

HOUSE OF ASSEMBLY

Thursday, 19 June 2025

ESTIMATES COMMITTEE B

Chair:

Mr E.J. Hughes

Members:

Mr M.E. Brown
Mr L.K. Odenwalder
Mr A.S. Pederick
Ms J.M. Stinson
Mr S.J. Telfer

The committee met at 09:00

Estimates Vote

DEPARTMENT OF TREASURY AND FINANCE, \$265,951,000
ADMINISTERED ITEMS FOR THE DEPARTMENT OF TREASURY AND FINANCE,
\$4,403,410,000

Minister:

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

Departmental Advisers:

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

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

Mr G. Raymond, Executive Director, Revenue and Economics, Department of Treasury and Finance.

Ms P. Chau, Chief Operating Officer, Department of Treasury and Finance.

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

Mr M. Hardy, Chief Commercial Officer, Department of Treasury and Finance.

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

Mr B. Gay, Executive Director, Special Projects, Department of Treasury and Finance.

Mr W. Luker, Government Chief Information Officer, Department of Treasury and Finance.

The CHAIR: As the duly elected Chairman of Estimates Committee B, welcome to today's hearing for Estimates Committee B. 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 both past and present.

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

Mr TELFER: I can confirm the timetable.

The CHAIR: 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 Answer to Questions mailbox no later than Friday 5 September 2025.

I propose to allow both the minister and the lead speaker for the opposition to make opening statements of about 10 minutes each, if they so wish. There will be a flexible approach to giving the call for asking questions. A member who is not on the committee may ask a question at the discretion of the Chair.

All questions are to be directed to the minister, not the minister's advisers. The minister may refer questions to advisers for a response. Questions must be based on lines of expenditure in the budget papers and must be identifiable 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, that 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's website. I declare the proposed payments open for examination. I call on the minister to make a statement, if the minister wishes, and to introduce his advisers.

The Hon. S.C. MULLIGHAN: I do not have a statement, but I will introduce Tammie Pribanic, the Under Treasurer; Sandy Burness, who is the Executive Director, Budget and Performance, in the Department of Treasury and Finance; and Greg Raymond, the Executive Director of Revenue and Economics. The only other thing I would say is if the shadow minister has any omnibus questions he should feel free to enter those into the record at any point between now and I think when we finish at 1.15pm.

The CHAIR: Do you have an opening statement?

Mr TELFER: None, apart from: I reflect on the comments that the Treasurer often makes—Treasury, with an oversight over most departments, is always fascinating to try to unpack. With that, I am happy to begin.

The CHAIR: Yes; I call on you to ask questions.

Mr TELFER: I will start with Budget Paper 4, Volume 4, Agency Statements, from page 171. Treasurer, this is the Administered Items for the Department of Treasury and Finance statement of comprehensive income. There is a line there that says 'Fees, fines and penalties'. Is there scope to provide a breakdown between what income is derived from fees, what is from fines, and what is from penalties?

The Hon. S.C. MULLIGHAN: There certainly is some scope to provide some further detail. My initial advice is that this largely refers to all sorts of fines and fees which come into government, principally those from court fees and fines, and road traffic related fines, but we have some detail provided further, in Budget Paper 3, Chapter 3, page 51, which provides some detail. If there are further or specific details the member wants, then we can undertake to provide those.

Mr TELFER: Obviously, the changes are reasonably steep, going from the 2023-24 actual through the 2024-25 budget, 2024-25 estimated and up to the 2025-26 budget of \$288 million. Can you give an explanation as to what that steep increase is mainly built around?

The Hon. S.C. MULLIGHAN: There are a couple of elements to this. One is that the 2023-24 actual figure of \$199.1 million, which is in the right-hand most column of that table, is significantly lower than what the 2023-24 budgeted figure initially was. It reflects that there was lower revenue collected because of the delay in rollout of a number of initiatives, including some of the road safety cameras which had been budgeted to be rolled out in the 2023-34 financial year in earlier budgets.

That was then forecast to be made up in the 2024-25 financial year in the budget, which is why there is such a significant jump for that budgeted figure in the second to the right column, to \$264 million. But if you look at the estimated result of \$242 million, you see that has come in at approximately \$22.4 million lower than was initially budgeted for. Then 2025-26 reflects a further catch-up effect of the lower than forecast revenue in the previous financial years, as well as additional initiatives being rolled out, including cameras. I am happy to provide a further breakdown of that if that is helpful.

Mr TELFER: If we did not achieve the budgeted amount in 2023-24 or 2024-25, do you have much confidence it will do it in 2025-26?

The Hon. S.C. MULLIGHAN: I hope so. One of the conversations I have had with the police commissioner since taking on the police portfolio, as well as the road safety responsibilities with the Department for Infrastructure and Transport, is that there are two parts to the rollout of cameras, as I am advised. There is the procurement of the camera units themselves, which is done by SA Police, but there is the installation and provision of the services to allow them to be installed on the roads, which involves the Department for Infrastructure and Transport. My advice is that there have been delays in both of those elements, so I have made those inquiries as to why the delays have occurred. Sometimes it has been the time taken to identify the correct locations and then work out how the cameras are to be installed at those particular locations.

The first mobile phone detection cameras for example, I am advised, were rolled out where there were existing gantry structures already in place that DIT had put in for other road messaging, whether it is speed signs or something like that. In other locations where there has not already been existing infrastructure, that has quite often been a cause of delays. I am happy to see what further information I can provide you.

Mr TELFER: You are focusing on the fines and penalties aspects, especially the road transport part, so you are indicating, through that, that that is where the majority of the increase will be driven from?

The Hon. S.C. MULLIGHAN: That is my understanding, but I am happy to see whether there is any further significant contributor, because this line, I am advised, does not just reflect what is raised through traffic expiations—it also includes other fees, penalties and other parts of government, including court fees. I will see what further information I can provide.

I should also point out that over a successive number of budgets the rollout of those cameras and the assumptions about detection rates and revenues raised have informed expenditure decisions about how that money can be used to improve roads or other road safety initiatives as well, so I guess there is a further interesting element as to what extent the delay in rollouts, the delay in achieving a budgeted level of fines and penalties, interacts with the expenditure profile. I am happy to come back with further detail.

Mr TELFER: Continuing on page 172, the line 'Cash and cash equivalents'. At the end of the period they are estimated to be lower for 2024-25 than budgeted; what drove this decline?

The Hon. S.C. MULLIGHAN: I cannot give you a detailed breakdown immediately, but again I am happy to provide subsequent information, if that is of interest. But you will see here that we are talking about very significant sums across these financial years: figures of \$11 billion or \$12 billion. This reflects the actual cash movements coming into government and going out of government. It often reflects the timing of the receipt of revenues, whether it is state taxation revenues or other

revenues, versus the cash outflows of when expenditures need to be made by government for specific purposes out of the administered items in Treasury.

So it is quite likely that there are many, many contributing factors, but overall it is the significant changes in terms of what we had assumed would be the case for those cash movements in the financial year versus what was actually required or actually realised in the changes of timings of those revenues and expenditures.

Mr TELFER: Would a predominant contributor to that be just the timing around GST payments coming in from the federal government? Is that what you are saying as far as cashflow goes?

The Hon. S.C. MULLIGHAN: It could be all of that. It could be GST; it could be the grants that come in from the commonwealth for other purposes, whether it is road grants or grants towards health, education, skills and so on; but it could also be the changes in the cash receipts that we have for our own revenues as well, versus the expenditures that we might need to make, either as a requirement of receiving those grants from the commonwealth or for initiatives that the government has agreed to undertake during the course of the year.

Mr TELFER: Just a bit further down there is a line—plant and equipment—that is estimated to be significantly short of the budgeted amount for 2024-25. Can you give me a bit of an explanation around the significant changes there, in the 2024-25 budget, down to the estimated result, which is only \$390,000, up to nearly \$32 million?

The Hon. S.C. MULLIGHAN: I will have to come back to you with an accurate answer, but it is likely that this represents particularly the \$31,894 million. It is likely that this recognises the realisation of an asset in that financial year. It might be that that asset is either under construction and will be completed in that financial year or that asset is acquired during the course of the 2025-26 financial year, given that we are talking about—comparatively to what we have just been talking about—a much smaller number: an asset or a small number of assets with a cumulative value of nearly \$32 million. I am just having a look in the previous statements to see if there is something that indicates what that might be. But I am very happy to take that on notice and come back to you.

Mr TELFER: Continuing on the next page, page 173, I refer to the line under Consolidated Account items around commonwealth specific grants. Can you please break down the specific activity that attracted that funding, halfway down page 173?

The Hon. S.C. MULLIGHAN: Specific purpose grants?

Mr TELFER: Yes.

The Hon. S.C. MULLIGHAN: As we get some further advice, on first blush we think it is likely to be related to some of the specific funding or tied funding we receive for things like skills or education or health programs. I am just checking to see what those particular receipts are for.

Mr TELFER: They are obviously reasonably static to slowly growing numbers. I am interested in what the breakdown of those specifics are.

The Hon. S.C. MULLIGHAN: I am advised that on page 45 of Budget Paper 3 there is a reconciliation of all of the grants which are made to the state from the commonwealth. Most of those, I am advised, go direct to agencies rather than come through the Consolidated Account, but the line that you have identified in the financial statements, which refer to the Consolidated Account, indicates that there is a number of those that do come through the Consolidated Account. I might just need to identify which ones they are. As you said, it is a relatively static amount of funding, so it is likely to indicate an ongoing program or a longstanding program. We will see what we can find out further for you.

Mr TELFER: I appreciate that.

The Hon. S.C. MULLIGHAN: So we are not taking up too much of your time, we will perhaps come back to you on that.

Mr TELFER: Continuing on page 174, SA Water Corp has an estimated dividend of \$138 million for 2024-25, above the budgeted \$73 million. Why was this dividend amount nearly double the budgeted value?

The Hon. S.C. MULLIGHAN: That line that you have identified on page 174 is also incorporated in a table that is on page 74 of Budget Paper 3, which talks about the payments from SA Water to the government and then the payments from the government to SA Water. The line that you identified in Budget Paper 4 reflects the dividend amount from SA Water and then below that, of course, you see the income tax equivalent. What is included in Budget Paper 3 is what is then paid from the government back to SA Water, in particular its community service obligation payment.

You will see that the overall contribution to government is almost net zero. In the last financial year we budgeted for a net contribution from government to SA Water of \$5 million. The outcome is actually a positive benefit to the budget of \$8 million and I think one of the things that both the Premier and Minister Champion, who is responsible for SA Water, have said is that the dry conditions in South Australia have meant that many households in particular have been using more water, presumably including trying to keep their gardens going over the last six to nine months and so on. So it may well be that higher water sales have changed that budget amount of minus \$5 million to positive \$8 million.

Mr TELFER: Continuing on from that, in the days after last estimates I think the announcement was made about the increase of the SA Water cost by 3.5 per cent above inflation—that policy decision. Do we know how much additional cash has come in that that 3.5 per cent above can be accounted for—the actual dollar figure?

The Hon. S.C. MULLIGHAN: I am not sure I have that figure in front of me, but I am confident we would be able to take it on notice and find it out for you. The 3.5 per cent commences in 2025-26, and then that is an amount of additional revenue to SA Water, which is a partial contribution towards the increase in spending on water infrastructure to connect up new allotments and so on. But you will see from Budget Paper 3 across the forward estimates it is a very static range of figures out across the water price determination period where basically any income tax equivalents or dividends from government are pretty much almost completely offset by the grant subsidies and community service obligation payments that the government makes back to SA Water.

Mr TELFER: On page 175, these are little dollar figures compared, but it just caught my eye that even the minister's salary, electorate and expense allowance was over budget. You were not even able to keep your own salary expense and electorate spending to budget. I was surprised.

The Hon. S.C. MULLIGHAN: To provide comfort to South Australians, none of us are in control of what we are paid or what we are remunerated. Instead, the legislation ties it to the remuneration provided to federal MPs, which then flows its way down to mere mortals like you and me and the others in here today. So I think that reflects that the commonwealth Remuneration Tribunal increased the salaries for federal parliament backbenchers, which then is one influence of the calculation of our salaries regardless of the offices that we hold as parliamentarians.

Mr TELFER: On page 175, a bit bigger fish than that budget line is the total payments funded by borrowings, budgeted for \$5.5 billion at 2025-26. At what value does this start to pose a material risk to the state's credit rating? What advice do you have on that aspect?

The Hon. S.C. MULLIGHAN: That line reflects how much is being contributed to the Consolidated Account from the borrowings that SAFA is undertaking to finance the operations of government. That continues, or has continued, to increase over recent years and continues to increase across the forward estimates, principally because the government is borrowing more money to build the infrastructure in the capital program and that is headlined by the South Road tunnels project and the new Women's and Children's Hospital project.

So what we have made clear is that, in line with the projections of the previous government, borrowings will increase as we get to the point where the major construction efforts on both of those two projects start to reduce and our capital program or our annual spend on infrastructure gets back to a more modest level, more in line of what it was before we started constructing these two projects.

I think your question went to the credit rating. What we have tried to demonstrate to the ratings agencies is that we know what we are up for from the outset when we embark on these

projects. We do the necessary work to make sure that we have reasonable cost estimates and assumptions before we embark on building the projects. You might have heard me say previously that on coming to government we reviewed both of those projects and their budgets and their timeframes and the allowances in the budgets for things like cost escalation from one financial year to the next and contingencies within the project budgets for unforeseen issues that might arise during construction. We have done all that, so we feel we have reasonable cost estimates.

The job then is to try to make sure that we demonstrate robust financial management in the meantime and a big part of that for us is making sure we are continuing to forecast and then deliver operating surpluses, as well as demonstrate to the ratings agencies that we have capacity within our budget settings to meet any unforeseen expenditure demands or challenges that come up.

One of the ways in which we have done that, for example, is where we have stepped into funding a massive additional financial commitment from the state budget for the Whyalla Steelworks, saying we are not just going to spend all of that additional money by having to get SAFA to raise more money and push the budget into deficit, we will use the opportunity to offset other expenditure that is not quite so urgent. That is why the Hydrogen Jobs Plan, for example, has been deferred, which had been budgeted at \$593 million. You defer \$593 million of expenditure and incur \$650 million over five years for the government's contribution.

The idea of that is not just to lessen the impact on the state's finances but to demonstrate to the ratings agencies that we know that when big things come out of the blue we have to make extra room in the state's finances so we have the capacity to absorb it, rather than just continually add more and more spending.

Mr TELFER: What advice do you have around how much of a variation from that amount would start to put the credit rating at risk? You talk about the work that you have done, but obviously there are a lot of things that are fairly variable and there are contingencies you may not have foreseen. What is the threshold? How much of a variation does start to put that credit rating at risk?

The Hon. S.C. MULLIGHAN: I am not sure there is a specific objective answer or figure I can give you because it is not necessarily how they characterise their advice to us about this. They have a whole range of considerations when they are looking at state and territory budgets and allocating a credit rating and then a credit rating outlook. Part of it is on the figures, of course. That is obviously taken into consideration, but then the other part of it is that they are trying to assess a demonstration of, in their subjective view, how the state's finances are being managed.

That example I gave you before about Whyalla was a deliberate one from me. It was an important one, I hope, for you, but more particularly for them, saying that, when we are choosing to incur really substantial additional unbudgeted expenditure, we are trying to do the right thing by making room for it within the budget figures by choosing to defer other budgeted expenditures so we are not continuing to damage the overall budget metrics.

It is those types of efforts that try to demonstrate to the ratings agencies that we are trying to deliver what we have budgeted for, what we have previously announced in the 2024-25 budget, and if something else comes up, particularly something substantial like Whyalla, we make room for it in our existing expenditure plans, rather than just add it on top and blow out our figures.

If we did not make that room in the Whyalla case, if we kept on with the Hydrogen Jobs Plan that would have been a further \$600-odd million impact to the state's finances, as the Hydrogen Jobs Plan, as it was budgeted, was rolled out. They would, presumably, have then looked at that and thought, 'Well, it looks like you're trying to have your cake and eat it too. You've got a pressing issue in Whyalla and then you have another effort in the Whyalla region which you are choosing to get on with rather than using that financial capacity to sort out the steelworks.'

Mr TELFER: You talk about that \$600 million amount, but last year's budget departmental overspend was two and a half times that, \$1.6 billion. When you talk about what you have said in the budget, whether it is health, child protection, environment over \$100 million up, human services, how do the credit agencies take that into account? Obviously that is a much more significant impact than a change of direction on a Whyalla spend, for instance.

The Hon. S.C. MULLIGHAN: I do not think it is unreasonable for you to raise that. That is a slightly different consideration in that we know, during the course of year—

Mr TELFER: I get the capital versus operating, but this is this ongoing—

The Hon. S.C. MULLIGHAN: No, sure. We know, during the course of a year, how our government revenues are tracking, particularly with our own source revenue receipts and the periodic updates we get from the commonwealth on what the national pool receipts are in the GST, and hence what our share of those are going to be. What that has enabled us to do—not just in the recent financial year but in previous financial years—as the economy has been performing strongly, either in the state or nationally, as our revenues have been higher than forecast or the GST revenues have been higher than forecast, that has given us capacity to provide more funding for child protection, for health, for human services and so on.

Environment, I think, is slightly different because that is usually indicating a receipt of commonwealth grants for commonwealth-funded specific projects. For mere mortals like you and I, we probably would have raised an eyebrow seeing more than \$100 million of initiatives in the environment portfolio, but that almost completely reflects that they were specific grants from the commonwealth to go and spend on environment issues that they are funding exclusively. We have just got to handle the money and get the work done for them.

But the point you make in the other agencies like health and child protection, we make those decisions on the basis that our revenues are strong enough in order for us to—

Mr TELFER: It is still a policy decision. You are saying we are seeing money coming in, so we realise we have the scope to be able to spend it, but also you are making the conscious decision to spend and overspend on a budget rather than maybe, when we are talking about this debt line, not delving into that as much. Spending the money as it comes in is all well and good, but if you are borrowing as well at the same time—this is where I am especially interested in the credit rating aspect. As a mere mortal, if I was looking at that I would be thinking, 'Oh okay, they are seeing money coming in and are happy to spend it, but are not taking into consideration the aspects of debt that may be an ongoing challenge.'

The Hon. S.C. MULLIGHAN: There are a couple of elements to that. One is that when we have had strong revenues, sure, the government could have made different decisions; chosen not to increase spending to those areas of high priority for the community, health, or meeting the additional costs of looking after kids in care in our child protection system, or the skyrocketing costs of looking after people with disabilities, that relatively small cohort that the government is still responsible for that did not transition over to the NDIS.

We could absolutely have banked those revenues and not spent them to improve our budget outcomes, but of course that comes with a cost and a risk. One is the cost, where there are people who are trying to get urgent medical treatment in our hospitals who would not be able to get that treatment, either at all or to the same extent. You can play that out across the child protection and the disability care sectors, to use the examples that you have raised.

Of course, it would have really substantially boosted our net operating balance surpluses and reduced our debt as well, but what would you then anticipate the calls—

Mr TELFER: I have asked about—not the actual outgoings themselves, it is what the credit agencies are looking at. This is big picture stuff. I am not looking at the questions we will be asking further on, but this is what they would be taking into consideration. They would not be saying, 'At least it's on child protection or health' or whatever. They will be looking at additional expenditure over the top of budgeted lines, as opposed to the considerations around it.

The Hon. S.C. MULLIGHAN: I think 'a consideration' not 'the consideration', but one of their considerations will be, if you are going to dial up your operating expenditure, do you have the revenues coming into the state budget to support that? Can you still record a net operating balance surplus, for example? I think that is why I have reinforced publicly that one of the disciplines for government is trying to make sure that we are recording these net operating balance surpluses because it demonstrates that if we are increasing operating expenditure, then enough revenues are coming into the state to be able to record that net operating balance surplus.

If we were not receiving those revenues and we were just dialling up expenditures, then I think that would underline the concern I think you are getting to in your questioning: that the state finances are not being as rigorously managed or attended to, and that we are seeing behaviour that we have seen in some of the other states in recent years where revenues have been soft and they have just continued to dial up huge increases in expenditure anyway.

There are no definite objective thresholds or tests to them. Often it is a sort of subjective balancing act trying to make sure that you are doing as much as you can within the confines of the revenues and the state finance outcomes that you want to deliver and trying to make sure that they—when I say 'they' I mean the ratings agencies—feel that we are doing enough to manage the state's finances reasonably well.

Mr TELFER: Overall, you are confident that the measures that you are putting in place and putting in this budget will give them that assurance of our credit rating—you have that confidence?

The Hon. S.C. MULLIGHAN: I cannot be confident or fearful about these things because it is completely out of my control but—

Mr TELFER: You set the numbers; it is not completely out of your control.

The Hon. S.C. MULLIGHAN: No, but they are looking at what we are doing directly. They are also looking at the context in which we are operating as well. Let's say all of this stuff that is going on in the Middle East really flares up and we are suddenly in the middle of a global recession and our revenues start collapsing, they are going to ask questions about whether our levels of expenditure are sustainable given that revenues might not be as strong as we have budgeted for in this budget.

There are all those sorts of considerations too. All I can try to do is, within the demands of the spending that are put upon me by the government agencies and by ministers, balance those against how we can try to support them within the confines of the state finances, but also try to demonstrate that when we are doing things that are big and not initially anticipated—like Whyalla where we are trying to make room for them elsewhere—and demonstrate some sort of discipline or robust financial management that sometimes you have not seen in other states around the nation in recent years.

Mr TELFER: I am sure we could talk about credit ratings all day. At page 177 there is a line that says contingency provisions, supplies and services, and there is \$943 million in that line. It is obviously one that varies quite a lot. Can you detail the major expenses for 2024-25 which comprise the contingency amount?

The Hon. S.C. MULLIGHAN: We do not usually specify particularly what those allocations are for. You will see in the three contingency provision lines that we provide notional breakdowns between employee entitlements and investing contingencies. If there are any changes to our capital spending or infrastructure investment we usually try to account for it in that line, as well as supplies and services.

I have made it clear to the committee previously that there tends to be some blurring of the edges between the three of them, particularly when we are in an environment where in a 12-month period we have 73 per cent of the public sector up for enterprise bargaining negotiations, because we do not want them looking at a particular line saying, 'That's how much we know the government's got squirrelled away to meet our wage concerns, so that's what we are going to bargain up to.'

Mr TELFER: The supplies and services line in particular is up by nearly 10 times what the 2023-24 actual is. Is this project related? You spoke about your capital projects. It is a massive increase from the near \$90 million up to over \$900 million in only a couple of years' time.

The Hon. S.C. MULLIGHAN: One that I could identify in there which is probably the largest single item, and I am happy to put this on the record because I have talked about it publicly previously, is that we have made it clear on releasing the budget that, even though we have not identified it as a specific line or item in the budget papers, the budget figures do provide for a further six months of administration funding costs for Whyalla, should we need it. So when we are anticipating spending in the first six months on the Whyalla administration something in the order of \$380-odd million on that endeavour, then that further six months, plus the original expenditure that is Whyalla related, I

am advised, is also included in that supplies and services. That is sort of comfortably \$400 million of it.

You will see at the 2024-25 budget, the second to right column in that table there, we initially budgeted for \$350 million, nearly \$400 million at \$368 million, and it turned out to be less. We find it prudent to have money held back in contingencies at the very commencement of a financial year for things that might come along. Beyond that, we do not disclose line by line what is in it, because that might encourage either agencies or external parties with which we are contractually engaged in what those amounts are and then sort of incentivise them to try to ask for them, rather than meet their costs.

Mr TELFER: On the Whyalla aspect, you talked about the \$380 million, so that is the second lot of costs of administration.

The Hon. S.C. MULLIGHAN: Yes, plus what we had already budgeted for prior to that in that initial \$650 million package for that financial year.

Mr TELFER: So of the \$380 million additional, it is fifty-fifty, federal and state. There is basically—

The Hon. S.C. MULLIGHAN: But this is all of the \$380 million, because that part of the table is the cash outflow for what the government will be paying. So we may receive a cash inflow from the commonwealth on a fifty-fifty basis, but that more than \$380 million will be identified in that line as a cash outflow. It may not be realised, of course, because we might not need that extra six months, but it is accounted for in that line.

Mr TELFER: It is looking likely.

The Hon. S.C. MULLIGHAN: We may need some extra time. It is just a question of whether we need all of that extra time of administration.

Mr TELFER: So the \$380 million could potentially come out of that \$943 million, so we are down to \$550 million—

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: —of contingency. Still, \$550 million is a reasonable way above \$350 million in round numbers. I know major capital projects have always got contingencies built into them, if we are looking at the Torrens to Darlington or major capital investment projects. This really is around supplies and services for those non-capital or minor projects as well as—

The Hon. S.C. MULLIGHAN: If you just turn the page to page 178, down the bottom of that table, about five lines up from the bottom, you will see a line that says 'Administration Costs' of \$300.5 million. That indicates that of the first six months, which we budget at about \$384 million, financial year by financial year, only \$300 million gets paid in the 2024-25 year, and \$80 million of that is likely to be paid in the 2025-26 financial year.

