

**HOUSE OF ASSEMBLY**  
**Wednesday, 28 July 2021**  
**ESTIMATES COMMITTEE B**

**Chair:**

Mr M.J. Cowdrey

**Members:**

Hon. S.C. Mullighan

Hon. A. Piccolo

Mr M.E. Brown

Mr P.N. McBride

Mr S. Murray

Mr A.S. Pederick

*The committee met at 09:00*

*Estimates Vote*

**DEPARTMENT OF TREASURY AND FINANCE, \$170,727,000**  
**ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,**  
**\$2,666,366,000**

**Minister:**

Hon. R.I. Lucas, Treasurer.

**Departmental Advisers:**

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

Mr S. Hocking, Deputy Chief Executive, Department of Treasury and Finance.

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

Ms J. Burgess, Executive Director, Organisation and Governance, Department of Treasury and Finance.

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

**The CHAIR:** The estimates committee is a relatively informal procedure and as such there is no need to stand to ask or answer questions. I understand that the minister and the lead speaker for the opposition have agreed an approximate timetable for the consideration of proposed payments, which will facilitate a change of departmental advisers. Can the minister and the lead speaker of the opposition confirm that the timetable of today's proceedings previously distributed is accurate. I have been advised that I need to skip to some formalities and a question that needs to be put.

**Mr McBRIDE:** I move:

That the Chair write to the Speaker to request the following changes to the timetable agreed in the house on 20 July, pursuant to standing order 268, paragraph 6: that the Department for Trade and Investment be examined on Thursday 29 July, and that the committee meet at 9am on Thursday 29 July and 9.30am on Tuesday 3 August.

Motion carried.

**The CHAIR:** I will continue the introductory remarks. Changes to committee membership will be notified as they occur. Members should ensure that the Chair is provided with a completed request to be discharged form. If the minister undertakes to supply information at a later date, it must be submitted to the Clerk Assistant via the answers to questions mailbox no later than Friday 24 September 2021.

I propose to allow both the minister and the lead speaker for the opposition to make opening statements of about 10 minutes each, should they wish. There will be a flexible approach to giving the call for asking questions. A member who is not on the committee may ask a question, at the discretion of the Chair. All questions are to be directed to the minister not the minister's advisers. The minister may refer questions to advisers for a response.

Questions must be based on lines of expenditure in the budget papers and must be identifiable and referenced. Members unable to complete their questions during the proceedings may submit any questions on notice for inclusion in the House of Assembly *Notice Paper*. I remind members that the rules of debate in the house apply in committee. Consistent with the rules of the house, photography by members from the chamber floor is not permitted while the committee is sitting.

Ministers and members may not table documents before the committee; however, documents can be supplied to the Chair for distribution. 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. The committee's examination will be broadcast in the same manner as sittings of the house are broadcast through the IPTV system within Parliament House and via the web stream linked to the internet and the Parliament of South Australia video on demand broadcast system.

We will now proceed to open the following lines for examination. We will commence this morning with the portfolio of the Department of Treasury and Finance. The minister appearing today is the Treasurer. I declare the proposed payments open for examination and call on the Treasurer to make an opening statement, should he wish.

**The Hon. R.I. LUCAS:** Thank you, Mr Chairman. No, I do not propose to make an opening statement.

**The CHAIR:** Lead speaker for the opposition, did you wish to make an opening statement?

**The Hon. S.C. MULLIGHAN:** No, I do not, but I do have a question: are we required to wear masks for this session?

**The CHAIR:** I was advised that if you feel comfortable wearing them, feel free to continue wearing them; if you feel that it is inhibiting your ability to ask questions, we are appropriately spaced so feel free to remove it.

**The Hon. R.I. LUCAS:** Mr Chairman, just on that, the advice that I received, I think from the Deputy Clerk of the House of Assembly to all members, was that members and ministers who were participating in committees need to have clear enunciation for *Hansard* and broadcast purposes, and that was sufficient justification during the estimates committee proceedings not to wear masks unless they chose to. I am following the Deputy Clerk of the House of Assembly's advice.

**The CHAIR:** I am happy to proceed on that basis.

**The Hon. S.C. MULLIGHAN:** I refer the committee's attention to Budget Paper 4, Volume 4, page 173, contingency provisions and the announced business support that is to be provided from these provisions. Can I ask why there is no support for those businesses with an annual turnover of under \$75,000 a year, including those conducted from home premises?

**The Hon. R.I. LUCAS:** The member's assumption is not accurate. The microbusinesses, as they are referred to—those with turnover less than \$75,000—both the federal and state governments will be providing assistance up to \$600 per week of lockdown under the COVID-19 Disaster Payment. We have confirmed, as did the Victorian government, with the commonwealth that most microbusinesses in the circumstances, as long as they meet the eligibility requirements for the COVID-19 Disaster Payment, which does not include the \$75,000 turnover provision, will be eligible for the payment of up to \$600 per week for the COVID-19 Disaster Payment.

**The Hon. S.C. MULLIGHAN:** So, in order to be eligible for commonwealth assistance, a potential recipient has to be located within a commonwealth declared hotspot area; is that correct?

**The Hon. R.I. LUCAS:** For commonwealth—

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

**The Hon. R.I. LUCAS:** —but the state government of course is providing assistance for the rest of the state, so microbusinesses over the whole state are covered. It just happens that the commonwealth decided to cover the declared hotspots, which is the metro area plus Gawler and the Adelaide Hills. We then took the separate decision as a state government to fund, out of state funds, the exact same payment, using the same process through Services Australia—I think it is called.

I think today is the day that applications are processed and payments might start commencing underneath that particular scheme. The commonwealth will make the payments to anyone who is eligible. For anyone in the regional areas, we will be billed and we will have to pay back the commonwealth the cost of the payments in regional areas for microbusinesses and, obviously, for other individuals—employees—who might be impacted.

**The Hon. S.C. MULLIGHAN:** But it is correct to say that we are no longer a declared hotspot by the commonwealth and so there is no further commonwealth assistance available, except for those people who were subject to the hotspot declaration for the past week; is that correct?

**The Hon. R.I. LUCAS:** Yes, that would be correct. The commonwealth assistance was for the duration of the lockdown.

**The Hon. S.C. MULLIGHAN:** Can I ask how the amounts of \$3,000 and \$1,000 were arrived at for the small business grants that you have announced?

**The Hon. R.I. LUCAS:** It was a combination of issues. It was a judgement call from me as Treasurer and Treasury in relation to a seven-day lockdown. We were obviously hopeful at the time we made the decision that we would be in and out within the seven days. I indicated at the time that should we continue beyond that particular lockdown period we would look at further grants for any further lockdown period, so we would monitor. It was not to be the totality of the assistance, bearing in mind that the grants we gave last year were for a much longer lockdown period. It was probably a couple of months, I suppose, that we were locked down for. This was for a seven-day lockdown period.

There had been differing precedents in the other states. Western Australia had \$3,000, I think. Some jurisdictions had about \$3,000 and some had a bit more. Victoria, for example, had more, but again they have had a significantly more impacted business sector as a result of an ongoing series of lockdowns for a longer duration than South Australia. The answer to your question is it was ultimately a judgement call based on informed advice from Treasury and information from what the other jurisdictions were doing.

**The Hon. S.C. MULLIGHAN:** So, for example, for tourism businesses or function centres, hotels, cafes, restaurants and other hospitality venues, which are currently subject to the 25 per cent capacity or one person per four square metre restriction, what would be the threshold for them to receive any further assistance from the state government? Would it require a further lockdown?

**The Hon. R.I. LUCAS:** No. What we have said on that is that we are continuing to monitor the impacts on various industry sectors such as, in particular, hospitality. We are mindful of the fact that hospitality continues to be impacted. It will obviously be more significantly impacted if we continue with the one per four square metre restriction as opposed to either one per two or three per four. It is 25 per cent capacity at the moment. If we move to 50 per cent or 75 per cent capacity, then obviously there will be less impact in terms of the hospitality sector. That is obviously one of the issues that we will monitor.

We have had conversations with the commonwealth government, and we will continue to have those conversations with the commonwealth government, about the ongoing impacts on industry sectors. It is an evolving position from the commonwealth government in relation to their position in terms of what assistance they might provide, in particular to impacted businesses.

The Premier has had a conversation with the Prime Minister. I have had a conversation with Josh Frydenberg, the federal Treasurer. We are continuing to have those conversations with the commonwealth government about monitoring the situation, the ongoing impact on industry sectors such as hospitality, and what need there might be for some level of ongoing assistance from the state government, and possibly even the federal government, but that is obviously a separate decision for the federal government.

**The Hon. S.C. MULLIGHAN:** You said in your answer that you would monitor the impacts on the hospitality industry. The AHA has already publicly said that maintaining a 25 per cent, or that one person per four square metre restriction, is in effect a continuation of a lockdown on their industry. How many more weeks of these conditions will be required for the state government to provide more financial support to that sector?

**The Hon. R.I. LUCAS:** When you say, 'How many more weeks?', we are actually only in the first 12 hours. We have been in lockdown. We have now moved into these level 3½, I guess, restrictions, so we are not actually talking about having moved into extra weeks of the restrictions. We will monitor. We are in the first 12 hours of the impact.

We appreciate the fact that the association fiercely represents the views of its members, but we certainly do not accept the view that opening up at one per four square metres is the same as a lockdown. We accept the fact and understand the fact that there is a significant impact in particular on a number of businesses within the hospitality sector. Clearly, if we were to stay at one per four square metres for an extended period of time, there would be a very significant impact on a number of businesses within the sector. But for those of us in the CBD this morning, we welcome the fact that our local coffee shops were open and doing a little bit of business, albeit on a takeaway basis generally, as many of them do for the morning trade.

It is certainly not the same as lockdown. We do not accept that particular view, but we do accept the view that there is a significant impact. We are monitoring it, and we are leaving open the option of what additional assistance we might need to provide to the hospitality sector. Whether we stay at one per four square metres, or even if we move to one per two square metres, we will still look at what additional assistance we might need to provide to the hospitality sector and in particular to the hospitality sector within the CBD.

**The Hon. S.C. MULLIGHAN:** Just to be clear on that, Treasurer, this is not the first 12 hours of these restrictions. Before the seven-day lockdown was announced, the 25 per cent capacity had already been implemented, so there had been a period of that prior to the seven-day lockdown. Then we have had a seven-day lockdown, and now we have at least a week, according to the government, of a maximum 25 per cent capacity on these businesses, so we have a minimum period of two weeks. My question was: how many more weeks on top of that two-week period of either lockdown or 25 per cent capacity will be the trigger? I guess your answer is that you will continue to monitor the impacts on the industry; is that right?

**The Hon. R.I. LUCAS:** Yes, we will monitor it on a daily basis. We are not going to wait for a threshold of two weeks, three weeks or four weeks. We are not that naive. We will monitor it on a daily basis. We will continue to discuss with the representatives of the hospitality sector and other industry sectors because, to be frank, there are other industry sectors that are impacted in a continuing way, but the hospitality sector is obviously front of mind at the moment.

We will, as I said, continue the discussions we are having with the federal government. I am sure, from the discussion I had with the Premier this morning, it is likely to be one of the top agenda items at the next national cabinet meeting, which I think is this Friday, so it is likely to be a topic of discussion. We continue the discussions with the Prime Minister and the federal Treasurer. We will monitor the situation on a daily basis, and we understand the fact that we may well need to provide some level of additional assistance.

**The Hon. S.C. MULLIGHAN:** Can I ask specifically how you will monitor the impact on the industry and what information will inform your considerations?

**The Hon. R.I. LUCAS:** We will talk to representatives of the stakeholder groups. That is the most obvious monitoring. Treasury obviously has available to it information that is provided to Treasury directly from individual businesses that, I can assure you, continue to contact my colleagues

in the House of Assembly and the Legislative Council and, I am sure, will contact members of the opposition as well. It is a constant stream of information from individual businesses putting views, sometimes reflecting the views of their stakeholder groups, sometimes slightly different. We are open to listening, consulting, being a very open and transparent government, consultative government. We will continue to monitor the situation on a daily basis.

**The Hon. S.C. MULLIGHAN:** You said that you will monitor the situation by listening to the representatives of stakeholder groups. I have already put to you that one of those representatives from the Australian Hotels Association, Ian Horne, has said publicly that a 25 per cent capacity limit or one person per four square metres is in effect a continuation of a lockdown, and you have rejected that assertion, so clearly you will not be listening to the representatives of stakeholders. But you have also said that Treasury will have some information. What information will Treasury have in order to inform your considerations about the impact of these restrictions?

**The Hon. R.I. LUCAS:** Mr Chairman, can I just say that it is possible for someone to listen but not necessarily agree; they are not mutually exclusive. The member may well have his own definition of what listening means, but listening does necessarily mean agreeing. You can listen respectfully and respectfully take a different position in terms of a judgement, and that is what I as Treasurer will continue to do. On many occasions we will agree with Mr Horne and the AHA, but there have been many occasions where I disagree with the views of Mr Horne. I am unafraid of publicly indicating that.

We will continue to monitor it. For example, in relation to the hospitality industry, as I said to some journalists yesterday, some elements of the hospitality industry, in particular those with gaming machines, have been doing extraordinarily well. If you happen to be a hospitality establishment with gaming—I would invite the member to have a look at the recent gaming revenue figures for establishments with gaming machines. There are a whole variety of factors which impact on the viability of certain businesses.

That is a specific sector of the hospitality industry and obviously it does not include cafes and restaurants. In particular, the group that Mr Horne represents, essentially the Hotels Association, a significant number of his members are impacted by the changes that have occurred in relation to gaming machines in the state. That is just one example of the sort of information that is available to the government either through Treasury or Consumer and Business Services.

We will continue to monitor all the information that we can get. For example, there are figures that are produced on a regular basis in relation to CBD office occupancy rates. Clearly, so long as businesses and the public sector are encouraging people to work from home, where they can, that impacts CBD-related businesses. To the extent that we can actually move, we hope, quickly to a position where government is encouraging public servants to come back to their offices, that has a significant lift for CBD-related businesses.

There is a lot of information that stakeholder groups provide either directly or indirectly to Treasury, and they are in a position to provide me with some advice, together with direct information that I might get from a stakeholder group or, as I said, individual businesses and companies that are impacted.

**The Hon. S.C. MULLIGHAN:** There are 6,000 licensed premises across South Australia, across restaurants, cafes, hotels, small bars, pubs, clubs, etc., and I think less than 600 have poker machine licences, so 5,400 out of the 6,000 licensed premises. The way in which you monitor how they are going, aside from gaming machine revenue, will be occupancy rates from consumer and business affairs. Is that your advice to the committee?

**The Hon. R.I. LUCAS:** They were just two examples of very many.

**The Hon. S.C. MULLIGHAN:** Could you provide us with some examples of the very many?

**The Hon. R.I. LUCAS:** I have just indicated that we will continue to consult with stakeholder groups, individuals. My colleagues are very good at providing information in relation to the impacts on their particular businesses. We will continue to monitor all publicly available information and information that we might have made available to us in terms of what the impacts are. The Single Touch Payroll information, which comes out on a fortnightly basis, obviously is useful information the

longer restrictions might continue, whether they be at the level 3½, as I have termed them, or whether they be at some different level over the coming weeks. There is a lot of information which treasurers and treasuries have available to them. The fact that I give you a couple of examples does not mean that that is the only information upon which I make a judgement.

**The Hon. S.C. MULLIGHAN:** Given you have discounted the views of Ian Horne and the Australian Hotels Association, what other representatives of stakeholder groups will you be taking information from?

**The Hon. R.I. LUCAS:** Anyone that wants to put a point of view to us. Treasury has had discussions with the taxi industry, for example. There are various tourism-related bodies. I am not going to list all of them. There are any number. Again, being the open and transparent and consultative government we are, my door is always open to take a phone call or have a meeting in relation to the potential impacts on business and industry. The Premier, for example, has a regular meeting, whether it be by Zoom or, when circumstances permit, face to face, with a very large number of stakeholder groups that provide views to the government via this meeting with the Premier right across various industry sectors, and that occurs on an ongoing basis.

**The Hon. S.C. MULLIGHAN:** With regard to your earlier comments about conversations that you have had with Josh Frydenberg and that the Premier has had with Scott Morrison, have either of you asked the commonwealth government to do more to provide financial support to South Australia?

**The Hon. R.I. LUCAS:** We are in active discussions with the commonwealth government. At this stage we are not going to indicate publicly the nature of those particular discussions, but you and the people of South Australia can rest assured that we will always act in the best interests of the people of South Australia, and we will have those ongoing discussions. As I said, national cabinet will have a discussion on this particular issue and related issues on Friday.

My last discussion with the Treasurer was late last night; I think the Premier's last discussion with the Prime Minister might have been the early hours of this morning. We continue to have ongoing discussions, but we are not going to reveal publicly at this stage the nature of those particular discussions. But you can rest assured that we will be doing whatever we need to do to protect the interests of business, industry and the people of South Australia.

**The CHAIR:** Member for Lee, I will just jump in there and remind you that this is estimates committee, and every question should have a relevant expenditure line. There may be those questions that may be more relevant for other opportunities within the house; so if you could continue and please reference your next question to an expenditure line.

**The Hon. S.C. MULLIGHAN:** Thank you. I have not finished on the same line that I mentioned at the commencement of my questions. When it changes, I will let you know, Chair. So you cannot confirm whether you have asked the commonwealth for more support? Can you perhaps provide advice to the committee whether the commonwealth has indicated whether any more support is forthcoming?

**The Hon. R.I. LUCAS:** As I indicated, at this particular stage I am not prepared to reveal the nature of the discussions we have had with the commonwealth government, other than to say that you and the people of South Australia can always rest assured that the Premier and myself will do whatever we need to do to protect the best interests of the people of South Australia, including in this particular case impacted business sectors. We are having ongoing discussions.

As I said in my opening statement, the nature of commonwealth assistance has been an evolving process. We have seen, for example, that their decision in relation to the COVID-19 Disaster Payment was an evolution of their original position in relation to providing assistance. We had discussions with them. They indicated the extent of their support would be only to provide it in the commonwealth declared hotspots. We then, as a result of those discussions, extended it to the rest of South Australia in terms of where it might be.

At the national cabinet, I think the most recent one, the commonwealth's position essentially has been, eventually, to reach a position where they would leave the level of business support to state governments. If that position evolves, and that is that the commonwealth government was to

change that particular position, then South Australia would obviously have discussions with the commonwealth in relation to that particular evolution of the commonwealth's position.

**The Hon. S.C. MULLIGHAN:** I have a change of budget reference, Chair: it is Budget Paper 3, page 13, with regard to the GST. Treasurer, you said that 'we will always act in the best interests of South Australia' and that you and the Premier will 'protect the interests of South Australia'. Regarding acting in the interests of South Australia, has Treasury undertaken any analysis of the new GST distribution arrangements that have been agreed by you and the Premier?

**The Hon. R.I. LUCAS:** The answer to the question is that we continue to do analysis of what the impact of the GST arrangements are, but let me correct the record. The position in relation to the current arrangements was not agreed. There was no deal signed off by the Premier and myself in relation to the new position the commonwealth government adopted in 2018. We adopted a very public position, both individually and through the Board of Treasurers, back in 2018, that we supported strongly the retention of the pre-existing arrangements in relation to the distribution of the GST.

Regarding the HFE assumptions that underpinned that original arrangement, it was the commonwealth government that unilaterally took a decision—well, not unilaterally but in consultation with the Western Australian government—to go ahead and make changes to that particular arrangement. They do have the power, and have always had the power, to make that particular position. It had not been a position adopted by previous federal governments, Labor or Liberal, over the 20 or so years since the establishment of the arrangements.

It is not correct that it was a position that the South Australian government agreed with. We did not have to sign off on it, and we then lobbied with most of the other state and territory governments to amend the legislation to put in a no-worse-off guarantee. Our position was to try to get a no-worse-off guarantee forever and a day, but the best the federal government was prepared to do—I might say my recollection was that it was supported by the federal opposition, but I would need to check the record—was that they would put in a no-worse-off guarantee through to 2026-27, and they agreed to having a Productivity Commission review prior to the end of that particular arrangement.

The current arrangements are not arrangements that the South Australian government agrees with. We said so at the time and continue to say so now. Nevertheless, the commonwealth government, ultimately with the support of the federal parliament, put through legislation that has delivered the situation we have now.

**The Hon. S.C. MULLIGHAN:** You might enjoy a podcast by Malcolm Gladwell that I enjoy. It is called *Revisionist History*; I will send you the link after we conclude today.

**The CHAIR:** Member for Lee, there is no need to make off-the-cuff comments.

**The Hon. S.C. MULLIGHAN:** No, I had that written down. Does the Premier still—

**The CHAIR:** Member for Lee, you do not need to make pre-prepared comments. If you can continue with your question.

**The Hon. S.C. MULLIGHAN:** But I have a whole folder. What was I meant to do for eight hours today?

**The CHAIR:** Member for Lee, proceed with your question.

**The Hon. S.C. MULLIGHAN:** Thank you, Chair. Why did the government release a media statement after the federal government had announced these new arrangements, in which the Premier was quoted as saying, 'This is a massive win for the people of South Australia'?

**The Hon. R.I. LUCAS:** I do not have that particular statement in front of me, but I suspect he would have been referring to the fact that we actually finally got a change to the federal legislation to put in a no-worse-off guarantee right through to 2026-27. It was not our preferred position; our preferred position was no change at all. Plan B for us was a no-worse-off guarantee funded by the commonwealth forever and a day, but ultimately we were able to convince a number of members—

across the board, I might say. I wrote to every federal Liberal MP at the time, urging them to support, both within the joint party room and within the parliament, an amendment to the legislation.

My friends in the other states did similar things: comrade Tim Pallas did a similar thing in relation to Victorian Labor MPs in the federal parliament, and I think Dom Perrotet in New South Wales also did the same thing. So treasurers were active in terms of lobbying their federal MPs to support this particular amendment. In the end, the commonwealth government supported the no-worse-off guarantee, albeit only through to 2026-27.

**The Hon. S.C. MULLIGHAN:** Your letter that you sent to federal MPs in South Australia was sent three days after the Victorian government had made similar representations to its own federal MPs and after the state opposition here had called for you to take that action. Why did you need to be dragged into that position? Why did you not advocate more strongly on behalf of South Australia from the get-go?

**The Hon. R.I. LUCAS:** I think the member overestimates his importance in the greater scheme of things. I can assure the member—

**The Hon. S.C. MULLIGHAN:** That must make two of us then, given your ineffective lobbying.

**The CHAIR:** Member for Lee, come on.

**The Hon. R.I. LUCAS:** The member overestimates his own importance, does he? Well, that is up to him to concede. We do not need to take advice from, with great respect, the opposition in terms of positions that we adopt.

The treasurers, with the exception of the Western Australian Treasurer at the time, Ben Wyatt, were united in a view, through the Board of Treasurers and other forums that we had, in terms of opposing changes to the arrangements. There were positions released on behalf of the Board of Treasurers at the time indicating, with the exception of Western Australia, opposition to the proposed changes. Each of us, within our own spheres of influence, were active. Whilst we are always grateful for advice from the state opposition, it certainly was not our guiding light.

**The Hon. S.C. MULLIGHAN:** Like advice from Ian Horne and the AHA, it sounds like.

**The Hon. R.I. LUCAS:** I do not know that I had advice from Ian Horne on the GST, but I can check the record for you.

**The Hon. S.C. MULLIGHAN:** You are happy to listen to advice but not take it. Has Treasury seen the modelling done by Victorian Treasury, which estimates the impacts under various scenarios once the no-worse-off guarantee ends in 2027?

**The Hon. R.I. LUCAS:** Yes, we have seen various modelling, including the modelling that Victorian Treasury have done.

**The Hon. S.C. MULLIGHAN:** Is it Treasury's view that a loss of GST, once that guarantee ends, is a reasonable scenario?

**The Hon. R.I. LUCAS:** No, we do not think it is a reasonable scenario. We are actually opposed to any loss of revenue for South Australia as a result of—

**The Hon. S.C. MULLIGHAN:** Or a feasible scenario, perhaps I should say.

**The Hon. R.I. LUCAS:** You said reasonable.

**The Hon. S.C. MULLIGHAN:** Yes, and now I am saying feasible.

**The Hon. R.I. LUCAS:** Okay. When you say feasible, it depends. I think there are six different models that have been done by Victoria, one of which was remarkably similar to a scenario that, based on Treasury advice, I had mapped out in, I think, letters I wrote to the federal Treasurer and to others at the particular time. That looked at the potential for iron ore prices, for example, to significantly increase.

I think the fact that Victoria has modelled six particular options means that they could have modelled, and anyone could model, dozens more options because it is impossible to predict a whole



variety of factors such as differences in iron ore prices. Most of the options that have been modelled are options that are possible options, none of which we are in a position to say will be the case or will not be the case.

Clearly, federal Treasury's estimates in terms of what was going to occur from 2018 to 2021 in relation to the national economy and the impacts of this particular deal on what federal Treasury has to put in have changed markedly from their original estimates, and that is federal Treasury with all of the economic grunt that they have available to them. So you can model any number of scenarios, none of which you can actually absolutely rule out but equally none of which you can say is definitely going to be the case in the future.

The bottom line is all treasurers, other than Western Australia, have a view that either the deal has to be renegotiated, but that would appear to be unlikely given the position of both the Prime Minister and the Leader of the Opposition federally, because the only way that deal can be renegotiated is if the government of the day takes legislation through the parliament and amends it, or the no worse off guarantee, which is meant to expire in 2026-27, is continued. We are supportive of either renegotiation of the deal, which looks problematic, or, what is more likely, we hope, which is sufficient political pressure to have the no worse off guarantee continued, funded by the commonwealth.

**The Hon. S.C. MULLIGHAN:** So just for the committee's benefit, one of the scenarios you might have been referring to was relativities being at a 10-year average, a GST loss per year of \$220 million to South Australia and a mining boom scenario—the current scenario we are in at the moment—of a loss of \$258 million a year to South Australia. Since these new arrangements were put in place, since that legislation was passed, what steps have you taken to renegotiate those arrangements?

**The Hon. R.I. LUCAS:** The issue has been raised at CFFR and the issue has been raised at the Board of Treasurers. I have indicated to the federal Treasurer and to my state Treasury colleagues that—I guess before that I should indicate that the Productivity Commission review was meant to be conducted before the end of 2026-27. In March of this year, I wrote to the federal Treasurer asking him to bring that review forward because, in our respectful view, some of the federal Treasury estimates as to what the impact would be have not proved to be the case and that, therefore, for all of us to be better informed of what the impacts might be, it would be better to have this review done by the Productivity Commission well before 2026-27.

What I indicated to the federal Treasurer and to my other Treasury colleagues is that in the absence of an agreement from the commonwealth, which I have not received, that I am intending to commission, on behalf the state government, an independent review in lieu of the Productivity Commission review; that is, to find a suitable independent person with a national reputation in terms of federal-state financial relations and to have that person conduct an independent review on behalf of the South Australian government and indeed any other state or territory government that might be like-minded—and I have had discussions with a number of interstate Treasurers—and to provide information to us as to what the impacts might be.

The commonwealth government may well take a position that you would expect the Victorian Treasury or the South Australian Treasury or some other state-based Treasury to produce its own figures. We would like to see a Productivity Commission review of this brought forward, but in the absence of that, because we cannot control that, I have indicated that I am intent on pushing ahead with a South Australian-commissioned review, potentially with or without the support of some of my interstate or territory colleagues.

**The Hon. S.C. MULLIGHAN:** The federal Productivity Commission has already provided a review and advice on GST arrangements, has it not?

**The Hon. R.I. LUCAS:** Not the one that is referred to in relation to this new deal—the new deal being the 2018 deal I am talking about. In relation to that, there was an indication to look at the impacts of that, what the experience has been and obviously to provide recommendations about the future. The Productivity Commission review to which I refer is not the one or any work that is being currently done by the Productivity Commission or indeed any other body.

**The Hon. S.C. MULLIGHAN:** When the Productivity Commission previously looked at this in the period leading up to the change in the arrangements that were federally legislated, they provided two options for reform of GST in WA's favour, did they not? They were a change to per capita share of GST payments, which would have cost our state in the order of \$2 billion, and then also a change to the relativities as an alternative, which would have cost us in excess of \$200 million a year; that is correct, is it not?

**The Hon. R.I. LUCAS:** I cannot recall the details of that, but the broad parameters of what you are talking about I recall. The actual numbers, I do not have in front of me.

**The Hon. S.C. MULLIGHAN:** I think that was the advice the Under Treasurer provided the Budget and Finance Committee during this period.

**The Hon. R.I. LUCAS:** I am sure if he did, that would have been accurate.

**The Hon. S.C. MULLIGHAN:** That is right, I am sure it would be accurate too. For you to call on the federal government to bring forward that same Productivity Commission to look at these arrangements again places us at significant financial risk, surely?

**The Hon. R.I. LUCAS:** We already are at significant financial risk; we have already indicated that. We are not changing the circumstances of the financial risk. What we want to do is provide any sort of greater light or transparency on the current arrangements, which we believe are potentially going to be unfair to most jurisdictions—probably all jurisdictions—with the exception of Western Australia.

