particular industry. We are going with the work health and safety knowledge, but we are actually using the knowledge of the industries themselves.

Injury claims, for example, are just part of the story. We want to hear from the industry as to what the emerging issues are and what some other restraints are around complying with the legislation. That appetite for the industry engagement is very strong. As Mr Campbell mentioned earlier, businesses have actually turned around to ask for help from SafeWork SA as a result of the advisory service. We have had 2,000 requests for that help from individual businesses.

**The Hon. J.R. RAU:** You mentioned the point about communication between the two branches of the agency. I am just wondering if you can expand on that a bit. On one level, I can understand why it is important for the left hand to know what the right hand is doing; that makes sense. But, on another level, the original conception of having separate arms was to enable an employer to engage with the agency in relative comfort, and by doing so they would not be pinched



immediately for having inappropriately sized toilet rolls in their washrooms. Are you able to explain a bit further what you mean by this communication and how it reconciles with that risk?

**The Hon. R.I. LUCAS:** I think you can tell by their accents that there is a considerable communication difficulty with these two, but you might like to further explain, Mr Farrell.

**Mr FARRELL:** Part of the perception change in mid-2016 was that we wanted companies to come to SafeWork SA for help—that notion of saying that if you do come for advice and support, our advisors do not have powers so you will not be subject to fines or prosecution. We have no powers as advisors, for example. Because they are coming to us for help, there is a strong appetite that they actually want to make improvements. The advisor would work with the business owner, prepare a report identifying where the improvements could be, and then actually support them in implementing those improvements.

From the outside looking in, it might be seen that SafeWork SA know of potential issues and do not do anything about it. That is not quite correct. Things are done about it, in the way of assisting and building the capability of the business owner in order to ensure compliance with their own business. However, the challenge for us going forward is to maintain the perception that people can still come to SafeWork SA for help but also know that there is a potential compliance matter that may need to be addressed by the inspectorate.

**The Hon. R.I. LUCAS:** Can I just impose a minister's view in relation to this. I said, advisedly, earlier that there may be issues where a government of the day may well take a different view to a commissioner. We do not know what the commissioner ultimately recommends in relation to this, but for example, the commissioner may recommend the left hand does have to know to a much greater degree what the right hand is doing.

If the end result was that the educator has to tell the regulator when there is a particular issue—and I am not saying it will be—I think, from the evidence these two gentlemen have put on the record, it would potentially break down the argument which the member for Enfield rightly put forward, which was the original argument for separating the two.

We do not know yet what the commissioner will recommend, but that is why I say 'advisedly'. This is one of the areas as minister I have a cautionary note in the back of my head to say, 'Okay, I can see why you might be thinking this, but I can also see why the people who set this up actually thought differently.' I guess it will depend on what the recommendations are, but that is an issue where I think SafeWork SA, me as minister and the government of the day would have to think very seriously if there was a recommendation which potentially broke that down and which potentially led to a situation where someone who has come along voluntarily to try to correct things found that, in essence, the next day the inspector turned up.

In the end, that might well mean that they no longer come along to the educator side of things. That is a thorny issue. It is worthy of great debate. I suspect I know where the member for Enfield might be coming from, but let's wait and see what the commissioner recommends, then we will have to address it. That is an area where, if we did go too far down the path as a commissioner, the government might say, 'Hold on. We think there is a slightly different view to all this.'

**The Hon. J.R. RAU:** The other question I had was more in the space of the prosecuting arm, or the inspectorate. There are two aspects to this. The first one is the question about, I guess, the on-the-ground part of the inspectorate—that is, the people who arrive at the scene of perhaps an accident or something of that nature, take photographs and put the coloured tape out, hopefully—and then there are the people they might be working with, who will be giving them guidance about what evidence needs to be collected, how it needs to be stored and transmitted and all that sort of business.

The first question is whether you are satisfied, minister, and obviously, Mr Campbell, that the current arrangements there are functionally as good as they could be and are conducive to there being real-time preservation of evidence, collection of evidence and safe storage of evidence to enable a subsequent prosecution to be as safe as it can be from evidentiary flaws.

**Mr CAMPBELL:** I am infinitely more comfortable now than I was 12 months ago. Our response is quicker and more appropriate. I always think there is opportunity and room for

improvement. We have changed the way that we respond, and we have also included our inspectorate in the investigation training process. So, generally now, an investigator and an inspector, and at least a team leader, if not manager, will attend the more serious incidents in the immediate instance. The manager and the investigation teams will then make an assessment as to who takes priority and ownership of that investigation, but certainly the immediate response to the more serious incidents is working very well, much better than it was 12 months ago.

We have also recruited a new operational legal support team. There are two roles in that team—senior positions—that are there to support, coach, mentor and guide people out in the field. So there is always somebody with experience at hand to provide that guidance. I think it will get better as time goes on. Certainly, from what I have seen in the last few months, that process is working very well.

**The Hon. J.R. RAU:** The other thing from an organisational point of view is: is the inspectorate disposed in terms of disciplines—for example, a building industry aspect, farming or whatever—or is it a general skill base which is applicable universally across the board?

