

**HOUSE OF ASSEMBLY**  
**Thursday, 20 June 2024**  
**ESTIMATES COMMITTEE B**

**Chair:**

Mr L.K. Odenwalder

**Members:**

S.E. Andrews  
Mr D.K.B. Basham  
Mr M.E. Brown  
Mr M.J. Cowdrey  
Mr S.J.R. Patterson  
Mrs R.K. Pearce

*The committee met at 09:00*

*Estimates Vote*

**DEPARTMENT OF TREASURY AND FINANCE, \$211,347,000**  
**ADMINISTERED ITEMS FOR DEPARTMENT OF TREASURY AND FINANCE, \$4,305,351,000**

**Minister:**

Hon. S.C. Mullighan, Treasurer, Minister for Defence and Space Industries.

**Departmental Advisers:**

Mr R. Persse, Under Treasurer, Department of Treasury and Finance.

Ms T. Pribanic, Deputy Under Treasurer, Department of Treasury and Finance.

Mr S. Burness, Executive Director, Budget and Performance, Department of Treasury and Finance.

Ms P. Chau, Executive Director, Accounting and Financial Services, Department of Treasury and Finance.

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

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

Mr D. Huynh, Director, Revenue and Intergovernmental Relations, Budget and Performance, Department of Treasury and Finance.

Mr S. Bayliss, Chief Services Officer, Department of Treasury and Finance.

**The CHAIR:** As the duly elected Chairman of Estimates Committee B, I welcome you all to the first sitting of the committee. Good morning. Treasurer, I hope you are well rested and adequately caffeinated this morning.

I respectfully acknowledge Aboriginal and Torres Strait Islander peoples as the traditional owners of this country throughout Australia and their connection to land and community. We pay our respects to them and their cultures and to elders past and present.

The estimates committees are a relatively informal procedure and, as such, there is no need to stand to ask or answer questions. I understand the minister and the lead speaker for the opposition have agreed on an approximate time for the consideration of proposed payments, which will facilitate a change of departmental advisers. Can the minister and the lead speaker for the opposition confirm that today's timetable is accurate?

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

**Mr COWDREY:** Just a clarification; just ESCOSA again.

**The Hon. S.C. MULLIGHAN:** Okay, yes; we can do it in the second session, wherever you like.

**The CHAIR:** Everyone happy? Changes to committee membership will be notified as they occur. Members should ensure 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 6 September 2024.

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, as always, 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 or referenced. Members unable to complete their questions during the proceedings may submit them as questions on notice for inclusion in the assembly *Notice Paper*.

I remind members that the rules of debate in the house apply in the 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, it is purely statistical and limited to one page in length. The committee's examinations will be broadcast in the same manner as sittings of the house, through the IPTV system within Parliament House and online via the parliament website.

I now proceed to open the following lines for examination. I again welcome the Treasurer. The first portfolio is the Department of Treasury and Finance. I declare the proposed payments open for examination and I call on the minister to make a statement, if he wishes, and introduce his advisers.

**The Hon. S.C. MULLIGHAN:** Thank you, Chair. I will not make a statement, but I will introduce the advisers: Under Treasurer, Rick Persse; Deputy Under Treasurer, Tammie Pribanic; and the Executive Director of Budget and Performance branch, Sandy Burness.

**The CHAIR:** Thank you, Treasurer. You are the lead speaker, I presume, member for Colton? Do you have an opening statement?

**Mr COWDREY:** No.

**The CHAIR:** No? Then I will proceed to questions. Member for Colton.

**Mr COWDREY:** Thank you all for coming in this morning. We obviously do appreciate your time and willingness to provide as much information as the Treasurer allows. I am not going to go too far over the ground that we covered last year, as much as the first 15 or so minutes was, in terms of the overall budget position. I think it is clear, in black and white, as has been presented by the Treasurer on budget day, the near \$3 billion worth of upward revision in total revenue for FY 2023-24, near \$3.5 billion in 2024-25 and \$9 billion over the three years between 2023-24, 2024-25 and 2025-26.

They are significant revenue increases. You are predicting surpluses over the forward estimates, although significantly lower than originally forecast in the initial budget in 2022-23, and significant debt, increasing to \$44 billion, over forwards as well. I will come back to some of those issues later, but I want to start today addressing some of the more specific budget measures, in particular Budget Paper 3, page 5, in regard to the Seaton redevelopment project, the \$423 million there, of which \$115 million is contained within the budget papers. Can you confirm what the timeline is for that project, when construction is due to commence and when it will be complete?

**The Hon. S.C. MULLIGHAN:** Thank you, member for Colton. As the budget paper outlines, this is a project which will be rolled out progressively over a period of approximately 11 years. Construction has already commenced on the significantly revised demonstrator project, which when we came to government had been designed previously to knock over, I think, 35 existing Housing Trust dwellings and replace them with more than 100 dwellings, but unfortunately only 16 or 17 Housing Trust dwellings.

We have significantly revised that, in order to make sure there was not such a large decrease in Housing Trust dwellings, but that is only one small part of the greater Seaton area, which this budget measure speaks to, and the remainder of it will occur progressively from this coming financial year, from 1 July. The reason it takes an extended period of time is by moving section through section through this area of Seaton we will be relocating existing Housing Trust tenants out of existing dwellings, enabling us to release those homes and the land that they are on to be cleared and progressively redeveloped.

There will also be a significant change of housing mix in the area. I can speak from some experience. My electorate office is located in a medium density development, which was delivered by UnitingSA, of some five storeys and that has proven to be a very successful type of dwelling, particularly for older South Australians who want to, I think the expression is, 'age in place', or age within their local communities. There will be opportunities both for the Housing Authority and community housing providers to provide high density developments, particularly along Frederick Road, along that stretch from West Lakes Boulevard down to Glenburnie Street, which is the street which Seaton High School is on.

**Mr COWDREY:** So the confirmed time frame is 10 years, with completion in 2034-35?

**The Hon. S.C. MULLIGHAN:** Yes, for the final stages of the development, but as you see from the current time frame indicated there, construction has already commenced.

**Mr COWDREY:** Just a point of clarification in terms of how many houses will be demolished in the context of the broader block, there is obviously a mix of private housing in that area as well. For instance, I drive that street regularly, as I am sure you do as well, and along West Lakes Boulevard there is a number of houses going up for construction at the moment, which I assume are privately owned.

What percentage of the housing stock within the existing area is actually going to be redeveloped, as opposed to what I have seen so far, which is essentially plans have been released with a photographic overlay of the whole of the area between Frederick Road, West Lakes Boulevard and Tapleys Hill Road? What percentage of the existing stock is actually going to be redeveloped?

**The Hon. S.C. MULLIGHAN:** I cannot give you an exact percentage now, but I am happy to take that away and come back to you with an accurate figure. Off the top of my head, I would say that it would be at least in the order of 75 per cent. You quite rightly pointed out that, as you drive down West Lakes Boulevard perhaps heading away from the city, as you get over Tapleys Hill Road on the left-hand side where this redevelopment area is, there has been and continues to be private housing being developed. I think I am correct in saying that there is a block—and I use that term loosely—or there is an amount of land which is essentially in that corner of Tapleys Hill Road and West Lakes Boulevard, which is largely privately owned where that development has happened.

What we have said in here is we know what the Housing Authority owns, that 388 public homes there. It is the intention to redevelop all of those and, in doing so, make sure we are providing at least the equivalent number of public housing dwellings at the end of the development. But the experience from the Housing Authority is that when these sorts of developments have been

undertaken in other parts of the city, whether it is in times gone by with the Westwood development or whether it is more recently in Woodville Gardens, let alone all the other places—Campbelltown, for example—sometimes in some privately owned allotments, as we have gone out and consulted with the community, residents have wanted to stay in their own dwellings and that is fine, but sometimes they have also wanted to offer their homes up for purchase to the Housing Authority to allow them to be redeveloped.

I cannot be too precise at this point in time because we are not quite sure how some of the private home owners may react. They may want their properties to be purchased and for those areas to be redeveloped as well. But what we are committing to here is the scoping work that we have been able to undertake as it relates specifically to the properties that are under government ownership.

**Mr COWDREY:** Has any communication been distributed to those privately owned households in terms of that option may be available to them to offer their land for purchase by Renewal?

**The Hon. S.C. MULLIGHAN:** My understanding is that all homes in the area have been communicated with, and that happened just in advance of the time of the announcement that the Premier and I made, I think it was, the Tuesday before budget, and that there are opportunities for further engagement or organised further engagement with the community from the Housing Authority. I have not got the particular details of that, but I am happy to come back to you on that.

**Mr COWDREY:** So they have been communicated with but not necessarily been provided the option of sale?

**The Hon. S.C. MULLIGHAN:** On that point, I cannot be clear because I have not seen the particulars of the actual communications that went out to them or what conversations have been had with the private landowners. But I guess, as I indicated previously, the advice we had from the Housing Authority was that, when precinct-type developments have happened in the past, then there has been on occasion private landowners who have wanted to take the opportunity to sell their home.

It might be because this is a good opportunity for them to realise a much higher value for their property, or it might be that they do not necessarily want to be in the middle of an area which is going under significant redevelopment with all of the works and interruptions that can happen from time to time. But I am happy to take that on notice to see to what extent those particular discussions about private purchases have happened.

**Mr COWDREY:** In terms of current expectation of dwelling completions, are you able to provide a breakdown by category of social, affordable and to market sale for the next financial year, 2024-25?

**The Hon. S.C. MULLIGHAN:** I will take that on notice. We will see what the Housing Authority has got.

**Mr COWDREY:** So you do not have any information as to how many houses will be produced next year?

**The Hon. S.C. MULLIGHAN:** Not in front of me. This is being carried out by Renewal SA, the government's development authority, in conjunction with the Housing Authority. They have done detailed master planning. As we have just been discussing, they have engaged with landowners. There might be changes to the outline time frame if there is a significant change that has been requested by the community. For example, if there are private dwellings that are to be made available for public purchase, and hence Renewal SA and the Housing Authority can redevelop a greater area of land, that might mean that they will take that opportunity to revise what they were thinking of doing in that particular part of the redevelopment area.

By the same token, as I indicated in my earlier answer, we are at some pains to open up the opportunities for development with community housing providers, particularly with the opportunities available for federal funding, not to the state government but to them, through federal programs like the Social Housing Accelerator program (SHAP), I think it is called, to make key sites in the development area available to them. The ones that I indicated earlier, particularly sites actually facing

onto Frederick Road from the corner intersection with West Lakes Boulevard, will be that. My understanding is that they have an outline plan and, to the extent to which they and I can particularise that and get it back to you, I am happy to take that on notice.

**Mr COWDREY:** If you are happy to take on notice the breakdown by category, both private sale and community housing and social housing, for 2024-25. Can I ask that you take on notice for 2025-26, 2026-27, 2027-28 and beyond for the remainder of the project.

**The Hon. S.C. MULLIGHAN:** Yes. As much as we have got at this point in time, I am happy to take that on notice.

**Mr COWDREY:** In terms of what you have just indicated around costs for the purchase of private properties, has that been factored into the budget for the project at the moment? Has there been an allocation towards the purchase of private properties, or is that something that you see in contingency for the project, or has there been no allocation of funding for that?

**The Hon. S.C. MULLIGHAN:** I am not sure if I can indicate a particular amount. What may happen, for example—and this is not an actual example but just an indicative example—is there is a private dwelling that becomes available for government purchase. You are probably familiar with some of the housing stock that is in existence in the area. There are lots of three-bedroom, single bathroom, double-brick homes on 700-plus square metres. That might mean that there is an up-front cost to purchase, but there is also an opportunity, once that house is demolished and that land is subdivided, for property sale or some portion of it to be sold in the future, which we would undertake on the basis that we would be trying to recover costs.

In terms of an up-front capital budget for purchases, I do not have that information in front of me, but, as you can appreciate, being a redevelopment with the idea of replacing dwellings on a one-for-one basis but releasing a significant number of additional allotments for development and sale creates a revenue stream as well. In terms of cost, it might actually be more of a cash flow issue than a net cost issue.

**Mr COWDREY:** What is the current expectation for when the first home is to be built on the site?

**The Hon. S.C. MULLIGHAN:** As I said, housing is already under construction. When the Premier and I announced the overall redevelopment, we were on site with Tim, who runs a carpentry business, and his apprentice, and they were putting up the frames on one of the dwellings that is currently being built there. In terms of what that schedule looks like, I am happy to come back to you with what detail we can provide.

**Mr COWDREY:** I think you are indicating that there has been building underway on stage 1 of that project—

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

**Mr COWDREY:** —but I am talking about stage 2, the one that was announced.

**The Hon. S.C. MULLIGHAN:** Stage 2, sure. I am happy to take that on notice.

**Mr COWDREY:** You do not have any information as to when the first house—

**The Hon. S.C. MULLIGHAN:** I am not the housing minister, that is Minister Champion. As you are all aware, the minister has been given significant additional responsibilities in order to carry out the government's policies to try to address South Australia's share of the national housing crisis, and both the Housing Authority and Renewal SA, as it relates to these projects, report to him. Of course, we are responsible for providing budget allocations, which we have been referring to in this particular budget reference, but in terms of the very specific detail about how the initiative is carried out, as I have already indicated, I am happy to take that on notice and see what information we can secure from those agencies.

**Mr COWDREY:** In terms of the allocation, it has been identified as a \$425 million project. Across the first five years only approximately \$115 million has been allocated. I think that peaks at \$35 million across what has been identified in the budget. Nine FTEs remain consistent, allocated with that spend across the forward couple of years towards the back end of the forward estimates.

Is this a case that the remaining six years will average \$50 million for those years? Will the vast majority of construction be taken on outside the forward estimates?

**The Hon. S.C. MULLIGHAN:** I suspect that it may not well be a consistent expenditure profile over the life of the project. There are a range of costs that you could probably envisage that are required to be undertaken with this. There is obviously the up-front detailed planning work, which comes from relevant professional service providers, there is engagement of contractors to do some of the civil works, including demolitions.

There are separate works that have to be undertaken in terms of the creation of new allotments and getting utilities to additional allotments, as well as the construction activities that will be undertaken for the houses that are to be built directly and kept, and then there is also the engagement of other services, no doubt some form of agents who will be engaged for those allotments, which are made available to either the private market or to community housing providers.

I am happy to see what the cash flow looks like over the life of the project and provide that to you. As you might imagine, different stages will happen progressively. Each stage conceivably will be of a different size in terms of the number of dwellings and allotments that are being addressed. They will have different works requirements in terms of civil works and connections and so on, so it might look a bit lumpy beyond the forward estimates.

**Mr COWDREY:** Essentially, three-quarters of the cost sits outside the first half of the project timeline. In terms of what you have taken on notice previously around FY 2024-25 and beyond, in terms of dwelling expectation across those categories that were identified earlier, can I ask in relation Noarlunga Downs—the same budget reference but the next dot point down—that you take on notice the same question in regard to expectation around housing stock by category across both the forward estimates and to the completion of the project, if you are happy to do that?

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

**Mr COWDREY:** I might move to dividends, if that is okay, with NFPS agencies, Budget Paper 3, page 49, in terms of total dividend, in particular Renewal SA on page 68. I am keen to understand: this seems to have come out of nowhere, if you look at the historic performance of Renewal SA and projections for dividend provided to government. Are you able to outline how the near \$99 million worth of dividend returned to government has come about this year?

**The CHAIR:** Member for Colton, you are looking at pages 68 and, what was the original reference—48 or 46?

**Mr COWDREY:** Sorry, 49 has the dividend total.

**The CHAIR:** So 49 and 68?

**Mr COWDREY:** Page 68, table 5.2, the second line, under dividends.

**The CHAIR:** Thanks.

**The Hon. S.C. MULLIGHAN:** If I can draw your attention to page 73 of Budget Paper 3, where there is a more detailed analysis of the financial movements for the financial year that you have highlighted as it relates to Renewal SA, you will see in the third paragraph, under table 5.7, there was a significant property transaction where there was a large number of receipts received by Renewal SA, but the details of that, for budget purposes, were not finalised in 2022-23. You will also see that while there is a significant increase in dividend, as you have pointed out, there is also a significant equity contribution from the state government as well to Renewal SA.

**Mr COWDREY:** Are you able to outline what that property transaction was?

**The Hon. S.C. MULLIGHAN:** I think it makes reference in that paragraph on page 73 to a land sale that occurred in Aldinga, but if there is anything further to that I am happy to bring that back to the committee. I will take it on notice and bring it back.

**Mr COWDREY:** There is no expectation of a significant dividend being returned over the forward estimates from Renewal SA?

**The Hon. S.C. MULLIGHAN:** You mean further dividends coming to government from Renewal SA?

**Mr COWDREY:** Yes.

**The Hon. S.C. MULLIGHAN:** Not beyond what is forecast in that table of 5.7.

**Mr COWDREY:** For the purpose of understanding the treatment within PNFC between balance sheets, in earlier discussion in the Budget and Finance Committee earlier this year, as I understand it, the whole of what I understood to be at that stage stage 1, all of the land that was owned by SAHA in its entirety had been transferred to the balance sheet of Renewal SA for the benefit of Renewal SA being put in a position to be able to undertake the works without having to seek the approval of two boards, essentially, was the reasoning that was provided at that point in time.

There was no ability at that point to give an understanding of how that value, whether it be non-financial or financial, was going to be transferred back to SAHA's balance sheet over a period of time. Is there any more clarity that the government has in terms of how that process is going to be managed with the Seaton site more broadly, and whether the government will be seeking any sort of dividend or return from Renewal SA in terms of the development of that precinct by way of private purchase?

**The Hon. S.C. MULLIGHAN:** I will try to explain this as best I can. You are right to point out that there has been a transfer of the land assets from the South Australian Housing Authority to Renewal SA. Renewal SA, as the government's development arm, ostensibly undertake the development and then for those assets—or perhaps I could call them dwellings—that are to be retained as public housing, they are then transferred back to the Housing Authority.

But the extent to which there has been a redevelopment of SAHA properties and that there has been a value uplift or a profit that has been generated from it, there is an arrangement that that profit is to be recognised for the benefit of the Housing Authority. But perhaps what I can do is try to provide a bit more detailed explanation and some particulars on notice, if you like.

**Mr COWDREY:** But the government itself is seeking no dividend in terms of value uplift or any return to government above and beyond net contributions to further invest?

**The Hon. S.C. MULLIGHAN:** What is highlighted in that table that I drew your attention to at table 5.7 points out whether there is a net contribution to or from government, but you can see that there are significant equity contributions from the general government sector to Renewal SA in order to provide them with capital to undertake the development from the outset. Beyond what we have forecast here, which admittedly only goes out to 2027-28, I am not sure we have anything further to provide, but you might be referencing the period beyond that?

**Mr COWDREY:** Correct.

**The Hon. S.C. MULLIGHAN:** I am happy to take that on notice, but I think our anticipation is that this is an overall cost to government.

**Mr COWDREY:** In terms of treatment at a high level, the contribution in terms of government equity provided is potentially done via net lending as opposed to cash contribution. The dividend that returned to government is a cash contribution, I assume?

**The Hon. S.C. MULLIGHAN:** My advice is that it is a cash transfer, as you have said, obviously, and it is debt impacting not necessarily net lending impacting.

**Mr COWDREY:** Sorry? A cash transfer both ways? Debt impact, potentially?

**The Hon. S.C. MULLIGHAN:** In the general government sector. Yes, that is right.

**Mr COWDREY:** I might shift to Budget Paper 3, page 69, if that is okay, table 5.3, SA Water, purchase of non-financial assets. I am just seeking some clarity from you, Treasurer, to ascertain if SA Water is projected to spend less on capital investment over the next two financial years, essentially, than it did this year?

**The Hon. S.C. MULLIGHAN:** The purchases of non-financial assets were budgeted in the current financial year to be \$854.6 million and the estimated result is \$19.9 million higher at \$874.5 million. Then there is the expenditure profile of 764 the following year and then a higher amount of \$888 million in 2025-26 and then following corresponding higher amounts. So there may be a timing issue. Off the top of my head, I am aware of at least one capital project that I think is nearing conclusion and that is the Kangaroo Island desalination plant project. This covers a whole range of capital projects, which are outlined on page 71. So it may well be a timing issue, but I would have to seek some further particulars from SA Water about that.

**Mr COWDREY:** Those are the major projects. That is not all of the capital spend undertaken by SA Water. A large portion of that is also sewer connections and a range of other connections that are undertaken by SA Water given the commentary.