I do not think we have to establish the fact that, from everybody's view other than Western Australia, these arrangements are unfair. What we are trying to do is to get anybody—and as I said, the federal government is not minded to bringing forward the Productivity Commission review, so I am looking, as I indicated earlier, at a South Australian-commissioned review with or without potentially the support of some of the other jurisdictions.

**The Hon. S.C. MULLIGHAN:** So if the federal Productivity Commission has previously looked at this issue and have come up with two options, one of which would cost South Australia \$2 billion a year and the other one would cost South Australia in excess of \$200 million a year, why on earth would you write to the federal government calling for another review by them to be brought forward?

**The Hon. R.I. LUCAS:** This is already a review going to happen, so whatever information—and there are different terms of reference for this particular proposed review to the one that you are referring to. We also have a circumstance of a new deal and the views that federal Treasury might have had about what the impact of this deal is, as I have indicated in terms of what the cost to the federal budget might be, are now markedly different to federal Treasury's views.

The Productivity Commission may well—and I would hope would on the basis of new information—find that maybe some of the information and advice they got from federal Treasury perhaps when they conducted their review pre-2018 has not proved to be accurate. However, as I said, I think we are now talking about a set of circumstances which is locked and loaded and going to happen in the period just leading up to 2016-17, so that is going to happen. The issue is when it will happen. In the alternative, as I have indicated today, I am looking at commissioning, with or without the support of some other colleagues, an independent review of our own in relation to these particular arrangements.

**The Hon. S.C. MULLIGHAN:** When did you make the decision to commission this South Australian independent review?

**The Hon. R.I. LUCAS:** As I said, I wrote to the federal Treasurer in relation to this issue back in March, in and around that time, possibly before or afterwards, and indicated that if that was not going to happen I would leave open the option of doing that. But given the fact that there is no traction with the federal government, we have been engaged for a number of months now trying to find, in consultation with a number of colleagues, a suitably credentialed person to conduct the review.

**The Hon. S.C. MULLIGHAN:** When will you look at commencing that review?

**The Hon. R.I. LUCAS:** As soon as we can find a suitably credentialed person. I think the worthiness of the review will depend very much on the standing of the person doing the review, and the challenge for us is to find someone who has the understanding, capacity and reputation to conduct this particular review and, secondly, also has the time and willingness to be able to do it. We have established a couple of stand-out names but they were just not in a position, given their other responsibilities, to undertake the review, so we are now working our way through other stand-out names, from our viewpoint, to see whether or not they have the time and willingness to conduct such a review.

**The Hon. S.C. MULLIGHAN:** Has Treasury maintained its view that the original principles of horizontal fiscal equalisation and the method of determining the GST relativities based on those principles should be retained in the future?

**The Hon. R.I. LUCAS:** Not only Treasury but I have as Treasurer. As I indicated, our position, prior to being elected to government and day by day since we were elected to government, is to continue to maintain that the original principles were sound. We did not believe the arguments the Western Australian government used and the commonwealth government eventually agreed to—and got the legislation through the federal parliament; they could not do it by themselves—was sound.

What we have now, and the proof of the pudding has been in the eating, if I can use that expression, is a situation where Western Australia is rolling in GST money, being funded at the moment by the federal budget, and they are rolling in money from iron ore prices which have gone from \$40 a tonne to over \$120 or something at some particular stage. During a continuing global pandemic, with every other state and commonwealth government massively in deficit and massively increasing debt, the Western Australian government budget is rolling in money. They are running surplus budgets.

They are having to work out how to spend the money, which was exactly the point that the rest of us were making at the time. The horizontal fiscal equalisation was a situation that allowed that if a particular government like the West Australian government benefited from massive increases in iron ore prices then the amount of money they got from GST was reduced over a period of time, so you had a counterbalancing going on. As the royalties massively expanded, their GST reduced, and vice versa; they were protected if it went the other way.

What Western Australia now has is a massive underpin in terms of the GST, and they have the cream on the cake, with billions of dollars from royalties that they have to work out how to spend. That is an unfair position. It was a position we argued publicly and privately with the commonwealth government and with Western Australia and the other state and territory governments. With the exception of Western Australia, the board of treasurers adopted a united view that we all continue to support the position.

I think it would be fair to say that some of the bigger states over the years have not always supported HFE to the same extent that the smaller jurisdictions like South Australia have, but on this particular occasion there was massive unanimity from the big states, like New South Wales and Victoria, and the smallest jurisdictions, like South Australia and Tasmania.

**The Hon. S.C. MULLIGHAN:** Can I ask why you and the Premier were not effective in maintaining the previous GST distribution arrangements? Why could you not convince Josh Frydenberg and Scott Morrison to maintain the current arrangements?

**The Hon. R.I. LUCAS:** Because ultimately the commonwealth government took a different position in consultation with the Western Australian government, and they were able to get the support of the federal parliament. I need to check the record, but I assume in doing so they had to get the support of your federal Labor colleagues as well.

**The Hon. S.C. MULLIGHAN:** But not the Labor states?

**The Hon. R.I. LUCAS:** Or the Liberal states.

**The Hon. S.C. MULLIGHAN:** Or the Liberal states?

**The Hon. R.I. LUCAS:** No, well we are a Liberal state.

**The Hon. S.C. MULLIGHAN:** And yet here we are with these arrangements.

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

**The Hon. S.C. MULLIGHAN:** The Premier, and indeed yourself, over the last three years have made much of your special close relationship with the commonwealth government and a softly, softly approach to negotiation, which bears more fruit, according to you, than tub thumping, yet we have a poorer GST deal and we still do not have any clarity on the sustainment work for the Collins class jobs. Would you say that your approach is working?

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

**The Hon. S.C. MULLIGHAN:** Absolutely. It is a worse GST deal, no sustainment jobs confirmed for the subs—

**The CHAIR:** This is not about making statements. As you are aware, you need to ask a question.

**The Hon. S.C. MULLIGHAN:** I have what I need from that line of questioning. Can I draw the Treasurer's attention to Budget Paper 4, Volume 4, page 135 and the net cost of services for Treasury and Finance. What is the budget for the Commercial and Economics Unit within the department?

**The Hon. R.I. LUCAS:** As the member would probably recognise, it is not separately accounted for. It is included in program 1, which is accountability for public sector resources. I am told approximately 28 FTEs, which may well be around about \$6 million. If on reflection those numbers are significantly different, I will provide a clarified response to the member, but that is the advice that I have just got.

**The Hon. S.C. MULLIGHAN:** So it is approximately \$6 million, 28 FTEs. If you could come back with a precise—

**The Hon. R.I. LUCAS:** If it is anything significantly different to that, I will.

**The Hon. S.C. MULLIGHAN:** What are the classifications of those 28 FTEs?

**The Hon. R.I. LUCAS:** I would need to take that on notice.

**The Hon. S.C. MULLIGHAN:** What projects has the unit been working on in the 2020-21 financial year?

**The Hon. R.I. LUCAS:** I can probably take on notice and give some sort of broad indication of the sort of work that has been undertaken there. There are many and varied things that the Commercial and Economics Unit has had to work through. Some of the examples are the schools PPP project, the SAHMRI 2 project, the ongoing issues in relation to Berkshire Hathaway and the MAC deal and new water projects across the state.

With regard to Port Bonython, there is an expression of interest which we have publicly indicated in relation to the land and other related facilities in and around Port Bonython. There are dozens and dozens of projects, some of which are public and we are happy to make public but many of which are issues we are working on a confidential basis and may or may not see the light of day.

**The Hon. S.C. MULLIGHAN:** With regard to the Port Bonython EOI, that is being managed by that unit, although I understand a private land agent has been engaged to handle the EOIs, etc. When that was announced, the Minister for Energy, I think, made some public comments about the desirability of potential uses for that land and mentioned a particular firm—either HTU or HTC—a hydrogen related firm. Did you release or issue any directions regarding that EOI process and whether ministers were to meet with any prospective bidders or tenderers for that land?

**The Hon. R.I. LUCAS:** There are normal arrangements in relation to expressions of interest processes. The clearest recent example I can recall is the banking tender that has gone out. Ministers have just been reminded of the existing provisions in relation to meeting with people; that is, there is no prohibition on the meeting with, for example, banks.

You may well run into people at social engagements and a whole variety of things, or you may well, as a minister, meet with representatives of the banking industry. It is just a prohibition for other ministers not to be discussing details in relation to the tender arrangements. Obviously, if you are a bank, for example, there are a thousand other things that you might be wanting to talk to governments and ministers about, as opposed to the banking contract which we are managing out of Treasury.

Broadly, the provisions that apply to the banking contract or tender would be broadly similar to the guidance that is provided to ministers in relation to an expression of interest. The member will be familiar with Renewal SA, for example, where there are any number of expressions of interest in relation to land development proposals and projects, etc.

Obviously, people who are expressing interest in a development proposal are actively engaged in a whole variety of other processes and projects as well. There are guidelines and advice provided to ministers in relation to not discussing particular projects or proposals, but it does not prevent you from meeting with proponents. You just need to be aware of the advice.

**The Hon. S.C. MULLIGHAN:** For example, Minister van Holst Pellekaan, the Minister for Energy, would be free to meet with a proponent who was interested in submitting something in response to that EOI.

**The Hon. R.I. LUCAS:** Yes, but he is not to talk about the tender. My recollection in relation to the minister statements was that the meeting to which he was referring might have been prior to the issuing of expressions of interest. That is my recollection. Again, if my recollection is incorrect, I am happy to come back and correct the record. There is no blanket prohibition, but there is certainly advice not to be discussing the terms and nature of whatever particular bid someone might be putting in or expression of interest they might be putting in.

**The Hon. S.C. MULLIGHAN:** You also mentioned the banking tender. Is that being managed by the Commercial and Economics Unit?

**The Hon. R.I. LUCAS:** No, I understand the financial management branch of Treasury is managing it.

**The Hon. S.C. MULLIGHAN:** With that same budget reference—Budget Paper 4, Volume 4, page 135, the net cost of services for the entire department—on that banking tender, when does the current banking arrangement expire?

**The Hon. R.I. LUCAS:** November 22, I understand.

**The Hon. S.C. MULLIGHAN:** What are the time frames for the conduct of that tender arrangement? When are EOIs or RFTs open until, and when is a decision planned to be made by the government?

**The Hon. R.I. LUCAS:** My advice is that the EOIs are open and, again, if it is incorrect, I will correct the record. I recall writing to ministers some time ago providing advice on it. They are open, and my understanding is that it is likely that the expression of interest would be on our tenders and contracts website, which is publicly available. But, again, I can clarify that and perhaps before the end of the proceedings today just confirm whether or not the details of that are on our tenders and contracts website. I have just been advised that the expression of interest closes on 30 August.

**The Hon. S.C. MULLIGHAN:** And then there will be a subsequent request for a proposal or more specific process; is that correct?

**The Hon. R.I. LUCAS:** Yes, that is our advice.

**The Hon. S.C. MULLIGHAN:** Is there a time line that is estimated for that process as well?

**The Hon. R.I. LUCAS:** We are aiming to have it completed by the end of the calendar year.

**The Hon. S.C. MULLIGHAN:** Who is the current banker for the government, both for transaction services and also credit cards?

**The Hon. R.I. LUCAS:** The Commonwealth Bank.

**The Hon. S.C. MULLIGHAN:** The Commonwealth Bank for both? Purchase cards as well?

**The Hon. R.I. LUCAS:** I am advised purchase cards are the ANZ and everything else is Commonwealth Bank.

**The Hon. S.C. MULLIGHAN:** You said you have written to ministers. I assume, similar to the advice you provided about Port Bonython, it is just to remind them of their responsibilities during a procurement process.

**The Hon. R.I. LUCAS:** Yes, I think the advice in relation to ministers went to all ministers because of the fact that all ministers may well be exposed to meeting with members of banking groups in a whole variety of areas. Banks, for example, sponsor art events and a whole variety of events. Banks are obviously involved in a whole variety of community events and occasions, where all ministers across the spectrum are likely, on a regular basis, to be running into representatives of banks. My recollection is it might have even been more explicit advice in relation to the banking contract, but broadly the same principles apply, as I said, in relation to any of the major contracts.

**The Hon. S.C. MULLIGHAN:** Can I draw your attention to Budget Paper 4, Volume 4, page 171, which is the completion of the table for receipts into the Consolidated Account. About six or so lines down, there is a rebate for the government banking contract, which appears to be a payment to the government I assume from the contract holder of that banking arrangement; is that right?

**The Hon. R.I. LUCAS:** I am advised yes.

**The Hon. S.C. MULLIGHAN:** Why did they make that payment?

**The Hon. R.I. LUCAS:** I am advised that it was part of the contract that your government negotiated.

**The Hon. S.C. MULLIGHAN:** How long has that contract been in place?

**The Hon. R.I. LUCAS:** I do not know. Certainly it was under your government, so it is longer than three years.

**The Hon. S.C. MULLIGHAN:** Could be 19 then?

**The Hon. R.I. LUCAS:** My advice is that your government rolled it over with the Commonwealth Bank at least once, but how many times and what the duration was I do not know. Evidently as part of that contract, once you get above a certain level of service or whatever it is, that contract requires payment from the bank to the government.

**The Hon. S.C. MULLIGHAN:** So there is a specific contractual provision that requires that rebate to be paid to the state government; is that right?

**The Hon. R.I. LUCAS:** I am advised that, yes.

**The Hon. S.C. MULLIGHAN:** Is that money then paid on to any specific agencies or departments?

**The Hon. R.I. LUCAS:** It goes into Consolidated Account.

**The Hon. S.C. MULLIGHAN:** Is that rebate paid on the basis of the performance of a set number of transactions or other activity within the contract?

**The Hon. R.I. LUCAS:** I do not know—this is your contract. I would have to take advice. I am happy to take advice as to what the threshold is, and if it is not a commercially confidential part of your former government's contract, I am happy to share that information, but I do not know the specifics of the rebate arrangement.

**The Hon. S.C. MULLIGHAN:** What are the specific requirements the government will be placing on the new contractual arrangements with the banker? Are there industry participation requirements, are there financial product provision requirements to South Australians, etc., anything like that?

**The Hon. R.I. LUCAS:** We will look at whatever existing arrangements the former government negotiated, and we will look to see whether we should reflect those, replicate them or improve them. At this stage, I will not comment publicly on the nature of what might or might not be a contractual discussion with a successful applicant.

**The Hon. S.C. MULLIGHAN:** But there is nothing going out to all financial service providers who might respond to either the EOI or the RFP process which says that, in responding to this, you must demonstrate how you are going to provide X, Y and Z product or service or facility?

**The Hon. R.I. LUCAS:** I think the EOI would outline all those expectations, but I would invite the member to go to the publicly available site. If that expression of interest is on that particular site, he can satisfy himself as to the arrangements. If it is not, I will see what information I can provide.

**The Hon. S.C. MULLIGHAN:** And that will only be in the EOI, not in a subsequent RFP process or documentation?

**The Hon. R.I. LUCAS:** I mean, the member was a minister before. The EOI is a broad net. It gets expressions of interest and then, when you get to an RFT or an RFP, you go through a more refined process. In relation to what expectations you might have of short-listed bidders or a preferred bidder, there are all sorts of those sorts of discussions that can be part of those discussions. For obvious reasons, I am not prepared to discuss the nature of the government's expectations in particular at the moment. We will see what comes from the expressions of interest process and then negotiate further.

**The Hon. S.C. MULLIGHAN:** Can I draw your attention to Budget Paper 3, page 33. I think the government is on record as saying that, for the Women's and Children's Hospital, the estimated capital cost at this point in time is \$1.95 billion. For the committee's benefit, how much of that is allocated across the forward estimates? I think \$1.1 billion has been said publicly. How much of that \$1.1 billion is allocated across each year of the forward estimates?

**The Hon. R.I. LUCAS:** I refer the honourable member to State Budget Paper 1, Budget Overview. The breakdown is provided there. It is \$28 million up to 2021, \$84 million in 2021-22, \$200 million in 2022-23, \$350 million in 2023-24, \$474 million in 2024-25 and, beyond the forward estimates, \$814 million.

**The Hon. S.C. MULLIGHAN:** Of that \$814 million, do you know how much will be allocated in the 2025-26 and 2026-27 financial years?

**The Hon. R.I. LUCAS:** I think we have a profiling of that. I think the budget paper makes it clear that this is our final and best estimate. It is now subject to an Infrastructure SA review. Once it has been through the final Infrastructure SA review process, we will have a final estimate of the total cost. Once we have that, with the Treasurer's hat on, we are hopeful that they might be able to value manage it down marginally, but in the event they do not, or if it ends up being slightly higher or slightly lower, we will then have to profile 2025-26 and 2026-27. At this stage, we have not allocated. We will wait for the final estimate based on the Infrastructure SA process.

**The Hon. S.C. MULLIGHAN:** How is that additional \$814 million to be financed? Will it require taking on additional government debt?

**The Hon. R.I. LUCAS:** Ultimately, it will be a combination of government continuing, hopefully, to run operating surpluses. You will have a balance then of whether or not it will be increasing in debt or running operating surpluses. I think, as the honourable member is aware, we are looking at an operating surplus of just under half a billion dollars a year towards the end of the forward estimates. Ultimately, it will be for a new government to decide what the level of operating surplus might be beyond the current forward estimates. Obviously, it will be a combination of that and ongoing debt management.

We are delighted to see the analysis from Moody's in relation to having been exposed to our thinking in relation to how we have spread the debt profile of the north-south corridor project right through to 2030, the Riverbank arena project through to 2027-28 and the Women's and Children's Hospital through to 2026-ish. Those are the three big projects we have. We have consciously taken the decision to spread those over the period right through to 2030.

As a result of being exposed to all of our thinking in relation to that, Moody's confirmed our credit rating and said that, broadly, it was a sustainable or manageable level of debt that the state government had in terms of its infrastructure, as long as we were prepared to maintain the fiscal discipline that we were demonstrating by returning to surplus a year earlier than had been previously predicted and three years earlier than many other states and territories and even the commonwealth government.

**The Hon. S.C. MULLIGHAN:** You said that if you are running net operating surpluses you will not need to incur further debt.

**The Hon. R.I. LUCAS:** No, I did not. I said the combination of both of those factors.

**The Hon. S.C. MULLIGHAN:** It had nothing to do with a net operating surplus, because your budget is in—

**The Hon. R.I. LUCAS:** Obviously, if you—

**The Hon. S.C. MULLIGHAN:** —net operating surplus—

**The CHAIR:** Member for Lee, the minister is entitled to respond to your question.

**The Hon. S.C. MULLIGHAN:** Thank you for your protection, Chair.

**The Hon. R.I. LUCAS:** Obviously, if you run a very significant net operating surplus—

**The Hon. S.C. MULLIGHAN:** I think you mean net lending surplus, do you not, in order to not accrue debt.

**The Hon. R.I. LUCAS:** Both: net operating and net lending surplus. If you run very significant surpluses on your budget, you take some pressure in terms of what you have to borrow. The reality is if the government of the day lacks the fiscal discipline to continue to manage surplus budgets, then you will have to borrow more. If you are able to run surplus budgets, you take some pressure in terms of your debt profile. But even with the profile that we have mapped out to Moody's—and we have mapped out for them our thinking in terms of how we are going to manage the north-south corridor, the Women's and Children's and the Riverbank arena—they issued their statement confirming the state's credit rating.

**The Hon. S.C. MULLIGHAN:** Again, the same budget reference—Budget Paper 3, page 33—for the Chair's benefit. How much of the north-south corridor funding, of the \$9.9 billion we are told the project will now cost, is provided in the forward estimates?

**The Hon. R.I. LUCAS:** I again refer the member for Lee to Budget Paper 1, page 3. All the information is there for this and if he wants to ask about the Riverbank arena as well. Each of the years of the forward estimates are mapped out. For the north-south corridor, up to 2020-21 it is \$53 million, for 2021-22 it is \$151 million, for 2022-23 it is \$395 million, for 2023-24 it is \$1,385 million, for 2024-25 it is \$1,407 million, and beyond the forward estimates it is \$6,547 million.

**The Hon. S.C. MULLIGHAN:** How much of that across the forward estimates is funded by the state and how much is funded by the commonwealth?

**The Hon. R.I. LUCAS:** Fifty-fifty.

**The Hon. S.C. MULLIGHAN:** So for all of those years, in each year, it is exactly fifty-fifty?

**The Hon. R.I. LUCAS:** We are funded for that particular project at fifty-fifty.

**The Hon. S.C. MULLIGHAN:** Overall, yes. In those years, how much represents what is commonwealth revenue for infrastructure for that project and how much is the state contribution?

**The Hon. R.I. LUCAS:** I am advised, under the accounting standards, we have to account for it when we do the work, irrespective of when we might receive the cash. So under the accounting standards we have to account for it when we do the work, so we are planning to do the work in that sort of profile. That is how we have to account for it.

**The Hon. S.C. MULLIGHAN:** So of the \$6.5 billion beyond the forward estimates, fifty-fifty of that would be, as you would imagine, \$3.25 billion that the state will need to fund?



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

**The Hon. S.C. MULLIGHAN:** Again, how will that—do you have a view or—

**The Hon. R.I. LUCAS:** The same accounting principles will apply unless the accounting principles change. If the current accounting principles apply, we will have to account for it in the same way. When we actually spend it, we will have to account for it irrespective of when the cash might flow from the commonwealth. That has actually been a change over recent years. I think, under the former government, when the member might have been a minister, there were different arrangements in terms of accounting practices, so when the cash flowed may or may not have impacted budget aggregates in a different way.

The world has moved on since the change of government, and accounting principles have changed. We are now required to account in a different way from the way the former government was required to. I say it is not a decision of the former government. Accounting principles have changed and it impacts all governments, Labor or Liberal.

**The Hon. S.C. MULLIGHAN:** Of the city stadium, I think you have outlined \$79 million across the forward estimates for preliminary works.

**The Hon. R.I. LUCAS:** For the Riverbank arena, we spend nothing this year. We spend \$10 million in 2022-23, we spend \$20 million in 2023-24, we spend \$49 million in 2024-25, and beyond the forward estimates, up to 2027-28, we are proposing to spend \$583 million.

**The Hon. S.C. MULLIGHAN:** So we have \$814 million for the Women's and Children's Hospital, \$3.25 billion being the state share for the north-south corridor and \$583 million for the new stadium. Is it your expectation that some or all of that will need to be raised by further debt?

**The Hon. R.I. LUCAS:** Again, my answer is the same as before. It is a combination of borrowings but also it is a combination of your budget aggregates. If you run significant surpluses, you take pressure off the level of debt that you have to incur. A government that is prepared to be fiscally disciplined can help take pressure off the levels of debt. But, again, all of this we have explained to the ratings agencies, one of which has now publicly issued their statement in relation to the budget position. I probably have their statement here somewhere.

**The Hon. S.C. MULLIGHAN:** So it will require a greater level of fiscal discipline than what we have in the current budget; is that right? Will it require more expenditure restraint?

**The Hon. R.I. LUCAS:** No, it is a continuation of the sort of fiscal discipline, but even further strengthening, that this government is demonstrating; that is, significant surpluses.

**The Hon. S.C. MULLIGHAN:** Will the government be able to provide the same level of investment spending as we have in the current forward estimates and accommodate these projects without incurring further debt?

**The Hon. R.I. LUCAS:** Just to give some comfort to the member—

**The Hon. S.C. MULLIGHAN:** I have read the statement—

**The Hon. R.I. LUCAS:** Well let me share this with the other members of the committee who might not have.

**The Hon. S.C. MULLIGHAN:** —and it is not in the line of questioning.

**The CHAIR:** Member for Lee, the minister is entitled to respond how he wishes.

**The Hon. R.I. LUCAS:** Mr Chairman, Moody's, having been exposed to all of the discussions we are having—and I am quite happy to have them here—said, and I quote:

Notwithstanding this, South Australia's debt burden benchmarks favourably against its domestic peers. Overall, the state's debt affordability at the budgeted levels remain strong and its debt position is expected to remain sustainable in the context of sustained low global interest rates and the likelihood of fiscal repair in the wake of the impact on the economy of the coronavirus and comparisons with similarly rated peers.

We are delighted that Moody's, as an independent body, have considered the sorts of questions that we are discussing here today and have confirmed our credit rating at AA1 stable.

**The Hon. S.C. MULLIGHAN:** Can the government, beyond the forward estimates, maintain the same level of infrastructure investment without incurring further debt?

**The Hon. R.I. LUCAS:** No, I have indicated publicly, and I think possibly even at the joint forum that the member and I spoke at, that the current elevated level of public sector infrastructure cannot be continued in the future by, in my view, any government. We will have to return to more normal levels of public sector infrastructure. The challenge is for the private sector, given, in particular, this government's focus on reducing the cost of doing business in the state, to take up the slack and resume a more normal role of being a very prominent contributor to construction activity in the state.

In my view, the state—and I have expressed this publicly, as I said—cannot continue at a level where we have \$4 billion economic stimulus over two years and the impacts that that might have on public sector infrastructure. You cannot continue that forever and a day. We have to return to more normal levels. The sorts of levels of expenditure that were being incurred under the former government would be the sorts of levels that you might have to return to.

**The Hon. S.C. MULLIGHAN:** With this extra well over \$4.5 billion of expenditure which will be required from the state—not including the commonwealth, but just from the state—for the Women's and Children's, the north-south corridor and the new stadium beyond the forward estimates, in order to not incur any further debt, what sort of level of net lending, surplus or deficit would need to be run in order to require that no further debt needs to be raised?

**The Hon. R.I. LUCAS:** Mr Chairman, I am not prepared to speculate about issues of which there are so many factors that will impact on budget parameters from 2026 onwards. It is difficult enough to project budgets over a four-year forward estimates period. It is challenging enough, as anyone looks at one year's forward estimates for any government and then looks at what happens four years later. The whole world changes and the state changes.

There are very significant variables to that and it is challenging enough to do four-year estimates. I am not prepared to publicly speculate about specific numbers beyond the forward estimates other than that we need to spread our debt load, which is what we are doing, and therefore our infrastructure program over a longer period, which is what we are doing. We have been criticised by some for having, under Tony Abbott originally, said the north-south corridor will be finished by 2024. We have extended that to 2030.

We committed to the Women's and Children's Hospital being done by 2024. We have extended that now through to 2026. In relation to the commitment to the Riverbank arena, we are only spending \$30 million on that in the next three years; again, because we need to spread the infrastructure program and the debt load over a long period of time. That is sensible budget management. Moody's in particular have listened to that particular discussion and debate and were pleased to be able to report a retention of our credit rating.

**The Hon. S.C. MULLIGHAN:** Has Treasury done any medium-term forecasts, including the financial years beyond the forward estimates, about what level of debt might be reached by the state budget by accommodating those three projects in the rest of the capital spend?

**The Hon. R.I. LUCAS:** I say to Treasury, 'Do your very best with trying to estimate what's going to happen in the next four years,' or, frankly, this year, and that is more than enough work for Treasury to undertake.

**The Hon. S.C. MULLIGHAN:** So they have not?

**The Hon. R.I. LUCAS:** We are not going into the detail of what the budget position might be like in 2026-27. It is difficult enough to predict four years in advance let alone going out six, seven or eight years in advance.

**The Hon. S.C. MULLIGHAN:** Has work been done or not?

**The Hon. R.I. LUCAS:** We are not doing specific work in relation to levels of budget debt and deficit in 2026-27.

**The Hon. S.C. MULLIGHAN:** So the state is committed to those three projects which have an additional \$4.5 billion plus of state-only expenditure in order to deliver them beyond the forward

estimates, and there has been no work or no estimate that has been done about future debt levels for the state.

**The Hon. R.I. LUCAS:** There has been work done in relation to what the impacts of these particular projects will have on debt levels but there are other decisions—

**The Hon. S.C. MULLIGHAN:** So there has been work?

**The Hon. R.I. LUCAS:** There are other decisions governments have to take in relation to what is ongoing, and other public sector infrastructure, and they are decisions that governments will have to take. Post the 2022 election, if there is a re-elected government, the government will have to take a decision as to what the level of other public sector infrastructure projects might be. If there is a change of government, the changed government will have to make a decision as to what level of other public sector infrastructure projects they might want to commit to.

If a government wants to commit to billions of dollars on tram projects, for example, they will have to work out where they are going to find the money for that. There are all sorts of wonderful ideas to spend money but ultimately the challenge for treasurers and treasuries is how you actually fund them.

**The Hon. S.C. MULLIGHAN:** I draw your attention to the same budget paper, page 30, interest expenses. In the scheme of things there has only been a relatively minor change in the debt level at the end of the forward estimates compared to last year's budget and the end of its forward estimates, yet interest expenses are \$285 million a year higher by the end of the forward estimates: why is that?

**The Hon. R.I. LUCAS:** In broad terms about two-thirds of it is due to increased debt levels, and about one-third of it is due to Treasury estimates about increases in interest rates. The debt levels at the end of the forward estimates in this year's budget—but in last year's budget and in the Mid-Year Budget Review—were always estimated to be significantly higher than at the start of the process.