**Mr CAMPBELL:** It is industry-based. We have six teams that are focused on their particular industry. So we have a construction team. We have just advertised and are in the process of recruiting more people. Each of those industry teams is subject to what we refer to as a deep dive analysis, but effectively it is a lean Six Sigma business improvement examination of how we operate. That is done with a view to making efficiency savings, not financial, but time and quality and process. The construction team was the first one we did. We identified that there were skill gaps in the team.

For example, we did not have any construction inspectors from a residential building background, so we have gone out to recruit for that. Each of the teams are going through that process. Other teams are manufacturing, retail, wholesale and transport. We have a chemical hazards and explosive material team, which is our scientific arm of the business, looking after our petrochemical, mining and hazardous industries. We have a community events business team which is predominantly the Royal Show and the Tour Down Under. The last one escapes me—the primary industries, resources, the country teams and engineering is the last one.

**The Hon. J.R. RAU:** You mentioned that there has been quite a change over the last 12 months or so in terms of the way in which you are assembling your teams, training your teams, the personnel and that sort of thing. I think it is a reasonable assumption to make from that that perhaps once upon a time in the past things were not quite as good as they are now. If that is the case, then what steps have you been taking to deal with potential legacy issues that might be sitting somewhere in a filing cabinet, in particular, investigations that may have been commenced X years ago but in the context of not having the same skill base that you presently have? What have you been doing about that?

**Mr CAMPBELL:** Twelve months ago we recruited an ex-detective chief inspector from SAPOL. She retired from the police and came to work with us on a 12-month contract, and a key focus of her job was to review all of the prosecution files that we had on hand, to look at the quality of the investigation, the standard of evidence, and whether it was done properly or whether it was flawed in some way. We expanded that and she looked at a sort of broader scope, but she pretty much dug around the agency and picked out all of the serious investigations that we had on hand or that had been done in the last two years.

She did a critical analysis of every one of those to determine whether the investigation was done properly, process was followed, evidence was collected in an admissible format and, on her assessment, along with the Crown solicitors that we have outposted, we collectively formed a decision as to whether or not there was any possibility of pushing ahead with a prosecution on that case, or whether there was some error in the way it was done, or the evidence, and that we had to close it.

Her 12-month contract ends next month. She has done a sterling job. She has reviewed all of those prosecutions. I am as comfortable as I could possibly be, I believe, that we have found any skeletons or any prosecutions that had issues, and we have addressed those with the Crown Solicitor's Office, so I do not believe there is anything that we have not looked at.

**The Hon. S.C. MULLIGHAN:** Over the past 12 months, have there been any investigations by SafeWork SA into labour hire firms?

**Mr CAMPBELL:** Not investigations per se, not an investigation by the investigation team. I will check and get back, if that is okay, but certainly from my knowledge we have not investigated labour hire firms.

**The Hon. S.C. MULLIGHAN:** I am gleaning the impression from the questions and the answers that have been provided thus far that the investigations team is separate from the inspections team; is that right?

**Mr CAMPBELL:** That is correct, yes.

**The Hon. S.C. MULLIGHAN:** Have there been any inspections of labour hire firms?

**Mr CAMPBELL:** I will take that on notice and get back to you. I know that we have not had any proactive, planned audits but we may have responded to one or two complaints against a labour hire company.

**The Hon. S.C. MULLIGHAN:** Were there any inspections or investigations of workplaces where labour hire firms were engaged?

**The Hon. R.I. LUCAS:** I think the simple answer to that is that we will take that on notice and see what information we might be able to share with the member for Lee on that particular issue.

**The Hon. S.C. MULLIGHAN:** Perhaps in doing so, in each of those scenarios that I have raised in my questions, detail can be provided about any concerns, reports or issues that have been identified with the practice of labour hire firms, or the workers at those workplaces, that are being inspected or investigated.

**Mr CAMPBELL:** Yes, we can get that. I do know that there was one investigation that I inherited. It was not into a labour hire firm per se, but it involved a labour hire company which provided workers to the place that we were investigating. The transient nature of workers made it difficult because our witnesses went back home and moved around the country. It was not an investigation into the labour hire firm but it certainly involved the labour hire firm.

**The Hon. S.C. MULLIGHAN:** Have any of those inspections, investigations or other inquiries that have been undertaken by SafeWork SA come across instances where labour hire firms had been contributing workers and it was subsequently found, in the course of investigations or inspections, that those labour hire firms were effectively phoenixing?

**Mr CAMPBELL:** I will take that on notice, if I may. I do not believe that there was a phoenixing aspect, not one that has come to my attention, but I can find out for you.

**The Hon. S.C. MULLIGHAN:** Aside from the labour hire issue, is the issue of phoenixing something that contributes to the difficulty or complexity of some of the work that SafeWork SA does?

**Mr CAMPBELL:** No, I would not say that it is difficult or complex.

**The Hon. S.C. MULLIGHAN:** Prevalent?

**Mr CAMPBELL:** Yes, it has happened. We have come across it. I would not say that it was prevalent and I would not say that it was complex or that it caused us issues. I can certainly find out how many we have had.