**The Hon. S.C. MULLIGHAN:** I think if you look at that, you have the combination of major projects and then you have their annual programs, which also relate to ongoing annual existing spends, including on capital works, asset renewal, network extension and growth, structures and so on. If you add those two together that gives you the \$764.5 million project that is outlined on page 69.

**Mr COWDREY:** I am aware of that. My question is simply: given the commentary that has been provided to this point, in terms of SA Water's spend on connections and a range of other issues in regard to trunk infrastructure, does it not seem strange that you are projecting to spend less on capital expenditure next financial year than you did this financial year?

**The CHAIR:** Member for Colton, before the Treasurer answers—and I understand the Treasurer can look after himself—perhaps these questions are better directed to the Minister for Housing and Urban Development. Again, I will let the Treasurer be my guide in this, but SA Water will be examined next Wednesday afternoon in estimates.

**Mr COWDREY:** The Treasurer has a level of responsibility for public non-financial corporations.

**The Hon. S.C. MULLIGHAN:** I am happy to answer. The member has drawn attention to the table on page 69. If he casts his eyes down to footnote (c) of that same table that he has drawn my attention to, it highlights the relatively unusual although of course not unprecedented situation that this budget finds itself in where we have an Essential Services Commission determination which is due before the end of the month, which has not yet been finalised, so these figures are subject to what is to be released in the next 10 days by the Essential Services Commission and, in that respect, are likely to change.

**Mr COWDREY:** Some would say unusual, others would say purposeful.

**The Hon. S.C. MULLIGHAN:** Well, it happens every four years. As I said, it is not unprecedented, because it happened four years ago and it happened four years before that, so it is not quite Halley's Comet but it does come around every four years.

**Mr COWDREY:** I did not say it was unprecedented, Treasurer.

**The Hon. S.C. MULLIGHAN:** No, you said it was deliberate, as if it was some sort of concocted strategy to avoid your withering scrutiny, and I assure you it is not.

**Mr COWDREY:** In regard to further capital investment in relation to SA Water last year, I asked a specific question in regard to the Water Industry Act and the pricing order that was being prepared in regard to whether you are going to make any changes to the pricing order from four years ago but for the changing of the date. At that point in time you said you had not made your mind up yet.

Since then, you have obviously produced the pricing order for this regulatory period. There was the inclusion of a specific paragraph at 5.4 of that document, that I will read to provide context to the question, that was not in existence in the previous version of the pricing order. It said:

The Commission must prepare and provide to the Treasurer, on or before 30 March 2024, separate advice setting out the Commission's calculation of the rate of return on the RAB to apply to the fourth regulatory period (which should be consistent with Principle 1 of the NWI Principles for the Recovery of Capital Expenditure).



Why was that included in this year's pricing statement?

**The Hon. S.C. MULLIGHAN:** My recollection is that the weighted average cost of capital (WACC) figure is revised every pricing determination period, and that is then applied to the value of the regulated asset base. In the last pricing determination, which occurred in 2020, there was a significant reduction in the weighted average cost of capital, which then significantly changed the calculation of SA Water's allowable operating expenditure, which led to the announcement by the then government of lower water prices in an effort to recover that amount of operating revenue over the four-year determination period that had been determined by the Essential Services Commission.

That was a further reduction, if I remember rightly, from the determination which was made in 2016, which also saw a lower WACC figure applied there. So we had two determination periods, in 2016 and then in 2020, of reduced WACC figures, and that reduced prices at the outset of both determination periods.

I think, as we all agree, not only have we had the RBA's cash rate significantly change but lots of corresponding financial and other interest rates have moved significantly since May 2022 when the Reserve Bank started increasing the cash rate. So we are anticipating a higher WACC and what we are waiting to see is not just the Essential Services Commission's final determination and what it will mean for SA Water's capital spending program but also what it finally determines that WACC to be and how that is going to impact on SA Water's allowable operating revenue, and then also what that means for water prices.

**Mr COWDREY:** Again, the same reference: what has been the nature and frequency of your interaction with ESCOSA relating to the setting of the regulated asset base?

**The Hon. S.C. MULLIGHAN:** I would have to think if I have had a discussion with them about it. I engage periodically with ESCOSA. It is an agency that reports to me, so I try to make a point of catching up with those agencies on at least a quarterly basis. The nature of those interactions I would perhaps best describe as cordial and collegial. The chief executive, Adam Wilson, is a very affable person and good to deal with, but in terms of a specific discussion on the regulated asset base, I am not sure that I have had one. I do not want to be too definitive because, of course, it is a key element of the ESCOSA determination process so I am happy to take it on notice.

**Mr COWDREY:** Has there been any interaction between either yourself or your office with ESCOSA around the regulated asset base, any revisions to any advice that has been provided to you on how the RAB should be calculated?

**The Hon. S.C. MULLIGHAN:** I would have to check because I think part of the determinations—and, again, I will check this—my recollection is that we have required the Essential Services Commission to provide amounts for capital expenditure on some capital projects which SA Water perhaps would not have done of their own volition. They might think they are non-commercial projects, and the best one I can immediately point to would be the Tea Tree Gully Community Waste Management System (CWMS is what I think it stands for). I am not quite sure what the treatment is but there would need to be a treatment as to whether that asset becomes part of the regulated asset base or if it is considered as a contributed or a non-contributed asset for the purposes of the regulated asset base.

In terms of expressing a view about what the overall value should be, I certainly do not recall expressing one beyond, I guess, the parameters of what is included in it, particularly in relation to those sorts of requirements that the government has imposed on SA Water to deliver capital projects outside of their usual bailiwick.

**Mr COWDREY:** Has the regulated asset base been set for this period?

**The Hon. S.C. MULLIGHAN:** I will check, but my recollection is that it is part of the Essential Services Commission's final determination. The allowable operating revenue, the value of the regulated asset base, the WACC calculation, their capital expenditure—they are the four building blocks, so we are waiting to see, with increasingly bated breath, what is released over the next 10 days by the Essential Services Commission with respect to all four of those figures.

**Mr COWDREY:** But you set the RAB, Treasurer; ESCOSA simply determines if it is reasonable or not and provides advice on that.

**The Hon. S.C. MULLIGHAN:** My expectation today was that I was going to be questioned on the content of the budget papers as the explanation of clauses for the Appropriation Bill. I have not brought a series of files or correspondence that I have sent to the Essential Services Commission, but I am happy to take the detail of that on notice.

**Mr COWDREY:** Again, whether you are happy to answer this question or not, I am not sure, but Budget Paper 5, page 72, in regard to capital expenditure for SA Water—sorry, it is the same, 69.

**The Hon. S.C. MULLIGHAN:** Of Budget Paper 3?

**Mr COWDREY:** Yes. Last year we had a discussion regarding how the government was going to elect to fund infrastructure, particularly around SA Water to the announced housing developments. At that time you provided an answer that there were three ways in which infrastructure can be funded. Essentially that was through water bills, and the ability for network augmentation that was already undertaken through the standard processes that had been pointed out on the table that sits opposite. You also said there was a possibility for the government to make separate budget allocation centrally for augmentation changes.

In terms of the decision you made as your preferred method, I gather that—given this budget has not contained any specific separate budget allocation—your preferred method for funding that infrastructure has been by way of what you rejected at the time as being a stealth tax by increased water bills for South Australians.

**The Hon. S.C. MULLIGHAN:** No; I would not characterise it like that.

**Mr COWDREY:** There is no separate allocation in the budget for water infrastructure, as was an option available to you.

**The Hon. S.C. MULLIGHAN:** What we have outlined on page 69 is what our best guess is at purchases of non-financial assets, which also includes network augmentation across the forward estimates. As I have pointed out, we are waiting for the Essential Services Commission to make its determination about allowable levels of capital expenditure for SA Water, and how that is to be met across SA Water's different capital expenditure programs—as we have just gone through.

If you turn the page there is quite a lot of them, and you are right that there are different ways of doing this. The traditional way for a long period of time has been to recover those network augmentation costs through water prices.

Of course, what we have seen over the last two determination periods, when we have had falling water prices, is a consequently low capacity to invest in broader network expansion. So we have had, it is now clear, significant underinvestment. Now that we understand more accurately, in a more contemporaneous experience, what new housing demand is across greenfield areas, we have outlined our estimate in advance of, and in some ignorance of, what we expect to hear from the Essential Services Commission.

I guess the only other thing I can say is that we are all waiting to see what the Essential Services Commission is going to finally determine when it releases its determination over the next 10 days.

**Mr COWDREY:** Your use and frequency of the Essential Services Commission to show that you have no investment in the outcome of that determination is, I think, telling. In terms of, again, SA Water infrastructure spend, particularly around service augmentation and connections, you and I were both at the UDIA event last week during the presentation from the economist. He rightly pointed out the significant population increase that occurred on the back of COVID, and cited that as one of the key issues in terms of what has created significant pressure in the housing market.

My question is more around why did you wait until the SA Water determination? We had a budget last year, and you admitted last year that you could have provided capital to SA Water to provide augmentation. Essentially, as was noted on that day, we have the development sector

effectively on its knees where SA Water has completely stopped making connections. Why has the government not considered—and you identified in your previous answers to estimates that it was an option available to you both last year and this year—providing separate budget funding for SA Water connections?

**The Hon. S.C. MULLIGHAN:** You preface your question by saying I have no investment in this. It is not just me; it is all of us. If you look at this line in SA Water and the table, there is approximately \$3.8 billion of purchases of non-financial assets or capital expenditure for SA Water over the forward estimates. That finds its voice in the net debt position of SA Water, which in turn finds its voice in the overall public non-financial cooperations debt position in government, and finds itself represented in the total debt figure at the end of the forward estimates of \$44.2 billion, which you have been highly critical of.

There is a very significant investment as far as we have been able to estimate, but I cannot say it is an accurate estimation, because as you say the community, quite rightly, is making broadscale representations that there should be a greater allowance by the Essential Services Commission for additional capital expenditure, and we are waiting to see what that is.

You also in your question criticised the government for not making the allocation last year. I think, to be fair, this problem was not evident at this point in time last year, and certainly not evident to the extent that we know now that it has caused some greenfield developments to halt production. If we did know that the problem was that serious last year, we would have been having this conversation. We would have had representations in June last year, from the UDIA, from the Property Council, from the HIA, from the MBA, as well as from major developers, that action needed to be taken.

What has occurred over the last 12 months is that we have had a series of reports from greenfield developers that SA Water has had to stop issuing, I think they are called, DAFIs (the development augmentation something something). That has meant that in many cases they have had to down tools.

This is a problem which has been brewing because, as I articulated earlier, in retrospect we can identify that the level of expenditure in network augmentation has been insufficient at the very least for the last two determination periods, one under the previous Liberal government and before that under the previous Labor government, and probably in earlier times than that. Development agreement formal instrument, I am advised it is called. Thank you, Under Treasurer.

We all agree that this is a problem. We all understand what the solution is, and that is delivering a significant amount of network augmentation funding. We have estimated as best we can as Treasury what SA Water may well do, but that is in isolation and in ignorance of what we expect to come in the next 10 days, and that is getting a final, but more accurate, steer from the Essential Services Commission.

Unfortunately, today we are not in a position to be able to articulate what that is, because they have not issued that final determination and that critical decision has not been made, but we are less than 10 days away now, so in terms of giving certainty to the industry at the very least that is some good news, that we are going to get some certainty.

**Mr COWDREY:** I will agree with you that the community is obviously keen to see more connections and more housing. I will disagree with you when you say that you think they are calling for a greater allowance for ESCOSA to essentially see water bills increase during a cost-of-living crisis. I do not think that is what the community is calling for.

In terms of departmental blowouts and budgets, I refer to Budget Paper 3, page 23. Over the past two years, so FY 2022-23, total across-government operating expenses missed budget by \$1.3 billion; this year, FY 2023-24, it is expected to be in the order of \$825 million. What message, if any, have you sent to department heads about how acceptable this is?

**The Hon. S.C. MULLIGHAN:** Just to correct the sort of drive-by assertion that you made before asking this question, I would hate you to think, or let alone to be represented by you as somebody who thinks, that higher water bills are the entire solution for funding SA Water's capital

investment. I appreciate the unnecessary political attempt you were making there, but I just want to correct that on the record.

The budget, no doubt—and I have been the first one to point this out—has benefited from a strong state economy. We have had record performance in our labour market that has seen a really significant increase in the number of hours worked, and that has driven increased payroll tax collections. We have a very strong property sector at the moment. That market, although it is causing challenges for a lot of South Australians trying to get into affordable housing, is also driving additional revenues into the state budget. We have had significant increases in land values. That has also driven higher land taxes into the budget, building on top of the significant increases in land tax bills which were legislated by the previous government at the end of 2019. General overall economic activity has driven higher revenue collections as well.

We have been in a period, undoubtedly, where we have seen very significant and much higher than previously anticipated demand and cost of meeting that demand across key areas of government service delivery. Probably the best two examples I can provide are in Health and Wellbeing. I think the budget that has been allocated for SA Health in 2022-23 was many hundreds of millions of dollars which was located in the previous government's last budget. With higher presentations to our health services but particularly emergency departments and the higher cost of service delivery, for a range of reasons but particularly including the latest federal government reset of the National Efficient Price for health services which are provided across hospitals, we have had the capacity to utilise a portion of that revenue uplift to better fund these services.

Similarly, in child protection we have seen continued and significant demand on our child protection system, where the number of reports which are made to the department continue to increase, and the number of children who are being taken into state care continues to increase. Whether it is by government direct service provision or whether it is through non-government providers, the cost of looking after those children in state care continues to escalate as well.

You characterise providing additional expenditure authority to these agencies as blowouts. The alternative is, of course, that we do not, that we go back to where we were only three years ago where we had a TVSP regime in order to exit doctors and nurses out of our hospitals and emergency departments, that we continue to pursue those sorts of cost-saving initiatives within our health system at a time when it has never been under greater pressure. We have decided not to do that. I recognise that that is a significant difference between the two major parties in South Australia. We have expanded funding for our health system in order to provide expanded access to services, and the standing position of the opposition is that that resourcing should be reduced.

**Mr COWDREY:** You can have your own views as to what the opposition's policies are, Treasurer, but in regard to this issue it is not just health and child protection, as much as you have tried to characterise it as that. It is systemic: it has been across virtually every government department and agency, both last year and this year.

If I take you to Budget Paper 4, Volume 4, page 144, one of the targets for the department this year is to partner with agencies to identify strategies that improve agency efficiency and budget management. It is something that has been identified by Treasury as being an issue, hence the target. What work is being undertaken to deliver that target this year?

**The Hon. S.C. MULLIGHAN:** Absolutely. You might recall that previous budgets have applied very significant savings targets to agencies. Particularly under the previous government, very significant savings targets were applied to agencies that deliver frontline services. While we have significantly reduced the savings that the previous Liberal government imposed on our health system, we have retained a level of efficiency requirements in an effort to try to bring our local health networks back closer to the National Efficient Price for the delivery of health services they provide.

Treasury has engaged a number of additional staff for this effort to work directly with agencies in an effort to help them identify strategies, where relevant, to try to provide more cost-effective ways of delivering services. To my mind, I guess that is something that a department of treasury and finance should always be doing, so we have been engaging with that across a range of different agencies, and in some cases that has meant that we have had to provide additional

supplementation. I gave the example of SA Health trying to reduce, in recent financial years, the savings burden on them that was imposed by the previous government.

We have also restored funding that had been cut from other agency budgets under previous governments. I think we have provided more funding to the transport department for passenger service assistance and putting security guards back on trains, both of which were cut under the previous government. We have provided additional resourcing for the Department for Child Protection as well, as I have already articulated.

There should always be an ongoing effort to make sure that there is robust financial management across agencies. That is the expectation that we have in Treasury and Finance. We realise that, given the pressures on some agencies, they might need some assistance from a central agency like Treasury to help them achieve those aims.

**Mr COWDREY:** Given that is the expectation, leaving aside health and child protection, has Treasury provided any advice to departments that their operating expenses being above budget is unacceptable?

**The Hon. S.C. MULLIGHAN:** There is a standing requirement on chief executives and their executives that they meet budget. What you may be aware of is that, in between the release of a budget and a mid-year review, or a mid-year budget update, and the following budget, there are agencies that come forward with additional requests for resources for specific needs, and that has continued to be the case. You can go down that list of agencies in Budget Paper 3, and that has been the case across most areas.

There are budget measures incorporated into that, sometimes there is funding that is passed through from the commonwealth for particular measures, and then there are initiatives which cabinet consider and agree to to provide additional resourcing. I could not do it conclusively down the line, but for the Attorney-General's Department additional resourcing is provided for the Office of the Director of Public Prosecutions. We have had additional costs to deal with Operation Ironside and significant cases. Child protection I have already spoken about, corrections.

You might recall that the previous government funded a 270-bed expansion of the prison system but did not allocate any operating expenditure to staff or to operate those beds. We have had to allocate additional funding for courts, we have had to provide some additional funding, in particular for high-burden or high-intensity court cases. I mentioned Ironside—there would be an impact there.

Education: we have rolled out a series of initiatives, whether providing additional funding for mental health awareness training for teachers or autism awareness training. You will see the beginnings in 2023-24 and across the forward estimates of our generational commitment to three-year-old preschool and for emergency services. We released the emergency services levy spending profile in recent weeks. There has been additional expenditure across key areas of service delivery in emergency services, energy and mining, and so on. You can go through the list.

I guess the challenge is that you can criticise providing agencies with additional expenditures, but to give that criticism validity you really need to identify what expenditures you do not disagree with. I guess you criticise me for characterising what the opposition policy is: I am happy to hear today what expenditures you do not agree with and which ones you would do away with, should you be in government.

**Mr COWDREY:** Specific budget measures, Budget Paper 5, page 12. You have raised the issue of child protection, the overspend and the retrospective budget measure that has been provided to child protection. If you look at the Agency Statement, Budget Paper 4, Volume 1, page 89, essentially the retrospective budget initiative has provided a comprehensive net result for the Department for Child Protection of a \$31 billion positive result for the year, hence adding to the announced surplus. Two questions: in terms of that retrospective budget initiative, that has not been carried forward to this coming financial year?

**The Hon. S.C. MULLIGHAN:** Into 2024-25?

**Mr COWDREY:** Correct.

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

**Mr COWDREY:** Are you confident that child protection will spend approximately \$70 million less this coming financial year than it did this year?

**The Hon. S.C. MULLIGHAN:** I do not think we would say they are spending \$70 million less. If you look at the budget allocation in Budget Paper 3, page 23, the estimated result is \$860 million down to \$796 million, so the figure of \$64 million is the expectation. This highlights the work that necessitated the additional supplementation to Treasury's budget for assisting agencies improve their expenditure performance.

This has been a particular example where the level of expenditure on kids taken into state care, but housed outside of state facilities, has skyrocketed. We are talking roughly a 10 per cent increase in that cost, and the number of children being accommodated has not necessarily increased by 10 per cent. So it reflects a really significant increase in the cost of these non-government organisations looking after these children, and that can be for a whole range of reasons.

It might be that they have chosen to staff those facilities with short-term contract staff, which tend to be much higher paid than ongoing permanent-type staff. It might be the facilities have been only booked for short periods of time, hotel or motel-type short-term accommodation, which, as you can imagine, on a dollar-per-night basis tend to be much more expensive than the nightly equivalent operating cost for a long-term managed facility.

The reason we provided the budget supplementation for this year and then also make sure that Treasury has resourcing necessary and a target within our budget statements, is to try to assist child protection to work with their service providers to ensure that we are providing services to those kids who need it, but we are doing it in a far more cost-effective manner.

We funded a range of strategies in last year's child protection budget, also to try to prevent the number of children coming into state care just going into institutional care, and in particular institutional care provided by the non-government sector. I think there was a \$49 million package of early intervention strategies, which I think was about \$35 million or \$36 million over four years funded in last year's budget, as well as \$13.4 million for family group conferencing.

We also provided money across the forward estimates to increase the weekly payments to foster carers and kinship carers because, even though there is a subsidy that goes from the state government to foster and kinship carers, the value of the subsidy per child per year is vastly less than trying to accommodate and staff those children who are in institutionalised care. That is why we believe that it is reasonable to meet the cost pressure in the current financial year and continue working with child protection to get their expenditure better aligned with the number of children who we anticipate to be in care.