**The Hon. S.C. MULLIGHAN:** No, sorry, for that same level of debt, the interest costs are \$285 million higher, and I am asking why those interest costs are so significantly higher. That is in the general government sector, in the non-financial public sector—in the total government sector it is over \$300 million a year. Last year, in the non-financial public sector, we had \$33.2 billion worth of debt and this year's budget has it at \$33.6 billion of debt and—

**The Hon. R.I. LUCAS:** For a different forward year.

**The Hon. S.C. MULLIGHAN:** Yes, for a different forward year—

**The Hon. R.I. LUCAS:** If you are talking about the same year it is actually less.

**The Hon. S.C. MULLIGHAN:** But for the same level of debt, I am talking about when that debt reaches that level.

**The Hon. R.I. LUCAS:** Yes, but you are confusing two years now.

**The Hon. S.C. MULLIGHAN:** No, I am not confusing two years.

**The Hon. R.I. LUCAS:** Yes, you are, you are confusing—

**The Hon. S.C. MULLIGHAN:** No, you are misrepresenting my point.

**The CHAIR:** Member for Lee—

**The Hon. S.C. MULLIGHAN:** No, do not counsel me when I am being verballed by the minister.

**The CHAIR:** Excuse me.

**The Hon. S.C. MULLIGHAN:** I know you want to be involved—

**The CHAIR:** Excuse me.

**The Hon. S.C. MULLIGHAN:** You are excused. We are in the middle of trying to settle what the question was and—

**The CHAIR:** Member for Lee, I was giving you a chance to ask your question in—

**The Hon. S.C. MULLIGHAN:** No, you were not; you were calling me to order.

**The CHAIR:** I was calling both you and the minister to order.

**The Hon. S.C. MULLIGHAN:** No, you were not, you said, 'Member for Lee.' We were trying to clarify what the question and the point was.

**The CHAIR:** Member for Lee, I am giving you the opportunity to ask your question without interruption.

**The Hon. S.C. MULLIGHAN:** It does not sound like it; it sounds like you are still counselling me.

**The CHAIR:** If you can provide that question to the minister he will listen to you and he will respond. Both the minister and the member for Lee will give each other the opportunity to talk without interruption.

**The Hon. S.C. MULLIGHAN:** My point was that last year's budget, at the end of the forward estimates, had a forecast debt level for the total government sector of \$33.2 billion. This year's budget, at the end of the forward estimates, has a total government debt level of \$33.6 billion. My point to you is that when debt reaches that level, of over \$33 billion in this year's budget, interest costs are \$300 million a year higher. My question was why is that? The debt level has not increased, at least not substantially, not that would warrant a 30 per cent increase in interest costs. My question is why are those interest costs higher?

**The Hon. R.I. LUCAS:** The first point I would make is that the member is confusing two separate years. Last year's budget paper has a different end of the year forward estimate, so if you compare the same year, there is actually a lower debt level by \$1½ billion or something, whatever it might happen to be, in terms of an apples for apples comparison year to year. What the member is comparing is one year at the end of the forward estimates for last year's budget paper and a different year for this year's forward estimates.

In relation to what the impacts on interest expenses are, there are two factors. One is that there is a significant increase in debt levels from the start of the forward estimates to the end of the forward estimates, and the second is that there is an increase in interest costs. You do not have to be a Rhodes scholar to note that 10-year bond rates, for example, since late last year have been edging higher. Whilst the cash rate from the Reserve Bank has stayed the same, the financial markets are still at historically low levels, just not at the extraordinarily historically low levels that they were late last year.

Compared to when the member was last in government, and certainly when I was last in government, these interest rates we are talking about are at slightly elevated levels. The advice I got was that the 10-year bond rate had gone up around about 0.7, 70 points or so, or around about that particular margin. In the United States, the 10-year bond rate had gone up around about that level, or maybe marginally higher, so the financial markets are certainly looking at long-term bond rates and they have been edging higher.

Our increased interest expense in aggregate at the end of the forward estimates period is a combination of two factors. One is significantly higher debt, therefore even if the interest rates stay the same you are paying more interest, the other is increased interest expenses.

**The Hon. S.C. MULLIGHAN:** Last year's budget recorded for the non-financial public sector a debt level of \$33.2 billion and in that year, for that level of debt, an interest expense of \$876 million. This year's budget records a debt level of \$33.6 billion, a 2 per cent increase, and yet a \$305 million increase in interest expenses. I take part of your advice that bond rates are expected to increase. My next question is by how much?

**The Hon. R.I. LUCAS:** I just indicated that since late last year to early this year the market had edged higher by about 70 points. I really cannot add anything more to the previous responses I

have given to the question, other than that the chief executive has just highlighted page 89 of Budget Paper 3, which is the risk statement with which the member will be familiar. That makes it clear, if that is where the member wants to head, that the impact of a 1 per cent percentage point move in the average interest rate applying to general government sector net debt would change net interest expense by approximately \$182 million in 2021-22, rising to \$249 million in 2024-25. One percentage point in the PNFC sector would change its net interest expense by approximately \$80 million in 2021-22. The budget papers outline the risks of various factors, such as wage increases and interest expenses. If the member wants information, that is there in Budget Paper 3.

**The Hon. S.C. MULLIGHAN:** I appreciate that. Looking at page 89, which talks about the general government sector, interest costs do increase by more than \$249 million, which is what the risk statement says would represent an increase of one percentage point in those interest costs. What is Treasury's estimate of how much interest costs will rise by the end of the forward estimates that warrants such an increase in these interest expenses?

**The Hon. R.I. LUCAS:** I am not prepared to provide any further information in relation to our public estimates about interest rate movements between now and the end of the forward estimates. The budget papers are there. They are the combined estimates of Treasury in terms of what they believe interest expenses will be. They are their best estimates. One only has to look at past state budget papers and federal budget papers, frankly, to be quite clear that the very best experts in the world, whether they are in Treasury or whether they are in the private sector, know that it is a very imperfect science in trying to predict where interest rates are going to go.

**The Hon. S.C. MULLIGHAN:** Looking over the page at page 90, which talks about the broader government sector, the public non-financial sector, we have an estimate for the first year, but unlike the general government sector on the previous page there is no estimate by the end of the forward estimates. Can I ask that you bring back to the committee an estimate by the end of the forward estimates similar to what you provided for the general government sector?

**The Hon. R.I. LUCAS:** I understand we can do that, Mr Chairman.

**The Hon. S.C. MULLIGHAN:** Your advice is that you are factoring in, you think, 70 basis points.

**The Hon. R.I. LUCAS:** No, I indicated that the 10-year bond rate had moved since late last year—

**The Hon. S.C. MULLIGHAN:** By 70 basis points.

**The Hon. R.I. LUCAS:** —to early this year by 70 basis points. The member needs to understand the nature of the responses I am giving.

**The Hon. S.C. MULLIGHAN:** I do. They are evasive and inconclusive.

**The CHAIR:** Member for Lee, can you please give the minister an opportunity to respond?

**The Hon. R.I. LUCAS:** Your extension of my response there, Mr Chairman—

**The Hon. S.C. MULLIGHAN:** You would like to clear my language, would you now, sir?

**The CHAIR:** Sorry?

**The Hon. S.C. MULLIGHAN:** I said you would like to clear what I say to the committee now, would you, sir?

**The CHAIR:** No, I would like you to allow the minister time to produce an answer before interrupting him.

**The Hon. S.C. MULLIGHAN:** He made a reference to what my understanding was, and I provided it to him. I am not sure that that exchange needed any introduction or intervention from you.

**The CHAIR:** Member for Lee, I am the Chairman of the committee.

**The Hon. S.C. MULLIGHAN:** Yes, and you are, like an AFL umpire, trying to insert yourself into the game unnecessarily. Perhaps you need some advice from the member for MacKillop on how to umpire a game properly.

**The CHAIR:** Perhaps that may be your opinion. Treasurer, please return to the answer.

**The Hon. R.I. LUCAS:** Mr Chairman, I am diverted by discussions about AFL umpires. Ray Chamberlain's name immediately springs to mind. It is wrong for the member to have extended my particular response, which specifically said the advice I got was that 10-year bond rates had moved since late last year to early this year by 70 points, to then say, as he did, that that was the assumption that we had made in relation to the forward estimates between now and the end of the forward estimates period. They are two completely different concepts.

**The Hon. S.C. MULLIGHAN:** No, you are right, and you have drawn my attention to the comments in the risk statement, which would indicate it is more like a one percentage point increase in these interest costs, and I am grateful for your counsel.

I draw your attention to Budget Paper 5, page 44, which is the additional funding for SA Health. This additional funding, which has been titled 'Establishment of a sustainable, efficient health system', is essentially provided both in the previous financial year that has just ended and the next three financial years, before dropping down to \$15 million in the last year of the forward estimates. This is in effect reversing previously factored in savings from the health budget, is it not?

**The Hon. R.I. LUCAS:** Broadly, I think that is an accurate statement. The other factor that we have to bear in mind is that the former government adopted a position, which we agreed with and have continued, that health should have, we would hope, a short-term goal, but let's put it as a medium to long-term goal, to achieve the National Efficient Price in terms of delivery of services. The former government factored that into their budget estimates, and we have just continued the same process.

What is new is that the National Efficient Price has actually been rising, and so that does impact on some of these budget aggregates because the task for SA Health in terms of meeting the National Efficient Price is not as large a task as it was when the National Efficient Price was lower. The costs, obviously, in other jurisdictions are increasing more quickly and that has meant that the task for SA Health, while still significant, is not as significant as it was under the former government and under our first couple of years.

**The Hon. S.C. MULLIGHAN:** Because there is less money provided in 2024-25, is there an assumption that—

**The Hon. R.I. LUCAS:** Sorry, less money, do you mean?

**The Hon. S.C. MULLIGHAN:** Yes, less money that is being provided in the budget measure in 2024-25—only \$15 million. Is there an assumption that in the course of the financial year you will reach that national price?

**The Hon. R.I. LUCAS:** No, the assumption is over four years they will trend towards the national price and get there in 2024-25. It is consistent with the assumption the former government made that, over the forward estimates period, Health would arrive at the National Efficient Price. But, as I said, the one thing that has changed is that the National Efficient Price has actually increased. The assumptions we have used are the same as the former government generally used, and that is that over a period of four years, the forward estimates, Health will eventually arrive at the National Efficient Price.

**The Hon. S.C. MULLIGHAN:** Has Treasury notionally allocated those additional resources or the easing of savings—perhaps I can put it that way—to LHNs, or is that a task for SA Health itself?

**The Hon. R.I. LUCAS:** That is an issue for SA Health. We have a budget aggregate which goes to SA Health. We are obviously aware of it in terms of the discussions, etc., and what is an ongoing discussion is the challenge of individual LHNs getting towards the National Efficient Price. You may well find that one LHN is much closer to the National Efficient Price than others. CALHN historically has been the one that has been furthest away from the National Efficient Price, and others have been much closer, but the distribution is a decision for SA Health.

**The Hon. S.C. MULLIGHAN:** But they make you aware of it.

**The Hon. R.I. LUCAS:** Yes, obviously. There are service level agreements (SLA). There is an SLA between SA Health central, or whatever it is, and the LHNs. There is a service level agreement in terms of, 'This is your money, and this is what you are agreeing to provide by way of services for that amount of money.'

**The Hon. S.C. MULLIGHAN:** Have they made you aware of how they are going to disburse this additional funding for SA Health across the LHNs as yet?

**The Hon. S.C. MULLIGHAN:** We obviously have an account executive, who is overworked and underpaid in terms of managing the relationship between SA Health—there are probably a couple, I guess, but I was thinking of one in particular. But, yes, he and therefore through him senior executives of Treasury are obviously kept apprised. My advice is that there is an ongoing discussion at the moment in relation to the service level agreements for 2021-22. They have not been finalised yet.

**The Hon. S.C. MULLIGHAN:** For the provision of this additional funding, essentially alleviating a level of savings that were previously required of SA Health, what are the remaining savings requirements on SA Health across these forward estimates years?

**The Hon. R.I. LUCAS:** We will need to take that on notice. I do not think any of the budget papers reveal the individual savings tasks for individual agencies, other than that I think we have had a general statement there that says we have imposed no new savings tasks, other than the ongoing savings tasks that agencies had. The challenge with Health is how you actually mix that with what we were just talking about which is, in essence, the forgiveness of certain savings tasks and what that mix is in relation to it, and also how you interpret their requirement to arrive at the National Efficient Price, which again we just discussed, over the forward estimates period. We will need to take that one on notice and see what information we can provide.

**The Hon. S.C. MULLIGHAN:** If you could provide that to the committee subsequently that would be appreciated. At that reference, page 24 of Budget Paper 3, where it talks about the general government operating savings, can you also bring back to the committee a breakdown across those four years of the savings requirements on the government general sector agencies?

**The Hon. R.I. LUCAS:** I am happy to consider that and take it on notice and see what information, if any, I am prepared to provide to the committee. As I said, the budget papers do not include that for Health or for others. We have the aggregate number, but the member is asking, obviously, for a breakdown according to individual agencies. The aggregate number is on page 24. I am prepared to take it on notice and consider what information, if any, I am in a position to provide to the committee.

**The Hon. S.C. MULLIGHAN:** On Budget Paper 3, page 89, it talks about as a risk the successful delivery of savings and revenue measures or otherwise, and talks about, despite there being no new measures in the budget, a continuation of the existing efficiency dividend policy of 1 per cent of agency/employee expenses per annum, and 1 per cent in their net cost of services per annum. Does that apply to all general government sector agencies?

**The Hon. R.I. LUCAS:** As the former government did, we have carve out for parts of Health, parts of Education, parts of Police and maybe even parts of Corrections. My advice is that this is broadly consistent with the policy adopted by the former government. Exclusions from the efficiency dividend on employee expenses, to which the member referred, include Health and schools, so they are excluded. As the member would probably understand, Health and Education, not just Health and schools, is 50 to 60 per cent, depending on whether you put in TAFE. It is not strictly with schools—I am not sure whether they are included or not. So they are excluded.

Exclusions from the efficiency dividend on net cost of services is even broader again. Again, I am told that this is relatively consistent with the policy adopted by the former government. Excluded from this is Health, schools, the judicial area of courts, police officers—with only 0.5 per cent applied to the remainder of unsworn SA police—frontline emergency service staff, prison operations and disability services. So there is a wide range of exclusions from the efficiency dividend on the net costs of services.

**The Hon. S.C. MULLIGHAN:** I think in the past, certainly under the previous government, there was an annual assumption by Treasury and funding to those general government sector agencies of an indexation of expenses each year; so, for example, employee expenses or goods and services expenses would be indexed as a basis for funding. Is that still the case?

**The Hon. R.I. LUCAS:** EBs we obviously fund, and as Treasurer and Minister for Industrial Relations I am responsible for that. I am advised, in relation to services and supply, or goods and services, for the year just gone it was 2.5 per cent, which was significantly higher than what should have been the case, but it was too late to make a change in relation to that. So, in terms of this year's result of them getting more than what inflation would have been for services and supply in 2020-21, we have reduced it to 1 per cent for 2021-22 and 1 per cent for 2022-23, and then it returns in our forward estimates to 2.5 per cent from 2023-24.

**The Hon. S.C. MULLIGHAN:** Are there any exclusions to—

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

**The Hon. S.C. MULLIGHAN:** The same exclusions?

**The Hon. R.I. LUCAS:** In relation to the 1 per cent for this year and next year to which I have just referred, and then 2.5 per cent for all agencies, there are certain exclusions from that. If there is a negotiated contract that has been entered into that has an agreed contractual provision for higher than 1 per cent, obviously the agency gets reimbursed for that. There is also an arrangement in relation to non-government organisations to which we have given a commitment for 2.5 per cent, which I think we have now put on our website in relation to certain contracts with non-government organisations at 2.5 per cent. Agencies that might have arrangements with NGOs will be funded to allow 2.5 per cent indexation for those organisations.

**The Hon. S.C. MULLIGHAN:** Regarding the 1 per cent that you have applied in the budget for the 2021-22 and 2022-23 financial years, how much money is it saving in the budget compared to what the provision of 2.5 per cent would have provided?

**The Hon. R.I. LUCAS:** We would need to take that on notice. We will also give the committee information on how much extra they got last year, given that services and supply went up significantly less than 2.5 per cent.

**The Hon. S.C. MULLIGHAN:** So it was not previously 2.5 per cent; it was just a one-off bump to 2.5 per cent. Is that right?

**The Hon. R.I. LUCAS:** No, I think it was 2.5 per cent as the standard. I do not know for how long, but certainly when we came to government it was 2.5 per cent, so I presume that in the final years of the former government it was 2.5 per cent. Whether, during crises like the GFC and others, it went down as a result of special circumstances at the time I do not know, but upon arriving in government the standard was 2.5 per cent. We took a decision. It was too late for us to reduce the 2.5 per cent last year, so we have taken the decision, as a savings task, to reduce it this year and next year and then to return to 2.5 per cent in 2023-24.

**The Hon. S.C. MULLIGHAN:** Thank you. I appreciate your taking on notice what information you will provide on the agency-by-agency breakdown of the operating savings, as well as what the reduction to 1 per cent saves across the board. Budget Paper 5, page 9, government land sales. Regarding the \$20 million a year of land sales, is that just from government sector agencies or is it from non-financial public sector agencies as well?

**The Hon. R.I. LUCAS:** My advice is that it could be both.

**The Hon. S.C. MULLIGHAN:** Are there any exclusions to that? Perhaps let me put it another way: is there a notional allocation of the task that has been put next to specific agencies?

**The Hon. R.I. LUCAS:** The answer to that is no. What we have canvassed, and I think I said something publicly about this last year—we did an audit of what might notionally be referred to as surplus land. We did that in the broad and the aggregate. We then went and consulted with agencies who then, in a significant number of cases, said, 'Well, it might look surplus or vacant but we actually need it' for this or for that or whatever it might happen to be, or 'We have already factored it into our savings task.'



So a large number of potentially surplus properties became a much smaller group of properties and they are now in active discussion with agencies as to whether they serve a useful purpose at all or whether or not they can consolidate their property holdings. Essentially, it is driven by a process a number of other state governments, Labor and Liberal, have adopted in terms of lazy balance sheets. If there are surplus government landholdings, or whatever it is, that have no purpose short, medium or long term then the government is looking to see whether or not it can dispose of those. That would be treated as, I am advised, an investing receipt and would help in a modest way to reduce debt levels.

**The Hon. S.C. MULLIGHAN:** So that list has been constituted and is being discussed with agencies. How are agencies required to bring those land sales to market? Is it just as long as it is pursuant to circular 114 or are there other ways in which it will be offered?

**The Hon. R.I. LUCAS:** I think as the member would be aware there are general principles under PC 114 that apply but there are any number of other processes for departments and agencies. There is a small opportunity for unsolicited bid processes, but there are strict guidelines in relation to how that process is adopted. But, broadly PC 114 is the guiding principle that agencies are required to follow.

**The Hon. S.C. MULLIGHAN:** How much was budgeted for the Treasurer's contingency fund in 2020-21, how much was spent and on what?

**The Hon. R.I. LUCAS:** Can you just clarify? You are not talking about the contingency arrangements in the administered items?

**The Hon. S.C. MULLIGHAN:** No, I am talking about your contingency fund.

**The Hon. R.I. LUCAS:** Just the personal slush fund that treasurers have?

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

**The Hon. R.I. LUCAS:** About \$500,000. I certainly did not overspend it last year. I think, in the end, I made a contribution ultimately of about \$250,000 or \$240,000 it might have been. I think there was one small contribution to an agency and a more significant one that I gave to Variety to fund some buses for disability services as a result of a cutback in their fundraising capacity and also a sponsorship program for children with disabilities. They were going to have to cut back the number of sponsorship programs. I think that was the only significant allocation out of the \$500,000. There were no Greek Orthodox churches that got any money from my Treasurer's contingency, or Catholic churches for that matter.

**The Hon. S.C. MULLIGHAN:** Have you got something against the Greeks?

**The CHAIR:** Member for Lee!

**The Hon. S.C. MULLIGHAN:** My mother-in-law was born in Greece.

**The Hon. R.I. LUCAS:** No, the former Treasurer just seemed to have a preference for significant funds out of the Treasurer's slush fund to Greek churches.

**The Hon. S.C. MULLIGHAN:** Is there something wrong with that?

**The Hon. R.I. LUCAS:** In my view, the process in relation to the allocations is not a process I would have adopted.

**The Hon. S.C. MULLIGHAN:** Which Greek church do you think should not have received funding?

**The Hon. R.I. LUCAS:** They are already publicly listed.

**The Hon. S.C. MULLIGHAN:** So they are the ones that should not have received funding?

**The Hon. R.I. LUCAS:** From my viewpoint, I would not have made those allocations.

**The Hon. S.C. MULLIGHAN:** Thank you. How much is budgeted for the fund for the current financial year, and have any commitments been made against that fund?

**The Hon. R.I. LUCAS:** No, what is budgeted is the same amount. It is \$500,000, but I have made no allocations at this stage. The contribution I made to Variety was out of last year's allocation. I will check for you, but there was a very small allocation that I gave to I cannot remember if it was Voice of Industrial Death or asbestos. I might be confusing the years, but there was a small contribution I made in the early part of the last financial year to one organisation. I am not sure whether it was this financial year or the previous financial year in which I made a small contribution.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 4, Volume 4, page 134, Ministerial office resources. Can I ask why the number of FTEs has increased from 13 in 2017-18 to 15 in your office?

**The Hon. R.I. LUCAS:** In 2017-18?

**The Hon. S.C. MULLIGHAN:** It was the last year of the previous government. In the Treasurer's office there were 13 FTEs and you have 15. Can I ask why?

**The Hon. R.I. LUCAS:** I can assure you I have fewer staff in my office than the former Treasurer had, so I am not sure where the 13 number has come from.

**The Hon. S.C. MULLIGHAN:** In total, between those years the number across all ministerial offices seems to have increased from 166.9 FTEs to 221.

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

**The Hon. S.C. MULLIGHAN:** Being Treasurer, you must understand how those allocations are made. Can I ask why that is?

**The Hon. R.I. LUCAS:** This issue was clarified, and I will need to pull out the issue. The number of staff in ministerial offices under this government is significantly fewer than under the former government, contrary to what the member has indicated. There was a different accounting provision I think between either ministerial officers and the ones that were accounted for in departments or something. I remember addressing this in either last year's estimates or the estimates of the year before, but I can assure the committee that there are fewer staff in ministerial offices under this government than under the former government. Certainly in relation to my office there are fewer staff than under the former Treasurer.

**The CHAIR:** Time has expired in terms of the examination of payments in relation to the portfolio Department of Treasury and Finance. There being no further questions on that basis, I declare the examination of the portfolio Department of Treasury and Finance complete.

*Sitting suspended from 11:01 to 11:17.*

#### **Membership:**

Mr Szakacs substituted for Mr Piccolo.

#### **Departmental Advisers:**

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

Mr M. Francis, Chief Executive Officer, ReturnToWorkSA.

Mr D. Quirk, Chief Financial Officer, ReturnToWorkSA.

Mr M. Campbell, Executive Director, SafeWork SA.

Ms P. Osborne, Executive Change Manager, SafeWork SA.

**The CHAIR:** We move to examination of proposed payments in regard to ReturnToWorkSA and SafeWork SA. The minister appearing today is the Treasurer. I advise that the proposed payments remain open for examination and call on the minister to make an opening statement, if he wishes.

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

**The CHAIR:** There being no opening statement from the Treasurer, lead speaker for the opposition, would you like to make an opening statement?

**Mr SZAKACS:** No.

**The CHAIR:** There being no opening statement from the lead speaker, we will move to questions from the committee.

**Mr SZAKACS:** I refer to Budget Paper 3, page 53, specifically table 3.19, under the heading 'Dividend and income tax equivalent income'. My question is: under what circumstances or in what environment is a dividend or tax equivalent payment made to the government?

**The Hon. R.I. LUCAS:** I am advised that for tax equivalent payments, section 29(2)(a) and (3) of the Public Corporations Act require public corporations to make a payment to the Treasurer equivalent to the income tax and other taxes or imposts it would be liable to pay under the law of the commonwealth. Section 27A(1) of the Return to Work Corporation of South Australia Act confirms the application of those sections to ReturnToWorkSA.

In Treasurer's Instruction 22, this tax or equivalent payment is calculated by applying the company income tax rate to ReturnToWorkSA's audited accounting profit. ReturnToWorkSA's audited accounting profit is the net profit or result from ordinary operating activities. Pursuant to section 27A of the return to work act it is only required to make a tax equivalent payment if it achieves a funding level of at least 100 per cent at a probability of sufficiency of 75 per cent and achieves a profit from its insurance operations. It is expected that the second criteria will not be met for 2020-21.

**Mr SZAKACS:** Treasurer, I note that the latter part of your answer was that there will not be an estimated profit on the second of those criteria for 2020-21. Is it true then to say that there is, across the forward estimates, not a projected profit against that criteria either?

**The Hon. R.I. LUCAS:** No, that would be a step too far. ReturnToWorkSA just projects the current financial year's estimates. They do not project whether or not they are going to anticipate making a profit or not in subsequent financial years. This calculation is for 2021-22.

**Mr SZAKACS:** I refer to the same budget line and page number. Why then does the table prescribed project no income tax equivalent payment to be made across the forward estimates?

**The Hon. R.I. LUCAS:** It is correct to say that they budget to break even and therefore, from a budget viewpoint, we do not budget to have income tax equivalents from ReturnToWorkSA across the forward estimates.

**Mr SZAKACS:** The same page number and dot point. What was the underwriting result for 2020-21?

**The Hon. R.I. LUCAS:** I am advised that it is still subject to audit and the actuarial evaluation, which has not yet been received.

**Mr SZAKACS:** When will that be received?

**The Hon. R.I. LUCAS:** I am advised that the audit and the actuarial evaluation will be available during the month of August and then there is a meeting in September—from the board that is—in relation to signing off on their audited accounts.

**Mr SZAKACS:** Do you have any information in respect of the currency of underwriting result for any quarter of 2020-21 to hand?

**The Hon. R.I. LUCAS:** I am advised that for the six months through to December 2020, the loss on insurance operations was \$43 million against a budgeted loss of \$68.8 million. ReturnToWorkSA was going into the financial year expecting a loss in its insurance operations, or budgeting for a loss in its insurance operations. There was still a loss but it was at a significantly lower level but, nevertheless, still a \$43 million loss. That was at the six-month mark.

**Mr SZAKACS:** Is it fair to then deduce from that half-yearly figure that the net underwriting result for a full year will be considerably better for the corporation than it was in 2019-20? So 2019-20 was a net operating loss of \$256 million.

**The Hon. R.I. LUCAS:** Yes, we hope so and, yes, that would be a fair assumption, but we will have to wait for the audit and the actuarial evaluation.

**Mr SZAKACS:** So if we are projecting out figures from the half year, it could be up to a \$180 million better outcome than it was in 2019-20?

**The Hon. R.I. LUCAS:** I am advised that there is still likely to be a loss on insurance operations for the financial year. I am advised that we are not in a position at this stage to put a number on what that is, but it is still, at this stage, expected to be a loss on the insurance operations for the financial year.

**Mr SZAKACS:** You may need to come back to us on this one, considering the time frames of the receipt of this information, but can you advise what the total premiums collected for 2020-21 were?

**The Hon. R.I. LUCAS:** Again, the final figures will be evident once the accounts have been audited, but the current guesstimate is about \$520 million in 2020-21. The fact that the state's economic recovery was much earlier and stronger than was being predicted by everyone, I think, at the start of the financial year is obviously a significant factor in that improved estimate for the financial year but, again, the final number will be signed off by the board in September.

**Mr SZAKACS:** But it is considerably more than, as we were advised last year, a budget of around \$466 million of receipts?

**The Hon. R.I. LUCAS:** As I said, the significant factor in that is that the economic recovery was stronger and earlier than many were predicting, and obviously the board, consistent with the view of the world at the time, took a conservative position in relation to it, but the state's economic recovery has meant that there were more premiums being paid through the financial year than was expected at the start of the financial year.

**Mr SZAKACS:** Still on Budget Paper 3, page 53, I note Mr Francis' evidence from last year that the budget for investment returns for 2020-21 would be 3.96 per cent. Can you advise what the actual returns were for 2020-21?

**The Hon. R.I. LUCAS:** Again, subject to the caveat that it is subject to the final, the current estimate is close to about 11 per cent instead of the just under 4 per cent, so a significantly improved performance, as most people who have observed the market in the last 12 months would have noticed.

**Mr SZAKACS:** I am sure that as someone who is soon to be retiring from this place you are keeping a close eye on the markets too. You are in the old scheme?

**The Hon. R.I. LUCAS:** I am an old schemer, yes.

**Mr SZAKACS:** You are just counting the zeros.

**The Hon. R.I. LUCAS:** I think I am the last troglodyte in the old scheme.

**Mr SZAKACS:** You are just counting the zeros. Can I ask then, with obviously the caveat that this is for final audit, what the 11-ish per cent returns equate to in a quanta of investment returns for the year?

**The Hon. R.I. LUCAS:** Broadly, it is around about \$400 million.

**Mr SZAKACS:** So that is a half a billion dollar turnaround from last year?

**The Hon. R.I. LUCAS:** It is just under. I am advised that it was around about break-even last year, so it is \$400 million approximately, if that is it.