So that \$943 million would include that balance of the first \$384 million or the \$83.5 million plus the additional \$384 million, so that further diminishes, I guess, the balance that you are trying to identify and what that goes towards and gets it that further \$80 million closer to what we had originally budgeted at 2024-25.

It is likely to include provisions of funding for government-approved initiatives across a range of portfolios. For example, if we are buying plant and equipment or we are buying land to provide a new piece of infrastructure, whether it is, I do not know, education related or police related or some other government agency related, it is likely to be held up in there and deliberately not disclosed because we do not want to identify a particular line for land acquisition costs and inform the vendor what we have capacity for.

We would say that the vast chunk of it, or at least the largest proportion of it, is Whyalla related, and then once you reduce all of those costs out—the \$384 million plus \$83½ million are getting us to \$460-odd million, which is getting us back down towards a not too dissimilar figure to that 2024-25 budget figure.

Mr TELFER: Is this also where you can squirrel away pre-election cash that you can spend on the lead-up? Is this what the contingency is there for?

The Hon. S.C. MULLIGHAN: I have never been aware of that sort of practice. That is news to me.

Mr TELFER: I will take that as a 'potentially'. For clarification on the Whyalla numbers, the first swathe of administration is \$380 million, half of which is from each level of government. The next swathe is another \$380 million, half of which is anticipated to come from each level of government, and the \$80 million you are saying is what has been allocated for the first aspect of it or is this—

The Hon. S.C. MULLIGHAN: Sorry, this part of the table is talking about just the cash outflow from the state government to outside of government. It includes both what we have provided but what the commonwealth has provided to us, and then we are spending both paths out. What I was trying to show you before over the page with that \$300.5 million on page 178 is that there is that timing difference from one financial year to the next. The first six months of administration do not neatly fall within the 2024-25 financial year. Nearly \$84 million of it will actually be spent in 2025-26, so that will be part of that \$943 million figure that you have highlighted.

Mr TELFER: And that is from the first tranche of \$380 million?

The Hon. S.C. MULLIGHAN: Yes, that is right.

Mr TELFER: So that there is nothing in here for the second potential \$380 million?

The Hon. S.C. MULLIGHAN: No, all of the second \$384 million—

Mr TELFER: Is within the contingency.

The Hon. S.C. MULLIGHAN: —is within that \$943 million as well, so together we are talking more than \$460 million of that \$943 million. Regarding the question you raised about sort of squirrelling money away for rainy days or other days in March, I guess my counterpoint to that is: once you remove all of that Whyalla funding and once you remove things that are held in there for discharging or providing money for approved initiatives of government, you are kind of getting back down towards the same sort of figure that we had budgeted in 2024-25, which of course is not an election year. I will reinforce that those three contingency provision lines give us the capacity, I hope, to be able to respond to the calls for additional expenditure when we are settling things like wage claims or—

Mr TELFER: I will cover wage claims stuff later on. Obviously, \$1.3 billion of contingencies across that line gives you that scope, but a significant swathe of that, as you point out, is the Whyalla stuff. Obviously, this is something that gets public attention, gets opposition attention, but would be on your mind as well: the interest on borrowings increase. It is coming in at just over \$1.3 billion there on page 177, which equates to \$3.66 million a day. We could fund a lot of teachers, doctors or nurses with \$3.66 million a day. Once again, is there a threshold of concern for you as the Treasurer that we may reach for the interest on borrowings, the projections for the debt to revenue, which I will touch on in another 10 or 15 minutes? That will also be an issue to consider, I guess.

The Hon. S.C. MULLIGHAN: I will not try to provide a reconciliation of why there is a difference between the interest going out of Consolidated Account versus our overall budgeted interest costs from the general government sector, which are identified in the operating statement in Budget Paper 3. I think the point of your question is that, when interest costs are going up, that provides less capacity to fund other operating expenses. You are right: it is a significant demand on the budget and, in particular, on the operating account.

How do we become comfortable with it? Again, making sure that you are demonstrating a net operating balance surplus is part of it, to show that, even though you have these much higher interest costs, you have the budget recording a net operating balance surplus. I have been the first to admit, in my first estimates in this session of parliament, that when we were pointing to the previous government and they were forecasting increasing debt across the forward estimates as they anticipated spending money on infrastructure similar to us, whether this was reasonable because, again, the budget was in deficit at that point in time and interest rates were a lot lower than they are now.

The challenge for us has been understanding whether we have the costs right for the projects, being able to forecast them, understanding what that does to our debt position across the forward estimates, and having a more up-to-date forecast of those interest costs. I think the figure that my predecessor gave me when I was sitting in your seat was that the average borrowing costs were something in the order of 1.7 per cent and we are now more than double that. So our interest costs have not just increased at the same rate that borrowings have gone up, commensurate to that, but they have increased far in advance of that because of higher interest rates being charged, or higher bond yields.

We try to make sure that we only incur the debt that we need to and to make sure that we can accommodate those interest costs in the operating statement by recording a surplus. But, it is a big cost. We are talking in the order of a couple of billion dollars a year by the end of the forward estimates. Even though the budget is forecasting a surplus, as you say, if you did not have those interest costs then potentially you would have more money to spend out of the operating account on those regular day-to-day operating expenses of government, or you would have the capacity to not incur so much debt or to pay down debt more quickly. So those are the choices we make.

The only point I would make is that part of the benefit of some of those higher than originally forecasted revenues that we have experienced over the last three years has meant that, as of 30 June this year, debt levels will be more than \$2 billion lower in the same financial year than what the previous government forecast. So we have managed to improve the debt position at this point in time compared to where the state had previously been budgeted to go. I do recognise that, when we are increasing debt substantially beyond that to build projects and we are incurring those interest costs, it does to an extent restrict the choices of government going forward.

Mr TELFER: Continuing on page 177, there is the line about the Business Growth Fund. Can you give me an explanation as to what is aimed to be achieved? There is obviously a \$25 million increase in that line. What initiatives is this Business Growth Fund going to be targeted towards? We have differing perspectives when it comes to business sentiment and outlook in South Australia. I have real concerns, as a business person myself, about some of the headwinds and the challenges being faced by business. You as my counterpart would talk about how great it is for business at the moment. If things are great for business, is the massive increase in the Business Growth Fund something that is necessary? What sorts of initiatives are being funded through this fund?

The Hon. S.C. MULLIGHAN: This is the former Economic Recovery Fund. The Economic Recovery Fund was established by the government in 2022 in our first budget. The idea was that we thought that, coming out of COVID, there were still quite a few industries and sectors of the economy that were trying to get back on their feet after the impacts of COVID and COVID restrictions and the changes in economic and trading conditions during those COVID years.

We have delivered a number of different programs that were funded by the Economic Recovery Fund in our first budgets. That has included energy efficiency grants; it has included some—I forget now what the program is called, but I think in our first budget we had the first round of the ERF, which was aimed at helping businesses expand and accelerate their growth. Part of those costs will be accommodated within both the 2024-25 estimated result and the 2025-26 budget as those businesses hit milestones that trigger those grant payments to them.

But the bulk of the 2025-26 budget is for what we have announced in this budget, which is the \$20 million for the Powering Business Grants. You guys quote Business SA or the SA Chamber—

Mr Telfer interjecting:

The Hon. S.C. MULLIGHAN: Well, the NAB one is actually quite positive for South Australia, but I do recognise that there are different perspectives on this. I am the last person to say that everything is rosy for all businesses in South Australia, because there are businesses doing it really tough. We have just had more than two years of the highest rates of inflation that people of our age would be able to remember.

Mr TELFER: Your age or my age?

The Hon. S.C. MULLIGHAN: Well, I do not know how old you are.

Mr Telfer interjecting:

The Hon. S.C. MULLIGHAN: Yes, that is right.

Mr PEDERICK: My age.

The Hon. S.C. MULLIGHAN: Not the member for Hammond's age; let's put it like that. That inflation comes with a lasting consequence because, even though inflation is back within the target band, all that means is that prices are continuing to go up but at a much lower rate than they were going up in the previous two years, for example. I do appreciate that there are significant challenges that a lot of businesses see, but, having said that, we still see the number of new businesses starting in South Australia eclipsing the number of businesses that are closing, according to the ABS data.

While we have the Australian Tax Office aggressively catching up on business payments that are outstanding to them, and while the temporary provisions that were put in place by the former federal Treasurer Josh Frydenberg to allow businesses to avoid becoming insolvent or going into administration have ended, it is challenging. The purpose of those grants is to partner with them so that they can invest and make their businesses more energy efficient, not just so their power bills come down for a limited period of time but so that they come down on a long-term basis.

Mr TELFER: I am still on page 177. We have touched on the contingency stuff a little bit. This could be a short answer. There is a significant increase in the employee entitlements. You talked about the potential of some of this contingency being around some of the negotiations. Is this existing employee entitlements? Is there a glut that you are expecting to pay out, or is this a contingency that you are setting aside for potential future liabilities?

The Hon. S.C. MULLIGHAN: One of the other roles of these contingency provisions is that Treasury funds and forecasts funding across the forward estimates employee expenses for particular agencies based on what is in their relevant enterprise agreements. That is reflected in each of the agency budgets that you will see across the portfolio statements and also in the summary figures in Budget Paper 3. What we hold in these contingencies is an allocation that we might need to top up those agency budgets once enterprise bargaining negotiations are resolved.

Mr TELFER: So it is a contingency over and above what has already been sort of baked in to give that additional flexibility of negotiations?

The Hon. S.C. MULLIGHAN: That is right. For example, my predecessor reached an agreement with the Public Service Association for wage increases of 1.5 per cent—I think it was over a four-year period—in December 2021. Obviously, the PSA thought that was a good deal for their members and so they reached that agreement voluntarily with the former Treasurer and signed up to that. That was their choice: even though inflation was running much higher at the time, they chose to voluntarily sign up to that deal. I do recognise that it is unlikely that we are going to reach an enterprise outcome of 1.5 per cent.

Mr TELFER: Not as good at negotiating?

The Hon. S.C. MULLIGHAN: The PSA or me?

Mr TELFER: No, you.

The Hon. S.C. MULLIGHAN: As I said, even though inflation was running much higher than 1.5 per cent, the PSA thought, 'This is a deal that we can recommend to our members,' and they signed up to that enterprise agreement accordingly with Rob Lucas. But of course what we have seen is that the inflation rate, which was already running higher than 1.5 per cent, continued to increase far beyond that during the course of their enterprise agreement and so now they have been coming to government saying, 'You need to backpay us, because we signed up to a deal that in retrospect we shouldn't have.'

I respect their ambition in making the argument, of course, but what we are focused on is a fair and reasonable wage outcome for the future period, with reference to the work that they do and also taking into account where inflation is at right now. I do not think taxpayers should always be on the hook to compensate people for decisions that other people have voluntarily entered into in the

past. We will negotiate a fair and reasonable outcome, and we have some limited capacity in these contingency provisions to be able to reach that agreement.

Mr TELFER: I might, keeping an eye on the clock, jump to Budget Paper 3, Budget Statement, Chapter 4. We will start in and around pages 62 to 63, around debt management. We have touched on the net debt to revenue of the non-financial public sector a little bit already. It is at 99.999 per cent currently and pushes out to 136.7 per cent in financial year 2028-29. What are the primary factors for the movement?

The Hon. S.C. MULLIGHAN: This is for the non-financial public sector, which includes the general government sector but it also includes the government trading enterprises, in particular SA Water and Renewal SA. Just to demonstrate, if you look at that figure of 2025, which is the end of the current financial year, 30 June this year, that \$31.3 billion includes the \$22 billion of the general government sector debt as well as roughly \$9 billion of debt held by the trading enterprises, like SA Water and Renewal SA.

So the increase across the forward estimates is largely driven by the increase in general government sector debt as money is being spent on those two very large infrastructure projects as well as all of the other infrastructure commitments across all of the other agencies, which continue on across the forwards, which are set out elsewhere in the budget papers.

But I made a comment a little earlier about what the 2025 figures show. That financial year, or this financial year, was actually the last year of the forward estimates of the previous government's last budget. What they were predicting for 2024-25 is that net debt figure would be \$33.6 billion, and we are estimating the outcome to be \$31.3 billion. So it is \$2.2 billion or \$2.3 billion lower, and that net debt to revenue figure of 99.9 per cent was forecast to be 129.6 per cent in that same financial year. So when you are assessing a debt figure which is a bit lower, but your net debt to revenue figure is massively lower, it demonstrates that the capacity of the budget, the size of the budget, is much larger now that—

Mr TELFER: But you are getting more money in your pocket from stamp duty and land tax and all that sort of stuff.

The Hon. S.C. MULLIGHAN: And improved economic activity.

Mr TELFER: GST.

The Hon. S.C. MULLIGHAN: It provides the capacity not just to increase expenditures to those areas which you highlighted before but also to invest in infrastructure and do it in a way so that those key budget metrics can be kept much improved from where they have previously been forecast. You will see that where they had said that debt of \$33.6 billion would see a net debt to revenue ratio at 129.6 per cent, it is not until you get out to 2028 where that net debt to revenue ratio is at 125.9 per cent, still lower, but the forecast debt figure is \$44.2 billion and it is only once we get to the very end of the forward estimates of 136.7 per cent where we go past that forecast net debt to revenue ratio.

So the capacity of the budget to take on debt has substantially improved, which means some of these debt metrics have been improved as well and that provides, I guess, a greater degree of comfort that the state finances can take on these demands and perhaps why you see that, given how some of those metrics have improved so much, and that debt in this financial year is lower than what was previously forecast, that has also allowed previously the ratings agencies to take us off negative watch and return us to a stable outlook.

Mr TELFER: In regard to the public non-financial corporations net debt, there are some specifications around what borrowings are required—those that are named by SA Water in particular. Are there any others besides those—SA Water projects or others—that are required that you can specify?

The Hon. S.C. MULLIGHAN: The two that spring to mind are Renewal SA and the South Australian Housing Trust. A lot of the projects which have been announced during the course of the government across both Renewal SA and Housing Trust sites and assets would also be

contributing to that. But as I said, there was roughly that \$9 billion difference in the current financial year between the general government sector debt and the non-financial public sector debt.

By the time you get to the end of the forward estimates, those two figures are the 48.5 and 37. So you will see that that disparity grows to about 11½ or an extra 2½ billion. Part of that reflects the higher spend by SA Water on pipes and so on and other assets and part of it also reflects those additional expenditures in the other agencies, principally Renewal SA and the Housing Trust.

Mr TELFER: Has there been any work done to project the public non-financial corporations' net debt past the forward estimates? You talk about that gap. Do you expect that to continue to grow out or reach a point where it is somewhat parallel when you are looking at that sort of infrastructure?

The Hon. S.C. MULLIGHAN: Not really because the end of the forward estimates goes beyond the four-year pricing determination period for SA Water. Even in that 2029 year, I think I am right in saying, that is not even in the new four-year pricing determination period, so we do not really know what is happening in 2029 as far as SA Water goes because of all that.

Mr TELFER: We do know, though, that there are going to be—and that the government has already announced—land releases that are going to require infrastructure investment. This is why I think if the work has not been done, the scope of work could be done, or maybe SA Water are doing that work separately, because there is still an awareness of the amount of investment that may potentially be necessary, despite it being outside that price determination band because this is the work that they will be doing in preparation for their application to ESCOSA for consideration for the next.

The Hon. S.C. MULLIGHAN: I guess there are a couple of different elements to it. I will use your example of SA Water before I come back to Renewal and Housing. SA Water will start forming a view over the next presumably 18 months or two years about what 2029 onwards looks like and they will weigh all that up, including the consideration that you have made about new connections and so on. But then there has to be the discussion with the industry about who is paying for it as well. We have already engaged with industry as part of the Housing Roadmap and introduced for the first time a minimum contribution per allotment for development.

But at the same time we are also aware that SA Water is reaching agreement with developers of estates that the developers will take on responsibility beyond just that allotment cost for providing and managing water infrastructure as well. So, for all of those reasons, we cannot provide any sort of forecast about what that means for the SA Water capital program, their debt levels, let alone what it means for any other SA Water settings.

In terms of Renewal SA, I think they are doing an increasingly better job of trying to get into the effort of developing sites and then getting them off the balance sheet (i.e. selling them) and then providing themselves some financial capacity to invest in the next one. That may well continue, but we are casting well into the future here. Some of the things that we have done before the Housing Trust, some of the things that we have done in Renewal, for example, is sell a lot of Renewal SA land to the Department of Defence federally on the Lefevre Peninsula so they can expand the shipyard, which has reduced their land holdings and borrowings commensurately.

Mr TELFER: Obviously, I have working knowledge and experience with local government where they have to do a 10-year, long-term financial plan, assess their asset base and work out the depreciation and the replacement schedules and that sort of thing. Is that sort of work being done and does that help inform not just with SA Water? Housing is a classic example of it. There should be an understanding of the ageing of that infrastructure and what is going to be required as far as replacement goes.

I get it comes down to a policy decision in the end for whatever government is in power, just like it would at a local government level. Do you replace that asset? Do you upgrade that asset?

I guess this is the sort of work that I expect to be used to punch into try to ascertain these net debt to revenue ratios and the like when it comes to the public nonfinancial corporations net debt line.

The Hon. S.C. MULLIGHAN: I think you are absolutely right to be identifying those as being important considerations. Each of those agencies produce their own financial statements, which are

usually interrogated and reported on by the Auditor-General when he releases his report. That usually comes towards the end of September about what is their capital program, what are their debt levels, what is their depreciation, and so on.

We do it in this budget, of course, for the general government sector as a whole, and you will see that on page 30 of Budget Paper 3, where you see the chart of how much our capital spending is versus our infrastructure spending. That is taken, obviously, globally across the general government sector agencies, including health and transport and education, and all of the others.

If you really cast your mind back historically over the last 20 or so years, you will see that back in 2002 infrastructure spending was barely keeping pace with depreciation; indeed, at 2014 it sort of dropped down again to be line ball. But, of course, you see over the last 10 years that capital spending is well above and beyond depreciation levels. However, those particular government businesses—SA Water, Renewal SA and the Housing Trust—record all of that in their financial statements.

Mr TELFER: Just regarding the sort of debt management, we spoke a little bit about the credit rating impacts of what is happening globally at the moment. Are there any strategies being considered or implemented to mitigate the impact of the global tariffs from the US? Is this the sort of work that is being done?

The Hon. S.C. MULLIGHAN: I am not sure that I would say it is tariff specific, but certainly there is work being done trying to understand and take into consideration the broader global environment. We are increasing our borrowings, as we have discussed during the course of this morning, for building infrastructure and so on. Other states and territories are doing the same thing, and some are doing it vastly more aggressively than what we are, particularly the bigger states like Victoria and NSW.

A couple of different things are happening. One is that SAFA, which raises our debt on behalf of the government, is thinking about how global markets might influence how we go to market and also which markets we go to as well. Then, as treasurers and treasuries collectively across the country, we are also trying to coordinate with one another about how we go to market, because I am told that we are all regarded as being sort of one and the same to offshore markets.

They think that South Australia is a semi-government authority or a subnational jurisdiction in Australia, so they would consider us through the same sort of lens as they would look at other states like New South Wales when they are working out whether they want to buy our bonds. So we have agreed to start working a bit more closely together, as state and territory governments, on what our bond issuances are going to be and where they are going to be.

We have states that are considering all sorts of bond issuances to overseas capital markets, which they have not done before, and we are considering doing the same thing. I would probably argue that we are being a little bit more conservative than some of the other states; we are going to those markets where we have established relationships or prior jurisdictional relationships.

Big purchases of state government bonds have traditionally been like the big four banks, for example; to make their APRA requirements they only need so many bonds, and because we need to raise so much debt going forward we have sort of exhausted their appetite for state government bonds, or we are getting close to exhausting their appetite I am advised.

Mr TELFER: Is the work being done—and this is obviously in the public interest—as far as the bonds to raise the debt that we are increasing, have we got a breakdown on where that debt lies internationally?

Are we relying on some overseas jurisdictions? There are plenty who are more affluent and may want to be investing, but does that add risk? What proportion of our debt, for instance, is funded from China, from South-East Asian countries, from European countries?

The Hon. S.C. MULLIGHAN: I am sure I can give you that answer. We have a session for SAFA a bit later if you want to hold it until then when I have Anthony and his team.

Mr TELFER: I will save it for the SAFA guys. As I said, it is obviously something that has a heightened awareness and public interest in at the moment.

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: I think it is something that the people of South Australia deserve to have a bit of clarity around.

The Hon. S.C. MULLIGHAN: Yes, I think that is fair enough.

Mr TELFER: Do you have a threshold? Do you have a line with that net debt to revenue ratio where it is going to be getting up to 135.9? Is there a level where that ratio is considered to be unsustainable that the government is working towards?

The Hon. S.C. MULLIGHAN: I am not sure it would bear itself out in that ratio in particular. Probably the first test of unsustainability, or not being able to be sustained, is if the budget could not afford to service it to meet the cost of having that debt on its balance sheet, and the government trading enterprises, of course—housing, Renewal and SA Water—raise sufficient revenues so that they can meet the costs of their operations and also their debt. Really then, it becomes a function of the general government sector and how sustainable the debt is in that context.

One of the things that we would look at is interest costs and how big those interest costs are as a proportion of the overall operating account: for example, meaning that we can no longer record surpluses in a net operating balance. You made a point before about whether having to take on this debt to build these projects, and the interest costs that come with that, we are having to make decisions or whether we are constrained from making decisions to be able to do things that the community would otherwise expect us to do—like invest in, I think you said, nurses and teachers and all those sorts of things.

We have not been at that point, and we do not forecast that we are going to be at either of those points going forward. If there is an objective measure that a ratings agency might have—that they would not disclose to me, that if you go above that particular figure on that particular metric then that is a trigger point for me—but the way we look at it is: what does the debt look like; how does it fit within the various ways that people kind of measure that debt, including the interest costs and whether it pushes the operating account by itself into deficit; and is it becoming so great as to constrain the government from being able to fund the expectations of the community?

Mr TELFER: There are a few questions on that which may well be better suited when SAFA come in, so I will hold off on that. I think at page 63 it says:

The debt management framework is reviewed regularly, and such reviews consider any significant changes in the state's debt levels and changing market conditions.

When was the last time the debt framework was reviewed? Is it a formal process?

The Hon. S.C. MULLIGHAN: There is a SAFA advisory board, and I am advised that they regularly monitor it, but there was a specific review of it done in the current financial year.

Mr TELFER: The other aspect of debt is obviously around revenue. From page 79 there is a bit of commentary around the risks around revenue in particular. Some of the commentary around it obviously talks about fluctuations in state economic activity. Are there any specific or foreseeable potential shocks that have been identified which could pose a risk to the budget across the forward estimates, specifically looking at this revenue aspect in particular, I guess, and obviously as a result of the state credit rating?

The Hon. S.C. MULLIGHAN: If you think about what our major revenues into the budget are, obviously GST is clearly the largest one. If there is a significant change in national economic activity or forecasts of GST revenue from the commonwealth, then that could have a pretty significant impact. I think we got \$9-odd billion in the current year from GST. Even a 1 per cent variation there is getting close to \$100 million, so it is pretty material.

Beyond the GST, we are looking at our major sources of revenue that we raise for ourselves and, in particular, things like payroll tax and conveyance duty—or stamp duty, as most people know it—which is spoken about over the page. If there is a significant change in forecast economic conditions and there is a drop in payroll of businesses, like there is a big economic shock and unemployment goes up and so on or whatever that would impact payroll tax revenues, if there is a significant correction or fluctuation in the South Australian property market, then that would obviously

impact conveyance duties. But what we have tried to do on conveyance duties, for example, each budget is we have continually been in receipt of higher revenues against—

Mr TELFER: It is underestimated.

The Hon. S.C. MULLIGHAN: —yes, what we have previously forecast. I would argue—and it is Greg and his team who does it—they have still been pretty reflective of the strength of the property market in trying to work out what our future revenue estimates have been.

Mr TELFER: It has just gone over and above every time.

The Hon. S.C. MULLIGHAN: It has just gone over and above. How many years have we had double-digit growth in average prices now? I think it is two or three years in a row. If it has not been double-digit, it has been close to it, whereas we would say that even a 5 per cent increase in property prices in one year is pretty bold growth. What we have tried to do, as we have seen those higher levels of average price or volume, like number of house sales happen, is predict when it is going to come back down towards what we would consider to be a more normal, ongoing trend of house prices, and each year we have had to recalibrate that return.

In fact, on page 81 you will see how there have been those fluctuations over many years, but, in particular, even in the last five or six years, leading into COVID, during COVID and after COVID, how the annual growth in conveyance duty has just bounced around so incredibly.

Mr TELFER: The aspect in that revenue risks line at the top of page 80 states 'renewed inflationary pressures could result in central banks raising policy rates, intensifying monetary policy divergence across countries'. Obviously, there is always commentary around interest rates, and the federal government's statements publicly have been around obviously pushing for further interest rate cuts. This commentary talks about increases. Do you believe there is going to be an interest rate increase due shortly?