So am I confident? I could not stand here and in any conscience issue a guarantee, but we believe that we have, between the child protection department and Treasury, a pretty good understanding of what is driving these higher costs and what the options are to ameliorate those higher costs, and success will largely be determined on deploying those measures to bring those costs back down to a level where they had previously been so that they do not continue to escalate.

That might mean, for example, entering into different and more cost-effective arrangements with non-government service providers. If they are using short-term contract staff, why can we not give them certainty about the level of services they will be providing on behalf of government and they can employ people on a more permanent and more cost-effective basis, for example? Then you could carry over that same example into the accommodation solutions themselves.

**Mr COWDREY:** So the government's expectation is \$796 million next year?

**The Hon. S.C. MULLIGHAN:** That is what we have budgeted for. In our first three budgets, we have contributed an extra \$420 million or \$430 million to child protection—\$220 million last year, \$70 million this year and then the balance of that in the first budget. So we are not only significantly increasing the resourcing to ensure that we are adequately caring for those children who are coming to state care but we are also investing in those early intervention measures to try to reduce the number of kids having to be cared for in institutions.

There is also, I should point out, a significant amount of effort undertaken by the Department of Human Services as well for early intervention services. So there are, in departmental terms, at least three shoulders to the wheel in trying to tackle this problem for the coming financial year.

**Mr COWDREY:** I refer to Budget Paper 3, page 31, table 2.16, police. This is capital investment by government agency. You were given the special role of overseeing the mounted police unit relocation and, essentially, all units located at the Thebarton barracks. The last estimate we had was that the total cost for this relocation was \$153 million. The original budget was 90. What is the total cost for the relocation of those 15 police units?

**The Hon. S.C. MULLIGHAN:** My understanding is that the estimated cost is still \$153 million and that is for the equine facilities and I think also for the dogs. I think I can comfortably and confidently say that these will be the best accommodated police horses in the country.

**Mr COWDREY:** The police band? Has that facility been added to the total?

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

**Mr COWDREY:** That is inclusive of that now?

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

**Mr COWDREY:** As of Budget and Finance a couple of months ago that was not included in that total.

**The Hon. S.C. MULLIGHAN:** I am advised that it is. My understanding is that the cost for the new accommodations for the band is \$7.9 million. Sorry, that is an additional cost on top of the horse and dog facilities.

**Mr COWDREY:** So it is not inclusive? We are talking 160 now?

**The Hon. S.C. MULLIGHAN:** It is 162.5.

**Mr COWDREY:** And that is what you expect to be the total cost of the project altogether?

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

**Mr COWDREY:** The original time frame was to have all units out of the current facility by March of this year. How many still remain there?

**The Hon. S.C. MULLIGHAN:** My recollection is that we were to provide access on a progressive basis to the existing Thebarton barracks site from March. My understanding is that that has been occurring. The ones that have been relocated from Thebarton are the Diversity and Inclusion Branch of SAPOL's operations, the forensic reference library, the specialist investigations unit, the traffic camera unit and the Dog Operations Unit.

**Mr COWDREY:** So approximately half of the units remain?

**The Hon. S.C. MULLIGHAN:** Approximately, yes.

**Mr COWDREY:** When are you expecting the Thebarton barracks to be demolished?

**The Hon. S.C. MULLIGHAN:** I would have to seek an accurate estimate from the Women's and Children's Hospital project team on that.

**Mr COWDREY:** The expectation was that the Gepps Cross facility would be completed mid this year. Is that still on track?

**The Hon. S.C. MULLIGHAN:** My advice is that we expect the horses to be on the site at Gepps Cross by 30 September. My advice is that the relationship between SAPOL and the new Women's and Children's Hospital project team has been working really well and we have been able to provide them, as in the Women's and Children's Hospital project team, the requisite access to the Thebarton barracks site as they have required to commence the early works that are required for that project so that the relocation of the various SAPOL units—I think there are 12 of them—do not impact on the project timelines for the Women's and Children's Hospital.

**Mr COWDREY:** Yes, but when will the facility be finished?

**The Hon. S.C. MULLIGHAN:** The barracks?

**Mr COWDREY:** The Gepps Cross facility.

**The Hon. S.C. MULLIGHAN:** At Gepps Cross, I am not sure what the final landscaping works and total completion will be, but my advice is we expect the horses to be on site by the end of September this year.

**Mr COWDREY:** I will move on to Budget Paper 5, page 5, and the measure in regard to GP payroll tax. What work was undertaken by Treasury to estimate the impact in SA of the New South Wales court decision on payroll tax collections prior to the measure being implemented?

**The Hon. S.C. MULLIGHAN:** It depends what sort of advice you are referring to. If you are referring to financial modelling of revenue impacts, there was not really any work at all because, as we now all understand, there have been a significant number of GP clinics that have not been registered for payroll tax and not been paying it. That has meant that we do not have accurate information as to how many GPs there are working in how many clinics and under what certain circumstances, and should they commence meeting their longstanding payroll tax obligations, what the revenue impact of that would be.

So what we have tried to undertake during the course of this, as I have been at pains to explain to the parliament and also to the community, is we want to bring GPs into compliance with their longstanding payroll tax obligations and do it in a way which provides minimal disruption to them and the services they provide to the community, and I think we have largely succeeded in doing that.

We now have an arrangement which has been negotiated with and agreed by the Royal Australian College of General Practitioners, and I should also point out that we have made the announcement that, from this budget, we will be for the first time exempting GPs from payroll tax on the wages they earn when they are providing bulk-billed consultations. In the context of recent commonwealth data showing that more than three-quarters I think it is—somewhere between 75 per cent and 80 per cent—of consultations in South Australia conducted by GPs are being bulk-billed, that is a really significant new benefit for GPs and their practices.

Of course, that payroll tax exemption also applies to those GPs who are providing a mix of bulk-billed services and non-bulk-billed services. So for many GPs who find themselves in that situation, it is likely that the deduction of the value of the wages that have been earned in providing those bulk-billed consultations will ensure that they and their practices remain under the payroll tax tax-free threshold. To the extent to which we see those practices continue to choose not to provide bulk-billed services—in some cases, at all—they obviously, should they reach that payroll tax tax-free threshold, continue to be liable for payroll tax. But, as those numbers that I have just provided to the committee indicate, that is the vast minority of GPs and GP clinics.

**Mr COWDREY:** In your answer, you referenced that very little work had been done but, clearly, some work has been done in terms of estimating the potential uptick in payroll tax collections. Can you outline what that indicated?

**The Hon. S.C. MULLIGHAN:** I think between Treasury and RevenueSA, on turning their minds to the problem, quickly realised that they did not have sufficient information to undertake any modelling, and they were able to immediately advise me that they were unable to undertake that modelling. That is pretty much the extent of the work. There has been far more extensive work undertaken by RevenueSA in working with the Royal College of General Practitioners to, I guess from the outset, allow them to help their members to understand what payroll tax is, what their obligations are, and how it might relate to their practices.

What became clear to me, in the representations from both the Royal College and the AMA, was that we have seen a significant change in the nature of GP practices in the past 20 years, where perhaps in past decades we have had a small suburban GP practice with a small number of GPs working together, we now have corporate investors building GP clinics and then recruiting GPs to staff those clinics and providing them with contractual arrangements for the provision of their services, and assuring them that they would not be liable for payroll tax if they entered into that particular form of contractual arrangement.



But of course what the New South Wales Supreme Court decision has shown, and what the longstanding provisions of the South Australian Payroll Tax Act have required, is that there is very little, if any, capacity for employers to engage in particular types of contracts to seek to avoid payroll tax obligations.

As you can readily appreciate, the contractor and grouping provisions have not only been in existence for some 15 years now, but for good reason. We would not want large-scale employers trying to convert all of their employees to independent contractors so as to avoid not only their payroll tax obligations but also all the other obligations that arise for an employer with an employee relationship, and so that has been the task.

There has been work undertaken by Treasury in trying to tackle this issue, working with the college, but that has not extended in any material way for revenue estimation because we simply do not have the information that would be required to do that, let alone accurately.

**Mr COWDREY:** So neither you nor your office has ever been provided with any estimate?

**The Hon. S.C. MULLIGHAN:** No. I have been provided with an amount of payroll tax that has been paid in a prior financial year by medical practices that have been registered for payroll tax and have been reporting their taxable wages. We know what the status quo has been, but there has not been an attempt to model revenue collections on a broader range of practices and employees beyond that, because, for example, we do not have an accurate number to say that that is the number of GPs that are practising at this point in time in South Australia.

Further to that, we do not know what practices they are working in and what the arrangements of those practices are. Are they small practices where they come under the payroll tax tax-free threshold? Are they large practices where they are likely to be over the payroll tax tax-free threshold? In an environment where we do not have that information, it is negated—the ability or the capacity or the need to make those revenue estimates.

**Mr COWDREY:** As I understand it, those GP practices that signed up to the amnesty were required to provide evidence to RevenueSA by way of the contracts they had in place with their GPs. How many practices provided those contracts to the government?

**The Hon. S.C. MULLIGHAN:** I think we had a number of practices—I think we had 263 medical practices—sorry, 283 registrations for the amnesty, and nearly all of those have been reviewed and the vast majority of them assessed as relevant contracts.

**Mr COWDREY:** How many were assessed as not being relevant contracts?

**The Hon. S.C. MULLIGHAN:** Six. You can see that this has been a widespread practice amongst this industry which has had the result of a cohort of workers not meeting payroll tax obligations. I found it interesting because, as I said, I have been provided with advice that we have had practices which have been registered for and paying payroll tax in the past. Some have recognised their obligations and have been meeting them and others have not.

**Mr COWDREY:** If we shift to Budget Paper 3, page 5, the stamp duty exemption by way of budget measure: are you able to provide what the expected uptake will be now over forward financial years?

**The Hon. S.C. MULLIGHAN:** We will check, but I think we estimated a further 300 per year.

**Mr COWDREY:** So taking the total expectation to 4,100?

**The Hon. S.C. MULLIGHAN:** No, because I think the expectation which drove the inclusion of this policy in the budget is that we had had a much lower take-up of first-home buyer contracts in the current financial year than we forecast in last year's budget. I think the figures I saw were that we had had about 1,500, roughly, first-home owner applications for stamp duty relief, with another amount pending review or assessment of approximately 116.

That gave us the impression that, rather than the estimated 3,500 or 3,800 last year, we might end up, without a policy change, of something in the order of 1,700-odd taking it up and, as we were getting the data through on a monthly basis, that gave us the reason to consider changing the policy. How could we change the policy to provide certainty, meaningful relief and a way of

contributing to additional supply of new housing, and how could we provide assistance to first-home buyers that would help them rather than help, for example, a vendor of an existing home?

**Mr COWDREY:** For clarity, can you confirm that you are expecting 300 above your expectation for this year? Are we talking 2,000 a year?

**The Hon. S.C. MULLIGHAN:** I think that was in the Budget Overview. Do you want me to find you the page? It is on the fifth page of the Budget Overview—literally in the first five pages of the budget that figure has been set out.

**Mr COWDREY:** In terms of the stamp duty change, has there been any feedback or concerns raised with you from the property industry in relation to fixed price contracts?

**The Hon. S.C. MULLIGHAN:** I will check, but I do not recall receiving that, no. I have received quite a bit of correspondence about the measure, but not in relation to fixed price contracts, I do not think, unless there is a specific context you wanted to provide.

**Mr COWDREY:** In regard to the 2,000, just to be clear, that is 2,000 year on year? It is a flat line expectation across the forwards?

**The Hon. S.C. MULLIGHAN:** My advice is that over the forward estimates we would expect transaction numbers of first-home buyers who will take advantage of this to end up, I think, at around 3,900 per year by the end of the forward estimates, but with a progressive increase from the current financial year up to that figure. What we are conscious of is that when you announce these measures there can be a pull forward effect, where people who were perhaps contemplating but have not yet made a decision to enter into a housing contract would feel incentivised to now do so.

Of course, if there is a pull forward of activity then there is usually a corresponding lull as well and so the combination of, I guess, a pull forward and lull, as well as challenging market conditions for first-home buyers, would have contributed to low recent figures, but the advice from Treasury is that the budget forecasts that there will be a recovery of first-home buyer numbers who will take advantage of this over the course of the four years.

**Mr COWDREY:** Can you provide the numbers that you are estimating for the financial years in between, in 2025-26 and 2026-27?

**The Hon. S.C. MULLIGHAN:** I think we probably could, yes: 2,500 next year, 3,300 in 2025-26, 3,900 in 2026-27, and 3,930 in 2027-28.

**Mr COWDREY:** In regard to cost-of-living relief, Budget Paper 3, page 4, direct payments were chosen rather than energy rebates. You have provided commentary that you do not expect people receiving these payments to go out and, obviously, spend this on anything other than essential components. My question is why, still? Why did the government move away from energy rebates towards direct payments?

**The Hon. S.C. MULLIGHAN:** We targeted our cost-of-living relief to people on very low and fixed incomes in South Australia. You would, of course, be aware that from 1 July the federal budget is providing every Australian worker with a tax cut, and in many cases a really significant tax cut, well beyond the scope of relief that any state or territory is providing in terms of cost-of-living relief

So while average income workers, middle income workers and higher income workers are all getting a significant tax cut under the changes to the stage 3 tax cuts legislated by the Albanese federal government, we thought that rather than try to replicate that, or provide cost-of-living relief to those people on higher incomes, that would do two things.

One is diminish the amount of capacity we had to provide meaningful cost-of-living relief to those people on very low or fixed incomes and also risk what I guess the Reserve Bank and national economic commentators have been concerned about with some of the really significant measures that have been deployed elsewhere in the country, that we did not want this contributing to inflation.

My experience in speaking to pensioners and concession card holders in my electorate is that, while they welcome that energy bills are, on average, likely to start coming down, the cost of living is still continuing to go up. Inflation is still positive. That means that, while things are not getting as expensive as quickly as what they have in the last 18 months, they are still getting more expensive.

Groceries are a lot more expensive than what they were at this time of year. When temperatures have dropped, people are worried about how they are going to keep warm in their own homes. Providing this money to those people who need it the most is clearly the best way of providing cost-of-living relief in the broader context of what the federal government is doing.

We could have provided everyone in this room with \$325 for energy bill relief, but providing an extra \$371 to pensioners who are renting, or \$243.90 to concession card holders who are in their own homes on very low incomes, or providing parents of public school kids a \$200 discount per child off their materials and services charge, or providing additional sports vouchers, I feel is a much better targeted way of helping people who need it the most to alleviate cost-of-living pressures.

**Mr COWDREY:** My question is not an and/or situation. It is a question of we had already in place a mechanism to provide energy rebates to that exact cohort that you have just referenced in low-income earners and fixed incomes that has been in place for quite some time. The question was not a broader question about energy rebates. It was: why in terms of the distribution of cost-of-living relief to that cohort was a decision made to move away from electricity rebates or energy rebates and instead provide direct payments?

**The Hon. S.C. MULLIGHAN:** At this point last year when we handed down last year's budget, when we did partner with the commonwealth in the energy bill relief plan, AEMO's standing market offer in South Australia was forecast to increase by I think 23 per cent or 24 per cent. That would have seen the average electricity bill increase for people with average consumption on the standing market offer. Of course, we all recognise that that is the worst-case scenario for people with energy bills. I think that is the most expensive offer that is usually provided to retail customers. That meant that their energy bill was likely to go up in the order of \$550 or \$570 or whatever the figure was.

So last year's energy bill relief plan was designed to reduce energy bills to try to offset the forecast energy bill increases around the country. It was also designed to do it in a way which reduced the cost of that bill and would make, what has now been well articulated in the national economic commentary and financial press, a reduction off inflation, which is obviously good for the economy. That was the federal government's prerogative.

The federal government said to states and territories that they were going to do the same thing again, and it is up to states and territories as to whether they wanted to partner in that again or whether we wanted to go our own way on cost-of-living relief.

This year, the Energy Market Operator has forecast that the standing market offer is going to slightly decrease for households and that it would drop by I think, on average, 8 per cent for small businesses. That perhaps informed our view that, while there is of course the need to try to bring energy costs down across the country, if we were going to deploy cost-of-living relief, how could we do it in a way which provided as great a flexibility as possible for people who were receiving it?

Providing this additional bonus payment to cost-of-living concession recipients gives them the flexibility to use that money either to reduce the cost to them of their energy bill, or to use that to meet other outgoings, or to help them pay for groceries, or to help them meet the costs elsewhere in their lives.

I think it is a really good use of taxpayers' funds to ensure that—in the light of not having those same pressures on energy bills further increasing, of not having the need to provide broad-based support because we have the stage 3 tax cuts—we identify those people in our community who need support the most and that we ensure that the more than a quarter of a billion dollars that we are pushing towards cost-of-living measures in this budget is going to South Australians who need it the most.

**Mr COWDREY:** In the context, though, of South Australia or Adelaide having the highest inflation rate in the nation, and essentially what had been a pretty well-settled opinion that energy rebates do not directly add to inflation, it seems odd to have taken any risk in that regard, no matter how small it may be. Has the government undertaken any work, or have they received any advice, to ascertain or determine the contribution of the state budget to inflation? As you have rightfully said, we have the Reserve Bank Governor, in the latest determination, making reference to high-spending

budgets of governments across the nation. Has any of that work been undertaken, or have you received any advice about the contribution of the state budget to inflation?

**The Hon. S.C. MULLIGHAN:** No, I have not. I would strongly contest any assertion that spending in the state budget is contributing to inflation. If you look up the leading components of inflation in South Australia over the last two years, a persistent theme is the cost of housing, whether it is mortgages or rents. This budget makes nearly \$850 million available to tackle the fundamental problem that we have in housing supply. If you increase the supply of goods or of services to better meet demand, then you are likely to successfully combat the inflationary pressures that an imbalance between supply and demand would cause.

There is a significant effort in this budget to try to tackle what we would describe as some of the underlying structural problems that we have to tackle in South Australia, which are contributing to inflation. Housing of course is not the only one. I think there is little we can do in terms of bringing down grocery prices or petrol prices. Of course, we have also acted in the past to try to quell some of the spikes in rents as well, so we have more balance in the rental relationship between renters and their landlords. We have more rights for renters now. I know that the Leader of the Opposition has said that this is a war on landlords, and I know that he comes to this argument with a very particular and deeply experienced view of being a landlord.

**Mr COWDREY:** I do not think we need the commentary.

**The Hon. S.C. MULLIGHAN:** But it is relevant. Housing is a leading contributor to inflationary pressures in South Australia. Rent costs are part of that. The government has moved to ease rental costs, including with funded budget measures providing additional support to the Office for Consumer and Business Affairs, which has stewardship of tenancy-related matters. The opposition has directly campaigned against that—using taxpayers' funds, I should also point out—and they come at that from a very particular perspective of being pro-landlord and anti-renter. We just take a different view.

**Mr COWDREY:** In Budget Paper 5, page 51, sports vouchers: just very quickly, how many eligible children are you estimating, and what uptake rate are you expecting for families to take the first voucher and then the subsequent second voucher?

**The Hon. S.C. MULLIGHAN:** The estimate I had for budget day was approximately 100,000 kids, or the parents of 100,000 children, and we have tried to design this in a way where it is flexible so that it can be either two \$100 vouchers or it could be a \$200 reduction for parents.

**Mr COWDREY:** Yes, but the expected uptake rate?

**The Hon. S.C. MULLIGHAN:** We have estimated that the parents or caregivers of 100,000 children will benefit from this.

**Mr COWDREY:** Yes, that is benefit, but have you done any modelling around taking up the first voucher versus the second?

**The Hon. S.C. MULLIGHAN:** If you jump on the Office for Recreation and Sport website, there is a live web page that tells you how many people have taken it up.

**Mr COWDREY:** That is historic, Treasurer.

**The Hon. S.C. MULLIGHAN:** That is right. We know what the historic experience is, and I am advising you what our estimate is of the future experience. Is there further detail beyond those two figures you are after?

**Mr COWDREY:** You are expecting every eligible child to take it up in South Australia?

**The Hon. S.C. MULLIGHAN:** I would not say that, because my recollection from population data is that there are approximately 20,000 South Australians of each age across the state, so year 9—is that 14 years? You can do the calculations. Some kids participate in sport, some do not, some like music—we have extended it to music. For kids who participate in recreational activities—

**Mr COWDREY:** Treasurer, I do not think this is a crazy question.

**The Hon. S.C. MULLIGHAN:** I do not know—you are persisting with a question, I have given you the answers, I have given you the estimates, but the penny has not dropped yet for you, so I do not know what else you want.