**Mr SZAKACS:** The annual report from last year was that there was an investment earnings loss of \$168.8 million, and your evidence is that we are around that \$400 million now, so it is, give or take, \$450 million to \$550 million turnaround.

**The Hon. R.I. LUCAS:** Can I just clarify that? On your \$168 million figure, I am told that there was actually break-even for the year, but it was \$168 million less than what was budgeted. To answer your first question, I am advised it is still about \$400 million better than the performance last year, but last year they were budgeting a \$168 million loss and they ended up with a break-even.

**Mr SZAKACS:** Thank you, Treasurer. Can you advise at this point, to the extent that you can, what the funding ratio is?

**The Hon. R.I. LUCAS:** Again, in particular this will depend on the September board meeting and those things, but at the moment the current estimate is it is over 100 per cent, but there are a number of other factors that the actuary is obviously going to have to consider in particular in relation to some decisions on particular cases that may or may not impact on the actuary's view of the health of the scheme. At the moment, the advice is that it is just over 100 per cent—somewhere about 109 per cent.

**Mr SZAKACS:** Sorry?

**The Hon. R.I. LUCAS:** The current estimate is 109 per cent, but the actuary will have to take into account a number of issues, including court case decisions and others. That is why on this particular issue, even more so than others, there is a significant caveat as to having to wait until the actuary's report, which will be made available during August, for the board to have a look at in September.

**Mr SZAKACS:** Is the government pinning all of its hopes on a positive return on investments rather than operations of insurance within the scheme? We are seeing a \$400 million turnaround and a positive outcome for the funding ratio for the financial year just finished, but we still see a sluggish underwriting result. Is it effectively betting on the market?

**The Hon. R.I. LUCAS:** Certainly, it is not the government's position. Ultimately, as the member would know as a former member of the board, these are decisions for the independent board to take in relation to the way it conducts its operations. From my viewpoint and my discussions with the board and management, that is certainly not a position they would adopt or one that I would support. You do not bet your life on the market. If you do, you are not a very sensible person. We have sensible people in management and on the board, and that is not the way they conduct themselves. They are very mindful of the operations.

There is a provision written in the act by the former government and the former minister, which almost says, 'Thou shalt not go over 2 per cent.' Section 137, I am advised, which the former government wrote into the act, says they should seek to strike a premium of 2 per cent or less. If you do not do that, you have to come back and report to the parliament. That is the requirement the former government and the former minister outlined to ReturnToWorkSA. They do follow that provision, so you cannot bet on the market in relation to that. You obviously have to look at the sustainability of your ongoing operations. Therefore, the impact of various precedents and court decisions and tribunal decisions can have significant impact on that particular requirement the former government wrote into the requirements for the board and management to follow.

**Mr SZAKACS:** I quote your answer regarding the sustainability of ongoing operations. It is worthy of note that since the levy reduction down to 1.65 there was an increase to 1.7 in May this year, but in terms of 1.65 there has been a steady decline of profits from insurance operations. There has also been a steady decline in the funding ratio of the scheme. Frankly, the scheme continues to be saved by extremely positive outcomes from investment returns, both from the 10-year long-term investments as well as short-term returns, as we have seen this year. Is it fair to say that the reduction to 1.65 was taken too soon and that the systemic issues around the performance of the scheme were not right at first?

**The Hon. R.I. LUCAS:** No, I do not believe so. There is no doubting the member has rightly identified that the scheme is under pressure, and some of the tribunal and court decisions are placing the scheme under significant pressure. How they all end up is a significant matter for which leave is being sought to appeal the High Court on a particular issue. There are a number of issues like that that will put even more pressure on the viability of the scheme. The member is right to identify that the scheme is under pressure.

Subject to the end results of some of these particular tribunal and court decisions, the management and board are going to have to look to see what they can do. The minister will have to look to see what they can do and then, ultimately, it may well be that the parliament has to contemplate how it delivers in the requirement that your former government gave to ReturnToWorkSA, and that is to ensure that premiums stay at 2 per cent or less.

**Mr SZAKACS:** Is it not becoming more and more unreasonable, Treasurer, to continue to look to precedent or litigation that is ticking along as the causative effect on the poor performance of insurance operations rather than systemic issues like cutting levies or systemic issues like poorer and declining return to work performance?

**The Hon. R.I. LUCAS:** I think the actuary will cast fact on this particular debate. The actuary will be in a position to provide information as to what the driving forces for the viability of the scheme will be. I am sure that individual stakeholders will all have a differing view. Some might want to prosecute a case that these significant court decisions really are not the reason why the scheme has been placed under pressure.

One can understand why those who represent certain stakeholder interests might want a prosecute that case, but the facts of the situation are likely to be revealed by the independent actuary's report as to what the impact might be on the viability of the scheme in relation to not only those issues but indeed any other issues that the member my like to raise. The advice that I have received is that the most significant issues in terms of putting pressure on the scheme are, in my view and I think in ReturnToWorkSA's view, the reinterpretation or interpretation of the legislation.

I am advised that the actuary's last reports to management were that short-term claims performance has actually been improving in recent times. Again, management and the board are about to receive the most recent information from the actuary. Clearly, management and the board have to make these decisions themselves, but they will be provided with that independent advice, and I think both me as minister and, if ultimately this issue has to be debated in parliament, the parliament will be in a position from an independent source to provide information as to what is actually putting pressure on the scheme.

**Mr SZAKACS:** Same Budget Paper 3, page 53. To summarise so far, short-term claims performance is improving, receipt of levies against budget are positive, returns from investment are positive against budget, the sustainability of ongoing operations in the evidence of you, Treasurer, are sustainable. Why then is it that you are proposing to shift the goal posts for seriously injured and injured workers when it comes to impairment assessment guidelines?

**The Hon. R.I. LUCAS:** I have not made any decision yet.

**Mr SZAKACS:** Proposing to.

**The Hon. R.I. LUCAS:** No, I have not proposed anything. The ReturnToWorkSA corporation has gone out to consultation. I am taking advice, I am receiving advice from ReturnToWorkSA. I think in the last few days they have received advice from the ministerial advisory committee, and as recently as the last couple of days I think I have received the advice from ReturnToWorkSA, having received those submissions and indeed many others, and I will make a final decision. Consistent with the position of the former government and the former minister, this was a responsibility that he believed was best left to the minister, based on advice, and I am happy to follow the role model of former minister the Hon. John Rau in relation to making this decision.

**Mr SZAKACS:** Treasurer, who is advising you to change the guidelines?

**The Hon. R.I. LUCAS:** I am receiving advice from ReturnToWorkSA, but they have consulted and taken advice on their proposals from a large number of individuals, bodies and organisations.

**Mr SZAKACS:** Thank you. So two parts to that answer. Will you provide a list of those wideranging groups of bodies and stakeholders who have provided advice to ReturnToWorkSA; and, secondly, will you inform us of what advice you have received from the ministerial advisory committee?

**The Hon. R.I. LUCAS:** The act, written by the former government, only requires a limited range of consultation. ReturnToWorkSA went much broader than that. The former minister's act requires me to consult with professional associations representing medical practitioners who undertake WPI assessments. ReturnToWorkSA suggested, and I approved, a broader consultation process. They consulted 13 separate medical associations, over 120 individual accredited impairment assessors; they consulted the Law Society SA and they consulted the Self Insurers of South Australia.

Subsequent to that, the ministerial advisory committee, which includes three representatives of medical associations, three representatives of employee associations and three representatives of employer associations—and, as I understand it, of the three representatives of the employee associations two of those were lawyers nominated by SA Unions to represent their interests on the advisory committee. So the overwhelming majority, two-thirds of that committee, comprised medical representatives and union or employee representatives. Two of the three union representatives were lawyers practising in the field, as I understand it. The broad nature of the advice as I understand the ministerial advisory committee has given to me is, in summary—I gave them an extra four weeks' time.

I think the original end period of the consultation period was to be brought in around the last week of June. They asked whether I could extend it for them. I gave them an extra month, and so it was around the last week of July that they had an extra four weeks to consult. They provided advice within that particular time frame. Then, as I said, in the last few days ReturnToWorkSA, having considered that advice and everything else, has given me some recommendations as to what, in their view, I should now pursue.

In addition to that, I have had free and unfettered advice from a significant number of others: individuals, lawyers and practitioners. I have had meetings with a number of individuals who have put points of view with me, and members of parliament have forwarded individual submissions. I have been well and truly briefed on the varying views in relation to what many see as the potential impacts of the proposed changes.

**Mr SZAKACS:** You have advised today that ReturnToWorkSA provided the preliminary advice for you to go out to consult on these changes. I note that in the consultation document it says, 'ReturnToWorkSA is consulting on the proposed changes on behalf of the Treasurer.'

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

**Mr SZAKACS:** Notwithstanding who is providing the advice, could you provide evidence to this committee on what basis advice has been provided to you to proceed with the draft, or to consult on the draft, regarding changes to assessment guidelines? What is the reason why assessing—

**The Hon. R.I. LUCAS:** On what basis? I am sure it is ReturnToWorkSA's position in terms of the health viability and the operations of the scheme, and that is that these guidelines have not been revised since 2015. The guidelines that we have were approved by minister Rau under this act. I have noted that there was no criticism that he was being sneaky in any way in terms of being the minister responsible, as opposed to it having to come to parliament, but I will put that to the side for the moment. I am using the same processes that he adopted. They had not been amended since 2015.

ReturnToWorkSA advised me that there were, in their view, inconsistencies in terms of the way the guidelines were being implemented or applied. They recommended a series of proposed changes. The act requires consultation, and we, being the open, transparent and consultative government we are, went for much broader consultation. When asked to extend the consultation time lines we did so, and it is now in my hands to make a decision. Consistent with the act and the former position of the minister, I will happily make that decision.

**The CHAIR:** Member for Cheltenham, I bring your attention to the fact that we have just passed halfway through the allocated time, so whenever you feel the wish to switch over—

**Mr SZAKACS:** I will be sure to let you know. On budget Paper 3, page 53, is it not just that ReturnToWork have got their forward projections on the numbers of seriously injured workers wrong and therefore they are trying to retrofit a set of guidelines that will correct their own mistakes?

**The Hon. R.I. LUCAS:** I think this act was actually the creation of the former government and the former minister and his advisers.

**Mr SZAKACS:** On one hand you were saying there is an independent board and then you were saying that it is the government's design. What I am asking for is the corporation's projections and whether the projections against the numbers for WPI, 30 per cent and above, are wrong and is that why we are moving the goalposts?

**The Hon. R.I. LUCAS:** No, you went further than that, Mr Szakacs, you actually said that ReturnToWorkSA got their estimates wrong. This act was created by the former government—the former minister and his advisers. We supported it. ReturnToWorkSA, by law, is required to follow the guidance of the legislation. There is a strict requirement in there that they have to meet a 2 per cent premium or less, and if they do not then they come back to the parliament.

These are your former government's creations. I do not think you can happily wash your hands of all of this. We are happy to support you. We supported you at the time. We think you—not you personally but your government—made some courageous reforms, and we are intent on seeing them through.

**Mr SZAKACS:** My question again was whether the WPI projections are wrong.

**The Hon. R.I. LUCAS:** I am advised that, when the former government and the former minister created this scheme, the estimate of the number of seriously injured workers was lower than what the current experience is. So if the member is seeking that information, that is certainly the answer: when the former government and the former minister created the scheme, their estimates at the time, and the estimates now—the estimates now are higher than the estimates the former minister and the former government and ReturnToWorkSA at that particular time predicted.

**Mr SZAKACS:** Treasurer, you have noted the continuity of the consultation that is occurring on these proposed changes. Within that, you also noted you have recently received a series of recommendations from ReturnToWorkSA advising or recommending a path forward and a way to proceed. Could you advise what that contains?

**The Hon. R.I. LUCAS:** No, not at this stage. I have to consider the recommendations from ReturnToWorkSA. I will make a decision and once I take that decision, as I am required to do under the act, that decision will be there for everyone to either applaud or oppose as is their right.

**Mr SZAKACS:** Will you provide on notice, once you have made that decision, the full suite of both consultation submissions and recommendations that have been made to you by stakeholders and ReturnToWorkSA?

**The Hon. R.I. LUCAS:** As I think you would be aware, I am someone who is much more inclined to be transparent and accountable, so I am more inclined to reveal as much information as I can in relation to submissions, bearing in mind that, as I understand it, some of the individual assessors who might have made individual submissions might be unprepared to have their particular views released publicly. So there might be a caveat on that but, as I said, to the extent that I can share information in relation to submissions I have received, I have more often than not been prepared to do that.

I will not give a cast-iron commitment at this stage but I am more inclined to share information than to not share it in relation to submissions that might be made. A lot of them have been made public. The AMA, the Law Society and individual lawyers have publicly released their particular positions, but I am minded that there were over 120, or whatever it was, individual assessors and some of them might have a view that they prefer not to have their individual views circulated publicly.

**Mr SZAKACS:** You are certainly correct about the number of stakeholders who have been on the record around this. I note that the Law Society have been particularly scathing about the process and the outcomes of these proposed changes.

**The Hon. R.I. LUCAS:** They are not the only ones.

**Mr SZAKACS:** No, they are not, but I think of particular note is that significant stakeholder who does represent practitioners, as is often used in this space from both sides of the fence. The fact that the Law Society have come out and been particularly scathing does carry significant weight.



Treasurer, will you advise whether the work that was done by ReturnToWorkSA on the preliminary recommendations to you to review the guidelines was done in-house or whether consultants were used, and if consultants or external parties were used, who they were?

**The Hon. R.I. LUCAS:** I understand a number of medical specialists signed confidentiality agreements and provided advice. What, if any, cost there was involved in relation to that, I would have to take on notice and provide an answer to you, but there were no major consultancy firms or the normal 'suspects', if I can use that word, or major firms employed, as I am advised. They were potentially individual medical experts and others but who did sign confidentiality agreements. In relation to the cost issue, I am happy to do it. The bulk of the work was done internally.

Can I also just caution the member. The member can describe the initial advice from ReturnToWorkSA in whichever way he wants, but he has used the phrase 'preliminary recommendations'. I do not know that the advice I originally received had the words 'preliminary recommendations'. They were recommendations to go out and consult. They are preliminary because, ultimately, I make the final decision. So I think it is not inaccurate to say what you have said, but they were not characterised to me as preliminary recommendations. I think they were, 'Here is our advice. We have to go to consultation. It is your final decision,' and that was that.

Having now consulted, they have now come back to me with their latest recommendations or final recommendations, if you want, in terms of a way forward, accepting the fact that, ultimately, as minister under the act, I have to make the final decision.

**Mr SZAKACS:** Thank you and I do note that I used the word 'preliminary', Treasurer, because it seems from your evidence there has been two sets recommendations from ReturnToWorkSA. I am particularly interested in the consolidated recommendations that have come to you from ReturnToWorkSA as a result of the consultation, but I do note that the ones that I was asking you about were the ones that were done prior to consultation.

**The Hon. R.I. LUCAS:** There are two possible responses. If, for example—

**Mr SZAKACS:** It is good: two possible responses to a statement.

**The Hon. R.I. LUCAS:** No, what I was going to say is in the broad; that is, in their final recommendations, if I accept all of them in totality, well then I can indicate that—that is, the final decisions I have taken are consistent with the final decisions. If I reverse some of them or do not agree with some of them, I am probably not going to be averse, in that particular circumstance, to say, 'Hey, I got advice to do this and I, in the end, chose not to do it.'

I am not going to guarantee that is the position I will adopt, but it would not be uncommon for me to adopt the position that an agency has provided this advice, and I have agreed with all of these things. For example, in relation to the royal commission and the ICAC, or something, in relation to SafeWork SA, I was quite happy to say, 'We agree with these eight or 10, but these two I don't agree with,' and I was criticised for that. I do not have a concern, generally, in saying, 'I agree with these and I didn't agree with those for these particular reasons.' But I will not guarantee that is the position I adopt, but I have in the past.

**Mr SZAKACS:** So you may adopt your approach for the Mansfield review, where you just do not respond at all?

**The Hon. R.I. LUCAS:** No, not on this, I cannot. On this one I have to—

**Mr SZAKACS:** You will have to respond on this one.

**The Hon. R.I. LUCAS:** There have to be guidelines. I am either going to have to make no change at all or I am going to have to make some changes. You cannot, given the process we have just been through, just not do anything in relation to it.

**The CHAIR:** Let's get back to question and answer as well, rather than interruption, member for Cheltenham.

**The Hon. S.C. MULLIGHAN:** That is a whistle, an AFL whistle.

**Mr SZAKACS:** That is certainly the AFL we have all come to hate, Mr Chair. That was pretty—

**The CHAIR:** I am a big fan of Ray Chamberlain.

*An honourable member interjecting:*

**Mr SZAKACS:** That was. That was one of those sort of chicken wing high tackles.

**Mr PEDERICK:** Can you rule on that, Nick?

*Members interjecting:*

**The CHAIR:** Let's continue.

**Mr SZAKACS:** Not to blame anyone, Mr Chair, but this is definitely your fault for the interruption. Treasurer, before I perhaps thank Mr Francis for his time, would you advise what the budgeted loss or profit for 2021-22 from insurance operations will be?

**The Hon. R.I. LUCAS:** I am advised that it is pretty close to break even, a budgeted loss of about \$20 million on insurance operations for 2021-22.

**Mr SZAKACS:** On insurance operations?

**The Hon. R.I. LUCAS:** On insurance operations, yes.

**Mr SZAKACS:** To be very clear: distinct from underwriting performance?

**The Hon. R.I. LUCAS:** Insurance operations.

**Mr SZAKACS:** In my final question for these witnesses, what is the budgeted investment performance return for 2021-22?

**The Hon. R.I. LUCAS:** With the caveat that we wish we could crystal ball gaze on these things, they have used the 20-year average which is 5.1 per cent or something. They have just reverted to the long-term average but, as the member would know as well as anybody, we are crystal ball gazing in terms of investment performance of investment markets as we emerge from COVID.

**The CHAIR:** Treasurer, do you wish to facilitate a change of advisers for SafeWork?

**The Hon. R.I. LUCAS:** Yes, I am joined by Mr Martyn Campbell who is the Executive Director of SafeWork SA.

**The CHAIR:** Member for Cheltenham.

**Mr SZAKACS:** Treasurer, who in SafeWork SA has recommended that shopping hours should be deregulated?

**The Hon. R.I. LUCAS:** I am not sure anyone. This was a government policy we announced prior to the 2018 election. As with every good Public Service, Mr Szakacs, they seek to implement the policies of the government of the day. Our policies on this issue happen to be significantly different to the policies of the former government and the shoppies union; we accept that. I am not sure that there is an individual that I can identify for you who is driving this; it is the government of the day.

**Mr SZAKACS:** I note that we are on Budget Paper 4, Volume 4, page 148. Has any specific health advice been sought that says that shopping hours could be deregulated or should be deregulated to promote safer and more productive working lives?

**The Hon. R.I. LUCAS:** I have been stunned that there has not been a public uprising but for the last seven days we have had completely deregulated, 24 hours a day, seven days a week shop trading hours in the metropolitan area and nary a squeak or opposition from anybody. The commissioner—

**The Hon. S.C. MULLIGHAN:** No-one changed their opening hours, that is why.

**The Hon. R.I. LUCAS:** Yes, they did.

**The Hon. S.C. MULLIGHAN:** Did they?

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

**The Hon. S.C. MULLIGHAN:** They were open 24 hours a day, seven days a week?

**The Hon. R.I. LUCAS:** No, but they did change. The commissioner—

**The Hon. S.C. MULLIGHAN:** Not in the western suburbs.

*Mr Pederick interjecting:*

**The Hon. R.I. LUCAS:** The commissioner—

*Members interjecting:*

**The CHAIR:** Members, let's get back. Treasurer, you have the call.

**The Hon. R.I. LUCAS:** The Commissioner of Police in issuing his directions for the lockdown included a provision in them which essentially provided for 24-hour shop trading hours deregulation in the metropolitan area and, indeed, in the township of Millicent. There was no opposition from Mr Brown or indeed anybody identifying the issue.

*Members interjecting:*

**The CHAIR:** Members, please. Treasurer, please continue.

**The Hon. R.I. LUCAS:** There is nothing like shop trading hours to enliven the debate. That was obviously based on a discussion I assume the Commissioner of Police had with the Chief Public Health Officer in relation to what was required during that. As you would be aware, I had previously, on a number of occasions last year in particular, used the powers that the parliament has provided me with for ministerial exemptions for extended shop trading hours during the COVID-19 pandemic. They were not as encompassing as the last seven days in terms of 24 hours a day.

I think I extended trading hours in the evenings, in particular the evenings on weekends, and also allowed an earlier opening on Sunday morning, but I certainly did not turn it into 24 hours, as has been the case for the last seven days. That was based on health advice. On each occasion, my office would contact Health and they took advice from one of the public health officers to see whether or not it would assist management of the COVID-19 pandemic and what we saw in the early days last year in particular, frantic shopping with tremendous pressure on shop assistants.

We are very concerned about the pressure on shop assistants during some of that mayhem that we were seeing in the aisles of supermarkets as people fought over toilet rolls last year. We did, based on health advice each time, extend for 30 days, but on each occasion we sought advice. Towards the end of that period, when we sought advice and the health advice was that it was not required to extend it for another 30 days from a health viewpoint, I no longer extended it, because I did not have health advice.

**Mr SZAKACS:** What advice did SafeWork SA provide regarding the specific deregulation of shopping hours during the declared emergency?

**The Hon. R.I. LUCAS:** Again, as good public servants they implemented—

**Mr SZAKACS:** Advice, not implementation. Was advice sought from SafeWork SA regarding—

**The Hon. R.I. LUCAS:** Not on health issues, no. I seek health advice from public health officers, not from SafeWork SA. They are very good in their area of expertise, but public health advice is not their area of expertise.

**Mr SZAKACS:** I know this is a novel idea, but was their advice sought regarding the safety of workers during this deregulation? You talked about the mania and the chaos.

**The Hon. R.I. LUCAS:** One of the issues, as I said to you, in terms of trying to extend the period of shopping in the major supermarkets was to try to prevent the sort of mayhem that was going on in aisles, which was clearly placing unreasonable pressure on shop assistants, and we have great concern about that unreasonable pressure on shop assistants, hardworking shop assistants, particularly through last year. Pleasingly, we have not seen that mayhem repeated in the

last seven days, albeit we saw toilet rolls for a particular period of time being sold out in the first couple of days, or whatever it was. The unfortunate circumstances that we saw last year were pleasingly not replicated in this seven-day lockdown that we have just experienced.

**Mr SZAKACS:** Just to be clear, the advice of SafeWork SA, the South Australian statutory workplace regulator and health and safety inspectorate, was not sought in respect to additional shopping hours during the COVID declaration?

**The Hon. R.I. LUCAS:** I do not seek public health advice from them. Once I got the public health advice, the request would go off to SafeWork SA to assist in the drafting of whatever proclamation or regulation I required. They were perfectly entitled, if they so wished, to add additional commentary in relation to the nature of any exemption that I was going to issue. This was last year. This does not relate to the seven-day lockdown, because that was a decision taken by the police commissioner.

In relation to decisions that I took, they would assist in the drafting of whatever the proclamation or regulation was—a proclamation, I think it was—that I had to issue. They were free to provide any additional advice if they wished in relation to that, but the main driver in that particular period was getting the public health advice.

**Mr SZAKACS:** On the theme of advice being sought from the health and safety regulator, has health and safety advice or advice been sought from SafeWork SA regarding the plague of wage theft in this state?

**The Hon. R.I. LUCAS:** I have had a lot of advice from SafeWork SA in relation to the deliberate or otherwise underpayment of wages in South Australia, which you may well want to characterise as wage theft.

**Mr SZAKACS:** I am pretty sure everyone else is now, including even the business community. I am pretty sure Business SA call it wage theft now as well, Treasurer.

**The CHAIR:** Members, let's let the Treasurer provide an answer to us without interruption.

**The Hon. R.I. LUCAS:** Yes, I have received advice from them on the deliberate or otherwise underpayment of wages, which the member characterises as wage theft.

**Mr SZAKACS:** How many complaints have been received, Treasurer, by SafeWork SA in the last three years relating to wage theft, including underpayment and non-payment of wages, allowances and superannuation?

**The Hon. R.I. LUCAS:** I am advised, and I should point out that, whilst I have had advice from SafeWork SA, generally most of the times the advice says that the jurisdiction for this is in the federal jurisdiction, and it is—

**Mr SZAKACS:** Not for inspections it is not.

**The Hon. R.I. LUCAS:** —the Fair Work Ombudsman, and it is their responsibility in relation to if there is deliberate underpayment of wages, etc. Complaints should go to the Fair Work Ombudsman.

**Mr SZAKACS:** That is a good handball, that one—why would we do it when someone else can? My question was: are you able to provide the numbers of complaints that SafeWork have received in respect of those matters that I addressed?

**The Hon. R.I. LUCAS:** SafeWork SA have indicated to me that they can provide information on complaints in areas of jurisdiction that they have responsibility for, which are public servants. You may be aware that a former Labor minister, who may well be the Leader of the Opposition at the moment, might have been the minister at a time when a case was taken by the unions for deliberate underpayment of wages or allowances in that particular area. We might be able to provide some information to assist the member in relation to that.

**Mr SZAKACS:** Is the broader advice that you are providing to this committee now, Treasurer, that SafeWork SA just simply do not investigate wage theft in this state?

**The Hon. R.I. LUCAS:** We have no jurisdiction in relation to—

**Mr SZAKACS:** That is a moot point, but I think the question was—

**The Hon. R.I. LUCAS:** It is not a moot point; it is a statement of fact.

**Mr SZAKACS:** It is not true.

**The Hon. R.I. LUCAS:** Well, it is your view that it is not true.

**The CHAIR:** Member for Cheltenham, let's—

**The Hon. R.I. LUCAS:** I have been around a bit longer than the honourable member, and I distinctly recall the decision taken to refer—

**Mr SZAKACS:** You have been sitting here longer than I have been around.

**The Hon. R.I. LUCAS:** —the jurisdiction of industrial relations and these sorts of issues in the private sector to the federal jurisdiction, so I might remind the member perhaps to just check the records as to who actually has control over the private sector operations in South Australia.

**Mr SZAKACS:** I do remind the Treasurer that the inspectorate functions were retained by the states and continue to be retained by the state.

**The Hon. R.I. LUCAS:** Within matters within the SafeWork SA jurisdiction.

**Mr SZAKACS:** Which is entirely at the discretion of SafeWork SA.

**The Hon. R.I. LUCAS:** No, they have to operate under the act. It is not at their discretion. They are not a law unto themselves. We are not a rogue agency here. They have to do what the parliament—

**Mr PEDERICK:** Rafferty's rules.

**The Hon. R.I. LUCAS:** Exactly. They have to do what—

**Mr SZAKACS:** They do not even ask for advice.

**The CHAIR:** Members, we have had a fairly cordial session so far.

**The Hon. R.I. LUCAS:** It is still cordial, Mr Chairman.

**The CHAIR:** If we could just continue with one person speaking at a time, that would be very helpful. The member for Lee had a question.

**The Hon. S.C. MULLIGHAN:** I have one question for SafeWork SA. In last year's committee we canvassed an issue that my constituents are facing in the Cedar apartments in West Lakes about a malfunctioning series of lifts there, which had been incorrectly connected to a power source generated by a solar panel system installed on the building. SafeWork SA's officers investigated that.

The issue I raised last year was that, to the frustration of many people living in that apartment building, there has been no formal advice from SafeWork SA let alone from the chair of the management committee of that apartment building that that set-up is now safe to operate and has been disconnected from the solar system.

You undertook to provide me with some further information, and a letter was forthcoming from the Treasurer but it did not sufficiently clarify; in fact, in the words of my constituents, 'It wasn't worth the paper was written on.' Can you provide me with some advice that would assure my constituents that that solar PV system has been disconnected from those lifts and is now safe to operate?

**The Hon. R.I. LUCAS:** I am happy to try to provide a further response to the member, which hopefully his constituent will believe is worth the paper it is written on this time rather than the last response. I am advised by Mr Campbell that an inspector has been down there. They will provide me with further advice. I am happy to correspond with the member for Lee in relation to his issue, which he continues to pursue.

**The Hon. S.C. MULLIGHAN:** Have either you or Mr Campbell been contacted by the chair of that management committee of the apartment building?

**The Hon. R.I. LUCAS:** Mr Campbell says there has been no more contact with him or his agency since the inspector went down there. I do not think I know who the chair of the management committee is, so you would have to tell me.

**The Hon. S.C. MULLIGHAN:** It is a former South Australian senator.

**The Hon. R.I. LUCAS:** Who is that?

**The Hon. S.C. MULLIGHAN:** Mary Jo Fisher.

**The Hon. R.I. LUCAS:** I do not believe so, certainly not in recent times. This was 12 months ago you raised this, was it, or November?

**The Hon. S.C. MULLIGHAN:** I raised in November last year an incident occurring.

**The Hon. R.I. LUCAS:** I certainly have no recollection of meeting with Mary Jo in the last six months, but I can check the record. If it is anything different to that, I am happy to tell you.

**The CHAIR:** The time has expired for examination of payments for the portfolios of ReturnToWorkSA and SafeWork SA, and I now declare them completed.