The Hon. S.C. MULLIGHAN: No, I think it just highlights the risk that, if we return to where Australia has been in the last two or three years where we had some quarterly results recording through the year inflationary growth, then that might mean that the RBA has to consider moving interest rates accordingly to get inflation back under control. But that is not where we are at the moment. It is just recorded as a risk in the same way that we record a risk of being in a global downturn in economic activity or a national downturn in economic activity or a big fluctuation in our local housing market or if there was something significant that happened to the labour market it would drive down payroll tax revenue.

The purpose of this statement is to say: while we have forecast where we think revenues and expenditures are going across the next four years, these are all of the risks that we consider when setting those forecasts and what might change those outcomes really significantly against those forecasts.

Mr TELFER: What about the ongoing drought conditions that are being faced at the moment? What impact on the South Australian economy has been identified due to that, and has any modelling been done on how the drought may impact food prices, for instance, for the next 12 to 18 months, which could have that local inflationary impact?

The Hon. S.C. MULLIGHAN: I am not sure I will be able to put my hand on it quickly, but I think we have something that says that in 2024-25 there was a 40 per cent reduction in broadacre crop production, which equates to about three-quarters of a percentage point of GSP in the current financial year. What we try to take into account then is what the national forecasts are. ABARES—I will not even attempt to spell out what that acronym stands for, but I assume the first two are Australian Bureau—

Mr TELFER: Agriculture and Research Economic—

The Hon. S.C. MULLIGHAN: If you do not know it, none of us are going to know it.

Mr TELFER: I should know it. You should know it, too, sir.

The Hon. S.C. MULLIGHAN: We should all know it. We nearly got there between us. I am told that they forecast for the next financial year a 40 per cent increase in crop production—so

obviously a 40 per cent decrease and then 40 per cent increase trending back to where it was previously. But that relies on a return to more normal rainfall conditions. So a risk, of course, would be that if, as you have highlighted in the context of your question, the dry conditions persist into 2025-26 then we will not see that 40 per cent rebound in crop production and then we would see a similar dampening effect on overall gross state product.

Mr TELFER: I certainly think that that is probably an area which has an affect not just on the GSP, but obviously the potential flow-on inflationary costs for food and people's bottom line at the moment—something which should definitely not be underestimated. There is also an aspect that talks about the revenue risks and talks about sectoral capacity constraints, in particular, material supply and labour constraints on construction limiting government's ability to deliver economic infrastructure projects. Are there any specific risks to construction productivity in South Australia?

The Hon. S.C. MULLIGHAN: Yes, we have the two largest projects that have ever been undertaken in our state ramping up over the same period—that is the hospital and the tunnels. Some of the key skills of the labour forces which are required for both of those projects are similar. So if we are boring a massive tunnel underneath the South Road corridor and then lining it with concrete, you can imagine that there is going to be a pretty high demand for formworkers, etc., for that project at the same time that we will be trying to build floors of the new Women's and Children's Hospital and requiring the necessary formworkers there.

On top of that, we have government projects outside of our direct control, for example, tripling the size of the submarine construction yard at Osborne, which will place very significant demands on civil construction services, and so on. Why everyone in the Australian economy is banging on so much about labour at the moment is making sure that there are adequate supplies of skilled labour for all these projects around the country, but we have a microcosm of that challenge in South Australia.

I will not pretend to be able to speak authoritatively on where we are at with the actual materials that go into this, but increasingly what is being anecdotally reported now is that some of the materials availability challenges we had coming out of COVID and out of HomeBuilder are smoothing out regularly, so hopefully that remains the case.

Mr TELFER: Just on the labour shortage aspect in particular, not just here but later on page 91, the commentary around labour shortages across different construction trade skills: does the government have any plans to negotiate changes to the state's Designated Area Migration Agreement (DAMA) with the commonwealth, or provision for training of migrants to allow for that skill shortage to be addressed in the short term? I have taken a fair interest in looking at the dynamics in that space around how it has been geared towards advantaging the Eastern States as opposed to us in particular. Is there a mood within the government to negotiate some of those arrangements around the DAMAs in particular?

The Hon. S.C. MULLIGHAN: I cannot speak as authoritatively as perhaps you would like on the specific issue of the DAMAs, although I know it is an ingredient, potentially part of the solution here. I know that the Premier and Deputy Premier—the Deputy Premier having this newly created portfolio of workforce—are both leading negotiations with the commonwealth to try to make sure we get some improvements to migration policies, both to make sure that South Australia gets a greater number or a greater share of skilled migrants coming into the country and actually coming to South Australia, rather than all being directed to the western suburbs of Sydney and Melbourne, and, secondly, trying to reach bespoke agreements where we think it will be particularly important for the state.

As the previous term of the federal government was restricting the number of university places and international student places across the country, we were able to negotiate an additional 1,000 places for nuclear-related skills for our universities so that we could generate a proportion of demand in those areas. Those sorts of things will continue on, but it might be something that you or your colleagues might want to pursue with the Deputy Premier in particular.

Mr TELFER: Keeping an eye on the clock—I want to make sure I get the opportunity to ask some of the questions that I do not think fit under some of the agencies later—I refer to the Fines Enforcement and Recovery Unit (we have the team here at the moment). I refer to Budget Paper 4,

Volume 4, Agency Statements, page 163 to 165. Looking at this unit in particular, the estimated FTEs are 11 less than the budgeted 112.9—can you give an explanation as to why?

The Hon. S.C. MULLIGHAN: I will check, but these staff have an incredibly difficult job trying to recover fines from people who have them outstanding to the state. It is probably not the easiest phone call to be in receipt of, and so sometimes we have found it difficult to hold FTE numbers. Let me see if I can provide you with some specific advice.

At times during the course of the financial year we have not been able to fill our vacancies with ongoing Public Service employees, and so we have had to backfill those vacancies with some contractors who are not reflected in these FTE numbers, for example, but they would be picked up as part of the contractor expenditure that is recorded in the Agency Statements.

Mr TELFER: There is obviously a pretty significant increase from the 2023-24 actual figure to the budgeted 2024-25 figure. Is this a case of just never being able to actually fill the positions that are budgeted, due to the challenges that you speak about? Is this FTE number somewhat of an aspirational number that you are hoping to get to but that you never really achieve?

The Hon. S.C. MULLIGHAN: I will see what further advice the team can provide me. It is a really difficult job: imagine the warmth that you project down the phone when someone rings you and asks you to pay up for an outstanding fine. These are not often contacts or phone calls that are warmly received. Regrettably, some of these staff are often on the end of quite a robust exchange, and that is a really difficult task to be confronted with time and again during the course of the day, throughout the week and on an ongoing basis. We find in this particular area, and also to an extent in Shared Services, that trying to hang on to staff can be really challenging because the work is really difficult. I will just see if there is anything else I can provide. No, given the other questions you have, I think that is probably enough on that—unless you want me to take something on notice.

Mr TELFER: No, that is fine. One of the explanations given in this area is the centralisation of accommodation and information technology expenses of \$2.1 million. What was the initial budget for this target? Has that centralisation process finished?

The Hon. S.C. MULLIGHAN: I might come back to you on that. The advice we have is that that change of \$2.1 million does not necessarily relate to a change in overall cost but to where the budget is held for accommodation expenses. Previously it was accounted for in one particular budget area and it is now accounted for elsewhere, but I will provide some further particulars to you and come back.

Mr TELFER: Considering the discussion we had right at the start about the increase in fines, and you specifically referred to some of the traffic management—mobile phones, speed, etc.—there has not been a change in the amount of FTEs from the estimated result to the budget. Speaking about increased expectations and fines and, with that, especially the sorts of interactions that you have spoken about, if you are interacting with a larger number of people there are going to be more challenges that are faced, as far as that goes. It is not very often that I look at an increase of FTEs, but, if you are adding a burden of an expectation of revenue onto certain aspects, is this not a resourcing challenge that needs to be properly recompensed for the amount that is going back into the state government revenue coffers?

The Hon. S.C. MULLIGHAN: Yes, there are two things. One is, you would have seen that when the cameras were initially budgeted for and announced there was an increase in the number of FTEs from 2023-24 to 2024-25. Even though we did not get to 112.9, it is still a reasonable increase from 86.2 to 101.9.

These Agency Statements only really cover a window of financial years, like 2023-24, 2024-25 and 2025-26. I am also advised that there is a further budgeted increase for 2026-27 as the cameras become operational, so there will be some change there. On page 165, you can see what some of the changes in forecast activity are as well, especially the second row. That sort of reinforces the point that you make about the number of enforcement action notices issued, and so on, continuing to increase.

Mr TELFER: I might jump to a few questions around the Lifetime Support Authority. That is Budget Paper 3, Agency Statements, Volume 3, pages 147 to 150. Regarding the Lifetime Support

Authority, how does the budget from the financial year compare to the actual spend? Can you give me some explanation of the expenditure and the inflows?

The Hon. S.C. MULLIGHAN: Sorry, could you just remind me of the page reference? I am struggling to put my finger on it.

Mr TELFER: Yes, hang on.

The Hon. S.C. MULLIGHAN: I also have the chief executive, Rick Howe, coming for the subsequent session, I think, but I am happy to do what I can now.

Mr TELFER: It was not specified, so I thought this might be the time, but I am happy to do LSA later on.

The Hon. S.C. MULLIGHAN: If you are happy to, sure.

Mr TELFER: Yes, we may as well do it when he is here, as opposed to asking questions when he is not. We will flick back then to fines enforcement stuff, because I think that this is something, once again, that there is a fair public interest in. Sorry to jump back to Budget Paper 4, Volume 4, pages 163 to 165. Regarding the numbers, especially around the income and expenses, do we have a number as to how many fines the unit actually collected, the number of fines in 2024-25?

The Hon. S.C. MULLIGHAN: I have the dollar amount, but I do not think I have the number of fines in front of me. On the table on page 165, there is the number of matters referred for enforcement, but I might have to see if that is the most accurate representation. Otherwise, we have the dollar amount.

Mr TELFER: You have the dollar figure rather than the actual number of fines?

The Hon. S.C. MULLIGHAN: I have a little bit of information about the number of fines which are referred from other government agencies to FERU. We manage them on behalf of a range of different agencies. Last financial year, that figure was 304,285 fines. Year to date, as at 30 April, so a few weeks back, there were 258,013. The value of that debt in 2023-24 was \$207 million and year to date, 30 April, it was \$170 million.

Of, for example, that 304,000 in the 2023-24 financial year, the number of payment arrangements where people might say, 'I will give you \$20 a fortnight' or whatever was 63,280. But if there are particular statistics or metrics that you are interested in, I am happy to take it on notice and give you that detail.

Mr TELFER: In the last five minutes, I might just jump to page 177 of Budget Paper 4, Volume 4. There is a line there, minister, that talks about building indemnity insurance. This is something that has had a fair bit of attention. It has gone from a budget in 2024-25 of \$618,000 up to \$18.6 million, the estimated result, and then the budget back down to 2025-26. Can you give me a bit of an explanation as to the reasons for that?

The Hon. S.C. MULLIGHAN: There has been a series of significant building companies which have collapsed, which has meant that we have had to pay out a much larger number of building indemnity insurance claims through SAFA. There is a particular insurance fund within SAFA that has been set up for this ever since the government started underwriting QBE, providing the insurance coverage. So that obviously shows why there has been a massive increase in the amount of money that we have had to pay out in the course of the financial year against what was originally budgeted, which was quite minimal.

Mr TELFER: How many building companies have collapsed in that period of time?

The Hon. S.C. MULLIGHAN: I am pretty sure we will have that detail. I am told it is primarily due to the insolvency of Felmeri Group, 7 Star Construction and Qattro Built during the course of 2023-24. The number of claims we have had from April 2024 to February 2025, so not quite a perfect financial year, is 75.

Mr TELFER: You refer to the Felmeri stuff. There were some questions last estimates that you are going to go and check and get back to us on. That has not happened yet, as often happens with estimates.

The Hon. S.C. MULLIGHAN: It has not? My apologies.

Mr TELFER: There is a bit of a question around the timing of when the Treasurer or your office or Treasury or the Under Treasurer actually were provided with any sort of forewarning of Felmeri's perilous financial position. When did you know about it and did you do enough in the lead-up to try to make sure that those who were exposed to it were properly prepared and looked after?

The Hon. S.C. MULLIGHAN: I will not say that we are the last to know, but we are in the chain of knowing usually when the company becomes insolvent or it goes into administration, because that is, I guess, the crystallisation of them as a company not being able to make good their building contracts. They are not able to complete the build or they are not able to correct any building defects in the build that they have delivered. What can lead up to that of course is, as commonly happens, a customer has a complaint against their builder and says, 'I want you to fix this' or 'When are you blokes going to show up and finish the build?'

Mr TELFER: Just to get to the nub, this is the bit I think the public need to know. The FOI showed that 3½ months before Felmeri went into administration and 5½ months before it went into liquidation, there was discussion amongst Treasury, including the Deputy Under Treasurer and the Under Treasurer. I will quote from a from an email that I have read. It says Felmeri was 'in significant financial distress and it is a matter of when, not if, they enter administration'. If this is 3½ or up to 5½ months before the actual day that you are saying when it crystallises, is this good enough when they have this sort of knowledge and allow it to continue to roll on and then only act when things crystallise?

The Hon. S.C. MULLIGHAN: I am not sure what that email is. I am not sure that I have seen that before. Certainly, SAFA is responsible for managing the fund that we pay building indemnity insurance claims out of and that usually happens when a builder is unable to meet their obligations to their client, either finishing a build or rectifying building works that have been undertaken. Sometimes that can be because there is a consumer dispute: 'Why I think I have built it as you asked', the other party does not believe that they can, or there becomes a sequence of these sorts of claims.

Mr TELFER: So you are only reactive, rather than proactive?

The Hon. S.C. MULLIGHAN: You have to remember that there are other government agencies, particularly in Consumer and Business Services, that every day of the week are mediating these disputes between builders and their clients. It is only when a claim gets crystallised (i.e. the builder cannot make good, they cannot finish the house or they cannot make the building alterations to meet the contractual obligations) that we get it, so we get it right at the end.

Mr TELFER: And it is the only power Treasury has with this sort of thing?

The Hon. S.C. MULLIGHAN: If the suggestion is that we get a claim with respect to a builder, which happens from time to time, and the builder is continuing to trade and trading quite solvently and, except for this claim, quite capably—it is certainly not the majority of cases—then if the expectation is we go out and start flashing public notices that there is a problem in the building industry, or there is a problem with this particular builder that may or may not be an accurate reflection, you can easily appreciate the capacity that has to crystallise an insolvency, for example.

I appreciate the point you are trying to make. I do not think it is fair to say that we had the opportunity to stop Felmeri from going under or to protect their consumers. Treasury protects consumers by underwriting the insurance that otherwise the insurance industry has completely vacated, and because of what we have seen since we have been in government we have been working with the industry to increase the insurance payout limits from 150,000 up to 250,000 because the 150,000 figure had not been changed for a long time, as well as make sure that we are starting to require and enforce builders taking out the insurance policy in the first place, which is something that had become apparent to us during the course of this term of government.

There were some builders—some bad actors—out there who were entering into contracts without taking out the necessary insurance policy and I have had to make a series of decisions as Treasurer to pay out on policies that were not even entered into in the first place so as not to leave consumers completely out on their own and that comes at a real detriment to the state's finances and the fund that SAFA maintains for those purposes.

So I do not dispute you raising the question. I think that that is fair enough, but I do not think it is reasonable for anyone to form the opinion that we have not been doing everything we can to protect consumers through this period when we have seen a number of builders go under.

The CHAIR: The allotted time having expired, I declare the examination of the Department of Treasury and Finance completed.

Sitting suspended from 11:03 to 11:15.

Membership:

Ms Hood substituted for Mr Odenwalder.

Departmental Advisers:

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

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

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

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

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

Ms T. Blight, Chief Executive, Super SA.

Mr P. McAvaney, Director, Policy Risk and Governance, Super SA.

Mr A. Mills, Chief Executive, HomeStart Finance.

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

The CHAIR: I advise that the proposed payments remain open for examination, and I call on the minister to make a statement, if he so wishes.

The Hon. S.C. MULLIGHAN: I will just introduce the change of advisers. I have Anthony Coates, who looks after SAFA, and Julie Holmes, who looks after RevenueSA, Commissioner of State Taxation. I am happy to start wherever you like, sir.

The CHAIR: I call on the lead speaker for the opposition, if he wants to make an opening statement.

Mr TELFER: We can get straight into it. We will start with SAFA. My reference is Budget Paper 3, Budget Statement, pages 23, 49, 50, which are the key SAFA ones. The estimated dividend result is \$1.5 million for the financial year 2024-25 when the budget was \$49.8 million—a pretty significant change. Can you give me an explanation as to the reasons behind that significant decrease in distributions?

The Hon. S.C. MULLIGHAN: I am advised it is mainly for insurance losses. It is a higher than budgeted provision for what we will need to payout against the victims of sex abuse in state care under that funding regime, which was put in place by the previous government.

Mr TELFER: That equates to all that \$48.3 million drop?

The Hon. S.C. MULLIGHAN: That is by far the largest component, but I will see if I can provide some further detail if you like on it, because there are some other movements that are both up and down: changes in returns to the Treasury function, changes in returns to the fleet function as well. I am happy to take that on notice, if you like.

Mr TELFER: You will take it on notice, okay. On page 50, I would like to unpack a little bit further, if possible, some of the detail that is described there. What was the increase in value for the provisions established for insurance claims that impacted the distribution, and what was the value of the higher budgeted portfolio growth that impacted the distribution?

The Hon. S.C. MULLIGHAN: The variance, I am advised, for the insurance is a \$113 million variance in the provision, so that is obviously a significant increase. Then there are some other movements with the other two functions of Treasury and Fleet moving in the other direction, which provides that net outcome of the \$40-odd million figure you identified in your earlier question.

Mr TELFER: On page 64, it talks a bit about the insurance arrangements. Prior to the establishment of a new insurance fund, fund 5, what fund or funds or what process was construction insurance administered through?

The Hon. S.C. MULLIGHAN: Fund 5 is particularly for the tunnels project, I am advised.

Mr TELFER: Okay.

The Hon. S.C. MULLIGHAN: We have reinsurance arrangements with the insurance market globally for our regular activities and construction program, but when we went to market for specific coverage for elements of the tunnels project, they indicated that the global market conditions were such for the insurance market that the level of cover we would be given under an insurance policy was basically the same as the premium that they would charge us for that insurance policy.

We are talking coverage in the order of, say, \$50 million, so rather than pay a roughly \$50 million premium in order to get \$50 million worth of coverage we decided to create that fund within fund 5. We will collect the \$50 million premium out of the project budget and if there is any call on it then we will pay it out, and if there is not a call on it then obviously that ends up not being required.

Mr TELFER: Is there a breakdown of what the increase in debt has been used to cover, like the Torrens to Darlington, the new Women's and Children's Hospital, or other capital projects?

The Hon. S.C. MULLIGHAN: In terms of how much SAFA's debt increases across the forward estimates?

Mr TELFER: Yes.

The Hon. S.C. MULLIGHAN: I can give you that. Even if government debt was not increasing we would still be out in the market issuing bonds and raising money, particularly to finance the operations of government. Our revenue receipts are quite lumpy through the year, whereas our outgoings can be fairly consistent—I mean, you have to pay wages every fortnight and so on.

Mr TELFER: Those bonds are used to flatten out the need for cash as revenue comes and goes.

The Hon. S.C. MULLIGHAN: Yes. Then there is also the need to refinance debt which is maturing that has been taken out in previous financial years. There are three different reasons why we are out in the market every financial year, generally speaking. We see that our long-term debt increases by \$19.7 billion over the forward estimates. Our short-term debt increases by half a billion dollars over the forward estimates, and then the total debt figure increases by the sum of those two. Are you after a year-by-year breakdown?

Mr TELFER: There is the big number. How much of that number is equated to some of the projects? A lot of the time you talk about in the commentary the big two, the Torrens to Darlington and the new Women's and Children's Hospital. How much of that debt is equated to those specific projects and other major capital projects?

The Hon. S.C. MULLIGHAN: We will see what we can provide you, but I just caution by saying that SAFA is not raising debt, sort of, initiative by initiative. They are just understanding what the total requirement is—

Mr TELFER: Total fulcrum.

The Hon. S.C. MULLIGHAN: —in a financial year and then going out and raising it accordingly. We have a pretty good understanding of what our construction spend is across the forward estimates, which you see in the budget figures. We can provide that. We can provide it by project, but I am not sure those two marry up, because when we are out in the market, as I said, we are often refinancing debt which is maturing, which might have been taken out five or however many years ago, as well as being out in the market for cashflow purposes. But anyway, I will see what sort of comprehensive information we can provide.

Mr TELFER: Thank you. A question I brought up with you before, before the team was here, was around the sourcing of that debt. Is there a conglomeration? Are there major sources internationally for that debt? Can you give me a bit of a breakdown, if that is available, please?

The Hon. S.C. MULLIGHAN: I am told that usually about 20 per cent of our debt is raised offshore. Yesterday there was a debt issuance of \$1.5 billion; 34 per cent of that \$1.5 billion was offshore. The offshore markets that we are talking about are Asia—which is principally South Korea, Singapore and Japan—the UK, Europe and the Middle East. But we have minimal or no holdings from China and Taiwan. They would be restricted to Chinese or Taiwanese domiciled banks rather than other entities.

Mr TELFER: You say that normally it is 20 per cent offshore?

The Hon. S.C. MULLIGHAN: Overall?

Mr TELFER: Yes. Is that a pretty consistent, static number over the last—

The Hon. S.C. MULLIGHAN: Except that yesterday what we saw—

Mr TELFER: I will unpack yesterday. So 20 per cent is the usual?

The Hon. S.C. MULLIGHAN: I am told that it fluctuates. There have been a number of issuances in the last two years where it has been lower than 10 per cent, for example, but, overall, roughly 20 per cent is how it looks in total. We will do a bond issuance and see what the market response is and, from that market response, we will determine how much is offshore, how much is onshore.

Mr TELFER: So is this latest call of \$1.5 billion, which is 34 per cent offshore, purely a symptom of the market? Is that a symptom of the domestic market being more cagey around borrowings at the moment, or is it offshore markets looking to be more involved? What is the cause for this latest much-larger-than-average issuance?

The Hon. S.C. MULLIGHAN: There are a few different factors that come into it. One is: I mentioned in the session we had before the morning tea break that, traditionally, state and territory governments have raised a lot of their debt onshore from banks in Australia, and they are getting close to the limit of how much debt they need to hold in semi-government bonds, for example. So there is a decreasing amount of debt that we can issue to them and hence onshore. All states and territories that have debt programs are increasingly looking to offshore markets. That is, I guess, the major trend.

Mr TELFER: So the domestic banks have an obligation for X amount of their holdings to be within these government bonds. They are reaching that saturation point or that obligatory level. They are deciding it is best for them not to go over and above that level.

The Hon. S.C. MULLIGHAN: They only have to raise so much debt in order to finance the operations of their bank. So they will know how much money they need to raise so that they can lend it to people like you and I who want to take out a home loan or a small business—

Mr TELFER: But they are obligated to do a certain amount with government bonds—

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

Mr TELFER: —and once they get to that threshold, they can go wherever they like?

The Hon. S.C. MULLIGHAN: Yes, or they might have raised all the money they need for their operations so they do not need to take anything else out. Increasingly we are looking offshore. The second point is: in looking offshore, what can fluctuate who takes up the bonds is the pricing of it as well.

Mr TELFER: Obviously, the exchange rates as well.

The Hon. S.C. MULLIGHAN: We issue in Australian dollars but some of the pricing might be better from people who are purchasing it from overseas than what we are offered domestically.

Mr TELFER: At 34 per cent for this latest issuance, is this a level that you expect it to equalise out at—over a third of bonds now being financed from those offshore investors?

The Hon. S.C. MULLIGHAN: We would anticipate that as we will be increasingly looking offshore, like the other states and territories, that 20 per cent will continue to trend up to a higher figure around 30 or 35 per cent, potentially. But we cannot really say because it depends on what the pricing is. So if we get better pricing locally from people who want to buy semi-government bonds, then we will take that up rather than go offshore, but, alternatively, if the opposite is true, that the pricing is better offshore, we might go in that way, but we do expect the trend to head up towards that 30 to 35 per cent over time.

Mr TELFER: Obviously, we have a pretty rapid and significant increase in debt. If the domestic sources are limited and not obligated, is there an additional risk for us as a jurisdiction, do you think, with that—especially at a pretty volatile time internationally—that there will be an increasing interaction and reliance on those overseas investors as a proportion of our debt-raising capacity? Do you know what I am saying? At a time where we are going to be pushing up to nearly a third from overseas and at a time that is pretty challenging internationally, are there additional risks for us as a state, I guess, is the question?

The Hon. S.C. MULLIGHAN: I think I would say that the SAFA team and the advisory board realise that, like all of the other states and territories, we are increasingly going to have to go offshore. What mitigates the sort of risks you raise is where we are going offshore and how attractive we are as a jurisdiction issuing bonds. There are not too many subnational jurisdictions, states and territories in any country in the world that have credit ratings as strong as ours.