**The Hon. S.C. MULLIGHAN:** It may be difficult to do that off the top of your head—if it is, that is fine. Are you able to give the committee any examples of some of the concerns that SafeWork SA has had as a result of witnessing companies engaging in phoenixing?

**Mr CAMPBELL:** I believe we had one issue, or one phoenixing arrangement, that was in relation to asbestos removal. Other than that, there are not too many.

**The Hon. R.I. LUCAS:** Mr Chairman, in relation to this Mr Campbell has agreed to take the questions on notice. We are quite happy to provide whatever information we can, but I think we would be well served in checking the records and putting accurately on the record whatever information we might be able to find for the member. I am happy to do that.

**The Hon. J.R. RAU:** Whilst you are on the topic of phoenixing, has there been any communication between SafeWork SA and ReturnToWorkSA about labour hire firms? I appreciate that you would get them from the perspective of a workplace, not necessarily the employer, but have you been communicating from time to time with ReturnToWorkSA about workplaces where the staff are provided by labour hire firms? You might need to check to find out.

The second thing, in terms of the phoenixing situation, to the extent that you have tumbled over it, have you noticed that the same names keep popping up in this space? It is not uncommon for very familiar names to keep popping up in companies that last for a little time and then disappear and then a new one pops up, and they tend to be doing the same thing.

**The Hon. R.I. LUCAS:** Mr Chairman, I am very happy for Mr Campbell to take on notice those questions, together with the earlier questions, all in relation to labour hire phoenixing, to see whatever, upon close checking of their records, they are able to provide by way of answers to the questions of the member for Enfield and the member for Lee.

**The Hon. S.C. MULLIGHAN:** To change tack, does SafeWork SA have a register of gifts or benefits that is maintained for its employees?

**Mr CAMPBELL:** Yes, it does, and it is currently in the process of being reinvigorated. We are linking our governance, fraud and corruption practices and processes into the Department of Treasury and Finance's, but we do have a register and we do require people to record on that. That said, we are aware that it is not as mature a process as it should be and we are rewriting the procedures with a view to training all of our staff in that aspect.

**The Hon. R.I. LUCAS:** When you say 'as it should', does that mean that it is not being observed as it should in some cases?

**Mr CAMPBELL:** In some cases, Treasurer, yes, it is not being used as it should.

**The Hon. R.I. LUCAS:** From my viewpoint, there is certainly quite an onerous Treasury and Finance policy in this particular area. I think one of the benefits of becoming part of the Treasury family will be that good policy direction and policy can be reinforced and supported in SafeWork SA. If there happened to be—as I suspect there might have been from some of the evidence—less than workable practices in the past, then they can be improved, matured, or whatever word we want to use, and be appropriate to modern-day operations of a regulator. So you have my assurance and, I am sure, Mr Campbell's assurance that if there needs to be maturation or improvement, or whatever word we use, that will occur and the Under Treasurer will work with Mr Campbell to ensure that is the case.

**The Hon. S.C. MULLIGHAN:** Is it the intention, once full maturation has been realised, that all employees will be subject to the requirements of the gifts and benefits register?

**Mr CAMPBELL:** Most definitely.

**The Hon. R.I. LUCAS:** Yes, that is a policy of Treasury and a policy for SafeWork SA, now part of Treasury as well.

**The Hon. S.C. MULLIGHAN:** Will those same requirements extend to a declaration of financial interests for employees in SafeWork SA?

**Mr CAMPBELL:** That is correct; yes, it will.

**The Hon. S.C. MULLIGHAN:** Is there a benchmark or a template by which SafeWork is looking to adopt practices; for example, what may apply elsewhere in the public sector or even further?

**Mr CAMPBELL:** There most certainly is, and the Department of Treasury and Finance's policy and processes are what we are going to link into. We have been working, for the last six months, with the risk governance manager in Treasury to make sure that happens.

**The Hon. S.C. MULLIGHAN:** Have there been instances that have occurred or situations that have been raised that have caused SafeWork SA to review the gifts and benefits or financial interest registers?

**Mr CAMPBELL:** The reason I reviewed it when I started was because it was really me coming in as the new agency head and looking at our governance. I realised that what was there was not adequate. I do not believe there were huge breaches of corporate governance principles or conflicts. Nonetheless, I think it was something that had not really been alive or talked about. People did not use it and it was forgotten.

When I raised it, looked at it and identified it with the ICAC evaluation, there was a flurry of people making disclosures about wanting to have second jobs, for argument's sake, or, 'I have a dog-walking business on the side and I haven't filled in the paperwork.' It was that level and sort of entry that people were rushing forward.

**The Hon. S.C. MULLIGHAN:** So there were not specific complaints or concerns that were raised, other than your review of operations when you became head?