#### **Departmental Advisers:**

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

Ms E. Ranieri, Commissioner for Public Sector Employment.

Mr A. Mackay, Chief Operating Officer, Office of the Commissioner for Public Sector Employment.

Mr E. Brooks, Executive Director, Industrial Relations, Office of the Commissioner for Public Sector Employment.

Mr. L. Jones, Director, Financial Services, Office of the Commissioner for Public Sector Employment.

**The Hon. R.I. LUCAS:** Mr Chairman, I am joined by Ms Erma Ranieri, Commissioner for Public Sector Employment, for the estimates committees on the Office of the Commissioner for Public Sector Employment.

**The CHAIR:** In this session we will be examining the proposed payments relating to the portfolio of the Office of the Commissioner for Public Sector Employment. I advise that the proposed payments remain open for examination and call on the Treasurer to make an opening statement, if he wishes.

**The Hon. R.I. LUCAS:** No, Mr Chairman.

**The CHAIR:** Lead speaker for the opposition, do you wish to make an opening statement?

**The Hon. S.C. MULLIGHAN:** No.

**The CHAIR:** That being the case, are there any questions from the committee?

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 4, Volume 4, page 160, which relates to the Office of the Commissioner for Public Sector Employment. Under the highlights section, it speaks about delivering an online program to induct chief executives into the South Australian public sector. Can I ask, in the last financial year 2020-21, which chief executives were recruited to the public sector?

**The Hon. R.I. LUCAS:** This is induction of the new chief executives: Ms Lois Boswell, Chief Executive, Department of Human Services; Mr Nick Reade, Chief Executive, Department of the Premier and Cabinet; Professor Derek Chew, the Commissioner on Excellence and Innovation in Health; and Dr Ian Overton, Chief Executive, Green Industries SA. All of those have been completed. Mr Adam Reid, Chief Executive, Department of Innovation and Skills, is part way through his induction program.

**The Hon. S.C. MULLIGHAN:** Which of those chief executives were recruited in that financial year, because I think Human Services, Lois Boswell as you mentioned, was recruited in the previous financial year—is that correct—and because of the effluxion of the financial year she has only conducted that induction program more recently; is that right?

**The Hon. R.I. LUCAS:** No, I think Lois was appointed chief executive in the last financial year. Nick Reade obviously was someone from outside. If the intent of your question relates to those who might have been in the public sector and those who have come from outside, Lois certainly was in the public sector and I think was appointed in the last financial year to the position of chief executive. She might have had a position at a level just below—deputy or 2IC or the next level below in the same department.

Nick Reade obviously came from outside the public sector. Professor Chew was a heart specialist at Flinders, so I will leave you to characterise that. Dr Ian Overton was in Green Industries SA beforehand, so he was promoted to the position, and Adam Reid was already there—he became chief executive, but he was in a position within that particular agency, Innovation and Skills.

**The Hon. S.C. MULLIGHAN:** When they were recruited, in which of those recruitment processes was the office involved?

**The Hon. R.I. LUCAS:** I am advised Ms Boswell, Dr Overton and Mr Reade were the three in which the commissioner's office was involved in recruitment.

**The Hon. S.C. MULLIGHAN:** Was the chief officer of the CFS recruited in that same time period? Mark Jones I think his name is.

**The Hon. R.I. LUCAS:** I am advised that the commissioner's office was involved in his recruitment, but the recollection is—and if it is incorrect I will correct the record later—they think it was prior to this last financial year.

**The Hon. S.C. MULLIGHAN:** Which of those recruitment processes engaged private companies to assist in providing recruitment services?

**The Hon. R.I. LUCAS:** All four of those, I am advised: Ms Boswell, Dr Overton, Mr Reade and the CFS person, Mr Jones. We think it might have been the previous year. All those involved the use by the commissioner's office of a private sector consultant.

**The Hon. S.C. MULLIGHAN:** Who were those private sector consultants?

**The Hon. R.I. LUCAS:** For Ms Boswell I am advised it was Hender, for Mr Reade it was Morton Philips and for Mr Jones it was VUCA. Just to correct the record, I understand there was no private sector adviser on Dr Overton's position. I am advised there might have been one for the appointment of the deputy chief executive position, but for his position it was a committee comprising the commissioner, and the chair of the board did that that particular appointment.

**The Hon. S.C. MULLIGHAN:** Who selects the private firms that provide recruitment services?

**The Hon. R.I. LUCAS:** I am advised that it is the commissioner's decision. The process is that they go to selective tender—they try to have at least three—and then they pick the one that best suits the particular skill set. For example—and the CFS would be the most obvious example, I assume—the commissioner tries to pick somebody who might have some expertise or record in terms of that type of appointment, as opposed to other types of appointment within the public sector. A different skill set base might be required.

**The Hon. S.C. MULLIGHAN:** Was the Chief Executive of SAFECOM recruited before or after the Chief Officer of the Country Fire Service?

**The Hon. R.I. LUCAS:** I am advised that it was before.

**The Hon. S.C. MULLIGHAN:** Who was the private firm that provided recruitment services for that recruitment?

**The Hon. R.I. LUCAS:** We will need to take that on notice. This is again prior to the financial year that has just concluded, but we are happy to take that on notice and try to find an answer. I am advised additionally that the processes had to be repeated again in terms of the replacement. Again, we will take it on notice, but in this particular case it might have been an interstate recruitment firm with a strong record of appointments in this particular area.

**The Hon. S.C. MULLIGHAN:** Did you say that the recruitment had to be repeated?

**Cmmr RANIERI:** When Dominic Lane left.

**The Hon. R.I. LUCAS:** Yes, he has left. In terms of recruitment, by 'repeated' I mean there needed to be another person appointed to replace Mr Lane, who had left.

**The Hon. S.C. MULLIGHAN:** How far apart were those recruitments?

**The Hon. R.I. LUCAS:** About two years, approximately.

**The Hon. S.C. MULLIGHAN:** Was the same recruitment firm used for the first recruitment as for the second one?

**The Hon. R.I. LUCAS:** We are not sure. We will take that on notice and check.

**The Hon. S.C. MULLIGHAN:** I understand that the interstate firm was Rosemary Hardham and Associates; is that correct?

**Cmmr RANIERI:** Yes; thank you.

**The Hon. S.C. MULLIGHAN:** How much was that recruitment? How much were the services, I should say, for that recruitment?

**The Hon. R.I. LUCAS:** We will take that particular question on notice.

**The Hon. S.C. MULLIGHAN:** I think the advice to the committee was that firms are approached as part of a selective tender; is that right?

**The Hon. R.I. LUCAS:** Yes, that is the advice I have.

**The Hon. S.C. MULLIGHAN:** So Rosemary Hardham and Associates was identified as somebody who should be approached to provide those services, and they provided a response to that and were selected subsequently.

**The Hon. R.I. LUCAS:** I am advised that that is the case.

**The Hon. S.C. MULLIGHAN:** If they were selected for the recruitment of the SAFECOM CE and subsequent to that we had the recruitment of the Chief Officer of the CFS, why was the same firm not used again?

**The Hon. R.I. LUCAS:** The commissioner will take it on notice and we will bring back a considered reply.

**The Hon. S.C. MULLIGHAN:** VUCA is a South Australian firm, is it not?

**The Hon. R.I. LUCAS:** I am advised that is the case.

**The Hon. S.C. MULLIGHAN:** So we used a Victorian firm the first time for the SAFECOM CE and then a South Australian firm for the CFS recruitment. Did you receive any complaints about the use of Rosemary Hardham and Associates?

**The Hon. R.I. LUCAS:** I am advised the commissioner says yes, she received some complaints from some local firms.

**The Hon. S.C. MULLIGHAN:** Right. So it has been seen fit to give local firms the opportunity to provide recruitment services for the subsequent recruitment of the CFS. Why were local firms not used for the recruitment of the SAFECOM CE?

**The Hon. R.I. LUCAS:** As the commissioner has indicated earlier, they go to a selective tender is what I am advised the process is, and then they make a judgement call as to which particular group best suits the skill set base of the particular recruitment that was going to be required. So



ultimately it is a judgement call for the commissioner. I think, as I have indicated, based on her advice, in the answers to your earlier questions, the overwhelming majority of the recruitment firms that have been utilised have been South Australian-based firms. I think there are five or six examples that we have looked at and, at this stage, there appears to be one that might be an interstate firm.

**The Hon. S.C. MULLIGHAN:** Is there now a policy that exists within the office for use of South Australian firms?

**The Hon. R.I. LUCAS:** The policy is to pick the company that best suits the skill set that is required for the job. Clearly, as the commissioner's process has been outlined to you, the demonstration is the overwhelming majority of the contracts have gone to South Australian-based firms. But, as with all procurement, there is no blanket ban that says, in all procurement of all services, the South Australian government will always only employ South Australian-based firms. There is, as the member would know, under our procurement guidelines, preference but ultimately in this case the commissioner has to make a judgement call after going to a selective tender as to which particular group has the skill set base that best suits the recruitment that is required.

**The Hon. S.C. MULLIGHAN:** Can I ask why the commissioner thought that local firms did not have a sufficient skill set or experience to recruit the Chief Executive of SAFECOM?

**The Hon. R.I. LUCAS:** I think these are judgement calls for the commissioner, and I have tremendous confidence and faith in the capacity and independence of the commissioner to make these judgements. I think she has demonstrated that capacity over a long period of time under both the former government and under this government, and I am prepared to trust her judgement. It is as simple as she advised me previously in response to the earlier questions: selective tender and then she and her people need to make a judgement as to the skill set that best suits the particular recruitment.

It does not necessarily have to be a negative in relation to the firms that are unsuccessful, although they might see it that way. Ultimately, the commissioner has to make a judgement call as to the skill set. In large part, that will be dictated by her judgement of the previous record—the CV, if you can put it that way, in terms of performance and record of the company that is selected.

**The Hon. S.C. MULLIGHAN:** Would the commissioner make the same judgement again to use Rosemary Hardham and Associates for the recruitment of a Chief Executive of SAFECOM, rather than Morton Philips, Hender, Stillwell or VUCA?

**The Hon. R.I. LUCAS:** Can I indicate that is a judgement call ultimately for the commissioner to take and I do not propose to ask her a hypothetical question like that. If and when the circumstances present, I have confidence in the commissioner to make a judgement in the best interests of the people of the state and the best interests of the recruitment process that needs to be adopted. Going through hypothetical positions as to which particular company she may or may not recommend for particular recruitments is not the way either she should conduct her business, in my view, or we should conduct our business.

**The Hon. S.C. MULLIGHAN:** She should not have a mind to using South Australian firms as a priority?

**The Hon. R.I. LUCAS:** I think her record demonstrates, through the appointments that you have on the public record, that overwhelmingly she has appointed South Australian-based consultancies, but in the end it should not preclude any procurement service a judgement call that, if it is in the best interests of the particular recruitment process or procurement process, a particular firm from another state should be utilised.

**The Hon. S.C. MULLIGHAN:** I agree. To be fair on the commissioner, South Australian firms have been almost exclusively used since the recruitment of the SAFECOM CE by that Victorian company. Can South Australian firms have confidence that future Chief Executive recruitments will be approached to respond to these selective tender processes to provide recruitment services?

**The Hon. R.I. LUCAS:** South Australian firms can have every confidence in our commissioner, and her process, I am sure, will always, as it has been and will always be, a selective tender, which will involve South Australian firms, and maybe in some cases it might involve some

national firms as well. There is certainly not going to be a process where there is a deliberate policy of the commissioner to exclude South Australian firms, if they are appropriately qualified in a particular area, from being able to participate in a selective tender.

**The Hon. S.C. MULLIGHAN:** I refer your attention to the initiative that I understand is being pursued or superintended by the commissioner for the introduction of a workplace investigation services panel. Can I ask, has that panel been formally established?

**The Hon. R.I. LUCAS:** My understanding is not yet.

**The Hon. S.C. MULLIGHAN:** When is it to be established?

**The Hon. R.I. LUCAS:** There is an expression of interest. With your concurrence and the member for Lee's concurrence, I might just indicate that in response to an earlier question today on the banking procurement, I think I was advised that there was an EOI process and then there was likely to be an RFP or an RFT. I have been subsequently advised there is an ITS process that has been entered into, an invitation to supply, and that will be the sole process. It opened some time in mid-July and it closes on whatever date at the end of August that I gave you. I just want to clarify the record that it is an invitation to supply process as opposed to an EOI process and that will be the process that will be adopted there.

In relation to this, I am advised that this is an EOI process. The request for a quote to establish this panel was released to the market on 14 July and will be open until 9 August. The scope of work being procured includes capabilities in breaches of the code of ethics; maladministration; e.g. referred to agency from ICAC; financial management; forensic technology; and employee grievances raised within an agency in relation to staff conduct or application of HR policy and processes.

It is anticipated by the commissioner that the panel investigators will be operational by October of this year. Contracts with the successful suppliers—it is not likely to be just one: it will be a panel—will be for a period of two years plus three by 12-month extension options. The extension options will be exercised based on the performance and demand of the panel. In previous discussions I had with the commissioner, she has advised me that the panel will have a variety of skills and depending on the particular need for advice.

Let's say the chief executive of the particular agency would be able to choose those members of the panel that might have that specialist expertise. For example, on employee grievances there might be a panel member or consultant that has expertise in resolving employee grievances and he or she may not have the same skill set base in forensic technology, etc. So there will be a panel which traverses the whole range of issues that chief executives may well require assistance with in terms of having investigations conducted. There is a broad variety of skills. It is unlikely that there will be one person or one firm that might cover the lot, although some might seek to, and the panel will therefore be broad enough to allow chief executives to be able to select from amongst that panel.

**The Hon. S.C. MULLIGHAN:** And this is in lieu of what was known I think previously as the Government Investigations Unit within the Crown Solicitor's Office; is that right?

**The Hon. R.I. LUCAS:** When you say 'in lieu of', the Government Investigations Unit used to exist and it did provide a service but it certainly did not preclude the former government—even when it existed—hiring people with, for example, forensic pathology expertise. I remind the member that when the USB went missing in relation to the NRAH contract, the former government did not use the Government Investigations Unit (GIU), they employed a private sector forensic technology consultant to try to get to the bottom of that particular—

**The Hon. S.C. MULLIGHAN:** Which was engaged by the Crown Solicitor's Office.

**The Hon. R.I. LUCAS:** Yes, but it was not the GIU, it was—

**The Hon. S.C. MULLIGHAN:** Yes it was; it was within the Crown Solicitor's Office.

**The Hon. R.I. LUCAS:** No, the person was not employed by the GIU.

**The Hon. S.C. MULLIGHAN:** No, they were a subcontractor—

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

**The Hon. S.C. MULLIGHAN:** —employed by the Crown Solicitor's Office.

**The Hon. R.I. LUCAS:** The point I am making is—

**The Hon. S.C. MULLIGHAN:** It was an investigation by the Crown Solicitor's Office.

**The Hon. R.I. LUCAS:** —that the expertise for some of these investigations does not exist within the public sector and that is the reason why the commissioner is providing this panel, which would be available to chief executives should they so choose.

**The Hon. S.C. MULLIGHAN:** Will members of this panel have the capacity to interview public servants in relation to complaints that might be made?

**The Hon. R.I. LUCAS:** Obviously, if there is an employee grievance, I am not sure how you resolve an issue if you do not talk to the public servants who have the grievance.

**The Hon. S.C. MULLIGHAN:** On what legal basis will those public servants be required to submit to interview by these private sector appointees?

**The Hon. R.I. LUCAS:** I am sure there must be some existing Crown advice on this because under the former government there were any number of occasions where private sector consultants were brought in to try and resolve disputes. I recall raising, not infrequently, examples of disputes in the old Department of the Premier and Cabinet at senior executive level, where private sector consultants were brought in to try to resolve particular issues. So there must be existing Crown law advice which advised the former government that this was possible, and I would assume the same Crown law advice would be applying in relation to similar investigations that might be conducted under this panel process.

**The Hon. S.C. MULLIGHAN:** So no advice has been sought or provided to either the commissioner or—

**The Hon. R.I. LUCAS:** I am assuming that there is already existing advice which governed the use of these operations by the former government and that has continued to be relied upon to provide the opportunity for these sorts of appointments in the future.

**The Hon. S.C. MULLIGHAN:** So when these private sector appointees are brought in to interrogate public servants—is there something farcical or wrong about what I have just said?

**The Hon. R.I. LUCAS:** There is a lot, but do not let me limit you.

**The Hon. S.C. MULLIGHAN:** So they will not be brought in or they will not be interrogating public servants: which of those two things are wrong, Treasurer?

**The Hon. R.I. LUCAS:** You are asking the questions.

**The Hon. S.C. MULLIGHAN:** I just asked and your response is—

**The Hon. R.I. LUCAS:** The use of the word 'interrogate'.

**The Hon. S.C. MULLIGHAN:** So they will not be interrogating?

**The Hon. R.I. LUCAS:** They will be asking questions.

**The Hon. S.C. MULLIGHAN:** They will be asking questions.

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

**The Hon. S.C. MULLIGHAN:** What is the difference between asking questions and interrogating?

**The Hon. R.I. LUCAS:** I will leave that for you to decide.

**The Hon. S.C. MULLIGHAN:** Is it a spotlight or a dripping tap or some deprivation of food? What is the difference in—

**The Hon. R.I. LUCAS:** No, the punishment is six hours with you, Mr Mullighan, in an estimates committee.

**The Hon. S.C. MULLIGHAN:** Or a threat to lose their job, for example. Under the basis that public servants will be questioned, or interrogated, by these private sector appointees, what are the rights of public servants in those forums?

**The Hon. R.I. LUCAS:** The same rights that existed under the former government when exactly the same processes were utilised by the former government.

**The Hon. S.C. MULLIGHAN:** It was not exactly the same because—

**The Hon. R.I. LUCAS:** Yes, it was exactly the same.

**The Hon. S.C. MULLIGHAN:** —there was no workplace investigations panel. There was a Crown Solicitor's Office, senior public servants appointed under the Public Sector Act, with all of the rights and obligations that that act confers. What you are talking about is something quite different and that is the interrogation of public servants by private sector people. My question is very simple: what are the rights those public servants will have while they are being questioned by these non-public servants?

**The Hon. R.I. LUCAS:** I respectfully disagree completely with the characterisation of the question that the member has just put. The process that is being proposed here is exactly the same as the process the former government utilised. There have been any number of examples in relation to the appointment by the former government of private sector people to seek to resolve disputes or to investigate particular issues by the former government. The same processes, I am advised, are going to be utilised under this proposed panel process.

**The Hon. S.C. MULLIGHAN:** The ICAC commissioner, Commissioner Vanstone, has provided public comment about the establishment of this workplace investigation services panel, and it is my understanding that this is to investigate those matters which are deemed—perhaps in inverted quotes—too minor to be investigated by the Office for Public Integrity or by the ICAC itself.

The commissioner says, 'I have not been consulted on the proposed workplace investigation panel,' and also, 'I would offer a word of caution: there are significant risks associated with outsourcing government investigations to the private sector.' It is further reported that Commissioner Vanstone has stated publicly to the media, 'I hope those risks have been well considered by the government and that appropriate controls will be put in place.'

So the commissioner does not think it is exactly the same as what happened under the previous government and the commissioner for the Independent Commission against Corruption has also offered a word of caution. My question is: what controls have been put in place to manage the significant risks—not my words, the commissioner's words—that are associated with this outsourcing?

**The Hon. R.I. LUCAS:** Firstly, the commissioner did not compare the current system with the former system. She issued her notes of caution there but she certainly did not compare what is proposed with what existed at all in her comments.

**The Hon. S.C. MULLIGHAN:** Is she at fault in her comments? Has she got it around the wrong way?

**The Hon. R.I. LUCAS:** I just said she did not do what, in part, you just suggested. Secondly, the advice that these investigators or panel members will provide, will go to either a chief executive or someone with authority to take decisions. They provide advice, they do not make decisions in relation to the future or otherwise. They provide advice, they collect information and they prepare reports.

Indeed, in the past I have seen copies of reports that private sector operators provided to the former government in relation to complaints against Labor members of parliament in electorate offices as a result of complaints from members of staff. They did not make a decision, they interviewed and provided advice to either executive members of a particular department or the chief executive of a particular department. Ultimately, the decision has to be taken by the chief executive or someone with authority.

**The Hon. S.C. MULLIGHAN:** The current regime, if I understand it properly—

**The CHAIR:** Member for Lee, I will pull you up. We are well past the allotted time for examination of payments in regard to this portfolio; therefore, there are no further questions and I declare the examination of the portfolio of the office for the public sector completed.

*Sitting suspended from 12:48 to 13:45.*

**Membership:**

Mr Piccolo substituted for Mr Szakacs.

**Departmental Advisers:**

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

Ms A. Hughes, General Manager, South Australian Government Financing Authority.

Mr T. Burfield, Director, Risk and Commercial Advisory, South Australian Government Financing Authority.

Ms J. White, Director, Insurance and Fleet, South Australian Government Financing Authority.

Ms J. Townsend, Chief Executive, Funds SA.

Ms D. Bennett, Chief Executive, Super SA.

Mr I. Lebedev, Director, Finance and Analytics, CTP Regulator.

**The CHAIR:** Welcome back, everybody. The next session will begin at 1.45pm and examine the portfolios of SAFA, South Australian Government Insurance and Fleet, Funds SA, Super SA and the CTP Regulator. I advise that the proposed payments remain open for examination and call on the Treasurer, should he wish, to make an opening statement in regard to any of those portfolios.

**The Hon. R.I. LUCAS:** No, Mr Chairman, other than I am in the hands of the committee. This particular section has a number of different agencies. I introduce Anna Hughes as the General Manager of SAFA, who is with us at the moment. I am in the hands of the committee. There is a number of other organisations or agencies represented in this particular group. I am happy to take guidance from the committee, after you have completed questioning on SAFA, to move through the rest.

**The CHAIR:** Member for Lee, I presume you do not wish to make an opening statement. I will obviously look to you in regard to those indications moving forward.

**The Hon. S.C. MULLIGHAN:** I draw your attention to Budget Paper 3, pages 66 to 67. It talks about debt management by the state government and by SAFA. It says that debt duration is now managed between four and eight years rather than the one to five-year term previously. Can I ask when that changed?

**The Hon. R.I. LUCAS:** I am advised that has occurred in the last six months since the last budget.

**The Hon. S.C. MULLIGHAN:** What advice was provided by SAFA to facilitate that change in policy?

**The Hon. R.I. LUCAS:** I think in broad terms—you can be more specific in terms of the questions—it was clearly looking ahead at the interest rate environment. There has been some discussion for a long period of time about the arguments for and against borrowing longer term. I think we might have even canvassed that at last year's estimates committee, albeit briefly. It would have been part of that whole debate. I imagine equivalent agencies in other jurisdictions were also having similar discussions and debates at that particular time.

**The Hon. S.C. MULLIGHAN:** So what advice has SAFA provided to you about bond rates and interest costs over that four to eight-year period?

**The Hon. R.I. LUCAS:** Over what period?

**The Hon. S.C. MULLIGHAN:** Over that four to eight-year period that the policy now applies to.

**The Hon. R.I. LUCAS:** The breadth, as we discussed this morning, was that I think everybody's expectation is that we have already seen long-term bond rates trending upwards, as I indicated this morning, from late last year, the August/September/October period, through to May. Ten-year debt is approximately 70 points or so. I think I quoted this morning from the briefing from Treasury, which would have been based on SAFA's advice, I think, that 10-year bonds in the states were increasing by close to one percentage point over roughly the same sort of period.

In general terms, the nature of the advice is that we are at extraordinarily low levels historically. We are remaining at low levels historically. The expectation in the financial markets is obviously telling us from the 10-year bond rates that there is an expectation that interest rates will at least start trending upwards.

**The Hon. S.C. MULLIGHAN:** Has SAFA provided any estimates as to what those bond rates might be over that period?

**The Hon. R.I. LUCAS:** They would have been part of the discussions, I assume, within Treasury regarding the assumptions in relation to interest expenses that we talked about this morning in terms of the series of questions and answers about what our estimated interest expenses would be over the forward estimates period, particularly getting out to 2024-25.

The structure of SAFA is that the chief executive of Treasury is actually the corporation. There is an advisory committee which the chief executive of Treasury chairs. Ms Hughes is the General Manager of SAFA, obviously, with the technical expertise, together with her team in SAFA. The assumptions and the estimates of interest expenses would have been based on the expertise within SAFA provided through to Treasury.

**The Hon. S.C. MULLIGHAN:** Was this policy endorsed by the SAFA Advisory Board?

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

**The Hon. S.C. MULLIGHAN:** When was it endorsed by the SAFA Advisory Board?

**The Hon. R.I. LUCAS:** The answer is yes. March, we are advised.

**The Hon. S.C. MULLIGHAN:** Did any positions outside of one to five years exist before that change of policy?

**The Hon. R.I. LUCAS:** The answer is yes. The duration is an average that we are talking about, not a point in time. We would have had longer term debt. I think last year in the estimates committees we talked about some 10-year bonds and a bond that went out to 2040. So we were certainly looking at longer term debt even last year. I do not think you should interpret the decision in terms of the average duration as being the first time SAFA, on behalf of the government, looked at borrowing longer term in the market. We were doing that well prior to this particular decision.

**The Hon. S.C. MULLIGHAN:** When you say 'well prior', are you able to advise the committee for how long prior?

**The Hon. R.I. LUCAS:** I am advised that the first time we—being the South Australian government and SAFA—did a 10-year bond was back in 2011, so for many years they have been part of the debt profile. The 20-year one was done August of last year.

**The Hon. S.C. MULLIGHAN:** If I draw your attention to Budget Paper 4, Volume 4, page 170, it talks about the dividend payments from SAFA. Can I ask why there is a fluctuation in the dividend payments? It was budgeted that \$23.8 million be received but only \$16.2 million was.

**The Hon. R.I. LUCAS:** I understand that for the projected returns from our insurance operations, which are part of the calculation, we did not make anywhere near as much money as we

had budgeted. As the member would know, there has been a pretty tight insurance market for a period of time.

**The Hon. S.C. MULLIGHAN:** Can I ask why, at the beginning of the next line, the income tax equivalent increased from \$9.2 million to \$21.4 million?

**The Hon. R.I. LUCAS:** I am advised that it involves some delayed payments from 2019-20 income tax equivalents and the 2020-21 payments, so it was higher for that reason.

**The Hon. S.C. MULLIGHAN:** What is driving the dividend investment for 2021-22 of \$32.8 million?

**The Hon. R.I. LUCAS:** We might need to take that on notice in relation to what makes up that—is it \$31 million, you said?

**The Hon. S.C. MULLIGHAN:** It is \$32.8 million.

**The Hon. R.I. LUCAS:** We will take that on notice and provide a response.

**The Hon. S.C. MULLIGHAN:** On the next page, page 171, it lists the budget and estimated results for the guarantee fees. What is the current guarantee fee rate?

**The Hon. R.I. LUCAS:** It is 0.85.

**The Hon. S.C. MULLIGHAN:** What was it the previous year?

**The Hon. R.I. LUCAS:** It was the same, I am advised, the previous year.

**The Hon. S.C. MULLIGHAN:** Was it the same in 2019-20?

**The Hon. R.I. LUCAS:** I am told it was 0.88.

**The Hon. S.C. MULLIGHAN:** I think you have previously spoken about an average borrowing cost for government; I think you previously mentioned 1.7 per cent publicly. Is that still the representative figure?

**The Hon. R.I. LUCAS:** I am advised that for 2020-21 it was 1.48 per cent.

**The Hon. S.C. MULLIGHAN:** Do you have an estimate for the next financial year?

**The Hon. R.I. LUCAS:** No; consistent with what I said this morning, we do not forecast interest rates, so no. They may well have internal working assumptions, but we do not forecast rates and publish them.

**The Hon. S.C. MULLIGHAN:** How then do you estimate your net interest costs?

**The Hon. R.I. LUCAS:** They would be working on assumptions, but we do not publicise those particular assumptions.

**The Hon. S.C. MULLIGHAN:** I am happy to deal with insurance now. Pages 68 and 67 talk about the insurance arrangements and insurance funds. In Budget Paper 4, page 143, it talks about the government reinsurance program to be renewed. Is that for all funds or just for fund 1?

**The Hon. R.I. LUCAS:** I am advised that it is for all of them. To clarify that, it is for fund 1.

**The Hon. S.C. MULLIGHAN:** Fund 1 is it, okay. I understand the net assets in the reinsurance fund or fund 1 are 135 per cent; is that right?

**The Hon. R.I. LUCAS:** I am advised that it is 146 per cent.

**The Hon. S.C. MULLIGHAN:** Is there an estimate of what it will be at the end of this financial year, or do you have to wait for insurance returns, etc.?

**The Hon. R.I. LUCAS:** I am advised that, yes, we do have to wait.

**The Hon. S.C. MULLIGHAN:** Can I ask what it was at the end of June 2020?

**The Hon. R.I. LUCAS:** We will have to take that one on notice and bring back a reply.

**The Hon. S.C. MULLIGHAN:** The bottom of page 67 in Budget Paper 3 talks about the net asset position of total assets of \$678 million and total liabilities of \$502 million, so a surplus of over \$170 million. Have any, for want of a better term, dividends been taken from that fund or cash withdrawals from that fund been taken because of its net asset position?