**Mr COWDREY:** Has Treasury undertaken any modelling to determine the expected uptake rate of sports vouchers?

**The Hon. S.C. MULLIGHAN:** Yes, it is 100,000.

**Mr COWDREY:** For both vouchers?

**The Hon. S.C. MULLIGHAN:** Yes, 100,000 children taking advantage of the vouchers. Are you wanting to know the difference between taking one \$100 voucher, two \$100 vouchers, or one \$200 voucher; is that what you are after?

**Mr COWDREY:** I am simply wishing to clarify that you expect 100,000 children or parents to take up both vouchers.

**The Hon. S.C. MULLIGHAN:** Parents of children or caregivers, yes.

**Mr COWDREY:** In regard to payroll tax thresholds: how many businesses paid payroll tax in the 2023-24 financial year?

**The Hon. S.C. MULLIGHAN:** I do not have that data in front of me.

**Mr COWDREY:** Are you able to take it on notice?

**The Hon. S.C. MULLIGHAN:** I can take it on notice, but I will have to see what I give you.

**The CHAIR:** Member for Colton, you might like to refer to a budget line as well.

**Mr COWDREY:** Budget Paper 3, page 14, sir.

**The Hon. S.C. MULLIGHAN:** Essentially, you are asking me to provide you with sufficient particulars so that you can cost your own costed policy about a change to the payroll tax tax-free threshold. I will reiterate the advice that my predecessor Rob Lucas gave me when I was shadow Treasurer, and that is: do the hard work yourself, do some investigations, make use of those avenues of seeking advice that are available to you, and do not expect others to do the hard work you should be doing.

**Mr COWDREY:** That is very kind. I will ask the question, no doubt, anyway. Can you provide a breakdown of the number of businesses for FYs 2022-23 and 2023-24 in the ranges of \$1.5 million to \$1.8 million, \$1.8 million to \$2.1 million, \$2.1 million to \$2.5 million, \$2.5 million to \$3 million and \$3 million and above?

**The Hon. S.C. MULLIGHAN:** No doubt Treasury has that information. You had better get busy to see how you extract it.

**Mr COWDREY:** Budget Paper 4, Volume 4, page 149, in regard to the bullet point on managing builders' indemnity insurance risks. With regard to 7 Star Construction, was the Treasurer or his office provided with any forewarning of 7 Star Construction's perilous financial position prior to the company going into administration and, if they were, when were they?

**The Hon. S.C. MULLIGHAN:** I would have to go back and see. No doubt there have been representations from customers or clients of building firms that have sought some form of assistance from government agencies if they were having difficulties with their building, which, with the benefit of retrospect, would have identified that that building operator was in trouble, but I would have to check.

**Mr COWDREY:** Was Treasury or the Under Treasurer provided with any forewarning of 7 Star Construction's perilous financial position prior to the company going into administration and, if they were, when were they?

**The Hon. S.C. MULLIGHAN:** I will take it on notice.

**Mr COWDREY:** Did you, your office or Treasury know or did you have any strong belief that 7 Star Construction would enter administration prior to it entering administration?

**The Hon. S.C. MULLIGHAN:** Not that I am aware of. In fact, I think this episode of them going into administration was the first time I had really heard of them. The only other seven stars I was familiar with is located in the city.

**Mr COWDREY:** On the same budget line, was the Treasurer or his office provided any forewarning, again, of Felmeri's perilous financial position prior to the company going into administration, and, if they did, when did they?

**The Hon. S.C. MULLIGHAN:** I would have to check. As I guess I was alluding to before, there can be all sorts of contacts with government about people experiencing difficulties with builders. I will take it on notice.

**Mr COWDREY:** Was Treasury or the Under Treasurer provided with any forewarning of Felmeri's imminent entry into administration, given their financial position prior to the company going into administration, and, if they did, when did they?

**The Hon. S.C. MULLIGHAN:** I am happy to take that on notice. As you can appreciate, there is little the government can do to stop building companies like Felmeri or 7 Star Construction (if that is what they are called) getting into a situation where they have to be placed into administration. Of course, what we have done for quite a number of years now is step in as government and underwrite the provision of builders indemnity insurance to try to protect South Australian consumers who have building contracts with companies that are unable to complete them for whatever reason.

On coming to government, both the Minister for Consumer Affairs and Small Business, Andrea Michaels, and I moved to undertake a review of the builders indemnity insurance because, while it has had a threshold of \$150,000 for many years, on the basis that a maximum payment of that amount would be available to try to assist a customer to complete a stage of the building contract before further funds are released from the bank for a construction, we realise that that threshold has not been changed for some time and there are also a range of other issues that we wanted to investigate so that the insurance regime or product might be improved.

One example, of course, is the issue that comes up reasonably regularly, which is that the insurance provider or the agent QBE makes an assessment of a builder's capacity to undertake the building projects that are subject to the insurance. Some builders have insisted from time to time that they should be given greater capacity by QBE to do more building projects and that not getting essentially an approval to undertake those building projects was stopping them building more homes and being more productive and profitable.

But, of course, from that example, you can readily see how, when QBE feels like a builder does not have the capacity to take on further work, if you did give them the capacity to take on further work and that exacerbated a cash flow problem or got the builder into trouble that they otherwise would not have experienced, you have to make a judgement. So there are a few elements to the insurance regime that we have sought to be reviewed through this process.

**Mr COWDREY:** Finally, did you or your office or Treasury know or did you ever hold a strong belief that Felmeri constructions would imminently enter administration before it did, and, if so, when?

**The Hon. S.C. MULLIGHAN:** I do not know that I can hold a belief but if I had any view on it, it would have been informed by advice or information I was given at the time. It would not have been based on my personal experience because I have not built a new home before.

**Mr COWDREY:** On the same reference, the bullet point around risk with builders indemnity insurance, in recent weeks, the Victorian equivalent insurance product, the Housing Industry Association over there has noted that the cost of that increased by 65 per cent. Are you able to provide any guidance of what the expectation is for building indemnity insurance premiums moving forward?

**The Hon. S.C. MULLIGHAN:** Yes, I think we increased it by 7 per cent last year. We are yet to finalise a price for the coming financial year, but we have had a really significant increase in the number of claims. You have highlighted the number of claims coming into the scheme. I can provide you some detail on that.

For Felmeri, for example, there have been 73 claims as a result of their difficulties. With 7 Star Construction, there have been 21. With Qattro, there have been 208 claims from that building company and a range of other building companies with much lower claim numbers. The claim events in the last 12 months have cost just under \$34 million to the scheme and that has been able to be accommodated within the balance of SAFA's Insurance Fund 3, but clearly that cannot go on.

So we have not increased the premiums by anything like that amount and we will take advice on what it is. I think the average premium is something like \$1,300 or something, off the top of my head.

**The CHAIR:** Thank you, Treasurer. I do hate to interrupt your flow, but the time has expired. I declare the examination of the portfolio of the Department of Treasury and Finance completed.

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

#### **Departmental Advisers:**

Mr R. Persse, Under Treasurer, Department of Treasury and Finance.

Mr A. Coates, Chief Executive Officer, South Australian Government Financing Authority.

Mr P. King, Head, Financial Markets and Client Services, South Australian Government Financing Authority.

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

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

Mr A. Wilson, Chief Executive, Essential Services Commission of South Australia.

Ms J. Holmes, Commissioner of State Taxation, RevenueSA.

Mr A. Mills, Chief Executive, HomeStart Finance.

Mr D. Soulio, Chief Executive, Super SA.

Mr J. Piteo, Chief Executive Officer, Funds SA.

Mr S. Bayliss, Chief Services Officer, Department of Treasury and Finance.

**The CHAIR:** Welcome back. We will move now to the South Australian Government Financing Authority, Funds SA, RevenueSA, Super SA and HomeStart. The minister is again the Treasurer. I advise that the proposed payments remain open for examination. I call on the minister to make a statement, if he wishes, and introduce any new advisers.

**The Hon. S.C. MULLIGHAN:** Thank you, Chair. I have Anthony Coates, the Chief Executive Officer of the South Australian Government Financing Authority; his head of financial markets, Peter King; and again, the Under Treasurer, Rick Persse.

**The CHAIR:** Member for Colton, do you have an opening statement or do you want to move straight to questions?

**Mr COWDREY:** I will go straight to questions, if that is okay. I am happy to deal with ESCOSA first.

**The Hon. S.C. MULLIGHAN:** Okay. I have with me Adam Wilson, the Chief Executive of the Essential Services Commission.

**Mr COWDREY:** To provide some context, I have questions at Budget Paper 4, Volume 4, page 176, with reference to receipts from the Essential Services Commission. I have a couple of questions just in regard to councils and the strategic advice setting. Are you able to advise how many of those were conducted this financial year and, in the two years since councils have undertaken the

strategic management plan, advice that has been provided to councils? I will start with that question and move from there.

**The Hon. S.C. MULLIGHAN:** I am advised that 17 councils were reviewed.

**Mr COWDREY:** In terms of issues that have been identified through those processes, has there been any work to determine whether issues that were identified were new or novel or issues that were already identified through councils and that were being brought up?

**The Hon. S.C. MULLIGHAN:** My understanding is that this is a rolling process that is undertaken by the commission. Some of the key issues that have been identified in councils include but are not limited to:

- poorly drafted long-term financial plans with little detail about the assumptions underlying the figures presented within them;
- out-of-date asset management plans, some of which are not regularly reviewed and are causing uncertainty in the condition of assets and useful lives, creating issues with understating depreciation expenses leading to asset renewal costs also being underestimated;
- assets not revalued regularly or within an acceptable time frame—for example, within four years—which leads to underestimation of depreciation costs and replacement expenses;
- underspending on asset renewals, which leads to issues around the amount required for future renewal repairs and maintenance of assets in the future as they dilapidate at a faster rate if not upkept. We could probably think of jetties in that context;
- overestimating inflation forecasts which are not in line with RBA-based inflation figures, potentially used to justify greater rate rises in a council's long-term financial plan; and
- unrealistic, underestimated, based on historical experience, unjustified or optimistic forecasts of expense growth which may be difficult to realise in the current macro-economic environment.

**Mr COWDREY:** Is the Treasurer aware of any advice provided by ESCOSA to a council which has led to the creation of efficiencies in that council or delivered value for money to the council ratepayers?

**The Hon. S.C. MULLIGHAN:** I am advised that a number of mayors and chief executives have indicated to the Essential Services Commission that the findings that the Essential Services Commission have made have been informative and useful for them to identify opportunities for improving their financial management practices and ensure that councils are better able to deal with the financial issues and pressures coming their way. No doubt that will gratify you, member for Colton, given the Essential Services Commission is carrying out the regime that the former Liberal government legislated.

**Mr COWDREY:** We may have a couple more towards the end, but we are happy to move to SAFA.

**The Hon. S.C. MULLIGHAN:** Terrific, that is great, thanks. As I indicated previously, Chair, I have been joined by Anthony Coates, Chief Executive Officer, SAFA, and Peter King who is head of financial markets.

**Mr COWDREY:** The estimated dividend result, Budget Paper 3, page 49, SAFA, listed in the table at 3.19. The estimated dividend result this year for FY 2023-24 is \$110 million. It was originally budgeted at \$48 million. Are you able to provide some reasoning or justification for the increase in dividend?

**The Hon. S.C. MULLIGHAN:** At the bottom of that page, page 49, the fourth paragraph states that:



Distributions from [public financial corporations] are expected to be around \$76.7 million above budget in 2023-24 mainly due to higher dividends from SAFA's treasury and fleet operations, higher portfolio growth and net interest margin expectations...

Insofar as it relates to SAFA, that would reflect its Treasury and fleet operations.

**Mr COWDREY:** Yes, I am seeking more detail in regard to what has driven that.

**The Hon. S.C. MULLIGHAN:** Just in terms of it relating to the Treasury operations, I will take that part of the question on notice because we do not have the particulars of that with us now. In terms of the fleet operations, as we have seen in previous financial years, the buoyant condition in the Australian used vehicle market has meant that, for example, resale values that have been achieved for government fleet vehicles being turned over have been much stronger than previously anticipated, but I will come back with further particulars as it relates to the Treasury operations.

**Mr COWDREY:** On page 156 there is a note that references a recovery of \$6.7 million from SAFA Insurance Fund No. 3. Are you able to provide an indication of what that relates to?

**The Hon. S.C. MULLIGHAN:** My advice is that that reflects an overall profit position of the insurance fund, which is reflective of investment returns to the pool of funds that is held to pay out future benefits, and also, although a significant increase in the number of claims being paid, an improvement as to what was originally budgeted for.

**Mr COWDREY:** If we move to Budget Paper 4, Volume 4, page 149, it sets out the FTE totals budgeted at 106 and actual at 114.5. Are you able to provide an understanding to the committee of what the additional FTEs have come on board for?

**The Hon. S.C. MULLIGHAN:** I am advised that those 10-odd FTEs are for additional claims management efforts, additional risk management services, and additional financial markets or Treasury services within the SAFA portfolio.

**Mr COWDREY:** Just to be clear, the increase between the 2023-24 budget at 95 and then 10, there is also now an expected additional eight on top budgeted for the coming financial year. Are those additions in the same services?

**The Hon. S.C. MULLIGHAN:** I am advised there are also some additional FTE numbers that have been engaged and are likely to continue around time-limited expenditure requirements. One of them was managing, in conjunction with SA Health, their efforts around the payments arising from the claims from the cochlear implant regime that SA Health put in process. If there is any further detail we can provide to that I am happy to take it on notice and bring it back.

**Mr COWDREY:** Of the near 20 FTE increase from budget 2023-24 to projected 2024-25, are there any additional executive positions contained within that?

**The Hon. S.C. MULLIGHAN:** I am advised there is a new position called the Chief Risk Officer, which was appointed as a result of a recommendation of an internal risk audit that was undertaken.

**Mr COWDREY:** Budget expenses have obviously increased by \$3 million between 2023-24 and this coming budget. Outside of the additional FTEs, what other expenses are going to increase across that time, if any?

**The Hon. S.C. MULLIGHAN:** I am advised there are a range of additional costs reflected in that increase in expenses. In addition to the FTEs there have been additional licensing fees and additional costs in systems management as well, I guess, as just generalised increased costs from one year to the next.

**Mr COWDREY:** In terms of the current net debt trajectory, does SAFA have a view of what the debt projection looks like past the forward estimates?

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

**Mr COWDREY:** Budget Paper 3, Volume 4, page 72.

**The Hon. S.C. MULLIGHAN:** SAFA does not look at debt past the forward estimates, because it is largely policy and parameter driven.

**Mr COWDREY:** In terms of the current borrowing profile, have there been any changes over the last financial year?

**The Hon. S.C. MULLIGHAN:** In general, yes. There is an increase in borrowings reflective of the government's overall borrowing program, to reflect investment and expenditure levels. There are also efforts to maintain liquidity across government operations, and no doubt there would be periodic refinancing of existing debt and so on as well.

**Mr COWDREY:** Have there been any policy changes in that regard?

**The Hon. S.C. MULLIGHAN:** Not in terms of debt management strategies, no.

**Mr COWDREY:** The school loan scheme, Budget Paper 4, Volume 4, page 174: how many schools applied to SAFA for a school loan this financial year?

**The Hon. S.C. MULLIGHAN:** Three, I am told.

**Mr COWDREY:** Are you able to identify which schools they were?

**The Hon. S.C. MULLIGHAN:** I will come back to you.

**Mr COWDREY:** And the total value of those lines?

**The Hon. S.C. MULLIGHAN:** I will take that on notice. I will come back to you with the detail.

**Mr COWDREY:** We had this same discussion last year in terms of the \$10 million cap on the loans and the fact that the program has been undersubscribed now for a period of time. The question was put last year whether the government had considered any changes to the cap and whether that need to be increased, particularly, obviously, on the back of contraction cost increases over the last little while. Is there any desire from SAFA or the government to make changes to the parameters of the scheme?

**The Hon. S.C. MULLIGHAN:** I do not think we have made a decision to change the parameters of the scheme. I think I indicated that I would liaise with the Minister for Education about future funding rounds out of the scheme, but that has not resulted in any changes to the overall parameters of the scheme. As you can see from the cash outflows on page 174, there has been a significant amount of activity in disbursing the funds that have already been approved.

**Mr COWDREY:** Have there been any approaches to yourself or—I know you cannot speak on behalf of the Minister for Education, but are you aware of any approaches from schools requesting changes to increase the cap?

**The Hon. S.C. MULLIGHAN:** Not that I can recall, but there could have been requests. When schools were making applications, they might have requested more or indicated that they would have liked more, or something like that, but I will have to take that on notice.

**Mr COWDREY:** Just to clarify for completeness, were there three schools that applied or three schools that were successful this year?

**The Hon. S.C. MULLIGHAN:** Three schools that have applied, but I will have to come back with any further detail on that.

**Mr COWDREY:** They have not been approved yet?

**The Hon. S.C. MULLIGHAN:** In round 3, there were three applicants, and two have been approved.

**Mr COWDREY:** And the third has been denied, or are you still awaiting details?

**The Hon. S.C. MULLIGHAN:** They were unsuccessful.

**Mr COWDREY:** I refer to Budget Paper 4, Volume 4, page 148, shifting to highlights. Are you able to outline the innovative financial solutions in raising debt that are discussed in the dot point there?

**The Hon. S.C. MULLIGHAN:** That largely relates to the government's new ESG framework for our debt management arrangements. I am advised that we are the largest issuer of sustainable debt in Australian dollars.

**Mr COWDREY:** To follow up on a question we had last year, we still had liquid assets in Russia because we were not able to divest from shared pool funds.

**The Hon. S.C. MULLIGHAN:** Should that be at Funds SA?

**Mr COWDREY:** Yes, let's wait till then. That is a good idea. Sorry, that just jumped into my head.

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

**Mr COWDREY:** Electric vehicles, if we move to fleet, Budget Paper 4, Volume 4, page 148: what is the breakdown of SUV heavy vehicles and others within the fleet in comparison to last year?

**The Hon. S.C. MULLIGHAN:** I am sure we can provide that. In general terms, the fleet comprises of 31 per cent light commercial vehicles, 21 per cent passenger vehicles and 48 per cent SUVs. Were you after specifically electrics?

**Mr COWDREY:** Yes, both plug-in hybrid and battery, if that is okay.

**The Hon. S.C. MULLIGHAN:** I am advised that we have doubled the number of zero tailpipe emission vehicles to 144 vehicles in the fleet, or 2 per cent, up from 1 per cent last year. There are a range of plug-in hybrid electric vehicles and the battery electric vehicles that comprise that.

**Mr COWDREY:** Is that broken down?

**The Hon. S.C. MULLIGHAN:** Yes. There are 58 Mitsubishi Outlander plug-in hybrid electric vehicles, 29 Mitsubishi Eclipse Cross plug-in hybrid electric vehicles, 30 Hyundai Kona battery electric vehicles, 11 Kia Niro battery electric vehicles, nine BYD Atto 3 battery electric vehicles, four Hyundai Ioniq 5 battery electric vehicles, two Cupra Born battery electric vehicles and one Kia EV6 battery electric vehicle.

**Mr COWDREY:** In terms of goals, the government has indicated that it wishes to reach 100 per cent fully electric by 2030, I believe; is that accurate?

**The Hon. S.C. MULLIGHAN:** I think the previous government made that commitment.

**Mr COWDREY:** You have no such desire?

**The Hon. S.C. MULLIGHAN:** I think we have to align our fleet with the operational requirements of the public sector. I have indicated before I think 31 per cent of our vehicles are light commercial vehicles and, of course, a proportion of those SUVs are used for emergency services and other operational services and so on. So I think in that respect I do not anticipate that the previous government's policy would be achieved until we see a significant change in the fleet that is available to the Australian market and we see technology that means that those commercial and operational vehicles that are zero tailpipe emission can be adequately run.

**Mr COWDREY:** Does the Malinauskas government have any target towards a low-emission fleet? Is there a percentage or is there a time?