**Mr CAMPBELL:** No.

**The Hon. J.R. RAU:** These are basically omnibus questions, so do not struggle with them for the minute. I am just getting them down before we run out of time. I refer to Budget Paper 4, Volume 4, page 196. During the 2016-17 and 2017-18 financial years:

1. How many education workshops, presentations and seminars did SafeWork SA deliver?
2. How many proactive workplace visits were there and how many reactive workplace visits were there?
3. How many infringement notices were issued?
4. How many improvement notices were issued?
5. How many prohibition notices were issued?
6. What were the number of enforceable undertakings obtained or secured?
7. What were the number of potential breaches of the Work Health and Safety Act 2012 that were investigated and referred to Crown Law?
8. How many of the matters referred to Crown Law for an opinion on prosecution resulted in SafeWork SA filing a prosecution?
9. How many of the matters filed for prosecution resulted in a conviction or an order being made by the courts, an unsuccessful prosecution, a not guilty finding, or a withdrawal of the application to prosecute?
10. How often were decisions made not to prosecute, but to accept an enforceable undertaking or any other remedy as an alternative to the prosecution path?
11. What is the total amount of fines ordered by the courts for breaches of the Work Health and Safety Act 2012?

**The Hon. R.I. LUCAS:** We are happy to take those questions on notice, Mr Chairman.

**The CHAIR:** Being 4.30, I declare the proposed payments closed in regard to SafeWork SA and completed.

#### **Departmental Advisers:**

Mr D. Reynolds, Chief Executive, Department of Treasury and Finance.

Mr M. Carey, Executive Director, Shared Services, Department of Treasury and Finance.

Ms T. Pribanic, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms T. Scott, Executive Director, Department of Treasury and Finance.

Mr J. Schell, Executive Director, Government Services, Department of Treasury and Finance.

Mr T. Crowe, Principal Management Accountant, Financial Services, Department of Treasury and Finance.

**The CHAIR:** If we could move on to Shared Services. I declare the proposed payments open for examination and refer members to the Agency Statements, Volume 4. Treasurer, could you please introduce your advisers.

**The Hon. R.I. LUCAS:** On my left is Jason Schell and Mr Mark Carey, who have collective responsibility for government services but in particular Shared Services which is, I think, the particular area about which we are going to climax the day's proceedings.

**The CHAIR:** We can only hope. Member for Lee.

**The Hon. S.C. MULLIGHAN:** I draw the committee's attention to Budget Paper 4, Volume 4, page 199. In the highlights section of that year the second dot point states:

Successfully relocated accounts payable, accounts receivable and certain finance functions to a new modern work environment at Port Adelaide.

Can I ask how many staff were involved in that move last financial year?

**The Hon. R.I. LUCAS:** It was 170, I am sure, delighted staff.

**The Hon. S.C. MULLIGHAN:** It is a wonderful part of the world, let me tell you.

**The Hon. R.I. LUCAS:** I am sure.

**The Hon. S.C. MULLIGHAN:** Is that 170 head count or FTEs?

**The Hon. R.I. LUCAS:** Head count.

**The Hon. S.C. MULLIGHAN:** When did they move down? I assume they did not all turn up in one day.

**Mr CAREY:** No, they moved over the course of May and June.

**The Hon. S.C. MULLIGHAN:** When did—I assume it was the Department of the Premier and Cabinet—

**Mr CAREY:** Correct.

**The Hon. S.C. MULLIGHAN:** —start paying rent for those spaces? Was it progressively as the bodies moved down or was it from May?

**The Hon. R.I. LUCAS:** I think the rent was being paid in May, was it not?

**Mr CAREY:** From a practical completion date, which was in May.

**The Hon. R.I. LUCAS:** So, yes, it had been done through May. You probably would have noticed from the morning media that the government has taken the momentous decision that, because there was not a long line-up of volunteers to move into the remaining two floor areas down there at the Port building, it did actively explore, as I think there has been some publicity, to see whether or not we could get some private tenants into the space.

In particular, there was a view—and there was a lot of initial interest, to be fair, from some of the defence companies, given all the money that is going to be spent down there—that it seemed on the surface of it to make sense that some defence companies might move into the building. We saw some good sense, if that was the case.

After some initial interest, that all moved away. They have actually found other buildings or have found other parts of Adelaide actually to move their offices into—some in the CBD. The government was really left with the difficult decision as to, if we could not find volunteers willingly going down there, who had to go down there. Treasury and some of the remaining sections of Shared Services won the lucky draw and will be heading down there over the coming months.

Because of the declining size of Shared Services—there were not enough Shared Services warm bodies to actually fill the spaces—there are a couple of other smaller sections of Treasury, including procurement and work injury services, which will be going down there. So it is not just the Shared Services people, because we needed more warm bodies to actually fill the spaces down there.

**The Hon. S.C. MULLIGHAN:** You have left the cold ones in the city.

**The Hon. R.I. LUCAS:** We still have some Shared Services people in Wakefield House. We can refer to them as the cold bodies. It is an older building and less attractive but it is a government owned building and therefore we have a considerable interest in terms of ensuring its continued occupancy.