Even compared with some of the subnational European jurisdictions, Canadian provinces, and that sort of thing, Australian jurisdictions compare very favourably. Right now we would think that those Australian jurisdictions compared pretty well. You asked that question before the break on whether SAFA has reviewed its policies: those sorts of considerations that sit behind your question are some of the reasons these policies are being actively revised and that we keep on top of understanding how the global environment is functioning.

Mr TELFER: We are also obviously in a situation where it is not necessarily even a policy decision to pursue a greater percentage of overseas investors; it is something where we have been at the receiving end because of the change in the market and the potential reaching of saturation point for local investors. It is not just a policy decision but something we will have to be reactive to because of both domestic and international pressures.

The Hon. S.C. MULLIGHAN: There are a couple of different elements to it. Anthony has just pointed out to me that yesterday we went out to market for \$1½ billion of bonds and the response was offers of nearly \$5½ billion. That indicates a couple of things: really healthy and strong demand for the bonds but, secondly, by going out so broadly, not just locally but offshore as well, getting such a diverse response also then reflects itself in pricing so that we can get better pricing for the bonds.

Mr TELFER: You can gauge options, yes.

The Hon. S.C. MULLIGHAN: The other element worth highlighting is that we put some effort in the last two budget papers, or the last two years, into deliberately building relationships with new overseas markets through SAFA so that we can issue increasingly offshore, should we need, but particularly packaging up our bond issuances as sustainability bonds. Given South Australia's comparative advantage and performance in terms of renewable energy penetration and some of the

things we are using to spend that money on, we compare quite favourably with how other governments are using money. It is further making our bonds more attractive in that respect.

Mr TELFER: It is fascinating. I guess that way you can rely more on policy direction if you have the choice of source?

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

Mr TELFER: You speak about the \$5½ billion offering: what percentage of that was from international?

The Hon. S.C. MULLIGHAN: I think the offers were similar in terms of the 34 per cent, but it was 65 per cent Australia/New Zealand, 9 per cent Asia, 24 per cent UK/Europe and the Middle East, and 1 per cent from the US.

Mr TELFER: That was of the \$5½ billion offered?

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: Rather than the \$1½ billion that was accepted, but it was similar proportions in what was accepted as to what was offered?

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: Thank you for the bigger picture debt stuff—it is important not just for us to understand but for the public as well in a challenging time across the world. On page 64 of Budget Paper 3 it states:

At 31 March 2025, the solvency ratio (total assets over total liabilities expressed as a percentage) was 97.3 per cent for Insurance Fund 1...

Does that mean that SAFA does not have sufficient assets to meet its liability to the insurance fund?

The Hon. S.C. MULLIGHAN: SAFA is underwritten by the Treasurer—by me—so if they need additional cash that gets paid from the state budget to support what SAFA has to do. In reference to your earlier questions, I think what has significantly changed is that we have had to increase the provision by more than \$110 million for those child sex abuse claims coming into the state. When you look at those figures you can see how much that has changed the relationship between the total assets and the total liabilities.

What we have had to do from time to time in order to provide additional funds to SAFA to establish these funds—at the very end of the 2017-18 financial year after the Marshall government came to office, I think it was \$146 million that was provided to SAFA for claims for those victims of sex abuse—as actuaries have continued to look at and value the liabilities going forward, is to continue topping that up. So they can change, year to year.

I am also told that these are very long-tail liabilities, so it is not an issue of having cash on hand to pay them out, because these liabilities might only be realised many years into the future. It is about making sure that we have an accurate assessment of them. Also, that \$146 million figure was not in fund 1, which you have drawn my attention to, it was in fund 4, so my apologies for that.

Mr TELFER: There is a line on page 64 that states:

If the solvency ratio remains consistently below SAFA's target of 100%, SAFA will consider adding a risk margin to premiums in future underwriting years.

How many years of below-coverage ratio would qualify as consistent and thus reach that threshold?

The Hon. S.C. MULLIGHAN: It is a difficult question to answer definitively because—

Mr TELFER: Yes. The statement was in there and that is what I am asking, so—

The Hon. S.C. MULLIGHAN: No, that is fine. It is an important question to raise. The assets are invested, and so if there are stronger returns on the investment of those assets—if the share markets are performing strongly, for example—that will catch the value of the assets up from year to year. Similarly, if we have a dreadful year in the share market the value of those assets declines.

I am advised that what would inform us about changing the premiums would be if the actuaries were saying that, despite the fluctuations in returns on assets, it is looking like there is going to be a widening disparity between the value of assets and liabilities long term and so you will have to increase premiums.

For the figures that you have referred to, the biggest component of that is the medical malpractice liabilities. SA Health pays a premium each year for medical malpractice claims, but there is also a \$1 million deductible which SA Health pays for each claim, which is then paid out as well.

What I can say is that some of the figures that have been paid out for these medical malpractice claims are huge, just astronomical. Some of the claims date back 20-plus years. It might have been an obstetric or paediatric issue that happened and now the claimant is 20 or 30 years on with very significant disabilities or impacts to their livelihoods, and claims are now being progressed and having to be realised. If the claim had been settled 20 years ago, it would probably have been settled at a much lower rate than what we are now having to calculate as a reasonable estimate of losses for the remainder of their lives in the current environment.

Membership:

Mr Odenwalder substituted for Mr Brown.

Mr TELFER: Just one more on this. On page 64, there is this statement:

SAFA aims to maintain sufficient assets to meet liabilities. At 31 March 2025, the solvency ratio (total assets over total liabilities expressed as a percentage) was 97.3 per cent for Insurance Fund 1...

Is that liability gap now present in the budget due to an excess of claims, an excess of excessive claims, an excessive of expected payments or an unexpected shortfall in revenue allocations?

The Hon. S.C. MULLIGHAN: I am advised that the reason it has dropped from that 113.7 per cent down to 97.3 is because of the actuarial revaluation of the claims for future years. I am told that while this quotes as at 31 March, the continued strength of share market returns has actually improved the value of the assets to date, so these two things can continually change.

Mr TELFER: I might jump to some RevenueSA questions. I refer to Budget Paper 4, Volume 4, Agency Statements, pages 150 onwards. Under Sub-program 3.1: Revenue Collection and Management, highlights for 2024-25—and this is a fascinating nuance, really, of the revenue we were speaking about big picture before—there is a line:

Expected to deliver around \$119 million in housing grants and stamp duty relief to support over 3500 first home buyers purchase a new home or vacant land on which to build a new home.

How much of this expected \$119 million is housing grants and how much is stamp duty relief?

The Hon. S.C. MULLIGHAN: I am happy to bring down a breakdown, but if I hazarded a guess three and a half thousand first-home buyer grants at \$15,000 would be \$52.5 million, and then the balance would be in stamp duty relief. But let me just check that, and I will come back to you.

Mr TELFER: Get your calculator out.

The Hon. S.C. MULLIGHAN: That's right.

Mr TELFER: Regarding the stamp duty relief for first-home builders, do you believe that this line item causes inflation?

The Hon. S.C. MULLIGHAN: Do you mean causes inflation or causes a change in house prices?

Mr TELFER: Yes, causes inflation of house prices. Does it have an upward pressure on house prices?

The Hon. S.C. MULLIGHAN: I realise that we have different views on how to provide relief here. I will keep my comments as polite as possible in that context.

Mr TELFER: I always appreciate that.

The Hon. S.C. MULLIGHAN: I have a reputation for politeness in the parliamentary context, so I will just do my best to continue that. Our view is consistent with what the Productivity Commission says, and that is, if you are going to provide some form of financial support to first-home buyers to get them into home ownership, if you are not addressing the issue of supply of housing, then when you are increasing demand against a fixed supply, that is likely to drive up house prices. That is the reason why we focused our first-home buyer support on the construction of new houses or the purchase of a newly built house, so a house which is adding to overall housing supply.

If you created three and a half thousand people entering the market for the first time because they have some sort of financial support, and they are competing in a fixed market or a market where there are no changes to housing supply, the basic tenets of economics would suggest that that increase in demand will increase prices because there are three and a half thousand people who have more money to pay for the set pool of homes.

So what we have done is say, if people want first-home buyer support, they have to increase the number of homes so they are not adding demand to the existing market; they are instead creating their additional supply for the market that they are purchasing. It is also hoped then that if those first-home buyers are being redirected away from existing homes to new homes, any others who are looking at existing homes have less competition and hence less pressure on prices continuing to go up as well.

Mr TELFER: That is the compare and contrast between policies, but just standalone looking at this, do you think stamp duty relief for first-home builders causes an increase in inflation of the cost?

The Hon. S.C. MULLIGHAN: If we are not looking at the inflation of house prices, which is I guess what I was trying to address in my previous answer, but you are looking at general inflation of housing and housing construction costs, I think what we have perhaps both heard from the housing industry is that the huge spikes in input costs to housing construction have massively moderated from where they were, for example, during the previous commonwealth government's HomeBuilder policy supports when timber was, to pardon the pun, going through the roof.

Mr TELFER: Or during COVID when supply chains were challenges.

The Hon. S.C. MULLIGHAN: Indeed. That is exactly right. In that respect I do not think it causes house price inflation or generalised inflation across sectors of the economy either. But, of course, to the point that you made before about small business outlooks, I do recognise that all businesses have increases to their operating costs and so on, whether they are involved in the housing construction industry or not,

Mr TELFER: What your assumptions are also probably assuming is that builders' current building capacity can meet demand, because if it cannot then additional funding into a system where it is not keeping up with demand could be inflationary, could it not?

The Hon. S.C. MULLIGHAN: Let me answer it like this. I do not have the figures in front of me, but I hope I am accurately representing them. Our rate of dwelling commencements is now at about 14,000 per year and a good year for South Australia, generally speaking, was about 10,000 houses being built per year. So that shows that over the last small number of years, there has been about a 40 per cent increase in the number of homes getting under construction.

Let's say that wasn't happening. Let's say there had not been that 40 per cent increase and there were still only 10,000 or maybe even 11,000 homes per year being built, and we were adding further demand into that very constrained housing supply environment by incentivizing a further three and a half thousand homebuyers per year to get into the market because they have some sort of financial assistance, or, as you put it, a stamp duty concession on existing builds. You can imagine what that does to house prices because the competition for those existing homes has gone from red-hot to white-hot.

That is why we formed the view, consistent with the commonwealth's Productivity Commission, that you should only be providing support for first-home buyers if it is unlocking

additional supply. I would say the problem with the policy that your leader is promulgating is that it does not address supply, it only enhances demand, and when you have enhanced demand against fixed supply, prices go up. That is a basic tenet of economics.

Mr TELFER: On page 151, Budget Paper 4, Volume 4, there is a line in targets 2025-26 that states:

Support eligible medical practices to comply with their payroll tax reporting obligations implementing system enhancements and providing continuous education and communication to the industry and their professional representatives.

How much is expected to be spent on these system changes and programs?

The Hon. S.C. MULLIGHAN: The expenditure I am about to refer to relates to, I guess, internal expenditure within RevenueSA and the amount on system changes is roughly \$400,000.

Mr TELFER: On internal system changes?

The Hon. S.C. MULLIGHAN: Yes, and that is just changes to the system. Then, of course, you could build that out by including the cumulative wages of all the people who have been involved in this effort. I do not have that figure, of course, but as Minister Picton advised the other place yesterday during question time, we worked with the Royal Australian College of General Practitioners to come up with South Australia's solution to this payroll tax issue where it became apparent that GPs, who have long been obliged to pay payroll tax on their wages, had not been.

Of course, I have had all sorts of correspondence from lawyers who thought they were being extremely clever designing corporate structures to evade tax obligations for their clients and embarrassingly have been caught out because they had not carefully read the Payroll Tax Act 2009 changes, which have been in place for more than 15 years.

Notwithstanding the poor advice those legal practitioners have provided their GP clients, we put the interests of GPs first and provided them with a full amnesty on payroll tax obligations for a full financial year and then, even though the longstanding obligations were only holding them to account for the current financial year, we have not required them to pay those payroll tax obligations during the course of the year like we normally would for an employer. We have said they can get to the end of the year and they can make a reconciliation in that respect. As Minister Picton said yesterday, when you look at the regimes that have been put in place in other states like New South Wales and Victoria, we are leaps and bounds ahead of those other states.

Mr TELFER: Continuing on those targets, Treasurer, there is one there that states:

Engage with the conveyancing industry to improve the experience and outcomes for both practitioners and RevenueSA in delivering efficient property settlements through continued industry partnerships and education opportunities.

What challenges have been identified within the conveyancing sector to date and how might these impact the cost of housing and the like?

The Hon. S.C. MULLIGHAN: I am advised that the focus has been on engaging with industry to understand what some of the frustrations or pain points, as they are described to me, have been.

Obviously, conveyancing has gone through really radical change in the last 10 years, where we have gone from a highly paper-based system to electronic conveyancing, or should I just say the PEXA system. That means all the other participants within those transactions, whether it is the conveyancers or whether it is us at RevenueSA or Land Services, are making sure that all our systems and requirements are equally efficient and electronically based.

That has meant that we have had to continue making changes; for example, introducing the BPAY option, those sorts of things. I presume that as improvements and efficiencies continue to be rolled out in the market we will have to respond accordingly, finding opportunities to make sure that our requirements and practices are consistent with that.

Mr TELFER: There is a line in the Consolidated Account items that stamp duties forecast very modest growth from the 2024-25 estimated result to the 2025-26 budget year. We had a bit of discussion around stamp duty forecasting in the previous section.

The Hon. S.C. MULLIGHAN: Sorry, what page is this on?

Mr TELFER: Sorry; this is in Budget Paper 4, Volume 4, in the commentary around page 151 (it is not as easy to interact with a small screen). Is Treasury's forecast of declining residential transactions—I mean, we spoke about that level, the return to 3 per cent property price growth—is that a large factor in the small increase in the budget amount? As we spoke about before, you are conservative with your estimates, and happy days for you if it goes higher, over and above. Is that the mentality when it comes to trying to ascertain the conveyancing duty methodology?

The Hon. S.C. MULLIGHAN: Yes, and as you have correctly identified in the course of your question, there are two main contributors to this. One is the number of transactions that are occurring in the market as well as the average price of those transactions. Greg Raymond, who looks after Revenue and who was with us in the morning session, what he and his team have been trying to establish is that as we have consistently seen higher than forecast numbers of transactions as well as higher than forecast average prices, what does a return on both those metrics look like?

We have tried to plot a return to lower transaction numbers and lower levels of annual price growth in each budget for the last three budgets in particular, as the performance of the property market has been really strong. I am not sure if I have the transaction—perhaps what I can do is take on notice the forecast number of transactions for 2025-26 as well as forecast price growth. It is certainly provisioning that we are just going to see locking in high price growth and high transaction volumes across the forwards.

We do realise—the point I have made and that you guys have made on repeated occasions—that housing affordability in South Australia is getting to the point of many multiples of average wages, and it is not reasonably foreseeable that the market can continue climbing at the same rate that it has been in recent years before people just stop being able to afford these house purchases, and these transactions are being reflected in these stamp duty figures.

Mr TELFER: Do you have a number, because it is not reflected in the budget in particular, about how much—you had a forecast of what the cost of the first-home builders stamp duty exemption was going to be. Do you have an actual number?

The Hon. S.C. MULLIGHAN: When we first announced the policy in 2023-24, which was an exemption up to a threshold, we set out across the four years what we thought that would look like, then when we announced the additional initiative in last year's budget—that there would be no price cap on that—we reflected a new additional cost to that, but I think it is safe to say that both of those two incremental costs have been revised upwards given the number of transactions and the average price growth.

At the very back of Budget Paper 3, in Appendix E, there is a tax expenditure statement, which is basically all the policy positions that the government of the day has that foregoes revenue—it brings a tear to the eye of successive treasurers—and it estimates the cost of having policies like the stamp duty exemption for first-home buyers. You will see in that tax expenditure statement that for 2023-24 the value of the home concession was \$21 million, and in 2024-25 it is now \$72 million. That is the value for first-home buyers in not having to pay it.

Mr TELFER: That is actual in 2024-25?

The Hon. S.C. MULLIGHAN: Yes, that is what we estimate it to be. Next year we will be able to publish the actual for 2024-25, as well as the forecast for 2025-26.

Mr TELFER: Yes, it is best estimated actual, knowing 90 per cent of the data but not knowing the last proportion.

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

Mr TELFER: Is there any understanding as to what stamp duty revenue is raised from people purchasing properties outside the Greater Adelaide region, regional South Australia as opposed to internal? Is that body of work done within your department?

The Hon. S.C. MULLIGHAN: We could potentially identify it. It is not something that we look at. We tend to process the whole of South Australia transactions each year and take our estimates based from that, but we can see what information we have, if you like, and come back to you on a question on notice.

Mr TELFER: We look at increases, we look at the—as we have pointed out before—rapid increases in the take, but I am interested in whether there are multiple paces of that within the state. It is the fulcrum of dollars, absolutely. If you could take it on notice we would appreciate it, from Greater Adelaide to outside, but also a compare and contrast to other years where if it is red hot to white hot, as you say, in some areas but growing at a lesser—

The Hon. S.C. MULLIGHAN: What we do get data on are the average house prices, for example, in inner metro, greater metro and regional South Australia. I am just not sure that we have that via stamp duty receipts, but let me take it on notice and see what information we can provide.

Mr TELFER: In the explanation of significant movements, taxation receipts, higher land tax and payroll tax collections in the 2025-26 budget compared to the 2024-25 estimated results, they are primarily due to strong property market and labour conditions. In trying to work it out, does Treasury as a whole—and this has been with my regional hat on as well—know how many additional taxation revenue dollars are collected for an average 1 per cent increase in the property market? We talk about you aiming for 3 per cent, but do we have a number, as that increases, as to what the revenue ramifications are for the state?

The Hon. S.C. MULLIGHAN: In the risk statement that we were looking at before, with respect to other matters, it talks about what 1 per cent variations in revenues look like. It says that a 1 per cent variation in 2025-26 for property values equates to about a \$19 million change in conveyance duty revenues, while a 1 per cent variation in transactions equates to about a \$17 million change.

Mr TELFER: I might go to Budget Paper 3 and talk a little bit about payroll tax. Page 35 refers to payroll tax receipts. The commentary around that states, 'Payroll tax receipts for 2024-25 have been revised down by \$14 million since the 2024-25 Budget.' Is this a softer than expected collections experience? What is the reasoning behind that?

The Hon. S.C. MULLIGHAN: There are a few different things that influence the payroll tax receipts. One is the number of hours worked across the labour force and, in particular, of course, in those businesses which are above the tax-free threshold. But in relation to what the forecast versus what the outcome result is in terms of the wages being paid, because it is the actual wages that are taxed, if there is a significant change in forecast wage outcomes, then that will cause a change in payroll tax receipts.

On top of that, there is also any change in overall workforce numbers, but that would usually be caught up in the number of hours worked. So it is really a function of number of workers and the hours being worked and how they are being remunerated and whether that changes. Then there is any change in the compositional impact, as Tammie reminds me, of whether businesses are above or below the tax-free threshold and whether that changes up or down.

Mr TELFER: Do you have an insight into how many businesses that were below that threshold in 2023-24 have gone over and above? How many more businesses are now paying payroll tax?

The Hon. S.C. MULLIGHAN: We certainly know how many businesses pay payroll tax, and how much that was last year, how much it is this year, and how much we forecast it to be next year. I am not sure how accurately we can say one is becoming in another category, although we probably could interrogate the data and provide some information. But I think I am right in saying it is about 9,000 or 10,000 businesses that pay payroll tax, out of the 140,000 to 160,000 businesses in South Australia, depending on whose estimate you look at.

I am advised that there is an annual payroll tax registration process where businesses can register for payroll tax at the outset of a financial year, and that occurs between June and July of each year. It closes at the end of July. Any further changes of new businesses being registered for payroll tax purposes, either because it is a change in their relativity to the tax-free threshold or whether it is a new business just being established or a business that has come into South Australia, that would be picked up. So we would know more once that end-of-July data has been interrogated and reconciled.

Mr TELFER: Do we know the percentage increase of businesses? Like you say, you can follow how many business are paying payroll tax and it is around 9,000 or 10,000. What does that increase look like? The challenge for business is, once that threshold is reached, there is a certain additional cost that they have to bear. With the rising cost of business, of living, of wages, how many more are reaching that threshold as a percentage growth?

The Hon. S.C. MULLIGHAN: I am told I do not have that data here. It does not tend to change much from one year to the next but perhaps the best thing to do is I can take the question on notice and provide you the data.

Mr TELFER: I appreciate that. Continuing on the same budget paper, but let's flick to page 81, revenue risks. There is a line there I was interested in, under gaming machine revenue: 'Regulatory reforms can also impact on gaming machine taxation revenue collections.' This is a risk. Does the government have any regulatory plans at hand to impose on pubs or hotels that would materialise such a risk?

The Hon. S.C. MULLIGHAN: No.

Mr TELFER: It is just a fascinating line to include in a government document when it is government regulation that is the risk factor.

The Hon. S.C. MULLIGHAN: It is a significant source of revenue. If a 1 per cent change is \$5 million then that indicates this is roughly a \$500 million source of revenue. I think the only thing that might change with respect to this—and it is not a proactive change that the government is pursuing—is just whatever the shake-out of the regulatory arrangements are around SkyCity given all the enforcement activity that has been occurring at the national level and then in the process that they have been going through with the review that was initiated by the commissioner for liquor and gaming and the work that they have been doing. But there is no policy change being developed or anything like that in this respect from the government.

Mr TELFER: Keeping an eye on the clock, I might jump to some HomeStart questions.

The Hon. S.C. MULLIGHAN: Sure.

Mr TELFER: I refer you to Budget Paper 3, Budget Statement, page 77, and a bit of commentary around public financial corporations. Income tax equivalents for HomeStart Finance are budgeted to be lower in 2025-26 than the 2024-25 estimated result. What expected activity changes in HomeStart are influencing that estimate?

The Hon. S.C. MULLIGHAN: I will just introduce Andrew Mills, who is the Chief Executive of HomeStart Finance. I am advised that the significantly higher result is as a result of the increased value of the shared equity book, so the value of the properties that are subject to a shared equity arrangement with the HomeStart customer. That has that arrangement that has been reflected in 2024-25, and so for 2025-26 going forward, we do not see the property values will escalate as significantly as they have in the current financial year, and so the forecast is lower at 16.5 per cent.

Mr TELFER: And, thus, on that same line, the 2026-27, 2027-28, it drops away even more in those forward years. Can you give an explanation as to why? Are these based on assumptions that HomeStart is making around the broader market?

The Hon. S.C. MULLIGHAN: I am told that there are a couple of things here, particularly the change, for example, in the number of loans, so more people discharging their loan agreements with HomeStart. Particularly in an environment where interest rates are coming down, people think quite rightly that, if they refinance with one of the big four or another South Australian based bank, they might be able to bring down their monthly repayments.

Secondly, the funding costs' forecast over the next four years, and hence the margins, are such that funding costs go up and the margins become tighter. Overall, we would say that what we have forecast across the forward estimates is a more normal performance from HomeStart, rather than the really strong performance we have had particularly in the current and the previous financial year.

Mr TELFER: So more people are discharging their loans because the loans they are receiving from some of the major financiers are more competitive than they are receiving from HomeStart?

The Hon. S.C. MULLIGHAN: Yes, and they have probably come to HomeStart because of the offer of very low-deposit loans with no lenders mortgage insurance, but given that house price growth has gone up so much, the equity in their home has gone up so much that they can probably go to a bank and say, 'My loan to value ratio is now lower than 80 per cent, so before, when you didn't want to lend to me because I needed 90 or 95 per cent, you will be happy to lend to me because I have so much equity.'

Mr TELFER: It is just as much a service that has been provided for entry into the world of mortgage than from go to whoa as far as a loan process goes?

The Hon. S.C. MULLIGHAN: Absolutely, and Andrew and I talk about this a lot. HomeStart was established in 1989 with the whole idea that South Australians who cannot get into housing finance through a traditional bank can come in through HomeStart with much lower deposits required and none of those other imposts like lenders mortgage insurance and, once they are more financial, they have been in for a few years, they have more equity in their home and they are a more suitable client for a regular bank, then they can leave and that frees up lending capacity for HomeStart to go to the next group of South Australian buyers looking to get into home ownership.

Mr TELFER: My reading of this page, Treasurer, is that HomeStart is expected to return a net of \$45.8 million to Treasury; is that right?

The Hon. S.C. MULLIGHAN: Yes, for 2025-26.

Mr TELFER: Yes, for this budget period?

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: Expected return of \$45.8 million to Treasury: does this align with the agency's core role of supporting housing affordability? It is a fair revenue stream for the government. Could that be better geared to even more effectively aid people looking to enter the housing market?

The Hon. S.C. MULLIGHAN: You also have to appreciate that HomeStart's loan book is nearly \$3½ billion. They have been growing quite strongly in recent years as South Australians have found it harder and harder to get into a regular mortgage with a regular bank. While we are very confident in the fact that HomeStart's lending for bricks and mortar, for quiet, resilient and reliable assets for South Australians to own, has competitive neutrality principles to which the government signed up as part of the 1995 competition reforms, where we have to treat any sort of trading enterprise operating in the market as if it was just a regular market participant, making sure they are not getting subsidies or benefits that the other banks do not get.