**The Hon. R.I. LUCAS:** I am advised that it is part of the earlier discussion we had on the dividend from SAFA. There is a calculation in there as to the contribution from this particular part of the operation. It is part of the overall dividend that comes from SAFA.

**The Hon. S.C. MULLIGHAN:** Is there a target level of solvency, for want of a better term, and if the fund exceeds that then that will provide the capacity for a dividend?

**The Hon. R.I. LUCAS:** I am advised there is a formula, something to do with the five-year average. SAFA will pay a dividend to the Treasurer of 100 per cent of average annual profit after tax over a rolling five years, or in the event of a zero dividend on the rolling five-year average any amount over solvency requirements of 100 per cent, as determined by management, up to a maximum of the current year actual or estimated profit.

**The Hon. S.C. MULLIGHAN:** So it is either done on the basis of profit or excess assets above liabilities?

**The Hon. R.I. LUCAS:** I am advised that that is a reflection of what I have just read out.

**The Hon. S.C. MULLIGHAN:** Are those assets invested with Funds SA?

**The Hon. R.I. LUCAS:** Yes, they are.

**The Hon. S.C. MULLIGHAN:** With respect to insurance fund 2, what is the current level of assets and liabilities in that fund?

**The Hon. R.I. LUCAS:** I am advised that, come 30 June every year, we net it off to zero, so there are no net assets held in fund 2 at all. It is netted off to zero at the end of each financial year.

**The Hon. S.C. MULLIGHAN:** And for insurance fund 3, regarding the building indemnity insurance?

**The Hon. R.I. LUCAS:** I will take it on notice and see if I can find any further information. I am advised that we have \$36.8 million of assets invested with Funds SA out of that fund. However, as the member would probably appreciate, the building indemnity insurance area is hugely challenged at the moment. My advice is that it is highly likely we are making losses and will have made a loss on insurance in that particular area over the financial year. Whilst we have assets invested, we have claims and liabilities accruing that will probably more than likely more than offset that. Anyway, we will take on notice what information to the end of the financial year we can provide to the member. It is highly unlikely there will be significant net assets in that particular fund.

**The Hon. S.C. MULLIGHAN:** Can I ask how many claims were lodged last financial year? Perhaps you can take it on notice.

**The Hon. R.I. LUCAS:** We can take it on notice, but if we can find an answer before the end of the day we will be happy to provide that.

**The Hon. S.C. MULLIGHAN:** Could I also ask: what were the payments made into the fund from premium revenue? Also, what were the costs of the claims paid out for that financial year?

**The Hon. R.I. LUCAS:** We can take that on notice as well.

**The Hon. S.C. MULLIGHAN:** With respect to the final question on the building indemnity insurance, in Budget Paper 4, Volume 4, page 173 there is a substantial drop in the level of cash outflow that was forecast in 2019-20 or even the last financial year—going from \$10.95 million last year down to \$618,000. Can I ask why?

**The Hon. R.I. LUCAS:** Based on advice, I might take further advice on that as to what backed up the particular estimated difference in that number of just over \$10 million down to \$618,000. The early advice was an estimate that there will be fewer claims this particular year, but I will take further advice on that and if I can provide further information I will be happy to do so.



**The Hon. S.C. MULLIGHAN:** You probably know where this is going: insurance fund 4—after we have done the first three—the claims for institutional sexual abuse. How many claims have been lodged since the commencement, how many have been settled and what has the cost of those claims been?

**The Hon. R.I. LUCAS:** I am advised, in terms of the first part of the question, we are not really in a position to know because the claims actually go to the commonwealth. We then reimburse the ones they settle. I am told that to date SAFA has reimbursed 218 applicants' payments to the commonwealth at a total cost of \$22.1 million, but we do not know how many claims have gone to the commonwealth and they are still processing and deciding whether or not to settle and whether or not we have to reimburse.

**The Hon. S.C. MULLIGHAN:** I think last year your advice to the committee was that the commonwealth provides periodic updates to you about the lodgement of claims. Have they been continuing to provide that advice?

**The Hon. R.I. LUCAS:** I am advised they provide them to the Attorney-General's Department, so we can certainly make inquiries and see what is their most recent advice in relation to the number of claims.

**The Hon. S.C. MULLIGHAN:** I think at the end of the 2017-18 financial year you moved \$146.4 million from the Victims of Crime Fund into this insurance fund for the purposes of these claims, and according to Budget Paper 3, page 68 there is a balance of \$134.4 million in that fund. So if there has been payment of \$22 million, is the balance of those funds invested and then there is a return on those funds, and are they invested through Funds SA?

**The Hon. R.I. LUCAS:** The answer to that question, I am advised, is yes and yes.

**The Hon. S.C. MULLIGHAN:** Are all of the funds that have not been paid out currently invested or is there a balance that is left in the fund and the remainder goes to Funds SA for investment?

**The Hon. R.I. LUCAS:** I am advised that all of it is invested with Funds SA.

**The Hon. S.C. MULLIGHAN:** What was the investment return for the last financial year?

**The Hon. R.I. LUCAS:** Fortuitously, we have Funds SA with us. I am advised 6.7 per cent.

**The Hon. S.C. MULLIGHAN:** On page 68 of Budget Paper 3, it talks about claims which have been made under business interruption insurance arrangements. From my reading of that, 16 claims have been submitted for \$91.9 million from organisations, including some of those arts organisations. How many have been finalised? Is it the six for \$35 million that have been finalised?

**The Hon. R.I. LUCAS:** I am advised that—and this covers a range of agencies, including zoos, the media management corporation, the Festival Centre, so all of those sorts of government related functions—so far, payments of \$38.9 million have been made to 12 agencies and, as at 31 May, seven claims have been finalised. My reading of that is there are still five claims or agencies that have had some payment but their claim has not been finalised.

**The Hon. S.C. MULLIGHAN:** Which are the seven that have been finalised?

**The Hon. R.I. LUCAS:** We would have to take that on notice as to which.

**The Hon. S.C. MULLIGHAN:** How much have each of them received?

**The Hon. R.I. LUCAS:** We will have to take that on notice, obviously, as well. As at 31 May, we had received claims from 16 agencies: Aboriginal Lands Trust, Adelaide Festival Centre Trust, Adelaide Venue Management Corporation, Art Gallery of South Australia, Carrick Hill, Country Arts SA, Department for Environment and Water, History Trust, SA Museum, State Library, State Opera, State Theatre Company South Australia, Tourism SA, West Beach Trust, Windmill Theatre Company and Zoos SA. They are the 16 that have made claims, 12 of which have had payments made to them, seven of which have been finalised as at 31 May.

**The Hon. S.C. MULLIGHAN:** Have any claims been rejected?

**The Hon. R.I. LUCAS:** When you say 'rejected', there is a consideration of the extent of the claims that are made by agencies and there is a settlement of what is agreed, so it would be fair to say a number of agencies may well have claimed X and they ended up with something short of X in terms of a final resolution of it. I think all of them have so far received something but in some cases it has been short of what they might have claimed was a loss.

**The Hon. S.C. MULLIGHAN:** So no claimant has had their entire claim rejected; it has just been a negotiated outcome in some instances?

**The Hon. R.I. LUCAS:** The short answer is no, no-one has been knocked back, on my advice.

**The Hon. S.C. MULLIGHAN:** Do all of those claimants, whether they have had their claims finalised or not, pay premiums for this insurance?

**The Hon. R.I. LUCAS:** I am advised yes.

**The Hon. S.C. MULLIGHAN:** What is the premium? Is it based on revenue or—

**The Hon. R.I. LUCAS:** I hope it is going to be much higher in the future.

**The Hon. S.C. MULLIGHAN:** Is it a fixed rate?

**The Hon. R.I. LUCAS:** I am advised that it is a very amicable negotiated settlement—I say in inverted commas. There is an agreement reached with each of these particular agencies and it is based on a judgement of risk and revenue. There is no set premium fee which is applied cookie cutter across all of the agencies. It is an assessment and then ultimately an individual agreement between Treasury and the individual agency.

**The Hon. S.C. MULLIGHAN:** Has any additional support been provided to private arts and recreation providers who have been impacted by COVID?

**The Hon. R.I. LUCAS:** That is not a SAFA or a SAicorp issue. As you know, if we go back to our session this morning, there were various COVID funds, etc., where people could make application but they are not governed by SAFA SAicorp type arrangements, and not funded out of that.

**The Hon. S.C. MULLIGHAN:** Are any non-government organisations able to participate in these insurance arrangements?

**The Hon. R.I. LUCAS:** The answer to your question is yes. Zoos SA is an example of what the member is talking about, which is a non-government organisation, but nevertheless some Treasurer in the past has obviously taken the decision, which I have not changed, which says—

**The Hon. S.C. MULLIGHAN:** It might have been you.

**The Hon. R.I. LUCAS:** I suspect it was not. I am not that generous. Essentially, it is where a function is being conducted which the government of the day, the Treasurer of the day, has decided is a pseudo public function, so Zoos SA was included. Previous governments of all persuasions, I suspect, including the former government, had examples like G4S, which is the outsourced provider of prisoner management services, and Allwater, I am told, in relation to the arrangements with SA Water. You know how they manage the metropolitan water supply function. There is a general category of outsourced private sector provider providing a government function. There is a number of examples like that, I understand, but none of those have come up with claims under this particular provision, other than, obviously, Zoos SA.

**The Hon. S.C. MULLIGHAN:** You might need to take this on notice, but what level of premium does Zoos SA pay for the benefit of this insurance?

**The Hon. R.I. LUCAS:** I am happy to take that on notice.

**The Hon. S.C. MULLIGHAN:** My next questions are about fleet. Does that change your personnel?

**The Hon. R.I. LUCAS:** Okay, keep going. I think we have the same team.

**The Hon. S.C. MULLIGHAN:** How many vehicles are currently in the fleet?

**The Hon. R.I. LUCAS:** There are 6,712, as a rough estimate.

**The Hon. S.C. MULLIGHAN:** On Budget Paper 4, Volume 4, page 143, it appears that 38 are plug-in hybrid and nine are battery electric vehicles; is that correct?

**The Hon. R.I. LUCAS:** Apologies for the delay there. I think we were trying to add more information for you, which is what might be on order, which was only confusing my feeble mind. As at 30 June, the fleet of 6,712 contained 1,731 hybrid vehicles, 35 plug-in hybrid electric vehicles and 11 battery electric vehicles.

**The Hon. S.C. MULLIGHAN:** Is there a target for the penetration of electric vehicles, either plug-in hybrid or battery electric vehicles, in the fleet?

**The Hon. R.I. LUCAS:** I think we have a target long-term that they will all be eventually. That is my target, the government's target. In the short term, the publicly released Electric Vehicle Action Plan, which was released late last year, perhaps, has a goal of 100 per cent electric vehicles. That is obviously going to be more challenging in relation to trucks and that sort of thing, but in terms of passenger vehicles it is obviously going to be achieved, one would imagine, sooner than trucks and other heavy vehicles.

The state government's publicly avowed policy under the electric vehicle plan—whatever that is called—is to head to a position of 100 per cent electric vehicles. There is a provision in there now, which I am summarising in layperson's terms, which basically says the default position should be an electric vehicle; however, you have to look at the whole-of-vehicle cost. In looking at the whole vehicle cost, which means the cost of running it as opposed to the sticker price in terms of purchasing, it also includes a consideration, I assume, of the estimated sale price that you might get on both vehicles.

In terms of looking at the cost issue, agencies are also allowed to look at saying, 'Well, if I previously had 100 vehicles, I am prepared to reduce the total number of vehicles to 95.' Even though the individual cost per electric vehicle might be still higher, if the overall cost of running vehicles has been reduced, we are prepared to give favourable consideration to that sort of arrangement. There is a predisposition towards encouraging agencies to head as quickly as they can towards electric vehicles.

**The Hon. S.C. MULLIGHAN:** Is there a date for the target of 100 per cent?

**The Hon. R.I. LUCAS:** I think there is a long-term goal in the Electric Vehicle Action Plan. I will have to check for you. It is publicly available. I think it was either 2030 or 2035, but I cannot remember.

**The Hon. S.C. MULLIGHAN:** But your count includes hybrid vehicles, not just plug-in hybrids or battery electric vehicles.

**The Hon. R.I. LUCAS:** Yes, that is right.

**The Hon. S.C. MULLIGHAN:** So they could be hybrids?

**The Hon. R.I. LUCAS:** There are 1,731 hybrid vehicles, 35 plug-in hybrid electric vehicles and 11 battery electric vehicles. We are at a very, very small percentage of the total fleet at the moment, so it is going to be a huge, some might even say massive, move for government and agencies to head towards the 100 per cent target.

**The Hon. S.C. MULLIGHAN:** Who makes the decisions on purchasing? Is it centrally mandated or is it done by each of the agencies?

**The Hon. R.I. LUCAS:** Each of the agencies.

**The Hon. S.C. MULLIGHAN:** Have they been issued a direction or a mandate about purchasing electric vehicles?

**The Hon. R.I. LUCAS:** I think I just explained it; that is, the Electric Vehicle Action Plan describes to agencies that the default position is electric vehicles, other than if you can explain that

it is not going to be cost-effective. There is then this complicated series of offsets that they are able to take into account in terms of it being cost effective, including, as I said, the notion of them being prepared to reduce the overall number of cars within their calculation. Even if the whole-of-life cost of the electric vehicle is still higher, if they can reduce or equalise their overall cost for fleet vehicles, then they are entitled to purchase the electric vehicle.

**The Hon. S.C. MULLIGHAN:** Is that requirement in place now?

**The Hon. R.I. LUCAS:** Yes. It has been for a while.

**The Hon. S.C. MULLIGHAN:** If an agency wanted to purchase a purely petrol powered or diesel powered vehicle, do they have to make that offset?

**The Hon. R.I. LUCAS:** Those requirements are there and they exist at the moment, so they would have to be able to justify that whatever vehicle they are choosing complies with those particular guidelines.

**The Hon. S.C. MULLIGHAN:** Is that something that is done on a vehicle by vehicle basis? How is that justification made?

**The Hon. R.I. LUCAS:** I do not know that it would be done vehicle by vehicle. I am advised that each agency has the equivalent of a position called a fleet manager—it might not be called that—who manages the fleet. He or she is responsible for making that particular calculation. They would do it for each car, but one would imagine it would be sensible for them to establish a template cost. They would not be going backwards and forwards to fleet management and saying it for every car in this particular fleet. It will be, 'This type of car. Here it is.' There would be some sort of approval, I assume—I am guessing here—in terms of that particular type of car as to how it would be approved or not approved.

**The Hon. S.C. MULLIGHAN:** How much have you budgeted for the electric vehicle tax to be paid by public sector fleet vehicles?

**The Hon. R.I. LUCAS:** We have not budgeted anything specific for agencies. It will be just part of their ongoing cost.

**The Hon. S.C. MULLIGHAN:** And they will have to bear it? It is not going to be centrally funded?

**The Hon. R.I. LUCAS:** Yes; we are not going to make a special allocation to them.

**The Hon. S.C. MULLIGHAN:** So will it apply to the 35 plug-in hybrid vehicles and the battery electric vehicles, or will it also apply to the hybrids?

**The Hon. R.I. LUCAS:** Just to the plug-in hybrids and the battery electric vehicles. I think it is also other zero emission vehicles. In this bold new world that we are all about to embark upon, if we end up with hydrogen passenger vehicles, if it is zero emission, it will be the same as well.

**The Hon. S.C. MULLIGHAN:** How much are you budgeting to collect in that tax generally?

**The Hon. R.I. LUCAS:** That is not in these budget lines. I think we just indicated last year that the broad estimate at that particular time was about \$1 million a year. We are spending \$18.3 million on charging infrastructure and various other things as part of the electric vehicle plan.

**The Hon. S.C. MULLIGHAN:** How many electric vehicles are sold each year in South Australia?

**The Hon. R.I. LUCAS:** I have the figure but I do not have it with me.

**The Hon. S.C. MULLIGHAN:** Do you have forward projections across the forward estimates?

**The Hon. R.I. LUCAS:** There are a series of forward estimates done by a whole series of different agencies and stakeholders and groups which are all wildly divergent.

**The Hon. S.C. MULLIGHAN:** But do you have some?

**The Hon. R.I. LUCAS:** I have all of them, yes. I am in the position of receiving, as all other governments do, all of these differing estimates which are wildly divergent in terms of their estimates of two things: one is when the initial price of an electric vehicle will be cost competitive. The most optimistic are saying 2025, and there are a number of stakeholder groups who believe it will be as soon as that, but there are others who are much more pessimistic than that and believe it will be in the 2030s.

Clearly, that is one of the major issues that will impact on the potential take-up of electric vehicles and the extent of charging infrastructure that is made available in jurisdictions. We have made our commitment, and various other governments are making commitments, in terms of charging infrastructure. The answer to your question is yes, we have a whole series of different estimates of what the take-up rate might be.

**The Hon. S.C. MULLIGHAN:** That is it for insurance and SAFA.

**The Hon. R.I. LUCAS:** What are you moving onto next?

**The Hon. S.C. MULLIGHAN:** Superannuation estimates.

**The Hon. R.I. LUCAS:** Funds SA or Super SA?

**The Hon. S.C. MULLIGHAN:** Super SA.

**The Hon. R.I. LUCAS:** We are moving to Super SA, and I have Das Bennett, Chief Executive of Super SA with me.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 4, Volume 4, page 144. Super SA has been reviewing its insurance services and we previously heard that the board had resolved to outsource these insurance services. What is the status of this? Has this been approved or rejected by the government?

**The Hon. R.I. LUCAS:** No, as I indicated to the Legislative Council when I was asked this question. I was asked whether I would take it to cabinet, and I said no, I would not take it to cabinet.

**The Hon. S.C. MULLIGHAN:** Can I ask regarding the increase in FTEs for Super SA—I think we have had a 31.1 FTE increase in staffing between 2019-20 and 2021-22. Can I ask what those staff are allocated towards?

**The Hon. R.I. LUCAS:** I am told that a range of functions have been involved. A whole new call centre was incorporated in terms of providing additional member services, but the tasks for Super SA in the last 12 months to two years in particular in relation to choice of funds and related issues like that have involved extra contract staff being brought on board. There have also been some IT and system changes in terms of trying to find better member services, but also in terms of improving the IT systems and the software systems that Super SA have, and contract staff have been brought in to manage those over a period of time as well. There have been a range of additional both services and functions that have been required to be undertaken by Super SA.

**The Hon. S.C. MULLIGHAN:** So, how many people were there previously in the call centre versus how many there are subsequent to the changes?

**The Hon. R.I. LUCAS:** I am advised around about 18 originally and that has been increased to about 25.

**The Hon. S.C. MULLIGHAN:** So seven staff. In that same line on page 145 there is an increase in the expenses from \$30.1 million to \$40.8 million—an increase of \$10.6 million or 35 per cent between those two years. Who bears the cost of this increase in expenses?

**The Hon. R.I. LUCAS:** Because Super SA is member funded, the costs of any expenses are member funded. A significant chunk of the increased expenses—I am advised that about \$6 million had to come out of member reserves, but these were all projects in relation to choice of funds and a whole variety of other things that have had to be done in recent times, together with the system upgrades that have had to occur in Super SA. The bottom line is that, I am advised, the member fees still remain in the lowest grouping of their peers in terms of the fees actually charged to members, even with the increased expenses. From that viewpoint, members can judge their costs

or fees and charges against peer funds. My advice is that Super SA's members are at the bottom end of what is being charged.

**The Hon. S.C. MULLIGHAN:** Now that the special projects have concluded—

**The Hon. R.I. LUCAS:** No, choice of fund is still a work in progress, I have to say. The legislation has passed, but I am advised that it will not be ready until early or mid-next year. There is a power of work that has to be done in terms of getting Super SA ready for the implementation of choice of fund and limited public offer, in terms of that. The passage of the legislation is not the end of the road, it is partway along the path.

**The Hon. S.C. MULLIGHAN:** When would we expect that level of expenses, the \$40.8 million, to start to go back down again?

**The Hon. R.I. LUCAS:** I am advised that there is no current planning for that level of expenditure to drop back to the old level of \$30 million, or whatever the number was that the member quoted. There were going to be ongoing issues in relation to the management of the fund. This fund is now going to have to compete for members. It is going to have to spend a lot more money in terms of holding on to members and also attracting new members to come into the fund.

Funds management and superannuation is a highly competitive environment and clearly, with choice of funds, there are very big funds out there with very large communication budgets that will be spending large sums of money in terms of attracting people away from smaller funds like Super SA. The challenge for Super SA is going to be to hold on to its members and then also to attract members where it can. It is going to have to be more active in that particular space, together with improving the delivery of member services so that members feel they are getting a good level of service at a competitive price. That is going to be the challenge for Super SA in the future.

**The Hon. S.C. MULLIGHAN:** In the two-year period when expenses increase by \$10.6 million, the number of members in all schemes is projected to go down by just over 10,000 to 204,000 members. That works out to roughly about \$50 per member in higher expenses for the benefit of the superannuation choice that the scheme will now be opened up to.

**The Hon. R.I. LUCAS:** The advice I am given is that the bottom line is that member fees, as compared to peer funds, are at the lower end of the continuum. As long as Super SA is able to achieve that, members should feel satisfied that they are getting competitive services at a price that is—

**The Hon. S.C. MULLIGHAN:** Fifty bucks higher.

**The Hon. R.I. LUCAS:** —more than competitive.

**The Hon. S.C. MULLIGHAN:** Can I ask how many members of Super SA took the opportunity to withdraw either \$10,000 or \$20,000?

**The Hon. R.I. LUCAS:** I am advised that 10,000 members profitably took the early release to which the member has referred.

**The Hon. S.C. MULLIGHAN:** How many of those ended up with a nil balance as a result of those withdrawals?

**The Hon. R.I. LUCAS:** We do not have that information with us. We will take that on notice and try to provide a response.

**The Hon. S.C. MULLIGHAN:** How much was spent on consultants last year and how much is forecast to be spent this year?

**The Hon. R.I. LUCAS:** We will have to take that on notice as well.

**The Hon. S.C. MULLIGHAN:** That is it for Super SA.

**The Hon. R.I. LUCAS:** Funds SA, Stephen?

**The Hon. S.C. MULLIGHAN:** Funds SA.

**The Hon. R.I. LUCAS:** Mr Chairman, I introduce Jo Townsend, Chief Executive of Funds SA.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 3, page 81. Funds SA was estimated to have 65.9 FTEs at the end of the most recent financial year, June 2021. I think in the previous budget we saw that it was 50.4 FTEs. It grows up to 80.9 FTEs. What functions will those additional staff be performing?

**The Hon. R.I. LUCAS:** I am advised that these additional functions are budgeted to be right across all aspects of Funds SA's operations, so they include additional capacity in investment capability teams, investment management and investment capability, and additional capacity in IT functions. There is no one specific part of the Funds SA organisation that is going to take the lion's share of those 60 to 80 or something—

**The Hon. S.C. MULLIGHAN:** Fifty to 80.

**The Hon. R.I. LUCAS:** —but there are ones and twos across the board in terms of additional staffing in all elements of the organisation is what they are currently budgeting.

**The Hon. S.C. MULLIGHAN:** Which of the organisations with funds under management will be bearing the cost of these additional FTEs?

**The Hon. R.I. LUCAS:** The answer to the question is to varying degrees it will be all funds. Ms Townsend outlines to me that it depends on the investment strategy of the particular agency. One example is the defined benefit fund, as I am advised, will have a higher cost because it is comprised of private equities and the like whereas a particular fund that is more long-term and is fixed interest in cash will have a lower cost. So the investment strategy of the customer will in large part dictate the charge. But the answer to your question in simple terms is: you know, who pays? Obviously, it is part of the cost base that Funds SA charges its customers, if I can put it that way, in terms of managing their funds.

**The Hon. S.C. MULLIGHAN:** So there are essentially different investment management fees, depending on which class of investments you want your money placed in?

**The Hon. R.I. LUCAS:** Depending on which investment management strategy a particular customer might have. A particular customer might have an investment management strategy which has a class of funds right across the board, but it might have more cash and fixed interest as opposed to equity or private equity investments. So it varies according to the investment strategy.

**The Hon. S.C. MULLIGHAN:** Have investment management fees for clients, for want of a better word, or for those agencies that have investments placed with Funds SA, changed from last year to this year?

**The Hon. R.I. LUCAS:** It will be the subject of some negotiation and discussion, but Ms Townsend outlines to me that, for example, the balanced fund, the charge for that is 0.82 for 2021. Bear in mind the target is to reduce that to 0.75 for this year for the balanced fund. That is the task that Funds SA has set for themselves in terms of the overall costs in terms of how they manage themselves—not just their cost base, which is the number of employees and others, but how they run their operations and how they manage their cost base. So their target is to reduce that balanced fund cost from 0.82 to 0.75.

**The Hon. S.C. MULLIGHAN:** I assume that the bulk of the funds are invested under that balanced investment strategy?

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

**The Hon. S.C. MULLIGHAN:** As at 30 June, what were the total funds under management?

**The Hon. R.I. LUCAS:** Just over \$40 billion; I think about \$41 billion, in and of that order.

**The Hon. S.C. MULLIGHAN:** If you need to take this on notice that is understandable: how much of that just over \$40-odd billion is invested in each of the different investment strategies?

**The Hon. R.I. LUCAS:** I think we might have some information on that. Perhaps without running through all of them—there are about 10 of them—the biggies are: balanced, \$22.8 billion;

the next biggie is the defined benefit strategy, \$7.6 billion; the third biggie is high growth, which is \$4.2 billion; then we have \$1.7 billion, moderate; \$1.49 billion, conservative; and \$1.17 billion, Lifetime Support Authority strategy. They are the biggest six or seven.

**The Hon. S.C. MULLIGHAN:** Budget Paper 4, Volume 4, page 171. There was a return of a deposit account balance of \$30 million from superannuation funds. Can I ask where that came from and why that return was made?

**The Hon. R.I. LUCAS:** We will have to take that one on notice and provide the member with a reply.

**The Hon. S.C. MULLIGHAN:** Was this a similar withdrawal or distribution, I guess you could call it, from accrued balances in superannuation funds as was made in 2018-19, I think it was, when a similar amount was withdrawn from one of the superannuation schemes?

**The Hon. R.I. LUCAS:** We will take this series of questions on notice and provide an answer.

**The CHAIR:** The time has expired for the examination of payments in relation to the portfolios of SAFA, SA Government Insurance and Fleet, Funds SA, Super SA and the CTP Regulator. Therefore, there are no further questions, and I declare the examination of those portfolios closed.

*Sitting suspended from 15:00 to 15:16.*

#### **Departmental Advisers:**

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

Ms J. Holmes, Commissioner of State Taxation, RevenueSA.

Mr M. Carey, Executive Director, Government Services, Department of Treasury and Finance.

Mr P. Dowsett, General Manager, Industrial Participation, Office of the Industry Advocate.

**The CHAIR:** Welcome back to Estimates Committee B. This afternoon's session runs from 3.15pm until 4 o'clock in regard to the portfolios of RevenueSA, Strategic Procurement, Shared Services and the Industry Advocate. The minister appearing is the Treasurer. I advise that the proposed payments remain open for examination and call on the Treasurer, should he wish, to make an opening statement in regard to these portfolios.

**The Hon. R.I. LUCAS:** Can I introduce Julie Holmes, Commissioner of State Taxation, at the table with me. I do not propose to make an opening statement, but can I just provide an answer to an earlier question that was asked in the first session this morning. I will not go through all the detail, but, broadly as I recall it, I think the member for Lee raised some questions about increased staffing in the Treasurer's office and/or ministerial offices.

The former government's budget paper's treatment was that what was listed under 'ministerial officers' just listed a component of the staff in the ministerial office, which is essentially the ministerial contract staff. The departmental liaison officers, ministerial liaison officers and others were not included in that particular number. We took the decision in the first budget to actually put all of the staff in the minister's office in the ministerial office and increase the budget line accordingly, rather than having it broken up between a departmental expense and the ministerial office expense, so that the true cost of running the minister's office was recorded under the ministerial office line.

In my case, I think the member raised the issue that it used to be 13 staff and had been increased to 15 or something. I think the number was somewhere between 17 or 18 that it used to be and it has been reduced to 15. Overall, the government reduced total ministerial staff, if you include both contract staff and public servants, by 48 I think it was, in the first budget and has broadly maintained that since then. I just wanted to clarify that. Anyway, I am happy to move on to RevenueSA.



**The CHAIR:** Is that where you would like to start, member for Lee?

**The Hon. S.C. MULLIGHAN:** So all those staff are on ministerial contracts?

**The Hon. R.I. LUCAS:** No, they are a combination of ministerial contract staff, which are gazetted, and they have just been gazetted, and departmental officers. The member will be familiar with the office manager, personal assistants, MLOs, and admin officers. The former government accounted for those in budget treatment within the departmental lines, not within the ministerial office budget, and they are not contract staff, they are permanent public servants.

**The Hon. S.C. MULLIGHAN:** I would like to draw the Treasurer's attention to a response he provided on notice to last year's estimates where he provided a list of his office staff and said, 'No staff were seconded from the department to my office as at 30 June 2020.' Is that still the case?