**The Hon. S.C. MULLIGHAN:** Yes. I think we would like to see that we would continue the growth in the number of vehicles in the fleet that qualify as low-emission vehicles, as well as a continued growth in the number of zero tailpipe emission vehicles. I am advised that 61.9 per cent of their total fleet qualify as low-emission vehicles, and we would expect that to continue to increase. The experience of the penetration of zero tailpipe emission vehicles in the fleet indicates that, where there is not such a stringent operational requirement, there is an increased take-up by agencies of the zero tailpipe emission vehicles, and I would expect that to increase. As for a specific target, I do not think we have issued a target since we have come to government.

**Mr COWDREY:** Is there a desire to issue a target?

**The Hon. S.C. MULLIGHAN:** I am open to it, but I would not call it a burning desire.

**Mr COWDREY:** Perhaps we will shift to funds, if that is okay?

**The Hon. S.C. MULLIGHAN:** I will introduce Mr John Piteo, who is the Chief Executive of Funds SA.

**Mr COWDREY:** Budget Paper 4, Volume 4, pages 150 to 152, basically covers my question. If you could address the question that we were just about to discuss in regard to the Russian assets that were stuck in liquid funds. Has there been any movement in terms of the disbursement of those?

**The Hon. S.C. MULLIGHAN:** Sorry, what was the page number, member?

**Mr COWDREY:** Sorry, Funds SA.

**The Hon. S.C. MULLIGHAN:** Budget Paper 3?

**Mr COWDREY:** Budget Paper 4, pages 150 to 152, and also Budget Paper 3, page 85. As you are aware, these are the ones where there are virtually no references to them.

**The Hon. S.C. MULLIGHAN:** My advice is that there are still 17 assets that Funds SA has investments in. The valuation of those assets is nil. Because of the financial sanctions that have been imposed on Russia we are not able to trade those assets, so our interest in them is basically frozen until SAFA and other fund managers who have interests in those assets are able to divest of them.

**Mr COWDREY:** What was the original value of those assets?

**The Hon. S.C. MULLIGHAN:** I remember having a figure that I provided to the committee, either last year or the year before; I do not have that figure here, but we will take it on notice.

**Mr COWDREY:** So there has been no substantial change in terms of divestment year by year?

**The Hon. S.C. MULLIGHAN:** Not since last estimates, but what did change overall is that, once there was that effective freeze in dealing in these assets, they are valueless now.

**Mr COWDREY:** Has there been a writedown across forward estimates—you are assuming that the value will not return in to your out side?

**The Hon. S.C. MULLIGHAN:** I do not think we provide a value prediction across forward estimates. We have an experience of fund performance in the past, and we have a valuation estimate at the end of the financial year, but we do not predict what the asset values of our investments are going forward, so I do not think we have any prediction on that value changing.

**Mr COWDREY:** So it will essentially just be a write-off on the books until it can be realised at a later date?

**The Hon. S.C. MULLIGHAN:** If the markets in which those assets could be traded reopen again, and they can be divested at that time, there may be some value that can be realised for them, but we are not able to put an estimate or value on that, which is why they are currently valued at nil.

**Mr COWDREY:** Have any new products been introduced or provided by Funds SA over the last year?

**The Hon. S.C. MULLIGHAN:** My advice is that the board is to consider—in fact, today, I think—the potential introduction of an exclusion on what is called 'controversial weapons', so making sure we do not have any interest in investments that involve companies that manufacture biological weapons, cluster bombs, or that sort of thing. It is, I guess, a furthering of what Funds SA has had for some period of time, and also Super SA through its socially responsible investment vehicles and so on.

**Mr COWDREY:** Is Funds SA aware of having investments in any of those things you have outlined?

**The Hon. S.C. MULLIGHAN:** No, we do not have any investments in those controversial weapons.

**Mr COWDREY:** Essentially more so than a new a product, a policy to not invest in the future of any those things?

**The Hon. S.C. MULLIGHAN:** Yes—sorry, your question was about product, was it not?

**Mr COWDREY:** Yes.

**The Hon. S.C. MULLIGHAN:** No, no new products at this point in time, although obviously there are ongoing conversations between Super SA and Funds SA and, in the event that Super SA wants to pursue that, that would be an opportunity to do that there.

**Mr COWDREY:** Are you able to broadly talk through its financial investment for last financial year?

**The Hon. S.C. MULLIGHAN:** A gross amount of funds invested is in the balanced fund, and the one-year return is 8.8 per cent, but the financial year-to-date return is 7.7 per cent, and the 10-year annualised return for the balanced product is 7.2 per cent.

**Mr COWDREY:** Do you have numbers for the other categories?

**The Hon. S.C. MULLIGHAN:** Yes, do you want it for the financial year or for the one year going back?

**Mr COWDREY:** The financial year.

**The Hon. S.C. MULLIGHAN:** Financial year cash, 4.1 per cent; capital defensive, 4.9 per cent; conservative, 5.8 per cent; moderate, 6.8 per cent; socially responsible, 6.3 per cent; high growth, 8.2 per cent; and balance was 7.7 per cent.

**Mr COWDREY:** Has there been any discussion in terms of changes to allocation of funds?

**The Hon. S.C. MULLIGHAN:** Yes. The board has been reviewing for the last three to six months the investment strategy because Funds SA, like a number of other large fund investors or fund managers, has had varying exposures to what I am advised is called on the USS and P-500 the Magnificent 7. Depending on the exposure level to those seven companies, that has been a significant determinant of investment performance over the last 12 months.

So amongst Australian fund managers, there has been a level of disparity between performance, which is not exclusively but largely related to the level of holdings in those seven leading companies, like Nvidia and Apple and all that sort of stuff. So the board is reviewing that as well as generally its investment strategy.

**Mr COWDREY:** In terms of from a high level, essentially, are you saying we are overexposed to those or underexposed to those?

**The Hon. S.C. MULLIGHAN:** I think, compared to some of our Australian fund manager peers, we would be less exposed to those. Some of the Australian peers have achieved better returns because they have been in a position of having had greater exposure to assets with larger shareholdings in those Magnificent 7.

So the investment strategy and the risk appetite for the investment team is reviewing that particular element, let alone how the investment strategy is undertaken more broadly, because it is an unusual part of recent market performance in international equities. So under John's leadership now—John has been in the role for about nine months—they are reviewing the investment strategy and risk appetite.

**Mr COWDREY:** When are you expecting to have that review complete and any changes made to the investment strategy?

**The Hon. S.C. MULLIGHAN:** I understand this has been an ongoing effort from the board. There is actually a Funds SA board meeting today, where there is further consideration of the investment strategy and what changes need to be made. So imminently, I guess, would be my short answer.

**Mr COWDREY:** Was the review undertaken entirely internally or was there external—

**The Hon. S.C. MULLIGHAN:** There was an external organisation that was contracted to assist in that review called Playfair Asset Management.

**Mr COWDREY:** Can you elaborate in terms of high level for the organisation FTE and actual headcount this year compared to last, and also in terms of high-level changes to operating expenses balanced for yourselves?

**The Hon. S.C. MULLIGHAN:** Budget Paper 3, page 76?

**Mr COWDREY:** Yes, the explanation of the difference.

**The Hon. S.C. MULLIGHAN:** The forecast number of full-time equivalent employees, 83.7, is expected to remain the same over the forward estimates.

**Mr COWDREY:** I think we may move to Super SA, if that is okay.

**The Hon. S.C. MULLIGHAN:** I introduce to the committee Chair Dini Soulio, the Chief Executive of Super SA.

**Mr COWDREY:** Welcome in your new role. I refer to page 151 of Budget Paper 4, Volume 4. Is Super SA carrying any vacancies at the moment?

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

**Mr COWDREY:** Are you able to provide us with an indication of budgeted FTE and what you are carrying in terms of vacancies?

**The Hon. S.C. MULLIGHAN:** I will have to take the number of vacancies on notice.

**Mr COWDREY:** In regard to the contemporary unit pricing model, there has been an overall impact on the changes to the revised methodology for calculating superannuation scheme unit prices as was required by ASIC. Are you able to provide any indication in terms of what the cost of these changes will be on individual superannuation accounts?

**The Hon. S.C. MULLIGHAN:** This has been undertaken as a specific project by Super SA. There are likely to be some specific costs that have been incurred for the project. We do not have the number for that cost here, but I am happy to take it on notice and bring it back.

**Mr COWDREY:** In terms of the cost to individuals?

**The Hon. S.C. MULLIGHAN:** There is, I guess, an overall operating budget and, as we have discussed in previous committees, there has been a range of time-limited projects that Super SA has been undertaking for the last few years. Some of those have concluded. This one has commenced and is being undertaken. I do not know if there is a net additional cost. Whatever extent the cost is you could divide the 215,000 members into that cost and you could confect an amount, but it may not be an additional cost because it may be expense incurred while the conclusion of other expenses has also occurred.

I am also advised that there is a reserve within Super SA that these sorts of endeavours are funded from, so there will not be an additional cost to members.

**Mr COWDREY:** When does Super SA expect phase 2 to be introduced and completed?

**The Hon. S.C. MULLIGHAN:** I am advised by the end of this calendar year.

**Mr COWDREY:** Sorry, just to be clear, this one as in a number of days' time?

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

**Mr COWDREY:** Pardon me, I had misheard. Regarding choice of fund, are you able to provide an update in terms of the number of people who are participating in choice of fund?

**The Hon. S.C. MULLIGHAN:** As at March this year, approximately 11.5 per cent of new employees have made a fund selection at the time they commenced employment in the public sector. Initial modelling that was undertaken at the outset of planning for this change indicated that it may be up to 25 per cent based on broader industry experience, so obviously the take-up has been much lower.

Thirty-seven per cent of that 11.5 per cent of members who have made a fund selection are employed by a health employer within the public sector and that is pretty closely aligned to the

percentage of members employed by health in the wider Triple S cohort, I am advised. Sixteen per cent of that 11.5 per cent that have made a fund selection are employed by the Department for Education, which is less than the 29 per cent of members in the wider SSS cohort that are employed by Education. So it is proving that more people than anticipated are staying within the SSS rather than making a fund selection.

**Mr COWDREY:** In terms of the advertisement or the communication of choice of fund to those who are coming into the public sector, do you think that has been done in a way that has facilitated ensuring that all new entrants to the public sector are aware of the choice of fund option that is available to them?

**The Hon. S.C. MULLIGHAN:** Every new employee who joins the public sector is provided with a form to fill out where they indicate whether they want to make use of the choice of fund option.

**Mr COWDREY:** I understand a new members experience framework has been developed. Was the framework entirely designed and implemented internally?

**The Hon. S.C. MULLIGHAN:** I am advised that fund selection became available on 30 November 2022 and Super SA at that time contracted KPMG to develop a member experience framework to aid in retention of members. That was completed by 30 March last year, 2023, but the chief executive has just indicated to me that the member experience framework is being reviewed. Perhaps it is timely to do so now that we have had 18 months of fund selection and also just to see what opportunities there are to improve it.

**Mr COWDREY:** Internally reviewed or externally?

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

**Mr COWDREY:** Have there been any complaints in terms of average call wait times to speak to an operator within Super SA that have been reported?

**The Hon. S.C. MULLIGHAN:** We are not aware of complaints about call wait times. I am advised that Super SA performs comparatively well in that respect, but of course there no doubt would have been complaints with respect to other areas of operational member entitlements or products.

**Mr COWDREY:** In terms of cybersecurity, obviously off the back of the issue—my timeline is a bit hazy as to whether it was earlier this year or late last year—are you able to provide an update in terms of steps that Super SA have taken to ensure that that issue is not replicated?

**The Hon. S.C. MULLIGHAN:** I am advised that there is a general effort across the Department of Treasury and Finance and all of its entities to improve its cybersecurity framework and practices. Super SA is part of that effort, and that effort continues. I am not sure that we have anything specific or further at this point in time in that respect. There is an additional effort that has been underway, I guess you could say, over the past 12 months at least, to try to identify those areas where improvements can be made across all parts of the Department of Treasury and Finance and, more broadly, across government, and those efforts continue.

**Mr COWDREY:** Has that been tasked to a particular team within Treasury?

**The Hon. S.C. MULLIGHAN:** There is a digital and ICT team within the Department of Treasury and Finance which is managing that process.

**Mr COWDREY:** In terms of Super SA, is there a degree of funds that they need to expend each year to cover those costs within Treasury, in terms of access or user agreement costs, etc.?

**The Hon. S.C. MULLIGHAN:** There is a service level agreement between Super SA and the Department of Treasury and Finance for a range of services, but that includes IT-related services and it also includes cybersecurity. I do not think there is an additional cost for this specific effort, but there are ongoing costs for this support that the department provides to Super SA.

**Mr COWDREY:** In terms of that work that is being undertaken, are there periodic audits or reviews of the cybersecurity readiness, for lack of a better term, of each of the individual agencies within Treasury? Obviously, each of them use very different IT systems and the complexity within

that is vast. Has there been particular attention paid to specific agencies based on the potential vulnerability and data they hold in comparison to others?

**The Hon. S.C. MULLIGHAN:** There are a couple of things to report: one is that Super SA undertakes digital penetration testing to make sure that its security frameworks—

**Mr COWDREY:** You nearly got there with a straight face.

**The Hon. S.C. MULLIGHAN:** —are appropriate. I nearly got that out. But, more broadly speaking, the digital investment fund, which was funded as part of last year's budget, has allocated funding for the stronger cyber future ready program initiative, which is led by the Office of the Chief Information Officer. It focuses on addressing the significant and realised cyber risk present across all of the South Australian government digital environments, and there are a range of strategies which have been outlined as a result of that.

In particular, there are work packages around assessing and monitoring the logging and monitoring regimes within the digital environment, the security of the supply chain through our procurement arrangements, and how we respond to specific incidents. There is a whole of South Australian government cyber operating model to formalise how agencies work together and allow for greater identification of risks, efficiencies and the provision of cyber services. There is a risk compliance and assurance regime where there is a central capacity to guide agencies in assessing risks and making sure that the mitigation strategies are being complied with.

**Mr COWDREY:** In terms of changes to procurement processes, are there any tangible or practical changes that have been made that you are aware of?

**The Hon. S.C. MULLIGHAN:** I am advised that there has been a body of work undertaken between the department and, in particular, our Procurement Services unit to work with the Crown Solicitor's Office to strengthen the provisions in government contracts around confidentiality and retention of data and the appropriate mechanisms to ensure that does not happen, so that third-party providers of services to government do not find themselves in the situations we have had with Contact 121 and other agencies that have caused breaches of public sector data in the past.

**Mr COWDREY:** Is there now a new standardised contract approved by Crown to that end, or is it still in development?

**The Hon. S.C. MULLIGHAN:** I am advised that these new requirements are being issued in new contracts that are being issued by government across government agencies, and there have been contract variations that have been issued to update existing contracts with these new provisions and requirements as well.

**Mr COWDREY:** All of Super SA contracts and providers have been updated?

**The Hon. S.C. MULLIGHAN:** My advice is that, yes, Super SA is subject to it because all of Super SA's contracts are largely issued through the Department of Treasury and Finance.

**Mr COWDREY:** Subject to, or have been updated already?

**The Hon. S.C. MULLIGHAN:** All new contracts have had the updated provisions. I will come back to you if there are any remaining contracts that are already in existence that have not yet been updated.

**Mr COWDREY:** We might shift to HomeStart, if that is okay, and come back to Super SA if we have time.

**The Hon. S.C. MULLIGHAN:** Sure, yes. I introduce to the committee the Chief Executive of HomeStart Finance, Andrew Mills.

#### **Membership:**

Ms Clancy substituted for Mrs Pearce.



**Mr COWDREY:** Budget Paper 4, Volume 4, pages 169, 173 and 182. Again, as you are aware, there is very limited reference to HomeStart in the budget papers. A question predominantly in regard to HomeStart is around the potential impact of stamp duty changes. Has there been anything that has been identified from HomeStart?

**The Hon. S.C. MULLIGHAN:** Yes. I am advised that 562 first-home buyers were able to take advantage of the stamp duty exemption that was announced in last year's budget who are clients of HomeStart.

**Mr COWDREY:** In terms of the average deposit for customers, are you able to provide detail on that?

**The Hon. S.C. MULLIGHAN:** I am advised that the average deposit year to date has been approximately 10 per cent.

**Mr COWDREY:** That is across all products?

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

**Mr COWDREY:** In particular, the 2 per cent?

**The Hon. S.C. MULLIGHAN:** It would include the 2 per cent.

**Mr COWDREY:** Yes. Are you able to provide that?

**The Hon. S.C. MULLIGHAN:** The number of loans at 2 per cent?

**Mr COWDREY:** Sorry, the average deposit for those loans, for the 2 per cent deposit loans.

**The Hon. S.C. MULLIGHAN:** I might have to take that on notice.

**Mr COWDREY:** That is alright. If you could take that number on notice for this financial year and also the two previous.

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

**Mr COWDREY:** Obviously, there was a change in policy during that period of time, but in terms of the first-home buyer's loan essentially it has been the same product but for the policy change. If you could take on notice the average deposit for those.

**The Hon. S.C. MULLIGHAN:** I am advised that the Graduate Loan was previously offered with a 3 per cent deposit and that changed in August 2022 to 2 per cent, but we will see what we can do in terms of disaggregating the data.

**Mr COWDREY:** I am happy for all of that to be in together, but the average deposit put down per loan across those three financial years, if that is okay.

**The Hon. S.C. MULLIGHAN:** Sure. Are you interested in knowing, I guess, its relevance to the loan amount?

**Mr COWDREY:** Essentially, we have had house prices go up by \$150,000 to \$160,000 in the last year and a half. The 1 per cent decrease would potentially mean that people are still paying more in their deposit than they were two years ago.

**The Hon. S.C. MULLIGHAN:** Possibly, yes.

**Mr COWDREY:** Are you able to advise the current average wait time for approval?

**The Hon. S.C. MULLIGHAN:** I am advised that the times vary, and they are influenced by things like whether it is a direct approach or whether it is coming via a broker, and also whether it is for an established home or for a new build. If it is for a new build, there may be additional time taken for the additional steps in assessing the building contract and getting valuations and so forth, but I am happy to provide what detail we have.

**Mr COWDREY:** Also possibly on notice, you had the total loan number for this year. Are you able to provide the previous two financial years' total by number as well?

**The Hon. S.C. MULLIGHAN:** I am advised that year to date, as of Monday of this week, there have been 2,740 new loans, which is comfortably the highest that it has been for several years. Last year, I think we reported that we had reached a recent record number of loans of 2,045, so we are 695 up on last year's significantly high number. I also understand that we have had the highest number of first-home buyers since 2001 as part of those figures as well.

**Mr COWDREY:** Are you able to identify how much the advertising campaign around the 2 per cent deposit loan totalled?

**The Hon. S.C. MULLIGHAN:** I am advised that we can provide an amount for overall advertising effort, but I am not sure that we can disaggregate it by specific loan product advertising.

**Mr COWDREY:** Can we go back to ESCOSA, if that is okay?

**The Hon. S.C. MULLIGHAN:** I will reintroduce to the committee Adam Wilson, the Chief Executive of the Essential Services Commission.

**Mr COWDREY:** In a similar vein to where we were previously on SA Water infrastructure spend—Budget Paper 3, page 72—obviously those numbers include the current regulatory period. Was it ESCOSA's view that the level of infrastructure spend allocated and approved for SA Water over the prior regulatory period was adequate and met the needs at the time?

**The Hon. S.C. MULLIGHAN:** I think it is fair to say that ESCOSA's role in this process is to assess the reasonableness of the capital and operating expenses which are proposed for a four-year period for the pricing determination. Those assessments are made on not just a historical basis but an assessment of the reasonableness of particular expenditures, not so much taking a view that they would do an independent body of work separate from what the water utility provides about network performance, anticipated network growth, likelihoods and future pressures.

Like all independent regulatory agencies across the country, they are a reviewer of information which is put to them. That could be, of course, benchmarked against other water utilities, other areas around the country, but the work that the Essential Services Commission does is significantly reliant on what information is provided to it by SA Water, and that would also include in this specific area of capital infrastructure as well as proposed operating expenditures, as I mentioned.

There is, of course, a longstanding arrangement for the Essential Services Commission to seek external views. They have a consumer advisory committee, which provides input into considerations about impacts on consumers. That involves bodies like, I think, the South Australian Council of Social Service, the Property Council, the UDIA, SA Youth and other broadly representative groups. But in terms of the capital expenditure requirements, other than being benchmarked, SA Water plays a very significant role in providing that advice to the Essential Services Commission.