We are raising money, we are borrowing money, to give to HomeStart so that they can lend it to South Australians trying to get into the housing market. We obviously have a very attractive borrowing rate compared to what perhaps some of the other banks in South Australia might have access to, so, for competitive neutrality reasons, we have to charge a margin on that, recognising that we are allowing HomeStart to use the government's balance sheet to raise capital to lend and to operate the business. But we do not necessarily want them having an outsized competitive advantage against the existing market in doing so.

Mr TELFER: So basically you are making money out of the equity stake.

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: As a hot market is rolling along on the wave of increased property prices it is an even better story for HomeStart.

The Hon. S.C. MULLIGHAN: It is good for HomeStart, but it also recognises that, when HomeStart is using so much of the government's balance sheet to raise capital to operate this business, there should be a charge for that. There should be a cost of having that debt facility, so we charge them that. Regarding the income tax equivalent line that you pointed out before, we have to treat this business as if it were any other business operating in the market, and so they have to pay the same sorts of tax obligations, even though they are an entity of government.

Along with our stamp duty receipts, improved returns from HomeStart are allowing us to spend the \$3.2 billion in the whole package of measures that we put together to try to deliver more housing supply across our four budgets.

Mr TELFER: There is a line that shows \$9.2 million in CSO payments to HomeStart. How is that being applied to support loan access for lower income or disadvantaged homebuyers? How do you measure whether this level of support is adequate?

The Hon. S.C. MULLIGHAN: Generally speaking, across HomeStart but also all the other government businesses, we pay CSOs to them in order for them to do things which you would deem to be non-commercial. Again, it is a transparent way of making sure that we are meeting our competition principles.

There are three things that HomeStart finance does, which cost at \$9.1 million in the current year and \$9.2 million in the next year and for which the government pays a CSO towards HomeStart. One of these offers a substantial interest rate subsidy for the Advantage Loan. The Advantage Loan is a product that is available to households earning under \$65,000 a year. So if they earn less than \$65,000 of household income they can access an Advantage Loan as part of their borrowings with HomeStart. The Advantage Loan can be up to \$70,000 of the total borrowings that they will have with HomeStart, and the interest rate charged for that Advantage Loan is 2.04 per cent, obviously well below market rates.

There is also a financing facility of \$5 million in a loan that is being provided to the YWCA, and then there is also a non-commercial credit risk subsidy which is paid by the government to HomeStart for them to incur that credit risk.

Mr TELFER: What is the take-up on the average loan? A \$65,000 household income is very low.

The Hon. S.C. MULLIGHAN: Year to date for the current financial year, we have had 74 of the Advantage Loans—so not very common, but there is a reasonable number of them—with a total amount of \$2.36 million lent. What is more common, though, is people taking out the shared equity loan. There have been 998 of those this year, for a total of \$134.1 million.

Mr TELFER: Is that cumulative number of those two the total number of loans issued by HomeStart in 2024-25?

The Hon. S.C. MULLIGHAN: No.

Mr TELFER: Can you provide me that number, the total issued in 2024-25 and the forecast for 2025-26?

The Hon. S.C. MULLIGHAN: Sure. Perhaps what I can do is, for the 2024-25 financial year, provide you with all of the numbers of the different loan products and the average loan amounts. Is there anything else you want us to take on notice?

Mr TELFER: What are the projections for 2025-26?

The Hon. S.C. MULLIGHAN: Okay, and then replicating those figures for 2025-26 as well? I am happy to provide that; that is fine.

Mr TELFER: Thank you.

The CHAIR: The allotted time having expired, I declare the examination of the South Australian Finance Authority, Funds SA, RevenueSA, Super SA and HomeStart complete.

Membership:

Ms Savvas substituted for Ms Hood.

Departmental Advisers:

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

Mr M. Carey, Executive Director, Shared Services SA.

Mr B. Petrovic, Acting Chief Executive, Lifetime Support Authority.

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

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

Mr D. Price, Chief Executive, CTP Regulator.

Mr M. Hardy, Chief Commercial Officer, Department of Treasury and Finance.

Ms P. Chau, Chief Operating Officer, Department of Treasury and Finance.

Mr J. Chapman, Industry Advocate.

The CHAIR: I advise that the proposed payments remain open for examination.

Mr PATTERSON: The omnibus questions are:

1. For each department and agency reporting to the minister, how many executive appointments have been made since 1 July 2024 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 2024 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 2024?
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 2024, 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 2025-26 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 2025, 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 2025-26 and each year of the forward estimates, and what is the estimated FTE impact of these measures?
9. For each department and agency reporting to the minister:

- (a) What was the actual FTE count at June 2025 and what is the projected actual FTE account for the end of each year of the forward estimates?
 - (b) What is the budgeted total employment cost for each year of the forward estimates?
 - (c) 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 2025-26 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 2025-26 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 2025-26?
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 2024 and budgeted expenditure for 2025-26, 2026-27 and 2027-28.
14. For each grant program or fund the minister is responsible for, please provide the following information for the 2025-26, 2026-27 and 2027-28 financial years:
- (a) Name of the program or fund;
 - (b) The purpose of the program or fund;
 - (c) Budgeted payments into the program or fund;
 - (d) Budgeted expenditure from the program or fund; and
 - (e) 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:
- (a) Is the agency confident that you will meet your expenditure targets in 2025-26? Have any budget decisions been made between the delivery of the budget on 5 June 2025 and today that might impact on the numbers presented in the budget papers which we are examining today?
 - (b) Are you expecting any reallocations across your agencies' budget lines during 2025-26; if so, what is the nature of the reallocation?
16. For each department and agency reporting to the minister:
- (a) What South Australian businesses will be used in procurement for your agencies in 2025-26?
 - (b) What percentage of total procurement spend for your agencies does this represent?
 - (c) How does this compare to last year?
17. 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?
18. 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?
19. 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?

20. How many and what percentage of staff who undertake procurement activities have undertaken training on participation policies and local industry participants this FY?

Mr TELFER: I might start with the Lifetime Support Authority. This is Budget Paper 3, Budget Statement. This is the public financial corporations aspect, page 77. Obviously, there is not the quite the same breakdown in budget specificity in that line. What is the budget from financial year 2024 compared to the actual spend for 2024?

The Hon. S.C. MULLIGHAN: I should introduce the change of advisers at the table. I have Mark Carey who is the Executive Director of Shared Services, and Boris Petrovic is the Acting Chief Executive of Lifetime Support. Are you after the current year and next year?

Mr TELFER: Firstly, the current year's budget versus actual and then looking forward as well.

The Hon. S.C. MULLIGHAN: The full year budget for 2024-25 was \$335.36 million. For revenue and expenditure it was \$362.2 million. The forecast for income is \$336.3 million and expenditure is \$369 million. Did you want the main sources of variance?

Mr TELFER: So that is a 10 per cent change? So that is 10 per cent more expenditure than income—

The Hon. S.C. MULLIGHAN: That was budgeted for.

Mr TELFER: —in the estimated current?

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: What is the—

The Hon. S.C. MULLIGHAN: What is the reasoning?

Mr TELFER: I will get to that. Those are 2025-26 numbers and then you can give me an explanation as to why.

The Hon. S.C. MULLIGHAN: So, for 2025-26, the budgeted income is \$360.1 million and the total expenses are 375.99. I am advised that there is a particular accounting standard that relates to how we provision for the future liabilities of treatment for participants in the scheme in each year and, while that may not reflect the actual expenditures on that treatment, the provision for it has to be accounted for in each financial year. So, for the current financial year that is just about to end and the next financial year, even though we are receiving those incomes from the levy they are not provisioned for to equate to the total amount of liability that is forecast by the actuaries.

Mr TELFER: Yes, so there is a shortfall. I think it was a \$35 million shortfall in the current financial year. Is that shortfall covered by Treasury?

The Hon. S.C. MULLIGHAN: No, and I think this is the challenge of trying to reconcile the actual operating incomes that are coming into the organisation and the expenditures going out of the organisation for the provision of care and managing the organisation's efforts and so on versus how we have to account for the overall increasing liability for the number of participants in the scheme.

I think what we also look to is: what is the difference in the latest actuarial valuations of the claims liabilities and the investment assets? In the previous year, we had a significant disparity between those and that disparity is closing—the total outstanding claims liabilities of \$1.954 billion versus the investment assets of 1.858—so that we have a solvency ratio of 95 per cent, which is substantially improved from the solvency ratio when we were sitting here this time last year.

So even though we are not recovering a level of income from motorists to provide a break-even profit and loss statement, we are making sure that there are enough assets being held by the Lifetime Support Authority to meet its obligations.

Mr TELFER: How many current participants are there currently in the Lifetime Support Authority?

The Hon. S.C. MULLIGHAN: There are 403.

Mr TELFER: How does that number compare to previous years?

The Hon. S.C. MULLIGHAN: I am advised that it goes up roughly—it fluctuates, obviously—40 per year. In the current year it is forecast to increase by 36. Last year in 2023-24 it was 42, in 2022-23 it was 37, and in 2021-22 it was 30—

Mr TELFER: So a 10 per cent increase a year, basically.

The Hon. S.C. MULLIGHAN: Yes; it bounces around by that 35 to 40 number per year.

Mr TELFER: With those future-looking or forecast numbers, you do not see any reason for that around 35 to 40, or 10 per cent, increase to change?

The Hon. S.C. MULLIGHAN: No. I think the biggest impact is not so much the number of participants in the scheme, it is the cost of providing care for those participants in the scheme. In a not too dissimilar way to the costs increasing for the NDIS, for example, we are seeing some of the impacts of the demand for those treatment services impacting the LSA's costs as well.

Mr TELFER: How has the Lifetime Support Authority performed in the financial year compared to some of its KPI matrix measures? I have a few here to consider: participant survey, experience, current MyPlan in place for active participants, funding ratio, investment returns since inception, net expense ratio, cost managed against budget. How is the Lifetime Support Authority performing against some of those key KPIs?

The Hon. S.C. MULLIGHAN: I am advised that the LSA's strategic KPIs include achieving at least 80 per cent of participant survey satisfaction, which they have achieved. It was 81 per cent for the current financial year and 82 per cent for the previous financial year. For the scheme's sustainability, the funding ratio target is between 80 per cent to 120 per cent. It is currently at 95 per cent, significantly improved from last financial year.

The investment return target is 6.25 per cent, and they are forecasting 7.4 per cent. The net expense ratio they target to be equal or less than 12.5 per cent and they have achieved 10.6 per cent. The costs managed against budget, they target that to be zero and that has come out at \$1.9 million favourable, so that is good. With staff engagement, I think they target at least 70 per cent and last year it was 71 per cent, this year 73 per cent. That is a bit of a snapshot.

Mr TELFER: Kicking goals then.

The Hon. S.C. MULLIGHAN: Meeting their targets.

Mr TELFER: There are a few different aspects I was interested in. It is probably getting a bit more granular, but we have seen some credit card statements obtained through FOI, specifically for the period from 24 October to 25 March. One that caught my eye is multiple transactions for payments for gym memberships. It ranges from \$120, which is pretty minimal, to over \$2,000, which is why it caught my eye. What do these payments to various gyms relate to? Obviously there is rehab work and the like, but are you able to give us some information?

The Hon. S.C. MULLIGHAN: You are right, it is for participant treatment and rehabilitation. The participants are able to choose which gym they want to go to, and the reason for using credit cards is because it is the experience of the LSA that most gyms only take that form of payment; hence using it rather than having an invoice-type regime.

Mr TELFER: Do you know how many gym memberships are paid for; for how many participants?

The Hon. S.C. MULLIGHAN: We do not have that but we can take it away and see if we can get you that number.

Mr TELFER: Is it the practice of the LSA to fund them short term or are annual memberships paid?

The Hon. S.C. MULLIGHAN: I am advised that there are annual assessments of what treatment and care is required by each of the participants. If the treatment team identifies that there is an ongoing need for the use of a gym for treatment and rehabilitation purposes, then that would inform perhaps a view that an annual membership is taken out. If the treatment plan is that it might

be more one-off or sporadic, then that might inform not paying a full annual amount and doing it incrementally.

Mr TELFER: Is there a vigorous audit process to make sure that the nature of credit card payments and direct debits and the like is that they can be rolling on? Plenty of us, I am sure, have gym memberships that probably go on longer than we actually use them for, sadly.

The Hon. S.C. MULLIGHAN: Yes.

Mr TELFER: Is there a vigorous audit process that—

The Hon. S.C. MULLIGHAN: I would be included in that.

Mr TELFER: —is followed to make sure that this cumulative cost is actually kept in check?

The Hon. S.C. MULLIGHAN: I am advised that when those annual treatment plans are worked out then there is a reconciliation of the costs incurred of delivering that treatment and care plan each year. I guess I should say that while they are always topical, the use of credit cards in the government or government entity sphere, they can be far more cost-effective payments as well as easier to track, rather than doing an invoicing and accounts payable regime.

Mr TELFER: Do we know the amount that is budgeted for gym memberships for this financial year?

The Hon. S.C. MULLIGHAN: I am advised that we do not budget specifically for gym memberships, but it falls within what I am told is the rehabilitation category of expenditure. The budget for the current financial year was \$7.3 million for rehabilitation services, and the full year forecast outcome is \$6.7 million against that budgeted amount. I am told that aside from the gym memberships the actual majority of that expenditure is for physiotherapists and occupational therapists.

Mr TELFER: I might bounce to some procurement questions, so I will look at Budget Paper 4, Volume 4, Agency Statements, page 162. There is line in the highlights, dot point 2, that says, 'Created a procurement probity training course for public officers.' Has this course been fully rolled out?

The Hon. S.C. MULLIGHAN: I am advised that it has been rolled out. Did you want some particulars?

Mr TELFER: Yes, what were the take-up numbers? It is one thing to roll it out. How many actually took it up?

The Hon. S.C. MULLIGHAN: Sure. Perhaps I can come back to you with the number of agencies that participated and the number of participants from each agency.

Mr TELFER: Thank you. There is also a line in highlight no. 7:

Completed a secondary procurement process for 23 agencies under the telecommunications services marketplace panel through an aggregated mobility services request for quote.

Which agencies does this apply to?

The Hon. S.C. MULLIGHAN: I am advised that it was most of the major agencies in the general government sector—Treasury, of course, Premier and Cabinet, Health, Education, Primary Industries and so on—but I am happy to come back with a list of the 23, if you like.

Mr TELFER: Yes, that list of 23. Then the bottom dot point in the highlights: 'Established an across government procurement internship program with the university sector.' What universities are involved in this program?

The Hon. S.C. MULLIGHAN: It was certainly done with the University of Adelaide, but I will have to check whether UniSA or Flinders was included as well—as well as, of course, the University of the Third Age.

Mr TELFER: Both in the highlights and the targets there is a reference to the Aboriginal enterprise procurement strategy. Obviously, it was a highlight to commence it and a target to finalise it. At what stage during the financial year is this strategy expected to be finalised?

The Hon. S.C. MULLIGHAN: Just to provide a bit of context for this, Treasury coordinated the first across-government Indigenous Expenditure Report, which was how much money was being spent by government agencies specifically on services or initiatives for the benefit of Indigenous South Australians. That was released about 18 months or two years ago, I think.

It was an enormous body of work surveying all of the government agencies and getting them to detail all of their spending programs and then how much of it related to Indigenous South Australians. That highlighted what that proportion was and whether there was the capacity to increase it or improve that amount. One of the ways in which that can be improved is by getting Aboriginal controlled organisations to win more government contracts to deliver in their businesses, including for the benefit of Indigenous South Australians as well.

This budget includes a measure in Treasury where we have allocated \$5 million over a number of years to work with the ACCO sector to get them ready for or skilled up to bid for government procurements and carry out work on behalf of government. What you have identified there, that Aboriginal enterprise procurement strategy, has been aimed at that sort of outcome. I will try to give you a particular date about when we push the button on it for it to go live, but that is the sort of context in which that procurement strategy has been developed.

Mr TELFER: Are there any KPIs for that strategy?

The Hon. S.C. MULLIGHAN: I might have to take that on notice. I cannot recall off the top of my head.

Mr TELFER: Was the Voice consulted on this strategy development?

The Hon. S.C. MULLIGHAN: Given that the draft may not have been completed, it has not been yet, but it will be before it is released.

Mr TELFER: So it will be developed and then consulted and then—

The Hon. S.C. MULLIGHAN: Finalised post consultation.

Mr TELFER: What about strategies to appropriately engage not just with the ACCOs but with the actual businesses that might be able to deliver some of these services? One of the frustrations I hear from my community is that some of the Aboriginal-run organisations would love to be able to engage in this sort of thing, but they do not understand the processes, especially some of the complicated procurement steps. This is a strategy that is the Aboriginal enterprise procurement strategy. When it comes to actual engagement, what work has been done in that space?

The Hon. S.C. MULLIGHAN: The Office of the Industry Advocate has been developing these events called Meet the Buyer events. We have held a series of them now and I think the next one is on 2 July, where we hold basically an expo and we have all of the government agencies, the government procurers of goods and services—

Mr TELFER: I went to one years ago. How many of them are actually run?

The Hon. S.C. MULLIGHAN: This financial year, it is either two or three. There was an extra one, which was held in Whyalla, obviously in response to the Whyalla package that the government announced, where part of that was to try to get more Whyalla-based businesses or businesses in the Whyalla greater region to be doing Whyalla-specific work, so that if we had work to do to government facilities or whatever that we would use the local tradies for that. Then I think we have two outside of that, during the course of this year, but I will double-check that. I will get the dates and the details for you.

John Chapman, who is the Industry Advocate, has confirmed the advice that we have had those Meet the Buyer events that you have attended previously, and the next one is on 2 July. There is a dedicated staff member in the Office of the Industry Advocate who works on this and promotes this.

There is a register of Aboriginal businesses or Aboriginal enterprises so that, when there are tendering opportunities, that list can be notified and enlivened. The next Meet the Buyer event will also be delivered in partnership with the South Australian Business Chamber to try to make sure that we are reaching out to a broader cross-section of the business community when it comes to these procurement opportunities as well. The job is not complete in making sure we have left no stone unturned in getting more Aboriginal enterprises involved in government procurement, but we feel like we are making significant advances with these additional efforts.

Mr TELFER: How many Meet the Buyer events will be on in 2025-26?

The Hon. S.C. MULLIGHAN: In terms of the big Meet the Buyer event, we would probably do just one main one but have separate smaller sessions across different areas or industries, as we have done in the past when we have done ones specifically for the housing and construction industry and so on, when we have been trying to get more South Australian builders involved in working for the Housing Trust. Perhaps we can get a list to you after the agenda has been finalised.

Mr TELFER: Will any be in regional areas?

The Hon. S.C. MULLIGHAN: The recent one was in Whyalla. Perhaps I will take on notice whether there are plans to do another one elsewhere.

Mr TELFER: The great challenge is not just with Aboriginal businesses but with small business as a whole, and South Australia is a small business state and we should be doing what we can with the procurement purse the South Australian government has. As far as specific measures, you have spoken about the role of the Industry Advocate. What other measures has the Treasurer taken to ensure that South Australians are not shut out of procurement opportunities through state government, but especially due to the skill shortage challenges we spoke about earlier?

The Hon. S.C. MULLIGHAN: That's a good question. At the last election we had a comprehensive procurement policy for government, identifying that, if we can increase the proportion of South Australian businesses providing goods and services to government, for no extra cost to government or to Treasury, we are increasing the amount of work done in the South Australian economy for the benefit of the small business community.

In January 2024 our revised procurement policy came into effect, and there has been quite an effort from Treasury in Procurement Services SA, as well as the Industry Advocate, to get that policy not just applying to government agencies but to get it understood and adhered to in the government agencies. At the same time, we set a target for an additional 5 per cent of government procurement expenditure to be delivered to South Australian businesses away from interstate and overseas suppliers, and my advice is that that additional 5 per cent has been achieved. I think we have gone from something like 74 per cent of government spend being spent locally to something closer to 80 per cent, but I will come back to you on those figures.

It is even better than that. I am told that in 2023-24, in the number of contracts we were able to monitor, the figure was \$4.7 billion of contracts (or 84 per cent) being awarded to South Australian business, and year to date, from 1 July 2024 to 30 April 2025, \$4.18 billion (or 91 per cent) of contracts have been awarded to South Australian businesses. That is two months shy of the financial year.

Mr TELFER: That is for major projects as well? We spoke a bit about major capital projects. Is that part of that measure point?

The Hon. S.C. MULLIGHAN: That is all contracts.

Mr TELFER: So Torrens to Darlington and the new Women's and Children's Hospital are included?

The Hon. S.C. MULLIGHAN: I am not sure that the Women's and Children's Hospital has been included in that, because we are still in a procurement process with that.

Mr TELFER: Early days, yes.

The Hon. S.C. MULLIGHAN: The Torrens to Darlington project is a little bit late, even though we have awarded a head contract and there are subcontracts that are awarded through that

process, which the OIA is responsible for monitoring to keep DIT accountable for what the lead contractor is awarding.

Mr TELFER: What about the North Adelaide Golf Course?

The Hon. S.C. MULLIGHAN: They have not finished designing it yet.

Mr TELFER: Did that design go out to procurement?

The Hon. S.C. MULLIGHAN: I will have to come back to you. I think that is being managed out of DPC, but I can check. I think the intent is that someone's expertise in particular is going to be procured for that project.

Mr TELFER: Not a South Australian, though.

The Hon. S.C. MULLIGHAN: Well, he played his first championship title on a South Australian course. In fact it was at Grange—

Mr TELFER: He is a Queenslander who now lives overseas. It is not really in South Australia—

The Hon. S.C. MULLIGHAN: Some of my best friends are Queenslanders. They are not as bad as Western Australians.

Mr TELFER: That explains a lot. It explains a lot.

The Hon. S.C. MULLIGHAN: They are not Australians; they are Western Australians.

Mr TELFER: We jest, but, seriously, this is a pretty significant project as a whole, budget wise. Do we know when procurement is expected to be completed by for that project?

The Hon. S.C. MULLIGHAN: I do not, but let me take that on notice.

Mr TELFER: I would appreciate that because, obviously, it feels like the government is building up an urgency for it, and it would be appreciated if we knew what that procurement process will look like.

The Hon. S.C. MULLIGHAN: Sure.

Mr TELFER: An aspect in the budget—I do not know if it is here or not, minister, but I am just interested, in the last few minutes, if possible, if it is under your remit—

The Hon. S.C. MULLIGHAN: Sure.

Mr TELFER: —in the Venture Capital Fund announcement. It is in the—

The Hon. S.C. MULLIGHAN: Budget Paper 5—just to help the member.

Mr TELFER: It is in the Budget Overview on page 24. It is a highlight that I want to extrapolate out.

The Hon. S.C. MULLIGHAN: There are many highlights in the budget and this is but one.

Mr TELFER: This is one where there is not a lot of information and explanation. What is envisioned with the Venture Capital Fund? Obviously, it is something that the government has contributed \$50 million to. Can you give me an outline as to what the structure of that fund is going to look like and what you are aiming for it to deliver?

The Hon. S.C. MULLIGHAN: We will provide \$50 million towards the Venture Capital Fund. There will be a board or an oversight committee that will be established, similar to what we did the first time around with the first Venture Capital Fund in 2017. They will then go and procure an investment manager, and the investment manager will be the one responsible for identifying investment opportunities, assessing them and providing advice to the oversight committee about which investments are—

Mr TELFER: So it will not be managed internally by government?

The Hon. S.C. MULLIGHAN: I think SAFA will be the responsible government entity for it, but we will have external expertise assisting us. I think that in the first iteration we had Raymond

Spencer, who was the chair of the Venture Capital Fund, and we had some people external to government, who were familiar with venture capital enterprises and had some experience, provide that oversight. They went out to market—I think they initially engaged Blue Sky investments, and then they changed and it went to Artesian investments, which have managed that. So it is basically the same sort of process, but we will look for others to populate the advisory role, and we will go out and have a process to identify the investment manager who will actually conduct the assessment of the investments and place them as well.

Mr TELFER: I am interested in the 2017 iteration—depending on the perspective as to the success of it at the time, and I am always cautious when it is government involved in something like this. It makes it too onerous for what really is, in this space, in the private sector or private investment. It is pretty aspirational. Is there going to be ministerial influence or involvement in this process, or is it going to be completely external to the decision-makers at the ministerial level?

The Hon. S.C. MULLIGHAN: There will be ministerial accountability.

Mr TELFER: Accountability is one thing, but as far as some of the strategic investments that may be—

The Hon. S.C. MULLIGHAN: It is not how it worked last time. I would not necessarily envisage that I or another minister would be sort of involved in the decision-making. We may need to ultimately authorise the decisions that are made about investment and allow funds to be disbursed, but, in terms of the discretion of decisions, previously that was done by the committee and based on the recommendations of the investment manager, and that is how we envisage it going ahead.

We recognise that, while people might think that government is not naturally the home for this, the first fund did have a lot of successes. It generated a positive return for the government, and it meant that companies that the member for Morphett would be well familiar with—companies like Fleet Space, Myriota and Inovor, and people doing big and wonderful things now in the space and advanced technology sectors—get their start. That is generally how we see it working again, but we have a bit of work to do to work out who is going to be doing it.