**The Hon. R.I. LUCAS:** I am not sure about seconded. They will return to Treasury if a future Treasurer does not require them. They have ongoing positions. We sometimes have—if there is one staff member on maternity leave, someone comes in to replace her for a period of one year at a time whilst she is on maternity leave, but in broad terms they are ongoing public servants and they have an entitlement to return to the department from which they came if the future Treasurer does not require them in his or her office.

**The Hon. S.C. MULLIGHAN:** Budget Paper 4, Volume 4, page 140. How many land tax bills are yet to be sent out for the 2020-21 financial year?

**The Hon. R.I. LUCAS:** The latest estimate I received in the last couple of days was about 9,500. I think it has pleasingly come down from whatever it was—15,000 or 18,000—but there is still a way to go in terms of issuing all of those bills.

**The Hon. S.C. MULLIGHAN:** How many bills are to be sent out in total for that financial year?

**The Hon. R.I. LUCAS:** Approximately 55,000.

**The Hon. S.C. MULLIGHAN:** When did it become apparent that all of the bills were not able to go out on time?

**The Hon. R.I. LUCAS:** A number of months ago now. There is no specific point in time but the bottom line is, I am told, that every year there is a very small number of complex accounts which get delayed into the next year, for a whole variety of reasons, but it is very small, nowhere near the 9,500. However, it is not uncommon to have some complex accounts which roll over into the next year. In broad terms the commissioner tells me that it was probably around about May perhaps that we, through RevenueSA, started to realise that there were significant issues in relation to how the IT system was coping with the complexity of the trust, in particular, and arrangements.

**The Hon. S.C. MULLIGHAN:** What additional resources were allocated to implement the new aggregation regime and getting the bills out?

**The Hon. R.I. LUCAS:** Significant additional resources have been allocated both internally within RevenueSA but also within Treasury at varying stages. I think in recent times there has been additional resourcing provided from Fujitsu as the provider of the software or the hardware—one of the providers with resourcing there, and also I think we have had an additional or separate set of eyes, independent set of eyes, from PwC who have been brought in to try to provide, I guess, a fresh set of eyes as to what the challenges are in terms of trying to solve the system problems that have created this sort of delay.

**The Hon. S.C. MULLIGHAN:** How many additional staff are working on getting these bills out?

**The Hon. R.I. LUCAS:** I think some of these are obviously just on short-term contracts. I am advised that we have up to 46 staff processing the Trust and issues in relation to that, but that comprises around about 10 additional staff who have been allocated there. That does not include obviously the additional resources which I think is only one or two people from Fujitsu—two. There are five short-term, in essence, consultancy or contract positions; five new positions in terms of

IT expertise, a fresh set of eyes to try and ask, 'Okay, what are the problems?' and hopefully a fresh set of eyes having a look at it to try to resolve what the system issues are.

**The Hon. S.C. MULLIGHAN:** What is the cost of all these additional resources that have been applied to it?

**The Hon. R.I. LUCAS:** At the end of the process, we will be happy to account for it in terms of what the cost has been, but at this stage my instructions to the chief executive and the commissioner have been that we need to resolve this issue as quickly, as expeditiously as we can and we will find the additional resources. But we are happy to account for it at the end of the process.

**The Hon. S.C. MULLIGHAN:** When do you expect the last of the bills will be sent?

**The Hon. R.I. LUCAS:** Hopefully, tomorrow, but that is not going to be met. The instruction is as soon as possible. I cannot give you a date.

**The Hon. S.C. MULLIGHAN:** But is it likely to be days, weeks or months?

**The Hon. R.I. LUCAS:** I do not know. I cannot give you a date. I would love to give you a date, but not only in July but over the last three months I have had varying estimates provided to me in terms of when we hope to get it delivered and we have been unable to meet those particular commitments. I am not going to publicly indicate anything other than that we are doing everything in our power to try to resolve the system issues.

Once the issues are resolved, then the system will be set up for the future in terms of having introduced what was the most comprehensive land tax reform the state has seen. The systems will be set up, and the implementation in future years will obviously be a much smoother exercise, but we have to break the back of the remaining system problems that are still there.

**The Hon. S.C. MULLIGHAN:** What is the billing cycle for the bills to go out in the 2021-22 financial year?

**The Hon. R.I. LUCAS:** It has not been approved yet, but the early thinking is that they would commence probably about late October and start being processed through November. Late October, the first week of November is the estimate at this stage. We have indicated publicly, and I am happy to do so again, that an individual taxpayer may have a particular cash flow issue as a result of the juxtaposition of two sets of land tax bills at the same time.

Bear in mind that for a large number of land taxpayers who might be in that small category, who are disadvantaged by the aggregation policies, our compensation fund was significantly increased to 100 per cent for 2020-21 within that band of \$2,500 to \$102,500, and it has been increased from 30 per cent to 70 per cent compensation for 2021-22 as part of our COVID-related announcements.

Nevertheless, if there are individual taxpayers who do have particular cash flow issues, I have indicated, on the advice of the commissioner, that she and her team will enter into sensible arrangements with the individual taxpayer to ensure that there is a reasonable repayment option if that is required.

**The Hon. S.C. MULLIGHAN:** Do you anticipate that the bills from last financial year that are yet to go out will have gone out by the commencement of the new billing cycle?

**The Hon. R.I. LUCAS:** I am hoping they will be out by tomorrow, but it is not going to happen, so I am just not putting a date on when we hope to have all of them out there.

**The Hon. S.C. MULLIGHAN:** I was not trying to elicit a date. It was more that will the new billing cycle commence even though some of the pre-existing bills have not gone out?

**The Hon. R.I. LUCAS:** They can proceed and should we be in that circumstance, which I hope we will not be, then the new bills will be processed, bearing in mind that at the moment we have 46,000 or so bills for 2020-21 that have already been processed. Whatever that percentage is, a very high percentage of land taxpayers should be unimpacted. Most of those will be unimpacted by the ongoing problems we might have with these trusts and trust-related issues.

**The Hon. S.C. MULLIGHAN:** How many landowners received the land tax waivers, which amounted to \$11 million as at 31 March 2021?

**The Hon. R.I. LUCAS:** Is this under the COVID arrangements? Is that what you are talking about?

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

**The Hon. R.I. LUCAS:** I do not know that we have that number. Can we just clarify: are you talking about the assistance we provided to landlords who provided relief to tenants as part of our COVID relief package last year?

**The Hon. S.C. MULLIGHAN:** Yes. The fourth dot point on page 141 refers to \$11 million being paid in land tax relief.

**The Hon. R.I. LUCAS:** I am advised it is about 1,500. Approximately 1,400 non-residential commercial landlords applications were approved in the financial year. I think you mentioned March, did you not?

**The Hon. S.C. MULLIGHAN:** In the budget papers, 31 March 2021.

**The Hon. R.I. LUCAS:** I think these numbers that I have been given are actually for the period for the financial year through to June, so they might not directly relate to that \$11 million. Is that in the budget paper?

**The Hon. S.C. MULLIGHAN:** Yes, page 141, fourth dot point.

**The Hon. R.I. LUCAS:** Evidently, at that time we put the budget papers out we only had to March. We have now got to June figures. There are 1,400, approximately, non-residential commercial landlords applications approved and 176 residential landlords. The number of residential landlords applications approved was 61, so about 1,500 approximately. I am told that the \$11 million to which the budget papers referred is now \$13.8 million in total.

**The Hon. S.C. MULLIGHAN:** How many landowners have taken advantage of land tax deferrals?

**The Hon. R.I. LUCAS:** We have had to answer this one before. We do not have that number because they actually do not have to apply; they just defer.

**The Hon. S.C. MULLIGHAN:** Have all of the amounts which were deferred now been paid?

**The Hon. R.I. LUCAS:** Whatever their bill is, we obviously require them to pay it. We would follow it up. Because we do not track the ones that have deferred, in the normal course of events we just pursue the payment of the bill that is due.

I do not know whether this assists the member at all, but I am advised by the commissioner that as at 30 June this year we had \$18 million land tax still to be collected—outstanding debt. But if you go back to April 2020, that is just before COVID obviously, we had \$24.3 million. So there is obviously at any point in time a significant amount of land tax that still has to be collected.

To clarify, this is what RevenueSA classifies as outstanding debt. In April of last year, pre-COVID, we had outstanding debt of \$24.3 million of land tax which had been unpaid, and so our collection agencies, or whatever it is, were in the process of collecting that land tax. That number, as at 30 June, is down to \$18.6 million.

**The Hon. S.C. MULLIGHAN:** But that may or may not represent land tax deferrals?

**The Hon. R.I. LUCAS:** No, that is right.

**The Hon. S.C. MULLIGHAN:** That same paragraph talks about how much was deferred for payroll tax: \$133 million. Has all of that been now repaid? Perhaps you could take that on notice.

**The Hon. R.I. LUCAS:** We are happy to take it on notice. If we can find it before we conclude the session, we will be happy to share the information with you.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 3, page 37. Of the betting operations tax, how much did the following betting companies pay individually: Sportsbet, Bet365, Ladbrokes, Neds, TAB and PointsBet? You might want to take that on notice.

**The Hon. R.I. LUCAS:** I would need to take advice. My understanding is that we are possibly not allowed to provide information about the tax details of individuals under the Taxation Administration Act, or something like that. Unless I get contrary advice, that would have to be the answer at this stage. If I get contrary advice, I will provide some answers on notice. I have had the riot act read to me on previous occasions in relation to the tax details of individuals or companies.

**The Hon. S.C. MULLIGHAN:** With regard to the HomeBuilder grants, how many have been approved in regional South Australia?

**The Hon. R.I. LUCAS:** I think we will have to take that on notice.

**The Hon. S.C. MULLIGHAN:** How many were for new builds and how many were for renovations?

**The Hon. R.I. LUCAS:** I think we have publicly revealed that information.

**The Hon. S.C. MULLIGHAN:** In regional South Australia, I am talking about.

**The Hon. R.I. LUCAS:** Sorry, I am not familiar with that.

**The Hon. S.C. MULLIGHAN:** This may be a broader question than RevenueSA. Is Treasury or RevenueSA aware of a shortage of affordable housing and whether, to any extent, the HomeBuilder program has addressed that in regional South Australia?

**The Hon. R.I. LUCAS:** It is not really an issue for RevenueSA. We might be able to explore a little bit of that when we talk to Renewal SA. Have we got HomeStart later on?

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

**The Hon. R.I. LUCAS:** We might be able to explore a little bit of that. In broad terms, perhaps we will leave the substance of that debate to a more appropriate agency. Minister Lensink has publicly indicated that we are spending just under \$400 million on a thousand affordable homes as part of the Affordable Housing Initiative. I think she has made a number of announcements in recent times about new tranches of that particular funding commitment through the South Australian Housing Authority. We might be able to explore a little bit of that with Renewal SA and a bit more with HomeStart, but the South Australian Housing Authority will probably be the driving influence there.

This would have been more appropriately addressed this morning, but what I can say is that in the budget I indicated that we had made an allocation in last year's budget of \$75 million worth of housing stimulus package. We indicated at the time we were deferring that because HomeBuilder was overstimulating the market. We said in this year's budget that we have again done the same thing. We have allocated only a modest proportion of that.

We are in active discussion with Renewal SA, the South Australian Housing Authority and various other stakeholder groups, like the Housing Industry Association and others, about when we think the peak of HomeBuilder might be, when it might start to decline in terms of the impact on the residential housing market and when our stimulus package might be best placed to help maintain demand within the housing sector as HomeBuilder comes off its peak.

We are looking at, towards the end of this year or maybe even early next year, announcing a series of final initiatives out of the housing stimulus package, which was \$75 million, in addition to what the Housing Authority is already doing to see what we might be able to do to help maintain housing activity post HomeBuilder.

**The Hon. S.C. MULLIGHAN:** Budget Paper 4, Volume 4, page 142. Last year, additional effort was funded for payroll tax compliance. How much has that effort raised in additional payroll tax, and how many businesses were targeted?

**The Hon. R.I. LUCAS:** Whilst we try to get an answer to this question, I now have an answer to the earlier payroll tax deferral question. I am told that in February of this year we had 185 payroll

tax debts, with a total value of approximately \$3.3 million, which were referred to debt management services. These debts related to entities that had been able to defer payroll tax liabilities, which was the member's question, under the various initiatives and which had met eligibility to pay their 2019-20 payroll tax liability by instalments under 30 June. Obviously, they have now been referred to debt management services.

I am told that, in relation to those—that was February 2021—only 20 are still outstanding, 142 have paid in full (that is the \$2.45 million) and 23 have gone into an instalment arrangement (for \$748,000), the outstanding debtors that have not either paid in full or entered into an arrangement are 20, and the total outstanding payroll tax is only \$160,000. So there has been significant compliance in relation to the deferrals issue.

**The Hon. S.C. MULLIGHAN:** My next questions are about procurement. I am happy to have them provided later on notice.

**The Hon. R.I. LUCAS:** With the additional staff of six in relation to compliance over four years, the net additional payroll tax revenue for the initiative is estimated to be up to \$8.79 million for the four-year period 2019-2023. In total, net additional payroll tax revenue for the initiative is estimated to be up to \$13.1 million over the financial years 2019-2025. To date, 87 cases have been commenced, 48 remain in progress and, as at 11 June 2021, \$6.2 million has been detected, of which \$1.17 million has been collected, with the balance referred to RevenueSA's debt management services for collection.

**The Hon. S.C. MULLIGHAN:** I now turn to procurement.

**The Hon. R.I. LUCAS:** I apologise that Elizabeth Stavreski, the executive director of procurement, was meant to be with me today but has taken ill, so advice on procurement will be capably filled, I hope, by the chief executive and/or Mr Mark Carey, I think. Mr Carey will join me at the desk. His formal title is executive director of government services, but he knows almost everything about procurement, and the bits he does not he will say, 'Elizabeth will take on notice.'

**The Hon. S.C. MULLIGHAN:** How many people work in the new procurement branch?

**The Hon. R.I. LUCAS:** I am advised the Agency Statement indicates 33.9.

**The Hon. S.C. MULLIGHAN:** What is the budget for the branch?

**The Hon. R.I. LUCAS:** Again, the Agency Statement indicates total expenses of \$5.8 million, income of \$1.7 million, the income being what we charge agencies, evidently. Net cost of the Procurement Services SA subprogram is \$4 million.

**The Hon. S.C. MULLIGHAN:** Is there a fee-for-service arrangement for the services this unit provides?

**The Hon. R.I. LUCAS:** The answer is yes. It does some procurement on behalf of agencies, for which it gets a reimbursement. Some of its other services are not charged to agencies.

**The Hon. S.C. MULLIGHAN:** When will the government's new procurement policies be finalised?

**The Hon. R.I. LUCAS:** The major driver of this is Treasurer's Instruction 18, which has already commenced as of 1 July, so it is operational from 1 July. Various policies are already operational from 1 July. The four main ones, which are procurement governance, procurement, contract management, procurement outsourcing and procurement planning, are out there and alive. There are various other guidelines. An interminable number of guidelines, instructions and supporting documents are slowly being approved and are winding away. Some of those have been approved and some of them are in the process of still being approved.

The main drivers of the new procurement framework from the government are operational from 1 July, bearing in mind that there was some deferral for some agencies that were not previously part of the State Procurement Board framework. They were prescribed authorities, such as SA Water, Renewal SA and others. We have deferred them for 12 months, until July 2022, to allow them to adjust to some sort of oversight of their procurement arrangements.

**The Hon. S.C. MULLIGHAN:** What monitoring or reporting will the branch do?

**The Hon. R.I. LUCAS:** Considerable, pervasive, all-encompassing, all-embracing reporting—I could take the next half-hour of your time, if you wish. The new procurement fund requires public authorities to publish a 24-month forward procurement plan for all known procurements valued at more than \$55,000, reduced from \$220,000 in recognition of the volume of expenditure. There is another requirement, which I will provide on notice, in which it is on a 12-monthly basis that agencies are required to report. Then there is a reporting system that is going to be required in which every procurement over \$55,000 is centrally recorded. There will be a line of sight over that by Procurement Services SA and people like the Office of the Industry Advocate and a variety of others.

I am advised that Treasurer's Instruction 18 is on the Treasury website, and the four central pillars of the procurement policy to which I have referred are all publicly available there. I think one of those refers to this reporting system. As I said, it is much more onerous, if I can put it that way, but also produces much more information for those who are going to interpret the information. I am currently in the process of making final decisions on data collection on an annual six-monthly reporting basis. For the first couple of years it will be reported annually, and then it is proposed to be moved to quarterly reporting.

I remain to be convinced about the move to quarterly reporting, and they may well end up moving to six-monthly reporting and requiring a future minister or a government to do a review at that particular stage to look at the efficacy of what is being required of agencies and the value in terms of the data that is being produced to Procurement Services SA to see that the cost benefit is worth the extra effort before we head helter-skelter down the quarterly reporting path.

**The Hon. S.C. MULLIGHAN:** Perhaps if you are able to provide the link to where all of the policies and guidelines are published—

**The Hon. R.I. LUCAS:** Just the Treasury—

**The Hon. S.C. MULLIGHAN:** On your website?

**The Hon. R.I. LUCAS:** The Treasury website, yes.

**The Hon. S.C. MULLIGHAN:** That would be gratefully received because for the life of me I have not been able to find it. Budget Paper 3, page 31, says that in the current year supplies and services will be \$3.6 billion of expenditure across government sector agencies. How much is spent on South Australian goods and services?

**The Hon. R.I. LUCAS:** I am advised that the percentage of total contracts reported with locally-based suppliers increased from 49 per cent to 62.5 per cent in the financial year 2019-20, so 62.5 per cent of total contracts reported. The total value of contracts reported with locally-based suppliers rose 64 per cent from \$2.15 billion to \$3.53 billion. It seems to be higher than your number.

**The Hon. S.C. MULLIGHAN:** I am just going by Treasury's numbers on page 31.

**The Hon. R.I. LUCAS:** This is a 2019-20 number that I am referring to.

**The Hon. S.C. MULLIGHAN:** Of those figures that you have just provided to the committee, those percentages relate to which part of other non-employee operating expenses set out in Budget Paper 3, page 31? Is that supplies and services or is it consultancies and contractors or is it both? Does it include NDIS contributions, repairs and maintenance, and computer and communications charges?

**The Hon. R.I. LUCAS:** I am advised that it is not just that services and supply. It would cover a broader range of government expenditure including, for example, IT components in investing expenditure, consultancy services. So there is a variety of other heads of expenditure, not just the services and supply component to which the member has referred.

**The Hon. S.C. MULLIGHAN:** Could I ask then for clarity for the committee what that global figure of expenditure is and what it is comprised of, and then what that proportion is that you say is spent on South Australian goods and services?

**The Hon. R.I. LUCAS:** It is based on all contracting activity that had been submitted to the old State Procurement Board, which no longer exists. The State Procurement Board collected all contracting activity that was submitted to them, so they collected all this information. This is for 2019-20. So it is everything that goes to them.

If SA Water, for example, is a prescribed authority and was not bound, or Renewal SA, they would not have been reporting to the State Procurement Board, so there is a whole component of expenditure that would not be collected by the State Procurement Board. In 12 months' time these agencies will become subject to our broader procurement requirements and therefore their information will be centrally collected, but at the moment it would appear that it is not.

**The Hon. S.C. MULLIGHAN:** I draw your attention to Budget Paper 3, page 31, where it talks about other operating expenses—non-employee expenses—and where that is disaggregated to suppliers and services, consultancies, contractors, NDIS contributions, repairs and maintenance, computer and communications. Is there any estimate that Treasury has on how much of that expenditure has been spent on South Australian goods and services?

**The Hon. R.I. LUCAS:** The answer is no. For example, one of those components, the NDIS, is just a payment to the commonwealth that we make, so they make the decisions, I guess, in terms of the allocations. They give the money to the individuals, so that is just a—not 'just', but a very big payment from the state to the commonwealth in relation to it. But the answer to your question is, no, there is not a breakdown that Treasury has compiled of all of those sorts of components as to what is South Australian and not.

**The Hon. S.C. MULLIGHAN:** Perhaps I would ask, in those examples you were providing earlier, where you are able to demonstrate some level of expenditure on South Australian goods and services, what that total figure is and what the basket of goods and services is, for example, that comprises that figure?

**The Hon. R.I. LUCAS:** Certainly, it would be just information available to the State Procurement Board, so we can pull out whatever information has been used there, but bearing in mind that that does not include a range of expenditure because they were not subject to the State Procurement Board arrangements.

**The Hon. S.C. MULLIGHAN:** Will the strategic procurement branch be providing any monitoring or reporting on how much money is being spent on South Australian goods and services across the public sector—

**The Hon. R.I. LUCAS:** Certainly they are going to be providing information—

**The Hon. S.C. MULLIGHAN:** —and what will be the basis of that measure?

**The Hon. R.I. LUCAS:** —about the total expenditure. I am advised that is the intention, because they will have a broader scope of agencies that will be subject, eventually, to the new procurement arrangements. For example, as I outlined earlier, SA Water and Renewal SA and a number of other prescribed authorities were not subject to the Procurement Board framework, and at this stage they are not subject to our new arrangements. They have been deferred until July next year.

**The Hon. S.C. MULLIGHAN:** Can I ask, with reference to Budget Paper 4, Volume 4, page 174, why the estimate of payments to the Office of the Industry Advocate falls from \$2.2 million in 2019-20 to \$1.86 million in 2020-21 and then down to \$1.47 million in 2021-22?

**The Hon. R.I. LUCAS:** My guess is there were some fixed term expenditures which were provided. Again, if I can apologise: Mr Nightingale is having a knee operation, so Mr Dowsett as the deputy is going to see whether he can assist us.

**The Hon. S.C. MULLIGHAN:** What level of resourcing is the government providing to the Office of the Industry Advocate across the forward estimates?

**The Hon. R.I. LUCAS:** I think you have just referred to it, did you not?

**The Hon. S.C. MULLIGHAN:** No, I referred to the past—19, 20, 21 and the current financial year. I am talking about future financial years.

**The Hon. R.I. LUCAS:** As I broadly indicated, there was short-term project-specific funding, so I am told the Far North Aboriginal Economic Collective program was part funded by them but also additional funding was provided to undertake that particular task, so there are a number of specific tasks. Their base funding is the \$1.4 million figure that you have and which will be indexed for the future years in the forward estimates, but I am advised by Mr Dowsett that there has been no cut in the Office of the Industry Advocate.

**The Hon. S.C. MULLIGHAN:** So its level of resourcing going forward for next year is?

**The Hon. R.I. LUCAS:** Is that level, indexed upwards.

**The Hon. S.C. MULLIGHAN:** How is it indexed? Is it 2.5 per cent?

**The Hon. R.I. LUCAS:** At the level that we talked about this morning, I would suggest. We will fund the wages component separately. They are not in one of those exempt categories, so the services supply will be 1 per cent and 1 per cent and then 2½ per cent and 2½ per cent.

**The Hon. S.C. MULLIGHAN:** How many procurements has the office been involved in over the last financial year?

**The Hon. R.I. LUCAS:** I am advised that at any particular point in time they monitor about 350 separate industry participation plans.

**The CHAIR:** The time for examination of payments in relation to the portfolios of RevenueSA, Strategic Procurement, Shared Services and the Industry Advocate has expired. Therefore, there are no further questions and I declare the examination of those portfolio agencies completed.

#### **Membership:**

Ms Stinson substituted for Mr Piccolo.

Ms Michaels substituted for Mr Brown.

#### **Departmental Advisers:**

Mr C. Menz, Chief Executive, Renewal SA.

Mr T. Cole, General Manager, Major Projects and Pipeline, Renewal SA.

Mr B. Naylor, Acting General Manager, Corporate Services, Renewal SA.

**The CHAIR:** Our final session for today in Estimates Committee B will examine the portfolios of Renewal SA and HomeStart. The minister appearing today is the Treasurer. I advise that the proposed payments remain open for examination. Treasurer, given this is your last session of estimates, did you wish to make an opening statement in regard to these portfolios?

**The Hon. R.I. LUCAS:** Yes, I would like to do a half-hour soliloquy. No, I do not, even though it is my last and I will miss you all. I would like to introduce Mr Chris Menz, Chief Executive, Renewal SA.

**The CHAIR:** Did you wish to make an opening statement, member for Lee?

**The Hon. S.C. MULLIGHAN:** No.

**The CHAIR:** There being no opening statements, we will move to questions.

**The Hon. S.C. MULLIGHAN:** I refer to Budget Paper 3, page 71, the operating performance of public non-financial corporations, including Renewal SA. Back in the 2018-19 budget, \$25 million was provided across those forward estimates, \$5 million in 2020-21 and \$25 million in 2021-22 for the commencement of the construction of an international school of culinary excellence. How is that going?

**The Hon. R.I. LUCAS:** That is not proceeding very quickly at all at this stage.



**The Hon. S.C. MULLIGHAN:** Really?

**The Hon. R.I. LUCAS:** The government is, as members would be aware, proceeding with a number of other projects on the site, but there has been a number of issues in relation to the delivery of that particular project on Lot Fourteen. The government is currently reassessing how that might be progressed. There are issues in relation to the position of Le Cordon Bleu and hotel management out at Regency. They have long-term arrangements in relation to their position there and under what conditions they might be prepared to move to Lot Fourteen.

There are some significant issues in relation to TAFE SA, which we have addressed in other fora in relation to the role. The government is currently reassessing the timing and the delivery of that particular aspect of the project. We would hope to be in a position in the not-too-distant future to make further announcements on how that project might be delivered.

**The Hon. S.C. MULLIGHAN:** Is the government still committed to delivering that project?

**The Hon. R.I. LUCAS:** The government is reassessing its position at the moment in relation to that particular project, as to how that project might be delivered. I am not in a position at this stage to throw any more light on that, other than the fact that we are reassessing the commitment.

**The Hon. S.C. MULLIGHAN:** Let's throw some shade on it, shall we? Is Le Cordon Bleu committed to being part of it?

**The Hon. R.I. LUCAS:** They are all part of the discussions at the moment. I think under certain conditions they might be very interested, but whether or not they are in the public interest are decisions the government will have to take.

**The Hon. S.C. MULLIGHAN:** The school of hotel management, I think it is called, at TAFE at Regency, is that committed to being a part of it as well?

**The Hon. R.I. LUCAS:** Exactly the same. Under certain conditions I suspect they would be interested but whether or not in the government's view those conditions are in the public interest are decisions that the government is going to have to reassess and take.

**The Hon. S.C. MULLIGHAN:** Has it been Renewal SA's responsibility or someone else's responsibility to discuss the proposal with them and try to convince them to participate?

**The Hon. R.I. LUCAS:** The responsibility for Lot Fourteen—before I became the very fortunate inheritor of Renewal SA—was delegated to the Premier by the former minister, and a senior officer within the Department of the Premier and Cabinet, Di Dixon, has essentially had carriage, but she and her officers work very closely with Mr Menz and Renewal SA in relation to these things. Renewal SA is actively engaged in a lot of these discussions, but delegated responsibility has been given by the former minister to the Premier and a senior officer within the Department of the Premier and Cabinet.

**The Hon. S.C. MULLIGHAN:** Looking at the same reference, Budget Paper 3, page 71, the operating result for Renewal SA. Again, back in the 2018-19 budget, the government provided \$20 million to Renewal SA over the forward estimates, including for rental subsidies for Lot Fourteen for up to 650 startup spaces in the precinct. How much of those rental subsidies has been paid and how much was paid in the last financial year?

**The Hon. R.I. LUCAS:** We would need to have some consultation with Ms Dixon and the Department of the Premier and Cabinet and ask that question. We are happy to take that one on notice and provide a considered response.

**The Hon. S.C. MULLIGHAN:** Just for my benefit, is it they who are responsible for negotiating and executing the rental subsidies or is it a matter for Renewal SA?

**The Hon. R.I. LUCAS:** We will take the question on notice. Renewal SA manages the commercial negotiations on behalf of the Department of the Premier and Cabinet but the Department of the Premier and Cabinet are the agency and the officers who decide who is going to be offered the spaces or accommodated in those particular spaces.

Again, whilst formally the delegation has gone to the Premier and the Department of the Premier and Cabinet, Renewal SA is actively engaged in the discussions, and given their commercial experience, once decisions are taken within whatever parameters they are given—'Here are the guidelines'—they will then implement whatever those instructions are.

**The Hon. S.C. MULLIGHAN:** Who is the rental income paid to? Is it to Renewal SA or is it paid to DPC?

**The Hon. R.I. LUCAS:** It is paid to Renewal SA, I am advised.

**The Hon. S.C. MULLIGHAN:** So Renewal SA would have an understanding of—

**The Hon. R.I. LUCAS:** Renewal SA is essentially the balance sheet. The assets are held on Renewal SA's balance sheet. The income and expenditure are all processed generally, not always, through Renewal SA's balance sheet, so the answer to your question is yes, the income would go into Renewal SA's balance sheet.

**The Hon. S.C. MULLIGHAN:** How much revenue was received in the last financial year from rental payments on Lot Fourteen?