**Mr PATTERSON:** Thank you, Chair; I will just do the omnibus questions. Again, thank you to all staff for their input. The omnibus questions are:

1. For each department and agency reporting to the minister, how many executive appointments have been made since 1 July 2023 and what is the annual salary and total employment cost for each position?

2. For each department and agency reporting to the minister, how many executive positions have been abolished since 1 July 2023 and what was the annual salary and total employment cost for each position?

3. For each department and agency reporting to the minister, what has been the total cost of executive position terminations since 1 July 2023?

4. For each department and agency reporting to the minister, will the minister provide a breakdown of expenditure on consultants and contractors with a total estimated cost above \$10,000 engaged since 1 July 2023, listing the name of the consultant, contractor or service supplier, the method of appointment, the reason for the engagement and the estimated total cost of the work?

5. For each department and agency reporting to the minister, will the minister provide an estimate of the total cost to be incurred in 2024-25 for consultants and contractors, and for each case in which a consultant or contractor has already been engaged at a total estimated cost above

\$10,000, the name of the consultant or contractor, the method of appointment, the reason for the engagement and the total estimated cost?

6. For each department or agency reporting to the minister, how many surplus employees are there in June 2024, and for each surplus employee, what is the title or classification of the position and the total annual employment cost?

7. For each department and agency reporting to the minister, what is the number of executive staff to be cut to meet the government's commitment to reduce spending on the employment of executive staff and, for each position to be cut, its classification, total remuneration cost and the date by which the position will be cut?

8. For each department and agency reporting to the minister:

- What savings targets have been set for 2024-25 and each year of the forward estimates;
- What is the estimated FTE impact of these measures?

9. For each department and agency reporting to the minister:

- What was the actual FTE count at June 2024 and what is the projected actual FTE account for the end of each year of the forward estimates;
- What is the budgeted total employment cost for each year of the forward estimates; and
- How many targeted voluntary separation packages are estimated to be required to meet budget targets over the forward estimates and what is their estimated cost?

10. For each department and agency reporting to the minister, how much is budgeted to be spent on goods and services for 2024-25 and for each year of the forward estimates?

11. For each department and agency reporting to the minister, how many FTEs are budgeted to provide communication and promotion activities in 2024-25 and each year of the forward estimates and what is their estimated employment cost?

12. For each department and agency reporting to the minister, what is the total budgeted cost of government-paid advertising, including campaigns, across all mediums in 2024-25?

13. For each department and agency reporting to the minister, please provide for each individual investing expenditure project administered, the name, total estimated expenditure, actual expenditure incurred to June 2023 and budgeted expenditure for 2024-25, 2025-26 and 2026-27?

14. For each grant program or fund the minister is responsible for, please provide the following information for the 2024-25, 2025-26 and 2026-27 financial years:

- Name of the program or fund;
- The purpose of the program or fund;
- Budgeted payments into the program or fund;
- Budgeted expenditure from the program or fund; and
- Details, including the value and beneficiary, or any commitments already made to be funded from the program or fund.

15. For each department and agency reporting to the minister:

- Is the agency confident that you will meet your expenditure targets in 2024-25?
- Have any budget decisions been made between the delivery of the budget on 6 June 2024 and today that might impact on the numbers presented in the budget papers which we are examining today?

- Are you expecting any reallocations across your agencies' budget lines during 2024-25; if so, what is the nature of the reallocation?
16. For each department and agency reporting to the minister:
- What South Australian businesses will be used in procurement for your agencies in 2024-25?
  - What percentage of total procurement spend for your agency does this represent?
  - How does this compare to last year?
17. What protocols and monitoring systems has the department implemented to ensure that the productivity, efficiency and quality of service delivery is maintained while employees work from home?
18. What percentage of your department's budget has been allocated for the management of remote work infrastructure, including digital tools, cybersecurity, and support services, and how does this compare with previous years?
19. How many procurements have been undertaken by the department this FY, how many have been awarded to interstate businesses? How many of those were signed off by the CE?
20. How many contractor invoices were paid by the department directly this FY? How many and what percentage were paid within 15 days, and how many and what percentage were paid outside of 15 days?
21. How many and what percentage of staff who undertake procurement activities have undertaken training on participation policies and local industry participants this FY?

**The CHAIR:** It will come as no surprise to anyone that the Legislative Council clock is slightly slow, but we have run out of time. I declare the examination of the portfolios of the South Australian Government Financing Authority, Funds SA, RevenueSA, Super SA and HomeStart complete.

#### **Departmental Advisers:**

- Mr R. Perse, Under Treasurer, Department of Treasury and Finance.
- Ms K. Birch, Chief Executive, CTP Regulator.
- Mr S. Bayliss, Chief Services Officer, Department of Treasury and Finance.
- Ms T. Pribanic, Deputy Under Treasurer, Department of Treasury and Finance.
- Mr A. Coates, Chief Executive Officer, South Australian Financing Authority.
- Mr M. Carey, Executive Director, Shared Services SA.
- Ms J. King, Acting Executive Director, Procurement SA.
- Mr R. Howe, Chief Executive, Lifetime Support.
- Mr P. Dowsett, Acting Industry Advocate.
- Ms J. White, Director, Insurance and Fleet SA, South Australian Financing Authority.

**The CHAIR:** We will move on now, with agreement, to the CTP Regulator, SA Government Insurance and Fleet, Strategic Procurement, Industry Advocate and Shared Services. The minister is still the Treasurer. I advise that the proposed payments are open for examination and call on the minister to make a statement if he wishes and introduce any new advisers.

**The Hon. S.C. MULLIGHAN:** I introduce Mark Carey, Executive Director of Shared Services, and Scott Bayliss, the Chief Services Officer.

**The CHAIR:** Welcome. You do not have an opening statement, Treasurer?

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

**The CHAIR:** Member for Colton, opening statement or straight to questions?

**Mr COWDREY:** I think I will pass on this opportunity and go straight to questions. Budget Paper 4, Volume 4, pages 154 and 155, in particular the performance indicator on percentage of invoices paid in 15 days. It is my understanding that the government's policy has now been implemented that payments are made within 15 days. I jumped on the Shared Services website this morning and, under the FAQs of 'When should I expect to get paid?' it still listing 30 days.

**The Hon. S.C. MULLIGHAN:** It starts on 1 July this year.

**Mr COWDREY:** Very good. I assume that will be updated in short order. In terms of FTE increases across the organisation, 655 was budgeted for this year, but it is not clear whether this is across the whole of Shared Services or more broadly across the area; 692 was the actual FTE for the year. Are you able to provide an indication of the difference in those FTEs?

**The Hon. S.C. MULLIGHAN:** There are two reasons: one is that there have been higher costs, including staffing requirements for the finance reform program, which includes the selection for new provider Oracle for the financial management system being rolled out, and then an overall uplift in activity and effort and hence staffing to carry out that activity.

**Mr COWDREY:** That is expected to increase again next financial year by another seven-ish FTE. Is the expectation that that is to undertake any further activity?

**The Hon. S.C. MULLIGHAN:** My understanding is that relates to the implementation of the next phase of the finance reform program and rolling out that to more agencies.

**Mr COWDREY:** Within performance indicators on page 155, with invoices paid within 15 days, is it the government's intention that that 93 per cent as a target will rise after the introduction of the policy, and, if so, to what level?

**The Hon. S.C. MULLIGHAN:** In preparation for the imposition of this requirement from 1 July, we have been requiring agencies to report from 1 February last year, 2023, on their accounts payable performance, not just for the existing requirement of 30 days but also for the new requirement of 15 days. Over the period 1 February 2023 to 31 March, I am advised that 89.11 per cent of invoices by volume were processed within 15 calendar days or fewer, and we would expect that to continue increasing as it is set out in the performance indicators.

**Mr COWDREY:** And in terms of total value of that percentage that was not paid within 15 days?

**The Hon. S.C. MULLIGHAN:** The total value of all of the invoices is \$19.36 billion, but I do not have that broken down into the ones that were paid on time and the ones that were not.

**Mr COWDREY:** Are you able to take that on notice?

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

**Mr COWDREY:** I will ask the question anyway. I am not sure if you have the detail, but in regard to that percentage that were not paid within the 15 days, is there any skew or data that you have that indicates which department the majority of those invoices flow from?

**The Hon. S.C. MULLIGHAN:** I am advised that on the Shared Services website we have some data that reports on both the 15 and the 30-day periods and the performance to date.

**Mr COWDREY:** So that has flicked over to 15 days now?

**The Hon. S.C. MULLIGHAN:** I am advised it currently includes 15 days.

**Mr COWDREY:** That happened historically. In terms of any particular departments, though, that Shared Services sees as being an issue in terms of historically having issues with making payments within 30 days—I know we have identified this in the past—is there anything that the government has picked up in terms of changes to policy or procedure within departments in terms of financial approvals that may need to be approved across specific departments or agencies?

**The Hon. S.C. MULLIGHAN:** While I cannot speak specifically about volumes, I can give other data that may provide some clarity in relation to which departments are paying interest, but bear in mind that the interest is currently calculated on the 30 days, not the 15 days. The interest paid in the year to date, I am advised, across all public authorities, is \$524,000 on 4,950 overdue invoices.

The five public authorities that have paid the most interest to date, and when I say to date that is at 31 March 2024, include the Central Adelaide Local Health Network and the Department for Health and Wellbeing. The figure for CALHN is \$245,859. The Department for Health and Wellbeing is \$59,896. The Southern Adelaide Local Health Network is \$44,028. The Department for Infrastructure and Transport is \$30,828 and the Barossa Hills Fleurieu Local Health Network is \$19,557.

**Mr COWDREY:** In the previous year's budget, there was an estimate in terms of the total cost of the change of shifting from 30 days to 15 in terms of interest paid. Has there been any change in the government's expectation in terms of the cost of that policy?

**The Hon. S.C. MULLIGHAN:** Do we have an estimate for how much more interest will be paid when we move to 15 days?

**Mr COWDREY:** Yes.

**The Hon. S.C. MULLIGHAN:** Based on the current reported performance of agencies meeting the 15-day timeline, Treasury would be able to calculate their interest that would have been payable at about \$2 million, so an increase from the \$622,000 that was paid in the 2022-23 financial year.

**Mr COWDREY:** Sorry, 1.5?

**The Hon. S.C. MULLIGHAN:** About two, so perhaps an increase of a bit less than 1.5.

**Mr COWDREY:** In terms of complaints, Shared Services obviously frequently has contact with suppliers who are contacting them regarding issues with payments. When we talked about the outstanding amounts in regard to CALHN, SA Health more generally and SALHN, is it often that it is the same suppliers that are not getting paid within the 30-day period or is it broader?

**The Hon. S.C. MULLIGHAN:** I am advised that there is not a specific group or a specific cohort of affected individual suppliers. Having said that, if there are very high-volume suppliers that are providing services, for example, to a local health network, you might say that the likelihood might be that those high-volume suppliers are likely to experience invoices that are not paid on time.

**Mr COWDREY:** Just finally with Shared Services, have there been any identified issues with existing or new software or hardware over the past financial year?

**The Hon. S.C. MULLIGHAN:** Not specifically. I am advised that this is an area that is reviewed, but perhaps I could ask the little paper clip in the version of Microsoft Word that we have at the moment in Treasury.

**Mr COWDREY:** We are still on Windows 95, aren't we? I will move on to Strategic Procurement, if that is okay.

**The Hon. S.C. MULLIGHAN:** This is Jody King, Acting Executive Director of Procurement SA.

**Mr COWDREY:** Budget Paper 4, Volume 4, page 156 outlines whole-of-government procurement. In particular, I want to ask about what was being done on the back of the ICAC report by the commissioner into procurement within South Australian government. *The Advertiser* has reported some of the claims that were ventilated in that report, including claims that businesses are falsely employing Aboriginal people or engaging Aboriginal organisations, then either ceasing their connection with them or not providing any work through those contracts. Are you able to provide an understanding of whether the South Australian government has received similar claims or complaints and what action has been taken to address those?

**The Hon. S.C. MULLIGHAN:** We have not received any specific complaints. If there is a complaint that comes from a supplier or related party, if it does not come to Procurement SA it might come to the Industry Advocate, for example, so we can ask shortly. But as we get these reports from the ICAC, then obviously we review the recommendations and find out what opportunities there are for us to make improvements to those processes.

Across the three reports from the ICAC that have been procurement-related, we have had one that was titled Integrity State, one titled Yes Minister and another one titled Public Sector Procurement. Some of those reports have been helpful insofar as they have particularised individual issues which can be readily identified and addressed. You mentioned the issue of Aboriginal procurement in the latest report.

In other instances, we have had to try to engage at some length with the commissioner to try to understand the nature of the issue which was being reported on, in particular the Yes Minister report which did not particularise which department, which minister, which agency or public servant was being reviewed, and reported only in general terms the behaviour which led the commissioner to investigate the activity.

Regardless of the level of particulars that are provided by the commissioner, I think it is fair to say the department takes these reports very seriously. We work not only within our own frameworks and policies but also the agencies to try to give best effect to the recommendations that she makes.

**Mr COWDREY:** Have all of the 18 recommendations made in that report been accepted by the government?

**The Hon. S.C. MULLIGHAN:** The Public Sector Procurement report?

**Mr COWDREY:** Yes.

**The Hon. S.C. MULLIGHAN:** My understanding is that report was released last week, so we are reviewing those recommendations. I will get some advice in due course from Treasury and we will see how best we can follow up those recommendations.

**Mr COWDREY:** In terms of the 20 per cent of labour on major project contracts, do you believe that is being facilitated at the moment? Do you share any concerns with what has been raised through the report or the media?

**The Hon. S.C. MULLIGHAN:** Obviously, if there have been areas where it has been identified that there is noncompliance, absolutely I would share those concerns. We are imposing those requirements on government projects to try to make sure that the apprentices and trainees, Aboriginal South Australians, the long-term unemployed, are given opportunities to work on these major projects.

There have been occasions in the past when it has worked really well. I think Lendlease's effort on the Northern Connector project was probably the most significant uplift in effort by a contractor to meet those requirements. I cannot sit here and say that I am across how it has been carried out across all of the projects or given assurance that it has been done. We take seriously the findings that the commissioner has made and we will take on board those recommendations and the opportunities to improve compliance with them.

**Mr COWDREY:** Has there been any audit work done to ascertain whether those requirements have been met?

**The Hon. S.C. MULLIGHAN:** That might be a question best referred to Phil Dowsett, as the Acting Industry Advocate, because that body is one that undertakes, from time to time, audit work for these sorts of requirements.

**Mr COWDREY:** I am happy to ask that question of him at that point in time. In terms of response and, more broadly, to understand the policy itself, the policy seems to only sit at the front end than if we have a separate department for the retrospective audit work. Through the procurement process, having met the conditions and the policies that are in place, an organisation or a business then goes out and undertakes the work.

As you say, procurement does not then look at this. Departments, I hope, are looking at this as they go through the process in terms of contribution of work, both through those percentages and adherence to policies more broadly. But, in the shift to require that 20 per cent, is there any retrospective—anything built into the contracts in terms of penalty if there is non-adherence to those policies?

**The Hon. S.C. MULLIGHAN:** It is probably a question best asked of the advocate but also, for example, the Department for Infrastructure and Transport, which manages the vast majority of these contracts across government, and their contract management framework—

**Mr COWDREY:** I am asking more in terms of a high-level policy level, where if there is a policy to have essentially a penalty for non-adherence to—

**The Hon. S.C. MULLIGHAN:** Yes. My understanding is that that is the requirement of the specific contracts, and it will be relevant to a specific contract. Let me see if I can find out anything more for you. My understanding from Procurement SA's perspective is that these provisions do exist within the contracts and there is an involvement of the agency issuing the contract, and the Industry Advocate in ensuring compliance, and if there are penalties that need to be applied.

**Mr COWDREY:** Perhaps then it is best if we just get the industry advocate up to answer those questions, if we need to go back to procurement.

**The Hon. S.C. MULLIGHAN:** I am joined by Phil Dowsett, the Acting Industry Advocate. My understanding is that there is an industry participation plan, which is developed as the contract is entered into by the contractor to ensure compliance with that requirement. That is effectively a contractual provision. It is periodically reviewed for compliance and, for large major projects, at least on a six-monthly basis.

The compliance is reviewed by the Industry Advocate and his office. If there is a breach it is either discovered or, I am advised, on some occasions a contractor has advised, in writing, that they are unable to meet the target, for whatever reason. The remedy is then developed by the Industry Advocate according to the terms of the contract, and, I guess, the client agency as well.

**Mr COWDREY:** How many breaches is the Industry Advocate aware of?

**The Hon. S.C. MULLIGHAN:** Since the policy has been introduced there are eight contracts that are subject to these requirements. Six contracts have been awarded, and there is one that is under an active construction and monitoring regime, which is the Majors Road project. We do not have any in breach at this point in time.

**Mr COWDREY:** So the claims that have been made via the media and through the ICAC survey have not been raised directly with the Industry Advocate?

**The Hon. S.C. MULLIGHAN:** Not directly with the Industry Advocate. Again, once the ICAC commissioner releases a report like this we are obviously very keen to understand the particulars of the circumstances to which she refers in the report. She may or may not be in a position to release those particular examples to us, but once those reports become public then that becomes an opportunity for the agencies to try to seek that information, if it is required, in order to follow up those breaches.

Of course, we are also aware that the OPI or the ICAC is likely to regularly receive complaints or reports of breaches of these sorts of policies, and it is absolutely within the purview of the commissioner to report that and make that public. What we are interested in is what steps we can take to minimise the likelihood of that occurring, and also how best we follow up the specific details of the breaches themselves according to the contractual obligations.

I might have a couple more details for you, sorry. In terms of the Aboriginal participation issue, I am advised that the head contractor is required to have a regime in place where they can identify and accurately report to the government the levels of Aboriginal participation in carrying out the contract. Once that contract has a regime in place, then it is available to the Industry Advocate or the client agency, like the transport department, to ask for that particular detail from the lead contractor.



**Mr COWDREY:** An issue similar in nature to what has been identified through some of the commentary has certainly been raised with me, as well, particularly on the back of that report, where businesses are concerned that they have effectively excluded themselves from procurement processes from the inability to be able to source labour, particularly around the participation requirements that are being enforced around major projects.

There is certainly a view from some, particularly in the construction industry, civil more so potentially than others, around the fact that there is a belief that some bidders are potentially saying they are able to deliver these outcomes without actually being able to. We are only in the infancy of, essentially, contracts being rolled out in regard to this policy. We have significant construction work from a public sector perspective that is coming on over the number of years to follow, both with north-south and the Women's and Children's Hospital, even if you take the additional construction work that is going on within schools and otherwise that is coming in the next couple of years.

Are you confident that we will not diminish competition for procurement outcomes based on the policy that has been put in place around participation, to the detriment of the public dollar in terms of delivery of these projects, but also that we are potentially setting up the state for issues in terms of procurement that have been raised more broadly by the ICAC commissioner?

**The Hon. S.C. MULLIGHAN:** As I indicated in my previous answer, when Labor was last in government we issued a contract with these requirements in it under the Northern Connector project, and the head contractor, Lendlease, did a very good job of making sure they hit their targets. But I will not lie: it took a significant change of effort and performance by that contractor to make sure that they were employing that 20 per cent combination of Aboriginal employees and people who are long-term unemployed. They had to go and find unemployed people and bring them into employment for the first time, as well as recruit apprentices and trainees.

I am absolutely aware that there are some people in the civil construction industry who do not want to oblige with these requirements, and that is their choice. They do not have to work for government. They do not have to bid for government work. If they believe it is too hard or too expensive to engage apprentices and trainees or Aboriginal South Australians or people who are long-term unemployed, they are free to conduct their business as they see fit.

I think if we are spending taxpayer dollars and we do have over the last seven or eight years the development of an industry within the civil industry that does largely, or exclusively, employ Aboriginal South Australians, we do want to see more apprentices and trainees get their start in the civil trades and we do want them working on taxpayer-funded projects. If we do want to tackle what blights parts of the northern and southern suburbs in particular with multigeneration long-term unemployed families, then we should be making these requirements.

The alternative is that we just keep doing what the state has done in years gone by: we do not put these targets in and we end up with a broadening of families with multigeneration unemployment or Aboriginal South Australians getting left behind out of economic opportunity, or we continue to have poor completion rates in young South Australians in particular taking up apprenticeships and traineeships.