What I will say to the member for Lee and to the committee is that I have always been a strong advocate of what used to be called the government office accommodation committee. In your government's iteration at one stage you actually got rid of it. I am a firm proponent of reincarnating the government office accommodation committee and we are going through a process at the moment of establishing that. Your former agency of transport, Member for Lee, has obviously got an ongoing interest in it. Treasury, I can assure you, has an ongoing interest in it.

I think it makes good sense. It existed when we were last in government, and it requires agencies to have to go through a rigorous process, which is cross-government, cross-agency. If I give the example of this Port Adelaide building—put aside the easy political hit for the moment as to why you would actually build a building down at the Port and force people to go down there; put that to the side—this issue has now resulted in a very complicated round robin of government tenancies.

There were people in Riverside whose tenancies were coming due in 2020, I think it was. We have people in Westpac House whose tenancies were coming due in 2019, so a year earlier. We still have some Shared Services people in Wakefield House, but we did not want to move them out of there because we actually own that building and if we take public servants out of there we might not get non-public servants to go in there. We have some higher cost tenancies in other parts of the CBD that we are having to look at.

So we are, in essence, paying dead rental, vacancy rental from May onwards for two floors in Port Adelaide. If we move people out of Riverside we would have potentially two years of dead rent in terms of the spaces there. At Westpac House, there is potentially dead rent for a period of time, but it is 12 months rather than two years-ish, unless we can find other higher cost rentals to move out of that higher cost rental space into Westpac, or whatever it is.

That is the work that, frankly, the government office accommodation committee used to do. I think it is work that needs to be revived, and it should do. Treasury and the Department of Planning, Transport and Infrastructure need to be engaged. I think all of that, sensibly, if it had been done in relation to the Port Adelaide office when it was, sort of, someone's bright idea to build it down there and try to work out who to force to go down there, then it would have made greater sense, I think, from the viewpoint of the taxpayers of South Australia. So I think the Port Adelaide example is a very powerful reason why the old GOAC, in some form or another, ought to be revived.

**The Hon. S.C. MULLIGHAN:** Has the Treasurer received any advice that some of what he deems to be the issues to be resolved about who goes where, both in the CBD as well as down to Port Adelaide, that there were other earlier proposals to address all of those issues?

**The Hon. R.I. LUCAS:** One of them is the one I have referred to, that is, people from the Riverside.

**The Hon. S.C. MULLIGHAN:** But they were reluctant to go?

**The Hon. R.I. LUCAS:** I think that is probably understating it.

**The Hon. S.C. MULLIGHAN:** The Renewal SA staff?

**The Hon. R.I. LUCAS:** Yes. The honest answer is that I do not think anybody has put their hand up to go down there, so anyone who has been fingered to go down there has been very reluctant. One can understand it. I said in the paper this morning that you can understand, and we

are going to have to be as compassionate as we can be. In certain circumstances, people do not have access to alternative transport.

If you are living in the southern suburbs, you are going to have to get public transport to the city and then get public transport to Port Adelaide. I know there are people who go to school all over the place and catch two buses and stuff like that. We are going to have to be mindful of that to the degree that we can be in terms of this particular move, but ultimately we just have to find bodies to move into that particular building. The proposal was Renewal SA staff.

**The Hon. S.C. MULLIGHAN:** 'Direction', I think, was the more accurate word. The direction was Renewal SA staff. Mr Hanlon might refute that, but that was certainly the case.

**The Hon. R.I. LUCAS:** I think there are varying versions of all of that, and you are probably in as good a position as anyone to know.

**The Hon. S.C. MULLIGHAN:** I think the version that aligns with him staying in the city is the one that he is proffering.

**The Hon. R.I. LUCAS:** You may well care to share with the committee, perhaps at a later stage—

**The Hon. S.C. MULLIGHAN:** Oh no, we have some time.

**The Hon. R.I. LUCAS:** —your version at this stage, that is fine. All I am saying is, ultimately there were some complications as well in relation to the machinery of government issues, because of the new government's decisions, because we actually revived this new housing trust authority, which the former government had disaggregated. About 200 bodies went out of the old Housing Trust to Renewal SA to look after the maintenance, and there were about 600 or 800 bodies who went out to go to Housing SA to look after the tenants. The new government has recreated the old Housing Trust and those, whatever it is, 800 or 1,000 bodies, 200 from Renewal SA and 600 to 800 from Housing SA, are all now going back into the Housing Authority. So whereas they were separate, there is an argument now why it is good sense for them all to be together again somewhere.

**The Hon. S.C. MULLIGHAN:** Are they all in Riverside?

**The Hon. R.I. LUCAS:** I think that is the proposal. I do not know whether they all fit there.

**The Hon. S.C. MULLIGHAN:** No, they do not.

**The Hon. R.I. LUCAS:** There are some regional people, I am told, so obviously they are in the regional areas as well. I think that is the proposal, to get as many of them together as we can. The issue for the Riverside, as you are probably aware, and as I said earlier, is that the tenancy there is for another two years. It is until the end of 2020. There is an argument about keeping the housing people, who are now the old Renewal SA people, together, and that is a decision as a result of the new government recreating the old Housing Trust. It is not as simple as sometimes I would portray it to be, but I think the logic of having a government office accommodation committee is hard to argue against.