**The Hon. R.I. LUCAS:** I am advised that about \$3.8 million would have been received in rental income in 2020-21.

**The Hon. S.C. MULLIGHAN:** How much is forecast to be received this financial year?

**The Hon. R.I. LUCAS:** I am advised that the budget for this year is \$5.5 million.

**The Hon. S.C. MULLIGHAN:** Can I ask how many companies or organisations are paying that rental, both in the previous financial year and in the projected current financial year?

**The Hon. R.I. LUCAS:** I would have to take that on notice.

**The Hon. S.C. MULLIGHAN:** How much space is actually being rented that those payments are paying for?

**The Hon. R.I. LUCAS:** Again, we would have to take that on notice. We have also committed in this budget, of course, to increase the net lettable area, with the \$20 million upgrades of Hanson and Eleanor Harrauld—\$20.8 million, to be precise. That is to increase the net lettable area. These are the buildings on Frome Road?

**The Hon. S.C. MULLIGHAN:** Yes, that is the Eleanor Harrauld and the Hanson building. Is anyone in those buildings at the moment?

**The Hon. R.I. LUCAS:** In parts of them, but the money that we are allocating will allow other floors to be renovated, and I think there is disability access and a lot more than painting and putting carpets in.

**The Hon. S.C. MULLIGHAN:** Have any agreements or arrangements been made for who will be occupying the space once it is refurbished?

**The Hon. R.I. LUCAS:** I understand that Ms Dixon from DPC is in negotiations, and Renewal SA is aware of some of those negotiations as to who might go into some of these refurbished premises. Our estimate is that this particular upgrade will not be available until Q3 next calendar year.

**Ms MICHAELS:** I refer to Budget Paper 3, page 71, line 10, change in inventories. I just want to ask some questions on the Catherine site at Prospect. Can you advise what the current status of the project is and time frames for the OR?

**The Hon. R.I. LUCAS:** I understand it has been considered by the board last week in terms of the various options. I think the assessment when this was first purchased involved a certain set of parameters in terms of demand for industrial, commercial and indeed even residential property in South Australia. There was not a huge amount of demand or competition in terms of—

**Mr MENZ:** None.

**The Hon. R.I. LUCAS:** There was none, I am told. There certainly was not a huge amount of demand in terms of purchasing the site. The marketplace has changed, as the member would be aware, very significantly in terms of the huge value increases for industrial and commercial property in Adelaide and in South Australia generally, and so the board is now reassessing its original thinking in relation to the site.

No decisions have been taken at this stage. Mr Menz advises me that, before the end of the year, Renewal SA and the board will have concluded how they might go to an expression of interest and under what parameters they might go. At this stage, no decisions have been taken about future opportunities there, other than their original thinking is now being reassessed.

**Ms MICHAELS:** Has Renewal or Treasury had any discussions with the education department on the use of that site?

**The Hon. R.I. LUCAS:** I am advised that there has not been any discussions with the education department at that particular site.

**Ms MICHAELS:** And Prospect council in terms of community use or anything like that?

**The Hon. R.I. LUCAS:** Yes. I am advised there have been a number of workshops with the officers from Prospect council.

**Ms STINSON:** I refer to Budget Paper 4, page 170. Has a successful developer or developers been selected for the old Le Cornu site at Forestville?

**The Hon. R.I. LUCAS:** As the member would be aware, there has been an expression of interest process. There has been a huge degree of interest in the development opportunity in the site. It was considered by the board last week, and they are getting pretty close to the stage of having a couple of preferred shortlisted contenders, if I can put it that way, where there will be ongoing discussion and negotiations with those short-listed proponents.

I am told that, on the current time line of planning, they hope by October-November-ish to have decided on the preferred developer. There will be clearly a complex series of ongoing negotiations with the short-list over the coming months and then there will be a recommendation from management to the board, and then it will obviously have to come to me as responsible minister and possibly to cabinet—I am not sure what that process is—in terms of the final approvals.

**Ms STINSON:** Do you expect to publicly announce it in October-November?

**The Hon. R.I. LUCAS:** Yes. The current thinking would be to have announced by October-November-ish the preferred proponent and the outlines of what is proposed for the site.

**Ms STINSON:** I am curious, then, as to what the purpose of the public consultation is. It was announced late last week. Obviously, the site was purchased in November last year, and there has been no consultation since then with the local Forestville community of which I am a member. Considering it sounds like you are quite a way along the path, with expressions of interest having closed in May, what is the purpose of doing this public consultation if you have already decided essentially what is going to go there but yet there is not an actual proposal that the community can look at?

**The Hon. R.I. LUCAS:** I do not think it is true to say there is a final decision about what is going to go there.

**Ms STINSON:** I did not say there was.

**The Hon. R.I. LUCAS:** There is obviously a wide variety of proposals—and I have not seen them—that I assume management and the board have received from an impressive list of proposed proponents, and they will be considered. I imagine they cover a whole variety of different proposals, and the consultation with the community in part would inform management and others as to the sorts of wishes and desires of the local community. I am advised that the process that has been followed here is broadly the process followed by the former government for a number of similar developments, so it is not dissimilar to the process previously engaged in.

**Ms STINSON:** I refer to the same budget line. Did the government consider any other uses for the land other than a mixed residential and retail, which seems to have been what has been in the media about what is going to be on the site. If not, why not? If so, what other proposals or ideas were considered for the use of that landmark site?

**The Hon. R.I. LUCAS:** I know people within government departments and agencies have their particular views as to what they might like to do with it. The government very quickly came to a decision based on advice from Renewal SA that this was a prime development opportunity close to facilities, close to the centre of Adelaide, the sort of development former minister Rau was very strongly supportive of in terms of it being close to transport corridors and the like. Following his model, there was a very quick decision by the government that we would go out and test the market in relation to the sort of development opportunities that the member has referred to. The answer to your question is that I am sure there would have been some in departments and agencies who would have raised potentially alternative uses for it. It might have been under the former minister, but certainly since I have inherited responsibility for the agency I am strongly supportive of the process that has been engaged in in terms of testing the market and seeing what development opportunities there might be.

**Ms STINSON:** As far as a percentage of the total site goes, what is the open green space requirement at that site and the tree canopy requirement, and do you intend to meet or exceed that requirement?

**The Hon. R.I. LUCAS:** I am advised that in the expression of interest process there has to be a minimum of 12.5 per cent high quality, integrated, public open space. As the member would know, there was an opportunity under the broad principles, under the former government—and they obviously still exist under our government—where developers can offset the provision of open space by paying money into a fund. That was permitted by the former government, and those provisions still exist now.

This particular EOI made it an explicit requirement that that would not be possible in this particular development, that there would be a minimum of 12.5 per cent open space, so you can offset by paying into a fund, and 15 per cent affordable housing across the land as well. At the very least, the statutory requirement will be met in relation to open space for the development and for the community.

**Ms STINSON:** So could you have more than 12.5 per cent?

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

**Ms STINSON:** Are you aiming to have more than the minimum?

**The Hon. R.I. LUCAS:** We are looking at what the development opportunities are. Renewal SA, as management, and the board will consider what the best proposal is and work from there. So 12.5 per cent is the target that has been there, and they are not allowed to offset that in this particular development. They will have to provide at least that 12.5 per cent.

**The Hon. S.C. MULLIGHAN:** With regard to the sale of the gasworks site at Bowden, what are the key dates for the two-stage procurement process?

**The Hon. R.I. LUCAS:** We are already out there. Last Thursday I am told, which was 22 July, the expressions of interest process was opened. That closes in about five weeks time, so that is the first week of September-ish. That closes and there will be a short list by the end of September, and then there will be a process of discussion and negotiation with the shortlisted contenders. I am advised there will be a second stage of that process, which will be an RFP, which is programmed to start around the end of September with the short listed. Four to six weeks later is the broad estimate at this particular stage.

**The Hon. S.C. MULLIGHAN:** It has been reported in the media that the Adelaide Crows have expressed an interest in this site. Quoting from a media article—of course the media is always right, particularly this outlet—the *Sunday Mail* has been told talks about the Brompton site with its owner, state government land agency Renewal SA, have involved the Crows paying a nominal sale price but shouldering the financial burden of extensive costly land remediation. When was Renewal SA first approached by the Adelaide Crows or their representatives?

**The Hon. R.I. LUCAS:** I am advised that in broad terms regarding the first approach to Renewal SA about what properties generally Renewal SA might have, the Adelaide Crows have obviously been rebuffed publicly on one or two occasions, and maybe privately on some others (I do not know), in relation to new locations, and there was a broad discussion. But in relation to where we are now, as I have indicated in a subsequent article, there will be no free kick in this for the Crows.

It might not even be the Crows—it might be somebody else associated with them—but they will have to compete with others. Renewal SA advises me that there has been a significant degree of interest from others in relation to the expression of interest at this particular stage. From our viewpoint, we hope there is very healthy competition.

**The Hon. S.C. MULLIGHAN:** When was that first contact with the Adelaide Crows that Renewal SA had?

**The Hon. R.I. LUCAS:** I think Mr Menz said that he thought around four to five months ago.

**The Hon. S.C. MULLIGHAN:** Whose suggestion was it that a possible conclusion to an arrangement between Renewal SA and the Crows might be the payment of a nominal sale price with the purchaser—

**The Hon. R.I. LUCAS:** I do not think that has been suggested by Renewal SA at all. We are not responsible for press reports. I do not think anyone should take them as necessarily being an accurate reflection of either Renewal SA's position or the government's position.

**The Hon. S.C. MULLIGHAN:** So Mr Olsen was misrepresenting that position; is that right?

**The Hon. R.I. LUCAS:** I do not know what Mr Olsen is saying. He can answer for himself. He is a big boy, big enough and ugly enough to look after himself. In relation to publicly reported comments, we certainly do not take them as being an accurate reflection of the facts. The nature of any proponent expressing interest in Renewal SA property will be completely up to them and people who might be associated with them. Certainly it has been widely speculated in the media. Again, I do not necessarily take it as fact that there might be others associated with the Adelaide Crows in terms of that. Whether they have been responsible for discussions with the media or not I do not know; we are not responsible for that. All we are responsible for is giving an assurance that there will be a public process. It will be conducted with probity and accountability, subject to audit by all the responsible agencies of government. As I said publicly, on quote, and I will say it again, there will be no free kick in this for the Crows. They will have to compete with whatever other development opportunities there might be for this particular site.

**The Hon. S.C. MULLIGHAN:** What is required of proponents in responding to the EOI? For example, do they have to maintain the heritage wall along Chief Street, and do they have to maintain all the heritage-listed structures? What is the level of remediation that needs to be undertaken, etc?

**The Hon. R.I. LUCAS:** I am advised that there is a voluminous document available on the contracts and tenders website that outlines all the requirements for people expressing interest but also specifically, I am told, in relation to the heritage wall you are referring to. I am advised that it is a requirement that that be protected or kept.

**The Hon. S.C. MULLIGHAN:** Are the other heritage structures currently on the site required to be preserved?

**The Hon. R.I. LUCAS:** Which ones in particular?

**The Hon. S.C. MULLIGHAN:** There are a couple of buildings on that site that are heritage listed.

**The Hon. R.I. LUCAS:** All the heritage buildings have to be integrated into any new development.

**The Hon. S.C. MULLIGHAN:** Has there been any change in the heritage status of any of the structures on the site over the last three years?

**The Hon. R.I. LUCAS:** Not that we are aware of, I am advised. If that is not correct, we will come back and correct the record.

**The Hon. S.C. MULLIGHAN:** Have any other requirements been put in the voluminous document that you say is available on the tenders website with regard to what sort of development should occur on the site, whether it is residential, mixed use or retail?

**The Hon. R.I. LUCAS:** There is a massive amount of information in the voluminous document that is publicly available. In broad terms, it cannot be completely built out. There is a requirement in the project for community access to space and various other requirements in the documentation. It is all publicly available; there is nothing being concealed in relation to what is being tested in the market. The simple answer to the question is that you cannot build it out completely with high-rise, low-rise and medium-rise buildings and have no community access to space, for example.

**The Hon. S.C. MULLIGHAN:** Do those voluminous documents include remediation reports that proponents will be required to meet?

**The Hon. R.I. LUCAS:** They are not included in the voluminous documents to which I have referred, but I understand that even at this stage those expressing an interest can access some of the information that Renewal SA has gathered over the years in relation to remediation issues. Then, when we get down to the final stage—the RFP or whatever it is going to be called—with maybe a couple of proponents, if that is the case, whatever other documentation that the agency and the government have as part of due diligence, I guess, or the data room, would be made available to interested parties at that particular stage.

**The Hon. S.C. MULLIGHAN:** Have you met with John Olsen about this project?

**The Hon. R.I. LUCAS:** I meet with John Olsen on any number of occasions. He is a very close personal friend of mine, and what I say to him privately I say publicly, and that is that there will be no free kick in this for the Crows. The answer to the question is that he has canvassed the question with me on occasions when we have met socially, but my private response to him is exactly the same as my public response.

**The Hon. S.C. MULLIGHAN:** Did he put to you the proposal about payment of a nominal sale price and responsibility for remediation?

**The Hon. R.I. LUCAS:** No, we do not get into that sort of detail.

**The Hon. S.C. MULLIGHAN:** Can I turn your attention now to a different development Renewal SA is managing, which is the redevelopment of a proportion of Housing Trust housing in Seaton. What is the total construction cost of the project?

**The Hon. R.I. LUCAS:** We are happy to take that on notice. I think I am advised broadly that Renewal SA is managing that on a fee-for-service basis for the South Australian Housing Authority, but we do not have the detail of that with us. We are happy to take your question on notice and provide a response.

**The Hon. S.C. MULLIGHAN:** What is the fee for that service?

**The Hon. R.I. LUCAS:** I do not know. I will take advice on that, but it is whatever Renewal SA's standard charge is for this type of service. We do not have that information with us I am afraid.

**The Hon. S.C. MULLIGHAN:** Documents provided to the Public Works Committee by the South Australian Housing Authority indicated an approximate construction cost of \$8.2 million and sale revenues of \$17.7 million. If you could take on notice what those construction costs are, the anticipated sale revenues, the management fee charged by Renewal SA and the balance left over, that would be appreciated. What is to be done with the forecast profit from this development?

**The Hon. R.I. LUCAS:** Sadly, I am told it is retained by SAHA, so they will be able to use it. God knows why we do not get some of that. It will be retained by SAHA and assist them, I guess, in the other worthy tasks that they undertake.

**The Hon. S.C. MULLIGHAN:** For use in Seaton?

**The Hon. R.I. LUCAS:** The additional money they make?

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

**The Hon. R.I. LUCAS:** I do not know about that. You would have to ask that question to SAHA, I guess, when Minister Lensink is with them.

**The Hon. S.C. MULLIGHAN:** I understand that 35 Housing Trust properties will be demolished in order to provide the development site for it. How many Housing Trust or Housing Authority properties will be delivered as part of the redevelopment?

**The Hon. R.I. LUCAS:** Again, we are happy to take that on notice. A lot of these questions might be better asked of the South Australian Housing Authority but we will endeavour to get some information for you.

**The Hon. S.C. MULLIGHAN:** With the properties that are not being retained by the Housing Authority and instead are being provided to the private market, is it the intention that properties will be built and then sold or that undeveloped lots will be sold to the market?

**The Hon. R.I. LUCAS:** In broad terms, I am advised, this is really a decision for the South Australian Housing Authority and Renewal SA will in essence act under their instructions. Renewal SA can provide a few options to the South Australian Housing Authority but essentially it is a decision for the South Australian Housing Authority to make in terms of how they want to cashflow their project and what they want to do. Again, it might be best to put the questions directly to the Housing Authority.

**The Hon. S.C. MULLIGHAN:** So that development program and the cash flows have not been put yet to Renewal SA; is that right?

**The Hon. R.I. LUCAS:** Again, I am advised that this particular project does not sit on Renewal SA's balance sheet. It is within SAHA's balance sheet, so again the decisions really rest with the South Australian Housing Authority. Renewal SA does not have the same line of sight of this particular project as it does of a number of the other projects, obviously, that we have been talking about today.

**The Hon. S.C. MULLIGHAN:** But they are conducting the project.

**The Hon. R.I. LUCAS:** Under instruction from the South Australian Housing Authority.

**The Hon. S.C. MULLIGHAN:** Yes, so my question was: have those instructions been received—the development program and the cash flows anticipated—from the Housing Authority by Renewal SA?

**The Hon. R.I. LUCAS:** I am again advised that it has not come to Mr Menz and it does not need to. It is under delegated authority to the South Australian Housing Authority.

**The Hon. S.C. MULLIGHAN:** We might pause here. I will do the omnibus questions, and then with the time that we have remaining we can move to HomeStart. For the benefit of Hansard, I will provide these subsequently. The omnibus questions are:

1. For each department and agency reporting to the minister:
  - What is the actual FTE count at 30 June 2021 and the projected actual FTE count for each year of the forward estimates;
  - What is the total employment cost for each year of the forward estimates;
  - What is the notional FTE job reduction target that has been agreed with Treasury for each year of the forward estimates;
  - Does the agency or department expect to meet the target in each year of the forward estimates; and
  - How many TVSPs are estimated to be required to meet FTE reductions over the forward estimates?
2. For each department and agency reporting to the minister:
  - How much is budgeted to be spent on goods and services for 2021-22, and for each of the years of the forward estimates period;

- The top 10 providers of goods and services by value to each agency reporting to the minister for 2020-21;
- A description of the goods and/or services provided by each of these top 10 providers, and the cost to the agency for these goods and/or services; and
- The value of the goods and services that was supplied to the agency by South Australian suppliers?

3. Between 1 July 2020 and 30 June 2021, will the minister list the job title and total employment cost of each position with a total estimated cost of \$100,000 or more which has either (a) been abolished or (b) been created?

4. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 between 1 July 2020 and 30 June 2021 for all departments and agencies reporting to the minister, listing:

- the name of the consultant, contractor or service supplier;
- cost;
- work undertaken;
- reason for engaging the contractor; and
- method of appointment?

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

- How many FTEs were employed to provide communication and promotion activities in 2020-21 and what was their employment expense;
- How many FTEs are budgeted to provide communication and promotion activities in 2021-22, 2022-23, 2023-24, 2024-25 and what is their estimated employment expense; and
- The total cost of government-paid advertising, including campaigns, across all media in 2020-21 and budgeted cost for 2021-22?

6. For each department and agency reporting to the minister, please provide a full itemised breakdown of attraction and retention allowances as well as non-salary benefits paid to public servants and contractors between 1 July 2020 and 30 June 2021.

7. What is the title and total employment cost of each individual staff member in the minister's office as at 30 June 2021, including all departmental employees seconded to ministerial offices?

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

- How much was spent on targeted voluntary separation packages in 2020-21;
- What department funded these TVSPs;
- What number of TVSPs were funded;
- What is the budget for targeted voluntary separation packages for financial years included in the forward estimates (by year), and how are these packages funded; and
- What is the breakdown per agency/branch of targeted voluntary separation packages for financial years included in the forward estimates (by year) by FTEs?

9. For each department and agency reporting to the minister, how many executive terminations have occurred since 1 July 2020 and what is the value of executive termination payments made?



10. For each department and agency reporting to the minister, what new executive appointments have been made since 1 July 2020, what is the annual salary and total employment cost for each position?

11. For each department and agency reporting to the minister, how many employees have been declared excess, how long has each employee been declared excess and what is the salary of each excess employee since 1 July 2020?

12. In the 2020-21 financial year, for all departments and agencies reporting to the minister, what underspending on operating programs (1) was and (2) was not approved by cabinet for carryover expenditure in 2021-22 and subsequent financial years?

13. In the 2020-21 financial year, for all departments and agencies reporting to the minister, what underspending on investing or capital projects or programs (1) was and (2) was not approved by cabinet for carryover expenditure in 2021-22 and future years? How was much sought and how much was approved?

14. For each grant program or fund the minister is responsible for please provide the following information for 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25 financial years:

- Name of the program or fund;
- The purpose of the program or fund;
- Balance of the grant program or fund;
- Budgeted (or actual) expenditure from the program or fund;
- Budgeted (or actual) payments into the program or fund;
- Carryovers into or from the program or fund; and
- Details, including the value and beneficiary, of any commitments already made to be funded from the program or fund.

15. For the period of 1 July 2020 to 30 June 2021, 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.

16. For each year of the forward estimates, please provide the name and budgeted expenditure across the 2021-22, 2022-23, 2023-24 and 2024-25 financial years for each individual investing expenditure project administered by or on behalf of all departments and agencies reporting to the minister.

17. 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.

18. For each department and agency reporting to the minister:

- What savings targets have been set for each year of the forward estimates;
- What measures are you implementing to meet your savings targets; and
- What is the estimated FTE impact of these measures?

19. For each department and agency reporting to the minister, what initiatives or programs have been approved and funded as at 1 July 2021 but not publicly announced or disclosed in the budget papers?

**Departmental Adviser:**

Mr J. Oliver, Chief Executive Officer, HomeStart Finance.

**The Hon. R.I. LUCAS:** Mr Chairman, can I introduce Mr Oliver, Chief Executive Officer for HomeStart Finance, as the final component of estimates committee for the day. Two oldies together.

**Ms MICHAELS:** Can I take you to Budget Paper 3, page 81, line 10. With the FTEs across the forward estimates, there seems to be a reduction over that time period. Can you explain why that would be?

**The Hon. R.I. LUCAS:** What page was it?

**Ms MICHAELS:** Budget Paper 3, page 81, the 10<sup>th</sup> line down there on FTEs. It goes from 122.3 down to 106.9.

**The Hon. R.I. LUCAS:** I am told that HomeStart is going through some IT system upgrades at the moment and that will reach a peak, and when that is concluded there will be no ongoing need for those particular staff members, so they are contracted fixed term I guess.

**Ms MICHAELS:** The government previously advised, in response to questions on notice, that as of January 2020, home ownership using HomeStart's loan packages could potentially achieve 100 outcomes for current Housing Trust tenants. Has the government or HomeStart in fact undertaken any initiatives to facilitate their transfer from tenancy to home ownership for those targeted groups?

**The Hon. R.I. LUCAS:** We do not have any information at the moment, but Mr Oliver tells me that it might be possible to provide a number of Housing Trust tenants who have moved into home ownership, which seems to cover the sort of area that the member is talking about. We can take that on notice and see what information we might be able to provide to the member to answer your question.

**Ms MICHAELS:** I refer you to Budget Paper 4, Volume 4, page 170, line 2. Can you advise how many homes HomeStart has financed outside metropolitan Adelaide in 2020-21?

**The Hon. R.I. LUCAS:** I am advised approximately 408.

**Ms MICHAELS:** Out of how many in total?

**The Hon. R.I. LUCAS:** Out of 1,776.

**Ms MICHAELS:** Is there an estimate for 2021-22 on that, for regional?

**The Hon. R.I. LUCAS:** We do not have a number, but their estimate would be approximately the same: somewhere between 20 and 25 per cent, which is obviously that 408 number out of 1,700, so of that order.

**Ms MICHAELS:** How many of SAHA's a thousand affordable homes project homes has HomeStart financed in 2020-21?

**The Hon. R.I. LUCAS:** We do not have that information. We will have to take it on notice. We are unsure as to whether we can get that information but HomeStart will endeavour to, and we will provide some sort of response.

**The Hon. S.C. MULLIGHAN:** What is the current debt ceiling for HomeStart?

**The Hon. R.I. LUCAS:** It is \$2.46 billion.

**The Hon. S.C. MULLIGHAN:** That is the ceiling, and how much debt does HomeStart have at, say, 30 June 2021?

**The Hon. R.I. LUCAS:** Approximately 2.263 for three decimal points.

**The Hon. S.C. MULLIGHAN:** How much does HomeStart anticipate having at the end of the current financial year?

**The Hon. R.I. LUCAS:** June 2022 you are talking about?

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

**The Hon. R.I. LUCAS:** Approximately the same, 2.263.

**The Hon. S.C. MULLIGHAN:** With respect to Budget Paper 4, Volume 4, page 170, the budgeted dividend for the last financial year from HomeStart was \$23 million and ended up being 32.5. Can I ask why?

**The Hon. R.I. LUCAS:** It was a cracker of a year because of a whole variety of reasons—HomeBuilder grants and financing costs were obviously lower for HomeStart. There were unrealised gains on the shared equity portfolio and write-back of some provisions due to COVID, so a whole variety of factors conspired together to deliver a cracker year as Mr Oliver says.

**The Hon. S.C. MULLIGHAN:** How much did HomeStart pay in guarantee fees in the last financial year, and what is budgeted for this financial year?

**The Hon. R.I. LUCAS:** I think 0.85 per cent is what we had earlier and it is equivalent to \$22.9 million.

**The Hon. S.C. MULLIGHAN:** What is budgeted for this financial year?

**The Hon. R.I. LUCAS:** My advice is that it would be approximately the same number for this current financial year.

**The Hon. S.C. MULLIGHAN:** In the last financial year 2020-21, how many first-home buyers were financed by HomeStart?

**The Hon. R.I. LUCAS:** There were 1,296.

**The Hon. S.C. MULLIGHAN:** How many graduate loans were settled in 2020-21?

**The Hon. R.I. LUCAS:** There were 722.

**The Hon. S.C. MULLIGHAN:** In total how many graduate loans are on the books now?

**The Hon. R.I. LUCAS:** Whilst we get that number, the one thing that Mr Oliver and his officers advise me is the relatively short-term nature in terms of graduate loans. They remain on HomeStart loans for a relatively short period. There are 2,438, but the average duration is three to five years. So they come on and then when they are able to refire they find alternative finance.

**The Hon. S.C. MULLIGHAN:** What is the average value of those loans? I am happy for it to be taken on notice.

**The Hon. R.I. LUCAS:** It is \$299,425, so just under \$300,000.

**The Hon. S.C. MULLIGHAN:** How many of the \$10,000 interest-free starter loans were applied for in the 2020-21 year? I should say, both applied for and subsequently settled.

**The Hon. R.I. LUCAS:** A total of 378 were settled. The advice is that not many more than that would have been applied for, so the majority of them received the starter.

**The Hon. S.C. MULLIGHAN:** That is a significant increase on the previous year. I think 110 were settled in the previous year.

**The Hon. R.I. LUCAS:** I think there was an additional budget commitment. We took a number of decisions. There was an initial budget allocation, but also the eligibility requirements in terms of income levels were increased by HomeStart.

**The Hon. S.C. MULLIGHAN:** What have they changed to now?

**The Hon. R.I. LUCAS:** They are \$65,000 for singles and \$90,000 for couples. That was up from \$62,000 for singles and \$85,000 for couples, so it went up. It was 80-something, I am told, but anyway there were increases in the income levels, together with an additional budget commitment.

**The Hon. S.C. MULLIGHAN:** Does HomeStart have an estimate of the value of loans that will be discharged in the current financial year? How many were last year and how many are projected to be this year?

**The Hon. R.I. LUCAS:** About \$356 million in value was discharged in the last financial year. We are expecting around about the same this coming financial year, \$348 million. We do not actually have the numbers.

**The Hon. S.C. MULLIGHAN:** That is roughly 1,000 loans, I guess. How many loans in total are on the books?

**The Hon. R.I. LUCAS:** I understand it might be just under 13,000.

**The Hon. S.C. MULLIGHAN:** Has that figure moved much between the financial years?

**The Hon. R.I. LUCAS:** I understand it is pretty consistent, but it has trended down a bit over the last 10 years.

**The Hon. S.C. MULLIGHAN:** And it is the value of the loans that is increasing?

**The Hon. R.I. LUCAS:** Yes, the value has been increasing.

**The Hon. S.C. MULLIGHAN:** The next questions I have are basically similar in nature in terms of the number of loans applied for and settled for the last financial year and the current financial year for shared equity loans, advantage loans, low deposit loans and seniors equity loans. Perhaps you want to take those on notice.

**The Hon. R.I. LUCAS:** Given the time, we are happy to take those on notice and provide it to the member.

**The Hon. S.C. MULLIGHAN:** What is the current differential between HomeStart's interest rates and market rates? Does it change depending on, say, those products I just mentioned? Is there an average rate that you use?

**The Hon. R.I. LUCAS:** I am advised that HomeStart's variable rate sits in the average bandwidth of the major banks, but the fixed rates are around 60 points higher than the major banks, the current market.

**The Hon. S.C. MULLIGHAN:** How many either defaults or requests for temporary assistance were there from HomeStart mortgage holders?

**The Hon. R.I. LUCAS:** I am advised there were about 770, as a result of COVID, that sought deferrals. All of those have now been resolved.

**The Hon. S.C. MULLIGHAN:** As in brought back on?

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

**The Hon. S.C. MULLIGHAN:** Have you had to take further action with any of them? Have any defaulted at all?

**The Hon. R.I. LUCAS:** Not to our knowledge, no.

**The CHAIR:** The time has expired for the examination of payments in relation to the portfolios of Renewal SA and HomeStart SA. Therefore, there are no further questions and I declare the examination of those portfolios closed. The estimate of payment for the Department of Treasury and Finance is now closed, and the estimate of payment for the Administered Items for the Department of Treasury and Finance is referred to Estimates Committee A. I can advise members that the Speaker has agreed to vary the estimates timetable in accordance with the committee's resolution of this morning. The committee will resume tomorrow at 9am to examine the proposed payments for the Department for Trade and Investment.

At 17:01 the committee adjourned to Thursday 29 July 2021 at 09:00.