I realise it is not for everyone, but it should be for the government and it should be for taxpayer-funded projects. I am happy to speak to those businesses that do not believe it is for them, to see if I can turn them around. We have a Meet the Buyer event on 2 July, I think, where we front up and we talk about the government procurements which are being released or are about to be released to the South Australian marketplace and how South Australian businesses can participate in that. I would hope that, taking a step back and looking at the overall policy objectives of these requirements, most people would think that they are pretty worthy causes, particularly if we are using taxpayer funds towards them.

**Mr COWDREY:** I am not in any way, Treasurer, saying that it is not a worthwhile or a worthy goal or ambition by any stretch. I am simply asking whether you are confident that there is enough labour available in those cohorts to deliver those projects and also maintain healthy procurement competition that derives value for dollar for the taxpayer?

**The Hon. S.C. MULLIGHAN:** I think, on the face of it, yes. Are there enough Aboriginal South Australians to fulfil these participation requirements on the Torrens to Darlington tunnels project or the Women's and Children's Hospital project? Absolutely. Are they all currently sufficiently skilled and accredited to walk straight onto those worksites and perform those jobs? Maybe not. But the purpose of putting these policies in place and making these requirements of these construction firms is that they will have to identify people who will satisfy these contractual obligations, whether they are Aboriginal South Australians or whether they are apprentices and trainees or whether they are people who are long-term unemployed, and use the project funds from taxpayers to get those cohorts of workers appropriately accredited, trained and engaged in meaningful employment.

I keep coming back to that principal example, on a \$900 million project for the Northern Connector, that was really hard for Lendlease. If you talk to their project directors at the time, they would say that they basically had to create an employment agency on Port Wakefield Road at NorthHub, I think it was called, in order to reach out into the northern suburbs community and find people who were long-term unemployed and convince them to come and work on the project. They had to get them appropriately skilled, get a white card and all the accreditations that are required to work on these projects, get them upskilled and then keep them motivated and engaged and meaningfully employed on the project.

Imagine what it means for that 17 year old whose parents have been unemployed for the last 20 or 30 years in the outer northern suburbs, who gets a gig working on a major civil construction project and comes out of it with training, accreditation, hopefully a couple of years' salary in their pocket. That could absolutely change their lives and significantly change the trajectory of that family's overall wellbeing and economic and social participation. If that comes at some additional effort or even cost to the lead contractor, I still think that is good value for money.

**Mr COWDREY:** I do not necessarily disagree with you. In terms of the percentage, though, you are comfortable that 20 per cent is the right mark?

**The Hon. S.C. MULLIGHAN:** Absolutely, because we have seen large projects challenged with such a significant target and largely execute against it in the past.

**Mr COWDREY:** I might shift to Procurement, if that is okay.

**The Hon. S.C. MULLIGHAN:** This is Jody King of Procurement SA.

**Mr COWDREY:** Can I just ask a question in terms of procurement outcomes that have been signed off by chief executives where the successful tenderer was not South Australian; are you able to provide some details?

**Mr PERSSE:** Yes.

**Mr COWDREY:** Yes, I am sure Rick is very happy with this one. How many contracts have been signed off since the instigation of the policy, and also how is that being tracked and recorded and publicly communicated?

**The Hon. S.C. MULLIGHAN:** My understanding is that the number of contracts which have been awarded year-to-date in the current financial year to South Australian businesses was 70 per cent, which is an increase from the previous financial year (2022-23) of 66 per cent, which was an increase of the previous financial year of 60 per cent. The number of contracts that have been awarded to non South Australian businesses is 20 per cent, which is a 1 percentage point increase from 19 per cent in 2022-23. We have 10 per cent where no data has been reported by the public authority.

**Mr COWDREY:** That is in percentage terms. Do you have the real number?

**The Hon. S.C. MULLIGHAN:** Yes. Do you want the number or the dollar value?

**Mr COWDREY:** Both would be good.

**The Hon. S.C. MULLIGHAN:** For South Australian businesses in 2021-22 it is 1,003 contracts, in 2022-23 it is 1,358, and year to date for the current financial year it is 1,226. For non South Australian businesses in 2021-22 it is 268 contracts, in 2022-23 it is 380 and for 2023-24 it is 339. 'No data reported' has gone from 413 in 2021-22 to 313 in 2022-23 and 171 in 2023-24.

In terms of the dollar value, for South Australian businesses it was \$4.43 billion in 2021-22, \$2.53 billion in 2022-23 and \$3.71 billion in 2023-24. The value of the contracts as a whole has increased from 74 per cent in 2021-22 to 77 per cent in 2022-23 and 82 per cent in 2023-24. For non South Australian businesses, in 2021-22 it was \$900 million (15 per cent), in 2022-23 it was \$0.37 billion (11 per cent) and year to date in 2023-24 it is \$0.6 billion (13 per cent). 'No data reported by the public authority' in 2021-22 was \$630 million (11 per cent), \$400 million (12 per cent) in 2022-23 and \$0.23 billion (5 per cent) in 2023-24.

**Mr COWDREY:** Has there been any consideration in terms of the Tenders SA website to require that data be provided so that those figures can be more accurately recorded?

**The Hon. S.C. MULLIGHAN:** I think generally we would say that we are looking at opportunities to significantly refresh the Tenders and Contracts website and make it a bit more navigable and user-friendly, and to make it a bit more welcoming and accommodating for people who are not familiar with it and its role as a portal into participating in state government procurement. When it comes to the provision of outcomes data, or performance reporting, I think we are looking at that as well as part of a refresh of the Tenders and Contracts website.

**Mr COWDREY:** So each of those 339 contracts this year was signed-off by the chief executive for the relevant department?

**The Hon. S.C. MULLIGHAN:** The chief executive-approved number of contracts is 150 (44 per cent of the number of contracts). 'Approved by a delegate other than the chief executive' is 35 (10 per cent of those contracts), and 'no data reported by the public authority' is 154 (46 per cent of the number of contracts). That is the breakdown of the 339 contracts and who approved them.

**Mr COWDREY:** So 46 per cent of the relevant contracts were not signed-off by the CE.

**The Hon. S.C. MULLIGHAN:** We have not got the data on who signed it off.

**Mr COWDREY:** Is that a concern to you?

**The Hon. S.C. MULLIGHAN:** Yes. I mean, it is good that we have 54 per cent of accurate reporting and that it is the chief executive or their authorised delegate. But, in each of the details that I have provided to you, there is 'no data reported by the public authority'. As we have been imposing these new procurement policy requirements on the agencies, we have found, and of course they have found, that they have not been capturing data on a whole range of these requirements or what we might now also call performance metrics. We are having to try to educate them about not just the obligation but on how best they can capture and report the data as well as, given that many of them have not been capturing that data and reporting it previously.

**Mr COWDREY:** One final question: in regard to the CFMEU and Incolink's involvement with the north-south corridor or any other major projects, have procurement services been tasked with undertaking any work to determine how a procurement policy could be used to prevent that involvement?

**The Hon. S.C. MULLIGHAN:** In terms of providing government-wide policies for civil construction projects, we have not at that point in time. I am aware that the Premier has asked the Minister for Infrastructure and I to consider to what extent it would be feasible to impose a policy that influenced the provision of employee entitlement schemes, but I guess I reiterate the note of caution issued by the Premier yesterday in response to your questions in question time: governments have to be extremely careful seeking to legislate or put in place regulations or policies that restrict participation by particular organisations.

While I am aware that there are very strong views in the civil construction industry about Incolink versus the one that has been longstanding here, BIRST, trying to frame a policy that delivers a particular outcome with respect to, effectively, that insurance arrangement, we are also conscious would have to have application for the other insurances, which are required to be held by businesses undertaking government work or delivering government contracts as well.

For example, you can see, in trying to come up with an arrangement for a workers entitlement regime versus public liability insurance, how do you distinguish between essentially what are two insurance products and how you would expect a contractor to participate in those quite distinct areas

of their responsibilities under the contract? The Premier has made that request of his ministers. We are thinking that through, but it is a very challenging area for a state government to become active in in a policy sense for those, as well as for many other reasons.

**The CHAIR:** Thank you, Treasurer. I declare the examination of the portfolios CTP Regulator, SA Government Insurance and Fleet, Strategic Procurement, Industry Advocate and Shared Services complete. The examination of the proposed payments for the Department of Treasury and Finance are now complete, and the examination of the proposed payments for the administered items for the department will be referred to committee A

*Sitting suspended from 13:18 to 14:15.*

### **DEFENCE SA, \$28,614,000**

#### **Membership:**

Hon. J.A.W. Gardner substituted for Mr Basham.

#### **Minister:**

Hon. S.C. Mullighan, Treasurer, Minister for Defence and Space Industries.

#### **Departmental Advisers:**

Mr R. Carruthers, Executive Director, Defence and Space, Defence SA.

Mr P. Murdock, Director, Finance and Systems, Defence SA.

**The CHAIR:** Welcome back to Estimates Committee B. Welcome back to the Treasurer with his Defence SA, Space Industries hat on. I declare the proposed payments open for examination. Minister, do you have an opening statement, or, at least, could you introduce your advisers?

**The Hon. S.C. MULLIGHAN:** Thank you. I do not have an opening statement, but I introduce Reg Carruthers and Peter Murdock from Defence SA.

**The CHAIR:** Member for Morphett.

**Mr PATTERSON:** I have no opening statement. I will just get straight into it. If we go to Budget Paper 4, Volume 1, page 154, in the highlights, dot point 1, where it references AUKUS pillar 1, can the minister provide an update regarding the submarine shipyard construction?

**The Hon. S.C. MULLIGHAN:** Yes. As the member would be aware, the commonwealth made a commitment that there would be a significant expansion of facilities at Osborne. They allocated a figure of \$2 billion over a four-year period to undertake that work. Some of that work has commenced. There is other detailed planning work underway as far as we are aware from the commonwealth, but we expect that work to continue ramping up in the coming months and over the course of what was the forward estimates when that \$2 million was first announced.

**Mr PATTERSON:** In terms of last estimates, the former defence industries minister said that they will look to have the construction in phases. Is that still the case, and what are the timelines involved for the first phase?

**The Hon. S.C. MULLIGHAN:** It is my understanding that, in order to maintain the accessibility of the site and the functionality of the site, they will be looking at doing particular upgrades over the course of the period that the shipyard is to be upgraded. But if you are after a detailed breakdown, we can see what information the commonwealth has provided us and provide that to you, if you like.

**Mr PATTERSON:** In terms of that shipyard construction, how many workers will be employed as part of that and what are the opportunities for South Australian companies to be involved?

**The Hon. S.C. MULLIGHAN:** My understanding is the estimate the commonwealth has provided is that the construction of the facilities over the course of the construction period will require 4,000 workers for that task.

**Mr PATTERSON:** Does Defence SA have any role in assisting the South Australian companies to be involved with that and, if so, what actions are being undertaken?

**The Hon. S.C. MULLIGHAN:** These construction projects are led by commonwealth agencies, not state government agencies, but nonetheless, Defence SA has been liaising with the Department of Defence to try to assist them to understand what local capability there is in this work.

South Australia has pretty deep experience in assisting the commonwealth defence department undertake these sorts of works. As you would be aware, member, there has been a very significant amount of work done out at Edinburgh over the course of most of the decade, so we do have in South Australia and across our economy some pretty extensively experienced planning and design companies and also civil construction firms that are used to doing business with them.

But while the major contract is still in the process of being awarded, the focus has very much been on scope definition, detailed design and trying to plan out how the works will be carried out.

**Mr PATTERSON:** On the same page in the highlights, dot point 2, it talks about supporting the South Australian defence industry into the supply chain for the Virginia class. Can the minister explain what programs were provided to support the SA defence industry?

**The Hon. S.C. MULLIGHAN:** Obviously, the state has participated through Defence SA in the Sea-Air-Space major convention, along with side missions to visit Electric Boat and HII to understand what is required for this very significant commitment. We continue to work with local industry through established networks, both directly and also within the Defence Teaming Centre and other organisations, to encourage participation and involvement in the supply chain.

Member, you might have noticed that there was a specific allocation of additional funding in this year's budget to continue that local industry development in terms of its capacity to participate in the supply chain for this. That work has commenced, but it still has a long way to go. We have provided that funding over a four-year period because there is a significant amount of effort that is required to be successfully deployed between now and the commencement of actual construction at Osborne on the Virginia class.

**Mr PATTERSON:** In one of the federal strategies—I think the National Defence Strategy—it stated that a critical mechanism is going to be the Defence Industry Vendor Qualification Program, which was initiated by AUKUS partners to help streamline and accelerate qualification of supplies into the United States' supply chains. Has this program been investigated by the department?

**The Hon. S.C. MULLIGHAN:** Yes, absolutely. I think the purpose of the Premier's recent mission to the United States was to experience firsthand as the leader of the government what skills and capabilities are going to be required for Australian participation in the Virginia class. You would perhaps would have heard him speak about what some of his takeaways from that mission have been.

The reason we have committed additional funding in the budget is because we are aware that it is going to be a very significant challenge for the country and also for South Australia to adequately supply enough labour and also industrial capability to participate in this. It is a challenge we do not want to fail at because this is a platform that involves the expenditure of tens and tens of billions of dollars over a long period of time. If we can best position both South Australian workers and also South Australian companies to be qualified and vetted and participating in the supply chains necessary for AUKUS pillar 1 then that promises an even more substantial boost to the state's economy into the future.

**Mr PATTERSON:** How accessible is this to small and medium companies, recognising the challenges that companies would face trying to break into the US-based defence supply chain with all the political support that goes behind US-based defence industries from a US perspective?

**The Hon. S.C. MULLIGHAN:** It is a good point you raise because it is particularly designed around the SMEs that have capability but perhaps not the experience, and getting them prepared for and in front of the relevant procurers of supplies, whether it is goods or services, for the contracts that will be awarded.

I do not want to give the impression that we have bags of time to carry this out, because even though major construction will not start here in South Australia for a number of years, the effort is commencing already for AUKUS partners, as you said in your question, to make sure they have sufficient capability to participate. If it is not South Australian companies that are participating, obviously that opportunity will fall to others, and we do not want those wider economic benefits of the construction work being undertaken here in South Australia to be missed.

That is why we continue to support existing endeavours to try to build the state's economy and its capability in this area. Part of it will be working here in South Australia with those companies, part of it will be trying to assist those companies to become appropriately accredited for work packages and part of it is likely also to be taking companies overseas to meet with key procurers in this area so that they can get to meet them and demonstrate what they have to offer for the platform.

**Mr PATTERSON:** Is there a similar program to that program I mentioned before—the industry vendor qualification in the US—in place for South Australian defence companies to participate in the UK nuclear submarine supply chain program?

**The Hon. S.C. MULLIGHAN:** Yes. The idea is that this will not be exclusively an effort that we will undertake in the US. This will be an effort that will also occur in the UK. To that extent, we have also provided some funding for a specific person to be located in the UK to build those connections between existing UK industrial businesses already engaged in the provision of nuclear submarine construction activities, to be introduced to and hopefully engage with South Australian companies.

While we have existing efforts obviously in the Office of the Agent General and existing representation from the Department of State Development, as it is now called, in the UK and in other countries, including the United States, we feel that this warrants a particularly focused effort where somebody can be engaged solely with the task in mind of getting South Australian companies ready to provide goods and services for this platform.

**Mr PATTERSON:** The Australian government is providing, I think, \$4.6 billion to design and build the SSN-AUKUS, and some of that money has included going to the Rolls-Royce facility where the reactor is built. Can the minister advise what are the opportunities for South Australian defence companies to participate in this phase of the project?

**The Hon. S.C. MULLIGHAN:** They would be both numerous and varied, I would think, because while we do not have companies that are currently knocking together nuclear submarines in Adelaide or in South Australia, we do have a large number of companies that have the experience and capability to provide various services, if not goods, at various points in the supply chain for the design and construction of nuclear submarines.

That could be anything from naval architecture—and I think you and I attended functions this week in relation to the Naval Architecture Conference in South Australia. I think it was the first time that it had been held in Adelaide, and I think there is a view that it may well come back again in the future. Then, of course, we have all the resident capabilities in defence-certified and capable fabrication works, and then everything in between.

What we want to do is give those existing capabilities exposure to the opportunities of being suppliers for the platform and, in addition to that, of course, try to build a much greater ecosystem of South Australian businesses that can participate in the decades to come.

**Mr PATTERSON:** In the targets on the same page, it talks about identifying and developing industry opportunities, again into the supply chain, for the Virginia class submarines. Why is there

not a target to equally look to develop and identify opportunities into the supply chain for the Astute class submarines?

**The Hon. S.C. MULLIGHAN:** It is not by design, I think. I have just articulated that the budget specifically provides funding to have somebody located in the United Kingdom to try to pursue opportunities, as well as provide overall—I think it is a bit over a million and a half dollars a year to be able to go to both the UK and the United States to promote South Australian capability and companies for the various platforms. It is not a meaningful omission from the five dot points under targets.

**Mr PATTERSON:** In May, the Australian Manufacturing Workers Union personally targeted the chief of AUKUS nuclear-powered and Collins class submarine builder, ASC, Stuart Whiley. Does the minister see any risks posed to the future of ASC in either shipyard construction or submarine construction because of industrial action or standover tactics?

**The Hon. S.C. MULLIGHAN:** No, not necessarily. I think in past decades we have not only constructed the Collins class submarines but, as that program was winding down, we won the air warfare destroyer project and, at that time, there was quite a bit of work that went into working with the workforce and their industrial representatives to ensure that South Australia retained its really good reputation nationally as a jurisdiction of low industrial disputation. Given the extensive decades of experience we have in naval shipbuilding, we do not foresee this as being a particular problem or a barrier to continuing our longstanding reputation of being the home of naval shipbuilding for the country.

**Mr PATTERSON:** Can the minister explain what input Defence SA is having to the Office for AUKUS?

**The Hon. S.C. MULLIGHAN:** The Office for AUKUS was an initiative that was established in last year's budget. It was an initiative to provide direct support to the Premier really quickly after the AUKUS announcement had been made, and it became clear what South Australia's role in continuous naval shipbuilding was going to be.

That was to not just try to extend or add to the effort that Defence SA undertakes with defence industry development, capability assessment and deployment into these platforms but, more broadly, to try to prepare and coordinate other state government agencies that are likely to have some role in gearing up the state and the Osborne precinct ready for naval shipbuilding.

As a result of some of the work that the Office for AUKUS has undertaken there have been significant land transactions between the state and the commonwealth to provide more government-owned land on the LeFevre Peninsula to Defence so that they can expand the size of the naval shipyard. That was a deal that was reached in part with a land swap, where the government is to progressively take ownership of the Keswick Army Barracks as well as some additional land at the south of the Cultana training facility.

Since then, the Office for AUKUS has also had the role of fine tuning some of the land transfer and associated arrangements with that land at Osborne, for example. You might recall that in recent weeks in parliament we passed a piece of legislation that gave us the capacity to, in very quick order, effect land transfer between the government, the defence department and local government, the City of Port Adelaide Enfield, to make sure we are progressing that.

The Office for AUKUS is not as much outward facing as, say, Defence SA is in terms of trying to enhance defence industry capability. It is to be more of a single point of contact in coordinating effort for state government agency preparations and responses to what we need to do, in various ways, in responding to the commonwealth's needs or requests when they relate to AUKUS.

For example, with that Osborne land transfer example I gave before they had to coordinate Renewal SA, the planning agencies (which are now called some other acronym, HIPDU or something) as well as the involvement of the Department of the Premier and Cabinet and Treasury and Finance to try to be able to respond quickly to this sort of stuff.

**Mr PATTERSON:** How many meetings conducted by the Office for AUKUS have you attended?

**The Hon. S.C. MULLIGHAN:** I do not attend meetings of the Office for AUKUS. That is an agency that reports to the Premier as part of the Department of the Premier and Cabinet. However, I try to maintain weekly meetings with Defence SA, which is the agency that is connected to me.

**Mr PATTERSON:** On reading that, it is Defence SA, the CE or staff, who attend. How many meetings have Defence SA staff attended?

**The Hon. S.C. MULLIGHAN:** Of the Office for AUKUS?

**Mr PATTERSON:** Of the Office for AUKUS, yes.

**The Hon. S.C. MULLIGHAN:** The Office for AUKUS is an administrative unit. It is not a board of management or a board of control. It has a director and it has a couple of support staff. It is there to be a dedicated office attached to the Department of the Premier and Cabinet to singularly deal with, in quick order, requests and requirements that are asked of the state by the commonwealth for things like land transfers and access and other arrangements, as well as providing some support to the Premier for his engagements with federal ministers, like the Deputy Prime Minister and Minister for Defence, Richard Marles, and so on. Defence SA has had a role here for 20 years in South Australia, and it is about trying to secure defence platform opportunities for the benefit of our economy and for defence industry development.