**The Hon. S.C. MULLIGHAN:** That will be a matter for you and the relevant minister, I suspect. How many staff from your announcement this morning, further to the 170, are moving down?

**The Hon. R.I. LUCAS:** It is 260 people; 260 warm bodies are going down there.

**The Hon. S.C. MULLIGHAN:** Does that effectively fill the leasable office space down at Port Adelaide?

**The Hon. R.I. LUCAS:** Yes. As I said earlier, we had to add to the Shared Services people by the other two groups that I identified earlier, because there were not enough Shared Services people.

**The Hon. S.C. MULLIGHAN:** How many from Shared Services are going down? Either are now or will be?



**The Hon. R.I. LUCAS:** Extra ones? There are 170 people there now, and there will be an extra 190, just under 200. Then there are another 60 or 70 people from other parts of Treasury who are going down there to help fill that space.

**The Hon. S.C. MULLIGHAN:** The 170 who went in May and June, which building did they come from?

**The Hon. R.I. LUCAS:** From Westpac House as well.

**The Hon. S.C. MULLIGHAN:** Just Westpac House or Wakefield?

**The Hon. R.I. LUCAS:** Westpac House.

**The Hon. S.C. MULLIGHAN:** Just Westpac House. And the 260? Which locations are they coming from?

**The Hon. R.I. LUCAS:** They are all Westpac House.

**The Hon. S.C. MULLIGHAN:** They are all Westpac House. So there are none coming out of Wakefield House or any other locations?

**The Hon. R.I. LUCAS:** The reason for not taking them out of Wakefield House is that, as I alluded to earlier, it is a government-owned building and there is strong advice to us that if we take public servants out of there we might find it difficult to attract business or non-government people who are prepared to move into what is an old-style building in terms, so I am told, of its facilities compared to some of these whizzbang new office blocks that are being built all over the city at the moment.

**The Hon. S.C. MULLIGHAN:** What is the rental per square metre being paid down at Port Adelaide?

**The Hon. R.I. LUCAS:** I am not sure we have put that on the record. I will take it on notice. Whether it is commercially confidential—it was the deal the former government did, so we are, at this stage, protecting the interests of the former government. I think I have seen advice that it was commercial-in-confidence, but let me check that.

**The Hon. S.C. MULLIGHAN:** Is it more or less than the rent being paid in the other locations you have mentioned?

**The Hon. R.I. LUCAS:** The honest answer is that I do not know; I will have to take that on notice.

**The Hon. S.C. MULLIGHAN:** Have you been provided an estimate of the dead rent that will be incurred by the time the last of the extra 260 move down?

**The Hon. R.I. LUCAS:** I have not seen advice of that nature. I have seen the advice that says to me that the dead rent we have been paying since May for the two floors is some large number, so I know the absolute space, but in terms of the staged movement of people over the next few months we have only just as of yesterday advised the lucky winners, so there is a process now over some months in terms of, as sensitively as possible, managing the process of moving people. I am told there has to be a bit of work done down there, because there are not enough work stations, to create enough work stations to cater for the number of staff who are going down there.

**The Hon. S.C. MULLIGHAN:** Who has been and who will be paying the dead rent?

**The Hon. R.I. LUCAS:** The taxpayers.

**The Hon. S.C. MULLIGHAN:** No; which agencies?

**The Hon. R.I. LUCAS:** I am told we are still resolving that question. I assume somebody is paying it. At the moment DPTI is paying it. The ongoing issue and the transition issue is an issue, as I am sure you would understand, in terms of how we manage this process of moving people in as to whether it is DPTI or some other agency. At the moment it is the member for Lee's former department.

**The Hon. S.C. MULLIGHAN:** And they are seeking reimbursement from other agencies?

**The Hon. R.I. LUCAS:** If I was them I presume I would be arguing that case, but from my viewpoint we will listen to it as sympathetically as possible and then make a decision.

**The Hon. S.C. MULLIGHAN:** You will be Solomon and split the baby.

**Ms BEDFORD:** Budget Paper 4, Volume 4, sub-program 4.3, page 201. It is in relation to rental of properties, in particular electorate offices, and you will be relocating some, obviously. My concern relates to how we go about enforcing the leases for those properties and making sure that landlords comply with providing clean and safe premises, because I know retrospectively that it is almost impossible to get something done. How will you ensure in future that that is the case, that any new premises you take up will be safe, clean and tidy? Would it be possible to go about looking at some sort of retrospective measure to ensure that landlords comply with conditions of leases?

**The Hon. R.I. LUCAS:** My advice is—and I am aware, broadly, of some of the issues the member has confronted in relation to—

**Ms BEDFORD:** No, you are not aware of half of the problems and the amount of time spent on them.

**The Hon. R.I. LUCAS:** I did not say all of them; I said that I was aware of some of the issues, member for Florey. I am told that currently they have been managed within electorate services. They will be moved into the facilities management section of the department, so we would hope in that respect to be able to perhaps apply greater rigor in terms of enforcing the provisions of the lease agreement that has been entered into.