Mr TELFER: For the structure of the board and/or chair, do you envision that those will be positions that are recompensed?

The CHAIR: Does the minister want to answer that question?

The Hon. S.C. MULLIGHAN: That is okay. Yes. If we are getting someone external—

Mr TELFER: At equivalent rates to what?

The Hon. S.C. MULLIGHAN: To government. We will have to assess that. We pay board fees for things like Super SA and Funds SA and other boards, and we might have to do the same thing here. I will need to understand what the frequency of the meetings would be and how much work is involved in the meetings, and that would also determine how much we might need to pay—

Mr TELFER: The funds manager will be reporting to them.

The Hon. S.C. MULLIGHAN: I am happy to come back with some detail on notice.

The CHAIR: The allotted time having expired, I declare the examination of the CTP Regulator, SA Government Insurance and Fleet, Strategic Procurement, Industry Advocate and Shared Services complete. The examination for the proposed payments for the Department of Treasury and Finance are now complete. Further examination of the proposed payments for the Administered Items for the Department of Treasury and Finance is adjourned until Tuesday 24 June. Thank you, everybody, for your contribution.

Sitting suspended from 13:17 to 14:15.

DEFENCE SA, \$20,909,000

Membership:

Mr Fulbrook substituted for Ms Stinson.

Mr Brown substituted for Mr Odenwalder.

Minister:

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

Departmental Advisers:

Mr M. Opie, Chief Executive Officer, Defence SA.

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

The CHAIR: I declare the proposed payments open for examination. I ask the minister to introduce his staff, and I ask whether he wants to make an opening statement.

The Hon. S.C. MULLIGHAN: No, thank you, Chair. I have with me Peter Murdock, Director of Finance and Systems at Defence SA, and I have Matt Opie, who is the Chief Executive of Defence SA.

The CHAIR: Member for Morphett, do you have an opening statement? If not, it is straight into questions.

Mr PATTERSON: I just want to say thank you to the staff for all the work you do. It is a very important portfolio for the state. If we go to Budget Paper 4, Volume 1, page 153, 'Program net cost of services summary'. It talks through, at a top level, each of the programs. For Defence Industry Development, it has in the 2023-24 actuals \$7.35 million and then an estimated result in the 2024-25 year of \$17.196 million. Maybe the minister could provide us with information about what the increase between the two years was a result of.

The Hon. S.C. MULLIGHAN: I am advised that there was a range of carryovers on ongoing projects, which saw increased amounts of expenditure on Defence Industry Development. The two projects in particular were expenditure on the Kanyini project, as well as the Raytheon Line Zero project.

Mr PATTERSON: The budget is \$11.8 million for 2024-25 and then in 2025-26 it is increasing to \$15.6 million. I understand there was some carryover, so hopefully that has made its way through. Maybe you could explain what the increase between the two budgeted years is a result of, so between the 2024-25 budget and the 2025-26 budget?

The Hon. S.C. MULLIGHAN: On page 157, under the table headed 'Program summary—income, expenses and FTEs', it talks about how it is primarily related to the timing of industry assistance grants, but I might see if I can tell you which grants in particular that relates to.

Factory of the Future—Line Zero is \$3 million, Raytheon is an increase of \$800,000, from \$800,000 to \$1.6 million, and then there is the Defence Innovation Partnership Activator Fund, which increases from the \$1.6 million originally budgeted for in 2024-25. It ended up being \$4.7 million, and that is as a result of carryovers from the previous financial year, 2023-24, being carried over into the 2024-25 year. So you will see that, when you have a movement of an extra \$3 million, it was not spent in 2023-24, it was instead spent in 2024-25.

Mr PATTERSON: In the Program net cost of services summary, the second program, the South Australian Space Industry Centre, had a budget for 2024-25 of \$4.76 million and then a budget for 2025-26 of \$2.4 million. Is the minister able to explain what the reduction between those two budgeted years is a result of?

The Hon. S.C. MULLIGHAN: In particular, it was a timing of a grant. There was a significant contribution in the 2024-25 year of part of the package to fund Kanyini and so that was an extra \$1.3 million in that financial year. There is another \$300,000 or \$400,000 in general grants going out to other space-related organisations as well.

Mr PATTERSON: That is totally unsurprising that there was money there for Kanyini in the space program. It was also mentioned in the defence industry development program that there was funding in there for Kanyini. Is that the case? Was there money for Kanyini in both programs?

The Hon. S.C. MULLIGHAN: Sorry, Kanyini was not included in that first line, so apologies, I provided the wrong advice previously. But what was included was \$2,800 for Line Zero, 800 for Raytheon and the Defence Innovation Partnership Activator Fund, which was originally budgeted at \$1.6 million, ended up at \$4.7 million. Perhaps I can provide to you as a question on notice the detail of all the grants that have been provided across the financial years?

Mr PATTERSON: That would be great, yes. I probably have that as a question later on, but we will take that here. That sounds good. If we could talk about some of those grants that are around and some of the programs that are being run because it is understandable with AUKUS that there will be a lot of effort put in there. I am interested to get an understanding of what that effort is and the interplay between what the federal government is doing and the South Australian government and how we can maximise that. In terms of some of the announcements this year, I think that the federal government have announced their AUKUS Submarine Industry Strategy. Are you able to maybe explain what some of the highlights of that are that are pertinent to the South Australian defence industry?

The Hon. S.C. MULLIGHAN: Yes, sure. The government's efforts here are spread across two different entities. One is obviously Defence SA, which we are talking about today, and the other, which is more to the point that you raise in terms of industry development and readiness, is the Office for AUKUS, which is located within the Department of the Premier and Cabinet, which undertakes a range of—how can I describe them—preparatory activities readying the state for AUKUS. It is more trying to conduct those state government functions; for example, facilitating the land swaps and transfers that have been necessary on the Lefevre Peninsula or for land that was previously in the Cultana training precinct and so on.

Defence SA is more industry focused, I think it is fair to say, so part of the effort of the existing staff of Defence SA, as well as the funding that we provided in the budget to extend our funding to the Defence Teaming Centre, is aimed at the industry's readiness and preparation for AUKUS activities. There are specific programs within that as well.

In the Department of State Development there is the Industry Workforce and Skills Action Plan and then there is the supply chain uplift, in particular, to ready South Australian-based suppliers to participate in the supply chain for, initially, the US supply chain for the Virginia class but then being ready, by extension, for when we start the construction and contribution towards the SSN-AUKUS in South Australia.

There is a little bit of crossover between Defence SA and those two other government agencies, but there is still the focus both on AUKUS Pillar 1 and then more broadly on the Pillar 2 technologies, which extend well outside of naval shipbuilding and the submarine effort to all the other technologies that are identified in Pillar 2. Does that answer the question, or are you after more particulars in a certain area?

Mr PATTERSON: To some extent; it gives us a broad flavour. I am mindful there are different departments. Just moving on, still the same budget paper and page 156, looking through the highlights, you could start off with dot point 1 around getting them into the supply chain—for you, Chair, so that we are talking about a particular budget item. The question preceding that was more to do with that than the overall line.

With the Submarine Industry Strategy, the federal government has identified some critical areas, I think. One of them is creating demand clarity for industry, and another is boosting investment into these areas. Of the main areas, I was looking at those two as seeming to be quite relevant to South Australia. Maybe a more specific question than the previous one is: what would Defence SA

be doing in those two areas in terms of trying to get clarity, because obviously the project is in its infancy. The other one would be boosting investment as well.

The Hon. S.C. MULLIGHAN: That is a good question. Demand clarity, I think, is a good way of trying to articulate how industry is crying out for a road map or pipeline of work that is likely to become available for Australian-based—and South Australian-based—businesses that can participate in the AUKUS program.

Defence SA has an understanding of what those opportunities are and when they are coming into effect, when they are going to be live, when there are going to be live procurements out there, but then I think the real value is understanding which South Australian companies are operating in this space, or which have the capacity to operate in this space, and then trying to understand what is required for them to be entering into those supply chains.

As you well know, in Defence there are all sorts of requirements that companies need to meet so that they can provide their goods or services into the supply chain; all the clearances, of course, but all the demonstrations that they have the capabilities, practical as well as organisational and financial. Generally speaking, it is trying to identify those South Australian firms and then, to the greatest extent we can, kind of holding their hands along the journey so that they can successfully participate in that supply chain as well. That is just one area of the defence industries that Defence SA does this work in, across all of the other domains, where we are undertaking these defence industry development activities.

When there are major global or national announcements about defence procurement, the prospect or the likelihood that the Canadian government is going to procure BAE systems, JORN system, the immediate thought is, 'What does that mean for BAE in Australia? What does that mean for BAE, in particular in South Australia? If work is going to ramp up really significantly, what does that mean for other businesses in the defence industry that can supply to BAE as well?' It is understanding what the procurement pipeline is and then making sure that our businesses are ready for it.

Mr PATTERSON: You talked about giving capability uplift as well to the supply chain. We talked a bit about that at the last estimates, because for the South Australian defence industry to get the most out of AUKUS, it will be trying to get into the supply chain and prove we are ahead of US companies that are already in the Virginia class supply chain, and the UK one.

The Hon. S.C. MULLIGHAN: Yes.

Mr PATTERSON: They are already in there with the dreadnought and SSN-AUKUS. I think Huntington Ingalls Industries has come into Australia and taken an active presence, which is good.

The Hon. S.C. MULLIGHAN: Yes.

Mr PATTERSON: I suppose I am keen to get a bit of an understanding about any programs they are offering to help out with capability uplift.

The Hon. S.C. MULLIGHAN: There are a few different things I can take you through. The first program is called the AUSSQ program which is delivered in partnership with Huntington Ingalls Industries (HII) that you mentioned before. We provided \$1 million towards that AUSSQ program, and that is to assist five South Australian companies go through all of the pre-qualification processes and assessments necessary for them to be an accredited supplier into the supply chain.

Then there is the separate DIVQ program which is being funded and run by ASC, which seeks to achieve basically a similar outcome, but for the work that ASC is interested, in particular partnering in their role in developing the SSN-AUKUS, but they also have a broader remit looking at things like the life of type extension work for the Collins class and so on.

Then there is the \$3.3 million that we have allocated for the Defence Supply Capability Uplift Program which, similar to the outcomes that I have just identified for that AUSSQ program, is trying to get a range of defence suppliers fit and ready to be part of the supply chain; firstly, helping them to understand what the procurement opportunities are but then making sure that they meet all of those pre-requirements that are necessary.

There is also a partnership with the Hampton Roads Alliance, which is a conglomerate of industry associations representing our private businesses which are seeking to create bilateral relationships with South Australian and Australian companies, to get them involved in the broader supply chain for the Virginia class. I understand that that same sort of Hampton Roads industry association-led effort is also being replicated in a UK perspective.

As you know, one of the attractions to the three countries of the AUKUS agreement is that each of the three countries becomes able to participate in each other's supply chain, diversifying the industry capability for each of the three countries. Those are the programs in South Australia that we are trying to pursue that through.

Mr PATTERSON: In relation to the one by HII (Huntington Ingalls Industries), you were saying it was trying to get them to become an accredited supplier. So there are five companies. What fields are those companies in? I will let you answer that question and then I will do my follow-up.

The Hon. S.C. MULLIGHAN: It is mainly those businesses involved in manufacturing, but outside of manufacturing there is also some interest in businesses which are capable in engineering services and potentially design as well. I did just ask Matt, 'Should we try to name those companies?' but I do not have that detail to hand of those five companies that are participating. I might take that on notice so that I can provide that for you subsequently, if you like.

Mr PATTERSON: Thank you. Would Huntington Ingalls be looking for gaps in their supply chain in the US and say, 'Okay, there's a weakness here,' and finding out what is available here?

The Hon. S.C. MULLIGHAN: Pretty much.

Mr PATTERSON: Are we looking then for gaps or where there are weaknesses in the Virginia supply chain, or are we looking for having a parallel so there are effectively points of redundancy in the supply chain? So they might well have a company already doing something for Virginia and then one in South Australia, because they are two different paradigms.

The Hon. S.C. MULLIGHAN: They are. You are right to make the distinction between the two of them. My understanding is that it is both. There are existing suppliers for the Virginia class submarines, for example, but they might be right at capacity, or they might be forecast to reach capacity fairly soon, so they need alternative suppliers to provide the same thing, whether it is the same manufactured goods or engineering services, but they just need more companies who are able to do it so they can increase production. Or if there is redundancy, as you say, something happens with the existing incumbent supplier, then they have other people who they know they can go to.

You raising that point is really important in the context that we are asking, or hoping, for the US boat yards to be increasing production so significantly. That is why there is not just effort from Australia, or subnational jurisdictions like South Australia, trying to promote our businesses into this supply chain. I think the attractiveness of the AUKUS agreement for the US defence industrial complex is that they are going to be far more capable of delivering the platforms and the programs that they need to do over the coming years because they reach into the Australian economy and expand their supply chain, and similarly with the UK too.

Mr PATTERSON: That makes a lot of sense. Obviously, we have the review going on in the US that got announced earlier this week by the Pentagon. Us talking about that makes it obvious that the Australian defence industries can help there. In terms of that review, how long is it going to go for? I would be interested in your commentary on it as well. Do you feel there is an issue there? Is there something that we should be putting forward to the US to say, 'This is why it's a good thing for the US'?

The Hon. S.C. MULLIGHAN: I think it is important you raise it, because it is obviously highly topical at the moment, particularly given the aggressive changes in policy of the current US administration in a whole range of areas. When a review gets announced about AUKUS, obviously people's eyebrows are raised and ears prick up about what that might mean for the program.

I think it is important to recognise that for an incoming government it is not unusual for these sorts of longstanding programs to be reviewed; it does not matter if it is a national government or any other government, if it is defence or likewise. But in the context of AUKUS, the Starmer government

reviewed the AUKUS agreement and has subsequently chosen to increase the number of SSN-AUKUS submarines that they want to deliver to 12. So sometimes these things are good on the upside rather than the downside.

My understanding is the length of the review is 30 days. I do not think we should be utterly relaxed about the review. I think the Trump administration and the Pentagon will be putting their own advisers and their own industry through the hoops and they will be expecting the other AUKUS participant countries, Australia and the UK, to be put through the hoops to justify why this is an agreement that is of benefit to all three countries but including the US.

I think we have a pretty well-conceived understanding of why it is good for Australia but also what the benefits are for the UK and the US as well. I think it is our expectation that the review will give the opportunity for both the UK and the US to feed into it to make it clear what we see the benefits to the US are, not just to ourselves. But that will be done at a federal level; that will not be done at a state level.

Mr PATTERSON: Talking of the federal level, have you been able to speak with your counterpart, the federal Minister for Defence?

The Hon. S.C. MULLIGHAN: After the recent federal election, when the cabinet was sworn in, I went to Canberra and visited my ministerial counterparts: obviously, the Treasurer, Dr Jim Chalmers; the defence industries minister, Pat Conroy; and also Tim Ayres, who is the minister for—and I will not get his title exactly correct—industry. I raised with them respectively the things that are important to those particular portfolios from a South Australian context, particularly with Pat Conroy and Tim Ayres with respect to space.

I think I made some comments yesterday in the other place when we were talking about the space sector, that there is a significant opportunity for the commonwealth to lean back into that space, perhaps in a way which had not been the case for the last three years. With defence, what I mentioned to Minister Conroy is we feel as a state, more so than any other state or territory, that we are putting a huge amount of work into helping the commonwealth successfully execute against their defence programs.

We have spent more than \$200 million building the defence maintenance and modification facility at Edinburgh so the RAAF can maintain and modify the P-8 Poseidon platform, replacing the old P-3C Orions and also the E-7A Wedgetail variant of that Boeing plane as well for surveillance and communication purposes. We have set up the office for AUKUS, and we have Defence SA, which is trying to pull in the same direction and beat every path clear in advance for the commonwealth for AUKUS and for naval shipbuilding in South Australia as well as AUKUS Pillar 2 activities.

So I would like to think that, both in what we have done over the last three years and also what we are doing right now and what we are prepared to do in the future, we are sending a really clear message to the commonwealth that we are almost like an extra set of arms and legs for them to successfully prosecute what they need to do when it comes to AUKUS, and we are prepared to put extra resources into it.

As Matt reminds me, we have recruited additional staff to represent South Australia and defence in particular. We have Tony Heath, who is our director in the UK, who works in conjunction with the Agent General's office but is actually a staff member of Defence SA, so we have that direct relationship with him.

We also have the DSD presence ramping up in the US as well. A succession of ministers, led by the Premier, are making sure we are calling on key companies and decision-makers in the US to reaffirm the capacity for the South Australian economy to support their programs but also to encourage them to think about South Australia as a place in which they can expand their operations, if that is something they are looking at as well.

Mr PATTERSON: So the UK is wanting to expand its program as well?

The Hon. S.C. MULLIGHAN: Yes.

Mr PATTERSON: There was also commentary quite recently from one of their former UK national security advisers, warning that there have been delays in the past and that it is quite likely that there could be design and production delays to the SSN-AUKUS. I know it is hard to predict what that might mean, but that was the commentary.

In terms of the planning going on, to me a delay would cause an issue—we are talking about trying to get suppliers geared up into the programs, but they need to have that work. How do you overcome the uncertainty created by that? You have a US defence review, an AUKUS review and potentially commentary around delays. Is there an issue or are contingencies built in around delays? How do we keep the industry engaged?

The Hon. S.C. MULLIGHAN: It is a good question. There are a few different elements to the concept of delay: one is a bit beyond you and me, and that is the risk a delay causes to the nation's defence posture in having these boats ready. From the outset, they are seeking to mitigate that risk by procuring three to five Virginia class submarines from the US to operate for the benefit of Australia, but I will not go into that any further because it is not really a state government issue, it is more a national government issue.

The other is the risk of delay to the SSN-AUKUS program as far as we are concerned in South Australian industry terms. Any delay that eventuates may mean slippage of the program and changed timings on when the extra workers are required and the extra industry uplift is activated, not that we should be relaxed about delays, but we will be working extremely hard as an economy, let alone participants like government or industry, to try to meet the demand that is now here. Whether it is BAE recruiting an extra 80 or 90 staff per month—and that is just for the frigates program; that is before they even crank up for the submarine build—the commonwealth itself has to do that massive expansion of the shipyard, which is billions and billions of dollars of expenditure before the SSN-AUKUS build program starts.

If a delay does eventuate (and this is government procurement in defence, which guarantees it will be on time and on budget and unaltered in design—is that a fair call?), economically or labour force or industry opportunities, I do not think it will be as bad an outcome as it would otherwise be if, for example, the AWD project had been significantly delayed by years, 20 years ago when that was ramping up, or what we have been confronted with with delays about frigates and that sort of thing. I hope that sort of industry dislocation and valley of death is well in the rear-vision mirror now. Rather than valleys of death it will be the capacity to climb Everest and deliver these major programs at the same time in our economy.

Mr PATTERSON: Just because we only have an hour I might move across to space, and if we have time we can come back to more of this.

The Hon. S.C. MULLIGHAN: Yes, absolutely.

Mr PATTERSON: Thank you for your answers. They are very enlightening. If we go to the same budget paper, page 154—looking at the investing expenditure summary. It is basically just one investment, which is the Space Assembly Integration and Testing facility. Originally, in the 2023-24 budget, \$10 million was to be spent in 2024-25 and \$10 million in 2025-26, whereas now in this budget it is stating that the estimated result is zero. So none was spent in this financial year and none is expected to be spent in the 2025-26 year. The commentary around that is that:

Defence SA will now commence the creation of the Australian Space Assembly and Integration Centre to be located...at Lot Fourteen in 2028.

Maybe if you can give some commentary around what is going on, because it is something that would be very beneficial to industry.

The Hon. S.C. MULLIGHAN: Yes, absolutely. There have been a few changes of plan, obviously, with this over the years. You and I have both recognised on the record previously in the other place that, when the Albanese government was first elected, there was a decision taken to withdraw funding from some space-related programs that had been committed to by the previous Coalition government. Some of that had an effect in South Australia as well, so what we decided to do was to try to proceed with two commitments. One was to develop this, and I will come back to this

in a second, and the other one was to try to support Fleet Space in their move and in the development of their new facility, moving from Beverley to the airport. That is all proceeding fine.

On this, we had not proceeded with this building as quickly as possible, because in the last 12 months what has changed in the scope of the building is that we have reached an agreement with BAE Systems that they will relocate their corporate workforce from Flinders Street into the new Innovation Centre at Lot Fourteen, which means the scale of the building will now be significantly larger and the workforce in the building will be significantly larger than what we had previously anticipated when, in last year's budget, we had forecast that we would spend \$10 million in that financial year.

Cabinet has now approved the delivery model for that building. We will be going out to market for our constructor of the building, which we anticipate will be delivered and tenantable in 2028. It will be a facility that includes the Australian Defence Technologies Academy as a key tenant, and the space assembly and integration and testing facility will be a key tenant of that building, as will BAE. There will be a level of facilities and security arrangements required in that building, particularly because of BAE being in there, which will also make it conducive to other companies that have higher levels of security requirements to be able to be located in that building as well.

Consistent with the previous government's vision for Lot Fourteen, where it would be bringing together a class of businesses and workers who are entrepreneurial and innovative and that sort of thing, we hope this building will be doing something similar: having a calibre of workers across a range of organisations who are involved in very advanced, high-skill jobs. Hopefully the benefits of that spill out across the broader economy as well.

Mr PATTERSON: In the highlights a bit further on, but still related to this line item: we talked about design, and it stated that design did occur during this financial year. Is there continuity in that design or does it have to be reconstituted or redesigned because of the location change?

The Hon. S.C. MULLIGHAN: I cannot really comment in terms of the actual design. What has changed is the footprint, the level of space that will be in the building. When we go out to market for a constructor—we have not settled this yet—one of the things that we are thinking of is whether we ask for some optionality in terms of gross lettable area of the building space, so that between now and 2028 if there are more tenants who are interested in being located in the building we have the capacity, through the construction contract, to add floors or add footprint to the build to make sure that we can accommodate more people in there.

I cannot comment too specifically about the design of the building. I will come back to you on the design stuff, but I think you can get the gist of why the delay, and now because we are looking at a broader cohort of people being included in it.

Mr PATTERSON: But the intention is still to have some basic common user equipment to help with the assembly?

The Hon. S.C. MULLIGHAN: Yes, for space, absolutely. I do not know how many floors, off the top of my head, but there will be one floor of at least—Matt has reminded me that there was some initial work done to design the lab space for the assembly and integration and testing facility that is space-related, and it became clear through that process that while there was some early design work done, given that this thing is going to be open for tenants in 2028 things may well move on in terms of what the lab needs and its capabilities and the services and equipment and so on. I think the best way of describing it is that the design is deliberately incomplete to allow for some future developments of scope and capability.

Mr PATTERSON: Which does make sense, because technology does advance quickly, especially in this field. The question is whether there is uncertainty, though. Could I seek from you a commitment that the actual \$20 million will remain in the budget and you will commit to building the ART?

The Hon. S.C. MULLIGHAN: Yes.

Mr PATTERSON: It is not one of those things that gets pushed out and then after the election—

The Hon. S.C. MULLIGHAN: No.

Mr PATTERSON: —all of a sudden it is not in there.

The Hon. S.C. MULLIGHAN: No, that is right. The government has made a decision that we are going to market for the building. The building will be procured to house this facility specifically within it. The financials of the building incorporate the money that has been allocated for the assembly, integration and testing lab that is this initiative. It will be in the building. The government has approved that, and it is budgeted to happen, so there will not be any change to that.

Mr PATTERSON: I refer to the same budget paper, page 156. In the highlights it talks about the defence and space landing pad and trying to attract companies there into Lot Fourteen. Can the minister outline how many companies received funding in the 2024-25 financial year, the funding amounts and the breakdown of whether they are defence or whether they are space companies?

The Hon. S.C. MULLIGHAN: Let me see what we have on this, because I do recall seeing something recently on this. I know during the course of the year there have been companies that have been assisted through the landing pad. I am sorry I cannot give you the specific detail now. I am advised that we think it is five to 10 companies in the course of the last year. They may not receive direct funding but instead they might receive another form of financial assistance, a period of reduced or subsidised rent, for example, and then that applies for a certain period and then they either stay in the Lot Fourteen precinct or they move.

An example of one that came in through the Defence and Space Landing Pad and then moved is Kongsberg. They went out and built their new missile manufacturing facility at Mawson Lakes, which opened about nine or 10 months ago. The platform that launches the missile is what they manufactured.

Mr PATTERSON: Are you able to provide a breakdown of those 10 that were defence-related companies, the space ones?

The Hon. S.C. MULLIGHAN: Yes, we will take it on notice.

Mr PATTERSON: Moving forward to 2025-26 and onwards, is there funding in the budget for the Defence and Space Landing Pad going forward?

The Hon. S.C. MULLIGHAN: Yes.

Mr PATTERSON: What is the amount per year?

The Hon. S.C. MULLIGHAN: We will see if we can find it, but my recollection is that it just continues on how it has been funded in the past. The cost to actually run the Defence and Space Landing Pad has remained consistent, which is very little. I think it is only about \$55,000 a year, but to get you the total cost I would have to try to understand what some of those other forms of financial assistance are that are provided to the companies that successfully land and stay at Lot Fourteen, so I might see if I can come back to you with a consolidated piece of advice on that.