As Reg reminds me, there are distinct areas of work which the Office for AUKUS also undertakes in terms of making sure that we are preparing the correct or any changes to the regulatory environment for the activities which are going to be occurring in the future on the Lefevre Peninsula at the Osborne shipyard and, more broadly, making sure that there is an inputting role to the work that the Department of State Development, led by Adam Reid, is doing for workforce development and so on.

As Reg said, there is a close working relationship between Defence SA and the Office for AUKUS, but there are not Office for AUKUS board meetings or anything like that that require specific attendance.

**Mr PATTERSON:** It seems from the nature of that there are no actual key deliverables that the Office for AUKUS gives Defence SA. You sit, in a way, on stand-by, waiting for them to make use of defence industry related expertise?

**The Hon. S.C. MULLIGHAN:** As I was explaining before, we have Defence SA's longstanding role as identifying and pursuing industry development opportunities for the state's defence industry, and of course there are a range of examples where they have carried that out over the last 20 years and done so successfully, whether it is securing the Hobart class air warfare destroyer contract, chasing down the RAAF for their 737 deep maintenance and modification facility, or other large areas of investment from commonwealth defence related organisations.

The job of the Office for AUKUS is to coordinate the efforts of state government agencies to ensure that once we are securing those industry development opportunities all the requirements across a range of different state government agencies are coordinated and executed quickly.

It is not so much outward industry facing; it is more focused on providing internal government coordination support and advice, so that when the commonwealth says, 'Look, we need to square away who is owning that piece of land and how quickly we can get access to it,' that does not sort of bounce around between existing government agencies like Renewal SA, which might be the landowner; SA Water, if they have easements over it which need to be considered, or something like that; the planning department, which has to consider the appropriate zoning arrangements; or Treasury, making sure we understand the impact of the transfer of the assets on various agency balance sheets and overall on the state's finances.

The Office for AUKUS is designed to pull all of that disparate bureaucratic endeavour together and make sure that we can be responsive quickly to these requirements as they arise.

**Mr PATTERSON:** I refer to the same page, going on to targets, dot point 1, where it mentions development opportunities for the Hunter class frigate program. What impact has the cutting of the Hunter class frigate shipbuilding program from nine frigates to six had on the South Australian defence industry?



**The Hon. S.C. MULLIGHAN:** Not particularly much, for example, because we are really talking about not significantly reducing a quantum of workforce or drastically changing the supply chain that is required to participate in the construction of that platform. It is about length of the program, in particular. We have built three air warfare destroyers, and that was a very significant effort and achievement for the South Australian defence industry.

Now we are looking at six frigates—so a big, significant step-up—and at the same time we have to carry out the life-of-type extension for Collins class, which is a very large amount of work. We are talking billions of dollars of expenditure that has been budgeted by the commonwealth for that. Then of course we have—this is probably not the right word in defence-speak—the refurbishment of the Hobart class AWDs, which themselves were only recently completed construction in recent years in South Australia.

Our task really is, instead of having one major platform underway, we are now going to have three at various stages and intensities. On the face of it, that should provide a really significant opportunity for South Australian defence industry participants to get involved and hopefully participate significantly in these opportunities. Defence SA's job is to try to fully understand the extent of those opportunities, how the South Australian defence industry matches what those opportunities are, and then try to put those capabilities together with those opportunities so that we can have as many businesses and their employees participating.

Reg reminds me that of course they have also announced the successor, I guess you could say, or new class of the air warfare destroyers, which will also be built as well. While Hunter might have gone from six to nine, there are three new destroyers that have been added onto the program.

**Mr PATTERSON:** In terms of that reduction, though, has the minister met with or is the minister aware of any defence companies that bid into the program? Their order book would be for nine ships. It has now been reduced to six. Has that impacted on their plans, or have they had to seek other activity?

**The Hon. S.C. MULLIGHAN:** No, not so much. I have met with quite a few companies both before my time taking on the role and certainly since taking on the role. Different companies have different interests in the opportunities that are available. We are talking about naval shipbuilding. There are South Australian defence companies that have relatively low levels of interest in those opportunities because they are heavily involved in defence materiel exports elsewhere in the defence supply chains outside of naval shipbuilding.

I do not think anyone has expressed to me that they are dismayed that their order book has dried up or that they are losing work. Certainly, the conversations I have had almost exclusively have been predicated on the basis of, 'My goodness, isn't there an extraordinary amount of work coming South Australia's way,' particularly over the next 20 years where we are going to have these three—well, four, in some respects—platforms underway, and how best to take advantage of that incredible step-up in industrial activity that is going to be happening in our state.

**Mr PATTERSON:** Of course, the announcement around the frigates was part of the service fleet review and the delay and uncertainty that was caused by that. Can the minister outline any impact felt by the defence industry around the delay's uncertainty that was involved with the service fleet review?

**The Hon. S.C. MULLIGHAN:** Yes, it is a good point. I will go back a step. South Australia was home to the construction of the Collins class submarines from the very late 1980s through the 1990s and then tailing off at the very beginning of the 2000s. When the former Labor government came to power in 2002, the then Premier appointed an economic development board, chaired by Robert Champion de Crespigny. Amongst the early membership of the EDB, their job was to identify future economic opportunities for the state and then marry those opportunities up with where South Australia had a comparative advantage already.

The two that were identified by the EDB—we are talking more than 20 years ago now—were in naval shipbuilding, because we were just winding down the Collins class submarine construction program, and in mining, because, as we all know, South Australia is highly prospective across a range of different minerals and resources.

So, with respect to defence, there was the establishment of what was called the Defence Unit back then, and there was the recruitment of retired Rear Admiral Kevin Scarce, who used to be the chief of Navy procurement, as the best person we could possibly get in Australia who could help us navigate a path towards making it clear that South Australia was the obvious place to be building the air warfare destroyers. The idea of securing the air warfare destroyer project was to establish a workforce and an ongoing capability in naval shipbuilding, so that when it became time to replace the Collins class or make a decision about what submarine platform would replace the Collins class, regardless of what it was going to be it was going to be built in Adelaide.

Of course, only a relatively short period of time after—I think it was 2005 when the AWD contract was awarded—there was a change of federal government in 2007. From 2007 up until the announcement of AUKUS and the selection of the Virginia class, we have had more variations than Floriade in terms of what the submarines were going to be for Australia going forward.

You might remember that we had extensive reviews under the previous Rudd government. Then we had the selection of a Japanese submarine. You might remember the exchange in the state parliament: 'Mazda builds good cars too,' from the former member for MacKillop about the selection of a Japanese submarine. Then that got binned and then there was the question of whether it would be German or whether it would be French, and it ended up with the French Naval Group. Then there was an enormous amount of effort by the previous Coalition government to consolidate around the Naval Group opportunity to build a French-based platform. Then, of course, under the Morrison government, that got canned as well before settling on the trilateral AUKUS arrangement, which then led to the selection of the Virginia class.

I guess the disappointment that South Australian industry has had has not necessarily been within the first 18 months of the Albanese Labor government. It has been in the preceding 15 years of nearly 10 federal governments of both persuasions. There were ever-changing plans for what the submarine platform was going to be.

The reason I gave you that long potted history about the EDB and the Defence Unit and winning the air warfare destroyers is that the whole aim of that endeavour was not just about the AWDs; it was to set us up for the much larger and more lucrative industrial opportunity of building submarines here in South Australia.

I think the frustration is that we have chopped and changed. It was going to be built in Japan and then it was going to be built here. Then it was not going to be French anymore but was going to be an AUKUS platform, and then the AUKUS platform was resolved to be the Virginia class. I think that has really been a frustration—the ongoing changes around the future submarines—and has been the focus of everyone's attention.

**Mr PATTERSON:** Just changing the page, on page 150 the objectives talk about Defence SA being a single point of contact for all defence and space stakeholders. Can the minister outline which primes you have been able to meet with since becoming Minister for Defence and Space Industries?

**The Hon. S.C. MULLIGHAN:** I will get you that list.

**Mr PATTERSON:** Further to that, have you had the opportunity to meet with your federal counterpart responsible for defence industries, the Hon. Pat Conroy?

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

**Mr PATTERSON:** What was the outcome of the meetings?

**The Hon. S.C. MULLIGHAN:** There was a shared commitment to ensure that South Australian defence industry participants can win as many opportunities as possible out of these platforms, which will be delivered progressively not just in South Australia. We have a lot of companies that have long and deep experience in exporting from South Australia, either to other parts of the country or overseas.

Much as we have been focused on naval shipbuilding in the course of this discussion, we both agreed that we should not lose sight of what is happening more broadly across the defence industries. I took the opportunity to raise with him that South Australia remains committed to trying

to foster space industries here in South Australia, and do that for the benefit of the nation, because we realise, as I think you have canvassed, that there have been decisions taken at a federal level where funding that was previously committed by a previous federal government has no longer been made available and that has caused a great deal of uncertainty for participants in the space industries that were hoping to see further investments from the commonwealth.

I was also at pains to highlight that, whilst the Defence Strategic Review contained a significant repositioning of the Australian Army, including the withdrawal of the 1st Battalion from South Australia, we will still have a presence of the Army. We will still have a presence of the Army here. As I mentioned in my earlier answer, we have been expanding our efforts to support the RAAF's operations and maintenance arrangements with the DMMF that is being established at Edinburgh for the P-3 replacements, the 737 platform.

Given that that is being built, that will be by definition a very modern and up-to-date facility, and we are keen to explore what other opportunities we have to support the Air Force in those areas. While aircraft may be based, located or operated from different parts of the country, we have the facilities, capability and the longstanding experience to be playing a role supporting the RAAF, and in turn providing significant industrial opportunities for South Australian companies.

**Mr PATTERSON:** Moving on to page 152 in the Investing expenditure summary, where it talks about the Space Assembly Integration and Testing facility, which is the repurposed Australian Space Park. Originally the Space Park was funded \$20 million from the state, \$20 million from the federal government and \$26 million from the four industry participants. Since the last budget, the federal government has confirmed that it is withdrawing that \$20 million—it was still up in the air last budget. Can the minister outline what actions have been undertaken, now that it has been repurposed, to try to regain that \$20 million of federal funding?

**The Hon. S.C. MULLIGHAN:** As I said in my previous answer, I certainly flagged this with Minister Conroy. It is not necessarily his portfolio responsibility because he is focused on the defence industries, and space and related investments are more considered to be under the bailiwick of Minister Husic. I did not want to miss the opportunity of making that point to Minister Conroy that there is a lot of overlap in terms of industrial participation and capability between areas of the defence industry and the space industries.

While we recognise their regrettable withdrawal of funding for that particular initiative, we are going to maintain our effort and our funding on the table. We have done that in a slightly different way where we have made that \$20 million available to have, as you pointed out in the description in the budget papers, the assembly and integration centre at Lot Fourteen, while we are still continuing to support the development of the Adelaide Airport-located facility ostensibly around Fleet Space's operations there. Then, more broadly, outside of those two projects, we continue to try to support space industry participants to develop and win more work.

**Mr PATTERSON:** Construction is estimated to start this financial year. Do you have a month when you are looking to start it?

**The Hon. S.C. MULLIGHAN:** I will have to come back to you with a specific month on that.

**Mr PATTERSON:** Further to that, it says in that investing expenditure summary that the estimated completion date is quarter 2, 2029. Can you explain why it is not estimated to be completed until such a long period of time afterwards?

**The Hon. S.C. MULLIGHAN:** This is a common feature of how capital projects are reported in Budget Paper 4. Those estimated completion dates are sort of project close-out dates rather than the completion of major construction or from building handover or access. For example, up until I think it was last financial year or the financial year before, we had the Northern Expressway project still mentioned in Budget Paper 4 because, even though that road has been opened for more than 10 years, there is still ongoing works required by contractors in terms of landscaping and drainage and all that kind of stuff, which does not actually interrupt or halt any use of the asset.

My understanding is that that very late estimated completion date is not when the facility will become available for tenancy and work; it is more related to a project close-out date. But if there is anything else I can provide on that, I will take it on notice and come back to you.

**Mr PATTERSON:** By that answer, when is the estimated operational date when companies can start using—

**The Hon. S.C. MULLIGHAN:** If I have to come back to you on the month of construction commencement, perhaps in that same answer I can come back to you with a date on construction completion.

**Mr PATTERSON:** Much appreciated. I talked about the four anchor tenants in the original proposal and the lead proponent being Fleet, which you mentioned as well in the answer. Can you confirm then that Fleet will not continue their funding commitment into the AIT facility? They have gone it alone, have they?

**The Hon. S.C. MULLIGHAN:** As your questions alluded to and as you probably recall, the idea was that the facility at Adelaide Airport would be like a multiuser facility or a common-user facility and that there would be Fleet and then a number of other participants. My understanding is that Fleet are continuing to proceed with their facility at Adelaide Airport. Some of the other proponents that were going to partner with them in that facility I think have chosen not to continue.

What we are hoping is that, by having a government-built facility with government funds, this would provide them with the opportunity to come and participate at Lot Fourteen if they are not going to participate at Adelaide Airport.

**Mr PATTERSON:** One of those companies you mentioned that have withdrawn from it, AtSpace, are no longer part of the project. They are also trying to launch some test rockets over at Whalers Way for Southern Launch. To be fair to you, I did not finish part of it. They had a program of three launches. They tried to get one launched. They subsequently decided not to proceed with the other two and left South Australia. Have you been in contact with them as to the reasons why? Are there opportunities for them to relocate back to South Australia?

**The Hon. S.C. MULLIGHAN:** You will recall that the company that has actually got the lease over the land at Whalers Way conducted a successful launch further along the west coast at Koonibba and that was a very high profile and successful launch. They are trying to get the requisite planning approvals for Whalers Way. I think it is fair to say that there are elements of the local community on Eyre Peninsula that are not particularly supportive of the Whalers Way location. I also think the member for Flinders has been on the record in the house about some of his constituents' reservations about this.

This is an area that has access but is largely undeveloped and requires approvals under the federal Environment Protection and Biodiversity Conservation Act, so they are not able to continue launches there without that approval. We are trying to get an understanding of how quickly that is going to be considered.

Obviously, we cannot influence their decision. It has to be taken independently according to the merits of the application, but we are trying to get some certainty about the timing of the decision because if it ends up—and I know that the EPBC process can be notoriously long—taking too much of an extended period of time, it is going to make it very challenging for the company to continue trying to maintain cash flow and progress pursuing Whalers Way and they may have to consolidate their efforts at Koonibba.

That is not the end of the world for them. There is a market for launches at Koonibba, as they have already demonstrated, but there are particular attributes to the Whalers Way launch facility that enable them to do what I understand to be called polar launches, where they can send satellites up into the sky to orbit the poles of the earth. That provides very unique satellite coverage that is not available from other launch sites in other parts of the world.

If they can unlock Whalers Way, what has been described to me is that there is a very significant economic opportunity where we could see launches of a large number of satellites over a sustained period of time from all sorts of countries to improve their access to all the facilities that satellites provide. It is not just telecommunications and military surveillance, but crop surveillance and natural disaster surveillance and emergency services surveillance, let alone all the other testing and data tasks that satellites also have. The company I was referring to was Southern Launch. It slipped my mind.

**Mr PATTERSON:** We have sort of wandered off a bit, but in terms of Southern Launch, the former minister for space industries has been quoted as saying about the location at Whalers Way:

I have serious concerns about the impact of this development on rare species and valuable habitat, and the risks it may pose for fire and damage to adjacent marine life.

That is her statement and you were talking about the lengthy delays that could cause Southern Launch to not be able to use that site because of cash flow. You have had AtSpace leave the state. They were highly prospective to have rocket launch here and that then makes satellite manufacturing much more viable because you can launch. My question to you as the new Minister for Defence and Space Industries would be: what is your level of support for the Southern Launch Whalers Way site?

**The Hon. S.C. MULLIGHAN:** I would hope that it is assessed under the EPBC Act and they can see fit to give it an approval. They are not going to do that if it is going to be causing significant damage to precious environmental vegetation or fauna of course, but if they form a judgement that it is not going to cause the significant harm that the Deputy Premier quite rightly highlighted is a concern and is the trigger for an assessment under the EPBC Act, then what has been made clear to me is this could be a really significant economic opportunity for our state.

You quite rightly made reference to, if people are launching satellites from South Australia maybe it makes sense to build them here rather than have to fly them or ship them over to our country. It is really expensive for people to be launching satellites or rockets. You have teams that have to fly in from not really other parts of the country but other parts of the world. They have to be accommodated. They have to be fed and watered. They have to get around, and they bring with them all sorts of equipment and facilities that have to be stored as well. So on the face of it, you would really like to see this thing be able to succeed, but it has to pass that environmental hurdle first.

**Mr PATTERSON:** So not only AtSpace, which was involved in that initial consortia for what has now been repurposed the Australian Space Park, but also Q-CTRL, which is involved in quantum, have decided to set up their base at the Sydney tech precinct. So we have had two companies that were going to be here and be quite influential leave. With that in mind, what actions are you taking as minister to ensure that South Australia maintains its first mover advantage here for space companies to set up and thrive?

**The Hon. S.C. MULLIGHAN:** I think we enjoy a couple of competitive advantages that other places around Australia do not enjoy. I have not been briefed on the particular reasons why that company that you mentioned might have moved interstate, but they are probably not going to be launching from that site, and if they are interested in launching for polar orbit they certainly will not be launching from there.

Of course, as Reg would know better than me, we have a long history of rocket launching and testing in South Australia from Woomera. We have not just an experienced industry but a supply chain which is experienced in this area, so we are ideally positioned for a range of reasons. Even though you might think it is a task to get out to Koonibba, that Koonibba launch site is an activity which is done in conjunction with the Koonibba community. That, I am advised, has support from the local community, including the Indigenous community, and they are participating in providing services for the launches themselves.

Certainly, my advocacy on behalf of the South Australian space industry is to point out the comparative advantages that we have over other parts of the country, as well as the advantages we have over other locations around the world for wanting to undertake this activity. Given the history of our defence industry in South Australia all the way from WRE through to British Aerospace Systems through to BAE and all the other companies that are now involved in this, we have decades and decades of experience of testing and launching projectiles, and I hope we can take best advantage of it.

**The CHAIR:** This is the last question.

**Mr PATTERSON:** The original space park was quite substantive, having \$40 million that was meant to be put into the equipment, and it was geared around that assembly and the integration testing, so it is good to see that has continued. Effectively, it has been scaled back—halved. In terms

of the impact on companies being able to then utilise that and to help them to establish themselves in space supply chains, specifically big defence projects as well, what other measures are you taking to help space companies in South Australia to get up and involved in space-related defence projects?

**The Hon. S.C. MULLIGHAN:** That is a good question. I am not sure that the facility at Adelaide Airport has been halved because what has also happened at the same time is that Fleet Space undertook their very public capital raise. I think they raised over \$300 million. I will check this and come back to you with the particulars, but my understanding is that they were able to tip more money into the development of that facility than what would otherwise have initially been committed to by them.

We are obviously building the assembly and integration centre at Lot Fourteen, and then there are a range of financial supports which the state government is making available. We have the support for third-party efforts like the Venture Catalyst Space program, we have the SA Space Collaboration and Innovation Fund, and then we have, I guess, that coordinating effort with Defence SA and the federal government agencies which still maintain funding streams for research and development activities in which space companies can participate. The Defence Science and Technology Group has its biggest facility here in South Australia.

Since I became minister I have met with Dr Monro, who has made it clear that they have a fairly significant research agenda ahead of them where they are going to look to try to invest funds around the country and in partnership with industry participants, so part of the other effort is more of that soft effort in making sure that we are getting those capable companies in front of those still-existing federal government funding opportunities, and helping them to make their best case to win some of that funding as well.

**The CHAIR:** Thank you, minister. I declare the examination of the portfolio of Defence SA and Space Industries completed. The examination of the proposed payments for the administered items for Defence SA is adjourned until Wednesday 26 June. I thank the minister and his advisers for coming in today, and I thank the committee. The committee stands adjourned until tomorrow at 9am.

At 15:17 the committee adjourned to Friday 21 June 2024 at 09:00.