I am not familiar with the other alternative options that might be available for office accommodation in the member's electorate, but I do know that in some electorates, once we move out of a particular office, it is a very difficult task to find suitable alternative accommodation for members in their particular electorates. Sometimes it is not as easy as, 'Right, well, we'll get rid of you and terminate the lease', or whatever it is, if all of a sudden the member then does not automatically have an alternative office to move into. That is the dilemma we have in relation to it.

Ultimately, I assume that, as with any person who leases a property, if there is a breach of a lease agreement or whatever it might be able to be terminated. I am not sure whether the former government, which had been there for 16 years, had ever taken action against the landlord in any respect. You might be in a better position to tell me—

**Ms BEDFORD:** You might remember I came to see you once about something in an electorate office. Anyway, I will tell you about that later. The problem is—

*An honourable member interjecting:*

**Ms BEDFORD:** It might seem like yesterday. The problem is: how do you enforce the lease requirements if numerous approaches get you nowhere, and the safety of people who come to your office, like constituents, is then at risk, as is the safety of my staff? Nothing seems to make the landlords comply. You need to make sure that your new leases for all your new accommodation have something in it that does that. We all waste a lot of time trying to enforce it.

**The Hon. R.I. LUCAS:** I am very happy to listen to suggestions from the member, or indeed any other member, in relation to how we might better manage the process. Clearly, you have been frustrated about it over the last 16 years off and on—

**Ms BEDFORD:** Before that, because I came to see you before my very first—

**The Hon. R.I. LUCAS:** Well, 20 years then.

**Ms BEDFORD:** It is 21 years, but who is counting?

**The Hon. R.I. LUCAS:** So it has been a long period of frustration for your good self. Clearly, collective Liberal and Labor governments have been unable to resolve your problem so if there are solutions, ultimately it sounds like the only solution is probably a legal solution and—

**Ms BEDFORD:** No; a good steam clean here and there would not go astray.

**Mr MURRAY:** Budget Paper 4, Volume 4, page 201, likewise sub-program 4.3. On the subject of electorate offices, as someone who was unable to derive access to the one I am currently in for some two or three months, I would like to know how we have a situation arise where, as I understand it, the member for Hurtle Vale still does not have an electoral office. I would like to know how we came to this situation where, when the music stops, there are not enough chairs to go around, so to speak. Could you give us an update on that?

**The Hon. R.I. LUCAS:** At the outset, let me give you an assurance. There is a redistribution every four years and, post the redistribution, if I am still healthy enough and the Premier has enough confidence in me that I am still the Treasurer, the member has my assurance that if I get advice from Electorate Services that says, 'Particular electorates, because of the redistribution, are no longer going to have an electorate office in them, and will you provide an appropriation so that we can actually start work before the election and find some electorate offices?', I will, on your collective behalf, give a commitment to approve that. It seems to make so much common sense.

With great respect to the former treasurer, he got exactly that advice 12 months before the last election. He was told that the member for Hurtle Vale, and I suspect the member for Lee, but the member for Wright in the north-eastern suburbs, a range of them, were not going to have electorate offices. He was asked to approve an allocation so they could commence the work and he refused.

It just seems to make so much sense that whoever is in the chair of the Treasurer 12 months out from the election, after the redistribution we hope—and maybe the next redistribution will not be as cataclysmic in terms of the movement of electorate boundaries and offices—

**The Hon. S.C. MULLIGHAN:** It was a cataclysmic redistribution, you are right.

**The Hon. R.I. LUCAS:** In terms of electorate offices. It may have been cataclysmic in terms of your political implications as well, but in terms of electorate offices I think it was up to 10 or something electorates that ended up not having an electorate office within them. I think that is a simple solution and you have my assurance it will not happen on my watch.

**The Hon. J.R. RAU:** I refer to page 199. I have two quick questions. What, if any, thought have you given to whether the fine payments unit sits comfortably under Shared Services or under Treasury in a broader way? Have you turned your mind to that, or is it still something that is on the to do list, or not even on that list?

**The Hon. R.I. LUCAS:** I have not turned my mind to it. Now that you have raised it as an option I will put it on my 'to be considered list' and apply my thought processes to it. However, no, it has not been on my to do list but now that you have raised that it is something I am prepared to give consideration to. I will need to engage in discussions with my colleague, I presume the Attorney-General, in relation to where it rightly sits.

Ultimately, it is a question of where we can drive the best value. It is obviously in the interest of taxpayers to collect as much money as we can from those people who have offended, and to do so as efficiently as we can. If there is a better way of doing so, I am open to considering it.

**The Hon. J.R. RAU:** There is a particular matter I have in mind. I will not put it on the record, but I am happy to share it with you afterwards, Treasurer. As a general proposition: if a state government employee who has done the right thing and provided the appropriate information finds themselves seriously disadvantaged by what appears to be an error by Services SA to properly process material, would you agree that—

**The Hon. R.I. LUCAS:** Services SA or Shared Services?

**The Hon. J.R. RAU:** Shared Services, I beg your pardon. As a general proposition, would you agree that if the error lies with Shared Services and not with the employee, it would be reasonable for Shared Services to do whatever is necessary to unscramble the egg they have created?