Mr PATTERSON: In a similar vein around funding, if we go to page 160, which is about the South Australian Space Industry Centre, in the Program summary there and the Grants and subsidies, at the same time of the 2023-24 budget, when the Assembly and Integration Testing facility was announced, there was also about \$13 million allocated for growing the space industry. I think there was \$3.5 million allocated for the 2024-25 year, based on when the program was first put in the budget in 2023-24. I want to get an understanding of how much money was spent in the 2024-25 year.

The Hon. S.C. MULLIGHAN: This is on the integration and testing facility?

Mr PATTERSON: Sorry, no, I will just get the specific name. It was another program called growing the space industry and it was a \$13 million program over four years.

The Hon. S.C. MULLIGHAN: I might have to check this. The only sort of 13-ish million dollar program I am aware of is the multiyear program for the Defence Innovation Partnership, but I am happy to take it on notice and see what I can find out.

Mr PATTERSON: I will just quickly check that I have pronounced it correctly or I have said it correctly.

The Hon. S.C. MULLIGHAN: Peter advises me that, when the program first came over, it was budgeted on a sort of annual allocation, starting at \$2.5 million and then building across the forward, so that might be the \$13-odd million you were referring to.

Mr PATTERSON: Yes.

The Hon. S.C. MULLIGHAN: That may now have changed to be sort of capitalised into that \$20 million contribution, but can I just take that on notice to get it reconciled.

Mr PATTERSON: Yes, take it on notice. I think it was just couched as growing the space industry. That might not have been the actual name for that line item, but you will see it was an operating expense and then the investing payments of the \$20 million in the same budget measure were for the AIT. But, yes, it would be interesting to see what that was spent on, if you could take that on notice. The 2024-25 estimated result for the Space Industry Centre had grants and subsidies of \$1.9 million. If you are able to provide a breakdown of those grants and subsidies that would be very helpful. Thank you for that.

If we go back to page 156, back into the world of Defence—I am interested about the LOTE, if we have a little bit more time—and dot point 4. In terms of highlights, we are looking at the Collins class LOTE. Just recently there have been some challenges ventilated around potential delays for the first boats. The LOTE is meant to be in 2026. Do you have any advice that the first boat, I think it was the *HMAS Farncomb*, is still due to commence its LOTE in 2026?

The Hon. S.C. MULLIGHAN: There is no change that we are aware of. I am aware, generally speaking, that the program is underway. The last time I was out at ASC they took me on *HMAS Rankin*, which is the sort of environment that someone like the Hon. Frank Pangallo would be more comfortable with perhaps than the rest of us, if I can couch it in those generous terms. That program is underway. I will check if we have been advised of any changes to timing, but I am advised we have not been.

Mr PATTERSON: I was just concerned that if there were delays in the planning and design phase that would then flow through to the commencement of the actual life-of-type extension. Parallel to that, if problems would mean a two-year delay, and that just flows down the line as well for the second boat, etc. If you could go away and follow that up it would be interesting.

Another point is that the federal defence minister, Richard Marles, has conceded—not confirmed but conceded—about the scaling back of some of the life-extending upgrades. I would be interested to get your advice on that. It was framed 'LOTE lite' from the point of view that upgrades to the first boats would mean that the *HMAS Farncomb* would keep its main motor and engines; they would stay in place rather than being replaced as well.

I am interested in understanding if you have had any briefings around that. If that were the case, what would be the impact on the work program? To me, that talks to a lessening of it and the anticipated workload required.

The Hon. S.C. MULLIGHAN: I am not best placed to go into the specifics about what is in and out and what has changed in the reports you have mentioned. The thing that did surprise me—although it made sense, once it was explained to me—is that while some of these boats have been in service for quite a long period of time they have a particular diesel engine that was installed when they were first built. I cannot remember what type of diesel engine it is; it is an unusual Swedish engine that we would otherwise not be particularly familiar with in the Australian industrial context.

I had naively assumed that they were going to strip all the old equipment out of the boats and replace it with brand new stuff but, of course, the architecture of the boat does not necessarily allow that. It was designed, all those years ago, to have specific weights in different places within the hull in order to achieve its performance metrics.

Even to pull out, I do not know what it is, say a V12 or a V16 diesel and put in a modern V12 or V16 diesel, whatever the contemporary one is, comes at a really significant naval architecture challenge. The weight of it and the impact it has on the—I was going to say chassis; you can tell I

am right out beyond my capacity of naval architecture now—superstructure can change the performance and capabilities of the boat compared to what it was designed to do. While it might be, on the face of it, if there is any report of a LOTE lite it sounds like it has been done on a cheap and quick basis, it might actually also be because it is just far easier and more effective for the boat to be limited in terms of how much it is modified, to make sure that it still performs in service the way in which it was originally designed.

Membership:

Ms Wortley substituted for Ms Savvas.

Mr PATTERSON: That is a very sensible answer to that question. From an engineering point of view it makes a lot of sense. Would that then have an implication for the workforce in South Australia?

The Hon. S.C. MULLIGHAN: To the extent that those reports are true and that there is a change of scope in the work that is undertaken as part of the life of type extension, it may then alter what work actually needs to be carried out on the boat and by whom. But in terms of leaving a workforce sort of high and dry, I think there is very little risk of that because those workers with those skills are so aggressively being recruited and pursued now to participate across those three major programs: the life of type extension, the Hunter class frigates program, and then gearing up for SSN-AUKUS. I do not think it is going to leave workers out of work. It may change the overall configuration of the workforce, but if there is any reduction in scope it might actually just make the challenge of providing the workforce slightly easier.

Mr PATTERSON: Trying to get that interplay between these three big projects, does the LOTE sit as its own program and the workers there would stay there?

The Hon. S.C. MULLIGHAN: Yes.

Mr PATTERSON: When recruiting workforce for the SSN-AUKUS is that done in parallel? It is not like we are trying to do the LOTE to get the workforce through, to overcome a valley of death, to then have them geared up for the SSN-AUKUS?

The Hon. S.C. MULLIGHAN: Yes, that is right. LOTE is being done by ASC, the Hunter class frigates are being done by BAE, and then of course there is the joint endeavour of ASC and BAE to pursue SSN-AUKUS but, importantly, the workforce is gearing up at the same time for life of type extension and Hunter class frigates right now. That is why there is that competing demand for particular skills and workers. It is different work but you need similarly skilled types of people.

Frigates are underway now, and life of type extension really ramps up from next year and goes through to 2038, and then SSN-AUKUS is from 2030 onwards. You can see how you are going to have three major programs bubbling away at pace at the same time for a significant number of years, particularly between 2030 and 2038. I just have to check when the frigates program is scheduled to finish as well. You can see why everyone is banging on so much about workforce, because we have three major naval projects underway over the same sort of period in only a very short of period of time before us.

Mr PATTERSON: You mentioned before the Office for AUKUS, and that is on the same page in the same highlights. Can the minister explain what input Defence SA has had into the Office for AUKUS since the previous budget estimates?

The Hon. S.C. MULLIGHAN: A little bit. There is collaboration and interaction. Matt has just reminded me that they talk almost daily, but the kind of work program and the tasks between Defence SA and the Office for AUKUS are quite different. The Office for AUKUS, for example, is undertaking the Le Fevre Peninsula master plan task. As I mentioned before, while the Australian Submarine Agency is planning for the tripling of the size of the shipyard, we are trying to think through what happens outside that perimeter that is necessary in order for that shipyard to be productive and efficient.

How many more workers are going to be on the shipyard? How are they all going to get to work and then get home again? Are they taking public transport or are they driving? If they are taking public transport what does that solution look like? If they are driving, where is the car park? How much traffic is going on the local roads? What are we doing about water, gas and electricity? What are the broader services that are available? If there are an extra 5,000 workers, where are the medical services? What about the firefighting capabilities or other emergency services, etc.?

Defence SA has input into that, of course, but moreover the task is about broader industry development and capability, not just for AUKUS Pillar 1 and these other naval shipbuilding platforms but well beyond in all of the other defence and space domains as well.

The CHAIR: The allotted time having expired, I declare the examination of Defence SA and Space Industries complete. The proposed payments for Defence SA are referred to Estimates Committee A.

DEPARTMENT FOR INFRASTRUCTURE AND TRANSPORT, \$1,880,745,000
ADMINISTERED ITEMS FOR THE DEPARTMENT FOR INFRASTRUCTURE AND
TRANSPORT, \$141,722,000
SOUTH AUSTRALIA POLICE, \$1,196,686,000
ADMINISTERED ITEMS FOR SOUTH AUSTRALIA POLICE, \$73,000

Membership:

Mr Batty substituted for Mr Patterson.

Ms Hutchesson substituted for Mr Brown.

Minister:

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

Departmental Advisers:

Mr J. Whelan, Chief Executive, Department for Infrastructure and Transport.

Ms E. Kokar, Executive Director, Transport Policy and Regulation, Department for Infrastructure and Transport.

Ms S. Clark, Director, Road Safety, Policy and Reform, Department for Infrastructure and Transport.

Mr S. Johnke, Executive Director of Business Service, South Australia Police.

Mr I. Parrott, Assistant Commissioner, State Operations Service, South Australia Police.

Mr A. Excell, Executive Director, Transport Strategy and Planning, Department for Infrastructure and Transport.

Mr G. Jackson, Executive Director, People and Corporate Services, Department for Infrastructure and Transport.

Ms M. McLeavy, Director, Marketing and Communications, Department for Infrastructure and Transport.

Mr L. Pineda, Manager, Budget and Reporting, Department for Infrastructure and Transport.

The CHAIR: The portfolio is road safety. I declare the proposed payments open for examination. I invite the minister to introduce the advisers and make a statement, if he so wishes.

The Hon. S.C. MULLIGHAN: Thank you, Chair. I have no opening statement, but with me I have Sarah Clark, who is the Director of Road Safety, Policy and Reform; Jon Whelan, who is the Chief Executive of the Department for Infrastructure and Transport; and Emma Kokar, who is the Executive Director, Transport Policy and Regulation.

The CHAIR: Member for Bragg, statement or questions?

Mr BATTY: I will go straight into questions, thank you, Chair. I might start with Budget Paper 5 and some of the new road safety measures in this budget I would like to run through in turn, starting with page 49, where we see provision for additional road safety maintenance—\$10 million in 2027-28 and another \$10 million in 2028-29, so about \$20 million. I think the RAA were asking for somewhere in the region of \$1 billion over this forward estimates. Can the minister talk to that amount and whether it is nearly enough?

The Hon. S.C. MULLIGHAN: I do not think any government or any minister would try to genuinely say that all of the requirements of maintaining and improving our roads is provided for over a four-year period. As the member for Hammond would know perhaps better than some of the rest of us—other than someone like Jon and the others around me, of course—the state went through a really significant program, particularly following the Second World War, of creating new roads and sealing roads—

Mr PEDERICK: I do not quite go back that far!

The Hon. S.C. MULLIGHAN: Well, you are post Second World War. Some of us are post more recent wars.

Mr PEDERICK: Post Korea.

The Hon. S.C. MULLIGHAN: Post Korea, sorry—in the post-Korean environment. Many more roads were developed across regional South Australia and many existing roads were sealed for the first time, and the old refrain used to be: South Australia has 10 per cent of the nation's roads, we have 7 per cent of the population, and we get 5 or 5½ per cent of the national road funding. So we are always starting from behind with this.

There are two things I would say about the particular line that you have drawn my attention to: one is that no-one likes the prospect of rolling out initiatives, including things like mobile phone detection cameras or other road safety types of cameras, and, of course, the revenue that they are forecast to generate through motorists doing the wrong thing and generating expiations, but I think it is important that we demonstrate that when those cameras start coming online, we are using any revenues generated or forecast to be generated from those cameras to go into road safety related initiatives.

Your question basically goes to the point of: does \$20 million really address the RAA's identified backlog of a billion dollars for road maintenance backlog, or whatever their latest figure is? No, of course, it does not but it is an improvement on top of previous additional road maintenance allocations that we have made in earlier budgets.

I would also say that the Department for Infrastructure and Transport has a reasonably significant annual program budget. I think it is something like \$150 million or \$160 million, and \$100 million of that is basically for road maintenance. So, yes, it is not a billion dollars over the forwards, but we are talking, certainly including this, that we are over \$400 million over the next four years for road improvements.

Mr BATTY: I think the figure that the RAA uses is closer to a \$2 billion backlog.

The Hon. S.C. MULLIGHAN: Well, it has been a high-inflation environment.

Mr BATTY: It is not easy. Is this a figure that the department has as well? Is there an official road maintenance backlog, and, if so, what is that number?

The Hon. S.C. MULLIGHAN: From the information that has been provided to me, I will try to provide a few different strands of information. I am advised that the RAA identified a figure in 2018 of \$750 million as being the maintenance backlog, and, as you say, member for Bragg, they are now saying it is roughly in the order of \$2 billion. I am not exactly sure how they estimate the value of the backlog.

The work that the department does traditionally has been, when we engaged our own road maintenance crews, they would have a rigid truck with a—I do not know if you would still call them a road gang. They would go out and basically constantly survey the roads and they had enough equipment on there to do patchwork and that sort of thing.

Now what happens under the outsourced arrangement that the previous government put in place across the regions in particular, is that there is a requirement for the contractor to be doing that kind of ongoing survey work of the condition of the roads that the state is responsible for and identifying road improvements, if I can put it that generally, that are required to maintain the safety of the roads.

Not that this has been the case in the last 15 months, but when we have high levels of rainfall it often creates cracks and potholes and that sort of thing, which are dangerous and need to be immediately addressed and filled, or through wear and tear shoulders fall away and the road narrows and becomes dangerous, particularly for traffic travelling at 100 km/h, and so on.

There is new technology, I am advised, called iPAVE being rolled out. That is trying to provide an estimate of what the batting order of works needs to be in order to maintain safety. I am advised that the total road maintenance budget for 2023-24 was something like \$189.7 million, and the budget for 2024-25 has been \$162 million and the disparity between the two was because some additional and urgent works were identified in 2023-24 that caused that higher amount in that year.

Mr BATTY: I understand that is the budget. Is there a number for what is outstanding?

The Hon. S.C. MULLIGHAN: Not really, because if you think of the budget estimates over a four-year period, the immediate road improvement needs that you identify in, say, June 2025 will be a list that long, and when you get to June the next year, the year after or the year after that, notwithstanding how many of those demands you have identified this month, that will change as the roads continue to deteriorate, change and so on.

I have always been curious to understand how the RAA has identified a dollar figure for what is required in spending to get the roads back up to a particular standard. Firstly, we could all sit around all day arguing what the specific standard should be and how it is measured, but, secondly, what the work programs are or what interventions are required to bring it up to that standard. I remember from my time as a transport minister, you never really have any sort of overall estimate because it changes month to month as the condition of the road changes.

I cannot remember what we did when I was in the portfolio, but we put some money into the Riverland highways when the rail lines closed, for example, or we fixed up some work on the Tod Highway in the electorate of the member for Flinders, and maybe both need to be done again because we are six or seven years down the track since it was done. That is why there is no fixed point in time estimate.

Mr BATTY: As far as the department and the government is concerned, there is not a backlog per se of road maintenance. There is a budget that meets the needs and that is what you spend, and there is no backlog?

The Hon. S.C. MULLIGHAN: There are always road improvement works that have to be done to maintain safety on the roads, but you would have degrees of work that change between what is urgent and critical to make sure that when Peds is driving back to his electorate he does not lose an axle in a pothole that has just emerged after a weather event. That road progressively has been getting narrower because vegetation is overgrowing it or shoulders are falling away. I was inviting Peds to dress up a DD where he could tell us the story of hitting that kangaroo that was so big the tail whipped around and hit the taillight—I think he explained it last time.

Mr PEDERICK: It did \$14,000 worth of damage.

The Hon. S.C. MULLIGHAN: That is right. I am envisaging some sort of Godzilla-type marsupial. I have no record to speak of when it comes to kangaroos.

Mr BATTY: So you think, for example, the \$189 million you mentioned of annual spend this year on road maintenance is sufficient, and you disagree with the \$250 million the RAA say we need to be spending?

The Hon. S.C. MULLIGHAN: You can always spend more money on the roads to get a better quality of roads. The unenviable task that Jon has within his portfolio responsibilities, and I have more broadly across government, is trying to make the money you have allocated go as far as possible.

I do not pretend that the spend that we had last year, or the spend that we have this year, or what is provided for next year is going to meet all the needs of the roads, because there is an almost endless amount of priorities and opportunities to improve them. Once you get past the urgent and critical works that I referred to before, then you have the opportunity to start thinking about some proactive safety improvements. It might be installing the audio tactile line marking that makes noise and gives a vibration when you start to veer towards the edge of the road or veer towards the centre line, or it might be providing a better road safety crossing outside a regional primary school that is located on one of our highways within a township.

Mr BATTY: Do you have the funding split of how much road maintenance funding was spent in metropolitan areas versus in regional areas?

The Hon. S.C. MULLIGHAN: No, I do not, but what I am advised is that, historically speaking, it has sort of fluctuated between fifty-fifty or sometimes even slightly more in regional areas, depending on what the priorities of the particular financial year are. Of course, we are talking about maintenance, not necessarily road projects, which are specifically funded, including in partnership with the commonwealth. That funding split does not include when there is a specific upgrade program, such as for the Princes Highway or the ongoing duplication of the Augusta Highway towards Port Augusta and that sort of thing.

Mr BATTY: I might move on to another budget measure: page 51, road safety targeted campaigns. Is road safety messaging in campaigns and advertising going to be a task of the government's new advertising and insights hub, or is DIT having a role in these campaigns?

The Hon. S.C. MULLIGHAN: All government advertising goes through a process called the Government Communications Advisory Group (GCAG), which is located within the Department of the Premier and Cabinet. That has been in existence for quite a number of years now, under successive governments. Any advertising campaign, whether it is 'go and get your flu shot' or 'be safe on the roads' or whatever, ultimately goes through that. How those campaigns are funded, though, is that the funding comes from the agencies that the advertising relates to. So, for the road safety targeted campaigns, this is additional funding on top of existing budgeted funding across both the Department for Infrastructure and Transport and SA Police.

What I think I also announced as part of the budget is that the old Road User Safety Advisory Committee (RUSAC) is not being continued, and a new committee is being developed in its place. It is good that Jon is here because he is about to hear that he has been dobbed in for that task, as has the police commissioner and a much smaller group of people who will provide oversight, not just for the road safety initiatives, blackspot funding and the sort of thing that the government continues to roll out, but particularly what the campaigns could be—because I think all of us, in the cold light of day, would say that the quality and the success of those campaigns can be variable.

Mr BATTY: I guess that is what I am interested in: who is responsible for that messaging? I think it emerged earlier in the year that the Media Road Safety Unit within SAPOL was having a lot of its responsibilities transferred to the new centralised hub. Can you confirm that that is the case? Also, in the case of DIT, is the same thing happening? Was there a role that DIT was playing that has now been transferred to the centralised hub?

The Hon. S.C. MULLIGHAN: Just remind me of the name of the centralised hub?

Mr BATTY: I think it is the advertising and insights hub.

The Hon. S.C. MULLIGHAN: This is the centralisation of government advertising staff.

Mr BATTY: This is the Premier's new spin doctor.

The Hon. S.C. MULLIGHAN: No, the spin doctors are the media advisers. These are the people who are responsible for agency advertising campaigns across all the different functions, from emergency services to health and education campaigns, but also including road safety and policing campaigns.

That hub relates to where staffing occurs or where staffing will often be located. There will be some staff who remain in agencies that are in scope for that review, and there will be other staff who are transferred to the new hub, but in terms of the funding for the campaigns and the authorisation and approval of those campaigns, that does not change. The funding will still come from the agencies.

It will still need to be ultimately approved by that GCAG process that I mentioned before, but I think what gives me a bit more comfort about the quality and effectiveness of those campaigns is that it will go through this new road safety committee, which Jon Whelan, Commissioner Grant Stevens and one or two others will sit on, to make sure that it is hitting the mark and likely to be successful.

Mr BATTY: I will go to another issue at Budget Paper 4, Volume 3, page 162. I am interested in the target of this year to continue the rollout of reduced speed limits of 40 km/h at schools. What schools has this been rolled out at so far? This is dot point 2 of the targets for this year.

The Hon. S.C. MULLIGHAN: There are some schools which this was piloted at previously. I cannot give you the full list, but I am aware of one, for example, because it is in my electorate: Seaton High School. Now that that has been in place for some time at those locations, that has provided the impetus to know that, contrary to previous perspectives, it is feasible for us to be rolling out these 40 km/h zones, which will only apply at particular times relevant to the activities of the school, rather than being a blanket speed limit reduction on an arterial road and all of the impacts that would create for traffic and freight and so on.

There have been two elements to this, with the rollout. One is providing a legal basis to reduce the speed limit at particular times. We have had to go through a process where we have had to consult and agree on, between transport and police and the education department, what are the school days. We have to legally define those, because if someone is pinched doing 60 in a 40 zone on a school day, we have to have a legal basis to define what the school day is, for the purpose of upholding that expiation or that breach of the traffic laws.

Second is designing signage which will be suitable for motorists, because some of us are perhaps more familiar with what the school days are than others. If you do not have school-age kids or you do not drive past a school particularly often, you can have a sign up saying it is 40 km/h on a school day, or at these times of a school day, but motorists might not know whether it is a school day or not. It could be school holidays or it could be one of the increasing plethora of pupil-free days which seem to afflict parents in South Australia.

Mr BATTY: What does that signage look like? Is there additional infrastructure associated with it? Are you going to have orange flashing lights warning everyone it is 40 km/h or is it just a sign saying these are what the school days are?

The Hon. S.C. MULLIGHAN: This is the work that Sarah's team has put a huge amount of effort into. Of course, there is what we would call a static sign, which is just a sign that says 40 km/h on school days and these are the times of the day, but because of that concern that not every motorist knows if it is a school day or not, we have to have some sort of live signage.

The options that we have been working through are having flashing lights above that sign to indicate that that sign is in effect, that it is a school day and it is in those times, and motorists should slow down to no more than 40 km/h. The alternative is what we have been increasingly rolling out in other parts, which are what we call the electronic signs. They are basically a black sign which then has LED signs of a red ring around a white 40. They can flash and be quite eye-catching, even in full daytime conditions but particularly in low light conditions.

What we have agreed on is a stepped rollout of those electronic signs to be installed. Given that they are powered, that obviously comes with some complexities, and we are trying to work out how we can roll out those signs to the greatest number of sites while keeping costs under control. If you had to trench power to both ends of that length of the arterial road to power it you can easily imagine how expensive that becomes.

Part of the work that has been undertaken by Sarah's team in recent months has been the feasibility of procuring those electronic signs, those black background signs with the red flashing ring and the flashing 40 in white text, of powering them by a panel that sits above it and a battery facility. We think we have the capacity now for approximately 50 sites of those signs. There would be a sign at each end, those electronic signs flashing, as well as the static sign explaining what is going on, that it is on school days at these times.

Mr BATTY: When do we expect that will start rolling out, and when will the rollout be complete at those 50 sites?

The Hon. S.C. MULLIGHAN: We might have to come back to you on when it is due to be complete, but we anticipate that basically from next month they will start going out.

Mr BATTY: Is there a target on how many you roll out over the next, say, six months?

The Hon. S.C. MULLIGHAN: There are a number of sites of schools on arterial roads. I think the total number we have identified is something like 150, but perhaps I can provide you with the detail of the rollout, including timelines, in a subsequent response.

Mr BATTY: Sure. I am interested in the particular locations, as well, if you have decided on the 50 locations that will be getting this initially. Perhaps if you could take that on notice, that would be great.

The Hon. S.C. MULLIGHAN: Sure.

Mr BATTY: With what little time I have remaining I might move to another issue on the same page, mobile phone detector cameras. What locations will cameras be rolled out at over the coming year?

The Hon. S.C. MULLIGHAN: The initial ones were installed where there were pre-existing gantries that the transport department had put in place just for road projects themselves. We procured the cameras and were able to just bolt them to existing infrastructure that had power to it. What we are looking at now are sites where we may not necessarily have those gantries.

It has also been put to government by the supplier of the detection cameras, I think to both SA Police as well as Transport, that there are now alternative infrastructure solutions for the cameras that can be mobile. They look like a largish trailer that can be parked at the side of the road. It is obvious what it is—it is fluorescent yellow or orange or something—and then there is a kind of boom that is erected out of the trailer. It can then monitor the lanes of traffic to do the same function.

The advice provided to me is that that may be an alternative and attractive way of rolling these out, because you do not have the costs of having to power a site, install the expensive, custom-manufactured gantry per location. Of course, you can deploy that trailer for a day or a couple of days and then you can move it to another location.

I do not really have fixed advice at this stage about exactly where they are going. My constituents have said to me, 'Somewhere outside of almost exclusively the western suburbs of Adelaide would be welcome,' so it is probably going to be provided slightly more broadly than what has been the case to date.

Mr BATTY: How much revenue was raised last year from mobile phone detection cameras, and where does that money go?