**The Hon. R.I. LUCAS:** Member for Enfield, I have been around far too long to answer that particular question without actually knowing where you are ending up. I am happy to have the private discussion, but I will be giving no commitment on the record until I actually know where you are heading with all of this. I would take appropriate advice from people around the table as well. I am

happy to explore any issue, but you are way too clever for me, and I am not going to go down that particular path.

**The Hon. S.C. MULLIGHAN:** Treasurer, I was jumping in to ask a question on the tail end of the discussion we just had about electorate offices. It is a matter of common concern to us all. It is probably to your advantage that I raise a question about a common concern to some members of parliament before the Chair can raise a question with you. I am sure the Chair knows what I am referring to. I want to ask a question about Shared Services staff and operations. Is this one of those areas of Treasury where you would be encouraging your executive to contemplate the outsourcing or privatisation of any operations or functions of Shared Services?

**The Hon. R.I. LUCAS:** I have not encouraged any contemplation in this particular area. However, my general principle, which I would leave open to this particular area or other areas, is this: if someone comes to me with a proposal which was in the best interests of the taxpayers of South Australia, and it made sense and saved money, I would at least be prepared to talk about it and consider it. But, I am not sure how it would actually work in relation to Shared Services. No discussion and—

**The Hon. S.C. MULLIGHAN:** But you certainly cannot—

**The Hon. R.I. LUCAS:** —no contemplation at this stage—just to cut you off at that particular stage. No contemplation at this stage, but if someone comes to us with a proposition, then we would obviously have to consider it.

**The Hon. S.C. MULLIGHAN:** So you are unable to rule out the outsourcing or privatisation of any of the functions of Shared Services?

**The Hon. R.I. LUCAS:** We have this crossover: you keep using 'privatisation'—

**The Hon. S.C. MULLIGHAN:** Or outsourcing.

**The Hon. R.I. LUCAS:** We are bound by the promise we made to the PSA and to others. We left open the option of outsourcing or commercialising, but we did oppose privatising or selling assets.

**The Hon. S.C. MULLIGHAN:** But you cannot rule out outsourcing any of the functions of Shared Services?

**The Hon. R.I. LUCAS:** Because it has not been put to me.

**The Hon. S.C. MULLIGHAN:** But if it was put to you and it was compelling, you would be open to considering it?

**The Hon. R.I. LUCAS:** Well, if anything is in the best interests of the taxpayers of South Australia, I would be silly not to consider it. I have not seen a proposition, and until I do I am not going too far down the path that you want me to go down.

**The Hon. S.C. MULLIGHAN:** Just one last question on a matter we were discussing earlier, the government office accommodation: did you receive any advice, or was Treasury in receipt of any advice, about how some of those concerns about untenanted office space paid for by the government would have been dealt with, to facilitate the move of Renewal SA down to Port Adelaide?

**The Hon. R.I. LUCAS:** Sorry, you are going to have to rephrase that. I lost you halfway through that question.

**The Hon. S.C. MULLIGHAN:** Was Treasury in receipt of any advice from the Department of Planning, Transport and Infrastructure about how the removal of Renewal SA down to Port Adelaide could be facilitated while minimising the amount of dead rent?

**The Hon. R.I. LUCAS:** I am not sure. There were a lot of discussions about how that might occur but, as I have explained earlier, the final advice that came through after discussions between Transport and Treasury was that, ultimately, because of the length of the lease at Riverside, as opposed to the lease at Westpac, in terms of this round robin of moving people around, it was in the taxpayers' interest to actually move people out of the Westpac House tenancy rather than the Riverside tenancy.

**The Hon. S.C. MULLIGHAN:** Perhaps you could take on notice whether there were any options or opportunities to minimise the dead rent for Riverside or Westpac House that had been developed by DPTI in order to facilitate Renewal SA.

**The Hon. R.I. LUCAS:** I can tell you without taking it on notice that there were no better, in the interest of the cost to taxpayers, proposals that referred to Riverside because if there were I would have been in there saying, 'Let's keep the Treasury people in the city. I don't have the issue then of managing moving Treasury people down there.'

If there were arguments along the lines that you are suggesting—ultimately, that it was in the best interest of the taxpayers to move the Riverside people down rather than Treasury—I can assure you I would have been, and I am sure the Under Treasurer would have been, arguing to the DPTI people that those people should be the ones going down there. But, ultimately, the arguments were pretty hard to argue against in terms of the net saving to taxpayers, and the people from Westpac House, which sadly were ours, were the ones who won the lucky draw.

**The CHAIR:** Thank you, Treasurer. I declare the examination of the proposed payments for the portfolio Shared Services and the estimate of payments for the Department of Treasury and Finance completed, and the administered items for the Department of Treasury and Finance be adjourned to committee A.

**The Hon. R.I. LUCAS:** Thank you, Mr Chairman. Thank you, members.

At 17:01 the committee adjourned to Monday 24 September 2018 at 13:30.