The Hon. S.C. MULLIGHAN: I am advised that there was nothing raised in 2023-24, and the current estimate for the financial year 2024-25 is \$16 million.

The CHAIR: The allotted time having expired, I declare the examination of road safety complete. Further examination of proposed payments for SA Police will continue after the break. The

proposed payments for the Department for Infrastructure and Transport are referred to Estimates Committee A.

Sitting suspended from 15:45 to 16:00.

Departmental Advisers:

Mr G. Stevens, Commissioner of Police, South Australia Police.

Mr S. Johnke, Executive Director, Business Services, South Australia Police.

Mr B. Cagialis, Director, Finance and Procurement, South Australia Police.

Mr C. Hill, Superintendent Chief of Staff, Commissioner's Support Branch, South Australia Police.

The CHAIR: Welcome. The portfolio is SA Police. The minister appearing is the Minister for Police. I advise that the proposed payments remain open for examination. I call on the minister to introduce his advisers and make an opening statement, if he so wishes.

The Hon. S.C. MULLIGHAN: I have the Commissioner of Police, Grant Stevens, with me, as well as Stephen Johnke, who is the Executive Director of Business Services.

Mr BATTY: I might start with some questions after those brief introductions. I refer to Budget Paper 4, Volume 3. I might start on page 186 with the Workforce summary. Obviously, this budget does see some investment in new police officers and I will get to some questions about that, but for now what is the current funded establishment number of sworn officers?

The Hon. S.C. MULLIGHAN: It is 4,673.2 FTEs.

Mr BATTY: How many officers do we currently have? What is the shortfall, if any, from that number?

The Hon. S.C. MULLIGHAN: I am advised that we are 109 FTEs below establishment.

Mr BATTY: Will you meet the 30 June target of returning to that establishment number?

The Hon. S.C. MULLIGHAN: No.

Mr BATTY: For what reasons will SAPOL fail to meet that 30 June target for returning to establishment?

The Hon. S.C. MULLIGHAN: SAPOL is funded for its full establishment, but I think, as we have discussed at some length in the other place from time to time, over the last four or so years there has been an increasing demand for labour across the state economy. There have also been challenges for South Australia Police in terms of attracting and retaining workforce and so that has led to a series of initiatives in subsequent budgets to try to ensure that South Australia Police have the best possible chance of catching up to their funded establishment.

That has included a campaign aimed locally, nationally and internationally to try to attract people to consider becoming South Australian police officers and also to step up the number of courses that are being conducted at the Police Academy in an effort to catch up to that funded complement.

What we have tried to do in this particular budget is provide an additional amount of funding for those attraction and training programs to increase the throughput to the Police Academy. Based on the anticipated performance of how many officers are successfully recruited and trained and become sworn officers through the Police Academy, I understand that figure to be—and I will correct this if I get this wrong—305 officers through the academy this financial year, which is a substantial increase on what the normal throughput is. We have assumed, for the budget forward estimates, that SAPOL maintains that run rate, that higher run rate, of getting more sworn officers into the force and then continuing that across the next six years at that same higher level to get us to the point of 5,000 sworn officers by 2031.

I am advised that leading up to the COVID period in late 2019, early 2020, the shortfall was approximately 5 per cent of the funded headcount, and it is currently sitting at about 2.5 per cent. SAPOL has done a pretty good job catching up through that higher output through the academy, and now we are trying to lock in that higher level of output and continue it on for the next six years so that they not only catch up but go beyond it with the extra 326 FTEs that will get it to 5,000.

Mr BATTY: But are we using the wrong assumptions? I think as early as the start of this year we were still looking towards that 30 June target date for fixing the shortfall, and we are still going to be over 100 short. Are we using the wrong assumptions on how we are going to fix this?

The Hon. S.C. MULLIGHAN: I do not think so. I think there are a few different elements that are going into it. One is that I think there is a sort of demographic issue, which has been explained to me is not too dissimilar to other significant workforces in the economy. There is a cohort of South Australian police who are getting to retirement age and the annual reduction in numbers that that causes. There was, for a period of time, particularly during COVID, a difficulty in retaining officers. Existing police who were not even at retirement age were thinking that perhaps this is no longer for them and were wanting to go and pursue other careers.

I think what has changed is not necessarily that the number of police getting to retirement age has changed, but I think police have been more successful in retaining workforce and, on top of that, making sure that they can step up recruitment and training efforts. Stepping up recruitment is not able to be done without challenge, of course, because it depends on the suitability of applicants. As you can imagine, there are some pretty significant requirements that the police are wanting to see from the people who apply to become cadets and be trained through the Police Academy.

The suitability of applicants has also been a challenge as well as the capacity of the academy, but the output of the academy has, I am advised, stepped up significantly in the current financial year, given the cumulative efforts that South Australia Police have put into running those additional courses and attracting more people to apply to be police.

I am advised that attrition has historically been extremely low in South Australia Police, something in the order of 3-odd per cent, which every other government agency would give their right arm to have an attrition rate that low—except, of course, Treasury, where people jump out of their beds to go and work in—but they have managed to stabilise attrition now.

I think the other thing that we are anticipating will help is the interim agreement that has been reached between the government and police officers in terms of remuneration. That has also sent a clear message that these are not just really good jobs but they are well paid jobs as well going forward, including comparatively against other jurisdictions around the nation.

Mr BATTY: You mentioned the suitability of candidates being one factor which might be limiting recruitment. Is that a way we are going to solve this problem? Has SAPOL removed spelling and numeracy testing for those applying to join the academy?

The Hon. S.C. MULLIGHAN: I am advised that the spelling and numeracy requirements that have previously been imposed by SAPOL have been changed in order to not knock back as many, particularly young, applicants. Applicants are able to apply and be accepted at the age of 17, for example, even though they cannot commence until they are 18. But it has been done in the environment, of course, that SAPOL was a bit of an outlier in requiring spelling and numeracy testing or minimum standards before coming into the workforce. It is not even something that applies to doctors, I am advised. Certainly, for GPs handwriting tests do not apply either.

Mr BATTY: So the minister does not have any concerns about removing spelling and numeracy testing for SAPOL applicants?

The Hon. S.C. MULLIGHAN: No, I do not think so. As I said, for other significant professions of key community need those sorts of tests have not applied. There are still written comprehension and other similar tests and thresholds and benchmarks which have to be achieved, as well as making sure, not just in terms of enhancing the capacity or increasing the capacity of the Police Academy, additional supports are also provided to cadets who have been admitted to the academy for training as sworn police for some of those academic thresholds as well.

Mr BATTY: If we are not going to meet the 30 June target to return to establishment, have we set a new target date to returning to establishment numbers?

The Hon. S.C. MULLIGHAN: There is not a particular date that has been identified, because I think SAPOL's objective is to get back as quickly as possible, and it requires the successful achievement of both quality of applications and getting people through their training at the academy and admitting them as sworn officers in order to catch up as quickly as possible.

From a government perspective, I have just tried to make sure that police have the capacity to fund the endeavour and roll out those programs which they have already shown to be successful. As I am sure you have known, having attended graduation ceremonies, we are now starting to see the benefit of the campaigns that have been conducted interstate and overseas with graduates through the academy who have previously been with police forces from other states and territories or from other international jurisdictions, particularly the UK and Ireland.

Mr BATTY: I might just return to the spelling and numeracy testing. I think you said that they had changed. What is the change?

The Hon. S.C. MULLIGHAN: We have removed them entirely. Now the focus, as I said before, is on the cadet's capacity for written comprehension and the capacity to not only understand and be familiar with the laws that they have to enforce but also ensuring that the paperwork requirements and so on are able to be achieved and that they can demonstrate sufficient problem-solving, reasoning and decision-making in the course of their training at the academy as well.

The commissioner might correct me here, but it is my understanding that the vast majority, almost all, of cadets that are accepted into the academy for training to graduate as sworn police officers get through. There are from time to time a very small number of cadets who do not go through the training. That may well include not being able to demonstrate sufficient problem-solving, decision-making, reasoning tasks as well.

Mr BATTY: When there are circumstances each year where SAPOL is not spending its allocated funded establishment amount on having a full complement of police officers, where does that surplus funding go?

The Hon. S.C. MULLIGHAN: My advice is that, to date, it has been redirected towards other spending priorities and initiatives and cost pressures within the agency.

Mr BATTY: How many sworn police officers joined the force this financial year, and how many separated from the force?

The Hon. S.C. MULLIGHAN: Do you mean: how many became sworn officers, or do you also include joining the academy to be trained? Are you talking about the number admitted as sworn officers?

Mr BATTY: Sworn officers.

The Hon. S.C. MULLIGHAN: I do not have an exact figure in front of me, partially because we are almost but not quite at the end of the financial year. In putting the budget together, we had projections of where we expected to be at 30 June this year, so for the 2024-25 financial year, as a total. I will come back to you but my understanding is that we were aiming to have something in the order of an increase of 60-odd, but just let me get you the right numbers.

Mr BATTY: Perhaps just how many came on board and how many separated. Still on workforce, does the government support the recommendations of the Select Committee on Support and Mental Health Services for Police?

The Hon. S.C. MULLIGHAN: What page are you on?

Mr BATTY: Page 186. It affects the workforce, or I can frame it as: is there any funding allocation in this budget to implement any of the recommendations?

The Hon. S.C. MULLIGHAN: I do not have a copy of the recommendations or the government's response to them, or considerations of the government's response to them. I am certainly aware of the report and have looked at the report with great interest because the report I

think demonstrates to me the impact of mental health challenges confronting members of the workforce and the necessity of ensuring that there are adequate psychosocial supports for those members.

SAPOL, for many years, has run quite a comprehensive series of programs aimed at supporting the wellbeing of their police officers, including with respect to mental health, and there is quite a significant allocation of resources in SAPOL's ongoing budget for those services. My advice is that police are still working through the recommendations of the select committee and finalising their position accordingly, so that would mean the government, in responding to that select committee report, would take into account the advice we get from SAPOL.

We are certainly alive to the challenge and some of the initiatives the commissioner has advised me he has put in place in recent years, have included trying to work with staff to alter rostering arrangements to make them a bit easier on the staff, improving the employee assistance services, making sure there is appropriate confidential access to counselling services, as well as the leave arrangements available for police adequately recognising the extraordinary demand placed on officers above and beyond what other members of the public sector are exposed to.

Mr BATTY: Before I move on from workforce, still the same budget line item, is an investigation being undertaken into the Assistant Commissioner Crime Service, John Venditto, and, if so, who is undertaking this investigation?

The Hon. S.C. MULLIGHAN: Before I come to that question, I go back to your earlier question about the net increase in sworn numbers. The best advice I have to date—so not for the financial year—is an increase of 63, and those figures 264 added, versus 201 separations. Should there be further updates to that, particularly as we get to 30 June, I will make sure it is included in subsequent information I provide to the committee as a question on notice.

My advice is that these sorts of investigations are conducted in accordance with the Police Complaints and Discipline Act, which does two things: first, it requires that, while any of those investigations are underway, I or other members are not at liberty to share any details of those investigations. That also extends to ensuring that the identity of anyone who might be the subject of one of those investigations is not disclosed as well.

Mr BATTY: When is the investigation due to be completed?

The Hon. S.C. MULLIGHAN: I refer to my previous answer: it is not for me or anybody else to provide any information on any particulars of any investigation that might be underway, according to the terms of that act.

Mr BATTY: Perhaps I will frame a slightly different question: is someone currently acting in the role of Assistant Commissioner Crime Service, who is that person and for how long are they expected to act in that role?

The Hon. S.C. MULLIGHAN: I am advised that Acting Assistant Commissioner Cath Hilliard is currently performing that role.

Mr BATTY: For how long is she expected to perform that role?

The Hon. S.C. MULLIGHAN: That is not yet determined.

Mr BATTY: Moving to a different budget paper, Budget Paper 5 and some of the new measures, we have touched on police numbers already, but on page 53 we see funding effectively to increase the establishment number of police officers to reach 5,000 by next decade. How many of these additional police officers will be funded and commence in this coming budget year 2025-26?

The Hon. S.C. MULLIGHAN: What I have tried to articulate is that we anticipate being short of the funded sworn officer number at the end of this financial year, and the sworn complement funding will obviously continue into 2025-26. During the course of 2025-26 we would expect a further catch-up, hopefully to get back to, or as close as possible to, the full sworn complement during the course of 2025-26.

The six FTEs that are identified in that same financial year as part of this budget measure on page 53 relate to additional staffing which had been recruited to expand the additional training

effort that is going to be required in order to recruit, and to continue recruiting, the higher output of sworn officers under the program.

Mr BATTY: So, as part of this announcement for additional police officers, there will be no new additional police officers funded over the next year?

The Hon. S.C. MULLIGHAN: No. We have been very up-front that, given that we are—what was the figure that I gave you before?—roughly 100 behind, there is still that task during the course of 2025-26 to get back up to funded complement numbers and to continue the progress the police have made over the last two or three years in catching up after the COVID years. Where we see the total funded headcount numbers of sworn police start to increase is from the 2026-27 financial year. So there will be more sworn police than there are currently in 2025-26, but that reflects that we are still catching up on the number that need to be recruited to get back to the—what was the figure I gave you before? I think it was 4,673.2.

Mr BATTY: That sounds about right. Is there any impact on community safety while this shortfall maintains?

The Hon. S.C. MULLIGHAN: I am advised no, because the commissioner ensures that they manage the workforce to ensure that critical safety functions are maintained. Of course, the other efforts that have been underway over recent years under the commissioner's leadership are additional efforts to get more sworn police out into frontline duties and releasing them from other support and administrative-type roles. For that 100 or so that we identified before, we would not say that they are in any way diminishing the number of frontline sworn officers who are out on those duties. The commissioner, as I said in my earlier answer, ensures that the community safety and other critical functions are fully staffed all the way through, so there is no impact there.

Mr BATTY: How did you arrive at the round number of 5,000 by 2030? Is that a number the commissioner asked for, or was that the number recommended by the Premier's Taskforce into policing? Was there some science to it, or is it just a nice number?

The Hon. S.C. MULLIGHAN: It is certainly a number that was discussed between the commissioner and I as we were talking—as we did over a number of meetings while framing the budget as it relates to South Australia Police. As I indicated earlier, we tried to understand what was practically achievable over what period. When we came to government, South Australia Police had suffered those impacts during COVID that I had described earlier and were needing to catch up more substantially compared with where they are today.

Having over the last two or three years really dialled up the efforts of advertising, attraction and recruitment, and then increasing the training output through the academy, what would it look like if we maintained that for a number of years going forward? We realised that, in the immediate term—for the next financial year, the budget year of 2025-26—it was still going to involve catching up with the current sworn complement, but then for the next five years at the same run rate it would get us to that figure of 5,000.

Is there a particular science behind it? I am not going to say, 'Yes, there is, and this is the calculation,' but South Australia, amongst all the states, has enjoyed the highest number of sworn officers per capita. I think that has meant a few things for South Australia. One is that we have a police force that in my view is the best regarded police force in the country. We enjoy community safety conditions that are often the envy of other states and territories, and so we want to maintain that. We have had previous efforts that were funded under previous Labor governments: the Recruit 313 and the Recruit 400. All of these names are catchy, of course, but a target of financial year 2030-31 I thought was the most catchy Treasury inflection that we could put over the target.

Mr BATTY: I think you said a little earlier that it is 5,000 because that is what we can manage to recruit. Is that how we come up with these numbers? Is it what we can manage or is it based on what we need?

The Hon. S.C. MULLIGHAN: As I said, South Australia starts well, notwithstanding the challenges that we have had of maintaining the workforce given the impact of COVID. I could have said to the commissioner, 'Right, I am funding you for 5,000 officers and it starts on 1 July 2025.' That is clearly impractical, given the capacity of the labour market to supply those additional recruits,

the time it takes to train people through the academy, and so on. We have tried to come up with a really practical approach staged over a number of years, which maintains that very high output of the academy that has been achieved through the efforts of the commissioner and South Australia Police over the course of the current financial year.

It is also happening at the same time that we are stepping up the recruitment of additional police security officers, firstly the 189 that were funded in the 2023-24 budget and the extra 98 that are funded in this budget. On top of the sworn officers being recruited and the police security officers being recruited, we are stepping up the number of civilians who are being recruited to undertake roles which have otherwise been undertaken in the past by sworn officers.

There is a huge amount of additional recruitment across those three areas that is now required of South Australia Police. We have tried to be practical and pragmatic about what is actually achievable in each financial year, and that has given us that runway that is funded in the budget.

Mr BATTY: Will the 5,000 by 2030 keep up at least with population growth, let alone the increased demands that are put on police that we talked about before? What about simply population growth? That is one science you might use to arrive at a number.

The Hon. S.C. MULLIGHAN: Yes. I have had this conversation not just with police but also with representatives of police who have said, 'Well, if the population is growing by this amount then the police force should grow commensurate with it.' I understand the attraction of making that argument, particularly if you are a representative of police officers in the community, because you are trying to say to the government that whenever there is population growth you have to fund us for more officers.

I do not think the argument is quite that simple. We have some demographic idiosyncrasies in South Australia that other states and territories do not have. The fastest growing element of our population is actually the older cohort of South Australians, the over 65s and even over 85s, and so unless there is going to be an outbreak of zimmer and gopher-related crime in coming decades it means that we can take a more nuanced approach to how we fund our public services, if I could put it like that. Again, I did not even refer to you, member for Hammond.

Mr PEDERICK: Thank you.

The Hon. S.C. MULLIGHAN: I have improved against the last session.

Mr PEDERICK: I am not in either bracket.

The Hon. S.C. MULLIGHAN: Indeed.

Mr BATTY: Did the Premier's Taskforce into policing recommend a 5,000 number by 2030 or some different number?

The Hon. S.C. MULLIGHAN: I am not going to talk about what was in the task force report, because, as I have explained both to the house and also to the community, that was a report which was put together for the benefit of cabinet and cabinet's consideration. I think it should be clear to everyone that there has been a significant amount of work done by South Australia Police and a significant response now from the government about what the future resourcing requirements of our police force includes. We have responded to that in the budget.

Mr BATTY: It is hard to know if you have responded if we cannot see the recommendations of the report that is apparently establishing what we need. Putting the task force to one side, can you, as minister, talk to whether the 5,000 number is something that has been requested by SAPOL or was some other number initially requested?

The Hon. S.C. MULLIGHAN: In my discussions with the commissioner and his team we have spoken about, firstly, the immediate task at hand, and that is getting back to funded sworn numbers. Secondly, what has been made clear to me is the substantially changed nature of the policing task nowadays compared to what it might have been in years gone by, where there are certain types of police taskings that were not quite as prevalent in the past but which are highly prevalent now and which are incredibly time and resource intensive.

The best example that has been provided to me, or the one that I have been advised that is most illustrative of that, has been responding to domestic violence incidents. A patrol might be responding to a tasking in a home and it might take them, quite often, four to six hours, or getting close to the entirety of a shift. I am told that that was not necessarily the case, say, 20 years ago. That is probably not going to change substantially in the near term.

Aside from population demands, the other input has been the change of demand on police themselves of the policing task. That also informed the decision to provide more resources for sworn officers. In addition to that the commissioner has also been advising government that there are opportunities to release existing sworn police numbers onto more frontline duties by recruiting other types of staff, like police security officers or civilianising the workforce. So while the overall sworn officer numbers as a cohort might not increase, the number of them being present out on frontline duties does increase. What we have tried to do is provide as much funding as possible for all those different endeavours to increase policing resources.

Mr BATTY: Talking about increased demand, has the minister received any advice on what additional SAPOL resources will be needed to implement the government's new coercive control legislation?

The Hon. S.C. MULLIGHAN: Yes; we have had discussions with South Australia Police about the resourcing implications. The regime will not come into effect until 2028 in South Australia, and part of the reason why was to see how these new reforms were being rolled out in other parts of the country to understand what impact they had generally, but in particular on police resourcing as well. Hopefully, over the course of the next one, two and three years we will have a better understanding of what that resourcing impact looks like.

Mr BATTY: Is that factored into this budget or is there perhaps additional resourcing that is going to be required when that law comes into place?

The Hon. S.C. MULLIGHAN: We tried to provide additional resourcing for police in ongoing budgets under the term of this government to try to make sure they have the resources they need. I also recognise that if there are further demands that become apparent to police in future years, then the government of the day—whether it is me here or you here—is going to have to respond to that accordingly. That may well be required, but at this point in time it is a bit hard, as a hypothetical, to nominate what that might be.

Mr BATTY: Fair enough. I think we have established that there is no new funding this year for additional police officers and the focus needs to be on returning to establishment through recruitment and retention. Is this budget proposing to spend less on police recruitment over the coming year and, if so, how much less?

The Hon. S.C. MULLIGHAN: My advice is, no, for a couple of years. One is there is a carryover from how much was budgeted in the current financial year, which will be carried over into next financial year.

Mr BATTY: Why?

The Hon. S.C. MULLIGHAN: It is for a range of reasons. The cohorts within each of the courses may not have been what was initially envisaged. For example, the number of police successfully progressing through those cohorts might have changed and the estimates about processing international recruits and when the expenditures are required to support those international recruits have slipped from one financial year to the next. There is the timing of marketing campaigns as well.

The other substantial item that is worth noting for the record is when there are underspends in the funding that is provided for sworn officer numbers. Not only as I indicated in an earlier answer is that retained for South Australian police but a use of that in the past and what is envisaged in the future is that that is used to try to bolster some of the resources necessary to accelerate the number of officers who are sworn in.

Mr BATTY: If I just take you to page 190 of Volume 3 of the Agency Statement, which is explaining differences in expenditure from the estimated result from this year compared to the budget

next year, the difference in that expenditure is partially explained about halfway down the page by 'lower accelerated police recruitment expenditure' in this budget year. It strikes me as strange if we are focused on recruitment and retention and we are at a shortfall of 100 police officers that we would be having lower accelerated police recruitment expenditure this year.

The Hon. S.C. MULLIGHAN: These budget figures do not reflect the carryovers, which are included from one financial year to the next.

Mr BATTY: So they are carrying over because you did not spend the full complement on recruitment or retention last year?

The Hon. S.C. MULLIGHAN: As I explained earlier, some of the forecast expenditures as part of that recruitment, in terms of expending money on campaigns, expending money on assisting international applicants to transition to South Australia and go through the academy, as well as any changes in what was originally budgeted for, the number coming through the academy, how many per course, etc. is sort of summarised in an amount which SA Police seeks as an operating carryover.

Mr BATTY: I see. So you do not need more because you did not spend everything you had last year on recruitment?

The Hon. S.C. MULLIGHAN: There is an additional allocation for next financial year and then, of course, with the carryover and the experience of needing to carry over some of this expenditure it tops it up to a level where there is no diminished resourcing for the effort in the next financial year. Then, of course, it is conceivable, as has been the experience recently, that we might encounter the same sort of thing next year. If there are timing changes required because cohorts of international applicants are different from what is originally budgeted for, we might see further carryovers of expenditure.

Mr BATTY: So we might not spend the money that we currently have this year to recruit and retain either?

The Hon. S.C. MULLIGHAN: Quite possibly. I think the important point, though, is that that money is not lost to the effort; it is maintained for the effort. It is just that, rather than being spent in one financial year, it might be spent in the subsequent financial year.

Mr BATTY: Is there not an urgency to this problem? We have a shortfall of 100 police officers.

The Hon. S.C. MULLIGHAN: It does not reflect the level of effort or will that is going into the program. What it reflects is what is originally budgeted at the commencement of the financial year, which considers things like how much money is required to be actually expended on the campaigns, how much money is forecast to be expended given the recruitment mix from those who are coming from interstate or overseas, or those estimates which are budgeted for at the outset of the financial year about how many training courses and how big the cohorts in each of those courses.

We budget that at the beginning of the financial year. If there are low levels of expenditure during the course of the year, it means that rather than that money being taken away and not being able to be used by police for those efforts in the future, it is just carried over from one financial year to the next. That, I think, explains why the government has maintained the police's funding for the full 4,673.2 FTEs but allowed underspends against that to be used for policing purposes, including of course this important effort of trying to get back to a fully funded headcount.

Mr BATTY: What was the budget for recruitment efforts in the year that is about to end? What was the underspend against that budget?

The Hon. S.C. MULLIGHAN: I am advised the underspend was \$1.8 million, but let me see if I can give you the two figures. I think previously the budget had allocated funding of \$12.2 million over three years. I think that was in the 2023-24 budget, but I will check that. We have now continued that program with a further \$12 million over three years. The year-by-year expenditure—I think I am giving the impression—fluctuates out of that program where expenditures might be higher or lower depending on how much activity and how much expenditure is happening in each year.

I am advised that the budgeted amount in the current 2024-25 financial year was \$8.5 million, so obviously significantly more in advance of the roughly \$4 million per year that had been allocated. The actual spend, different now that we are getting close to the end of the financial year, is about \$1.8 million lower, so just under \$7 million. That kind of indicates that while we have roughly been working on a \$4 million a year budget, you can see that the fluctuation in that figure is quite significant, particularly as the underspend on wages for sworn staff can be reallocated to this purpose of attraction and recruitment.

Mr BATTY: But does it also show that SAPOL did not spend 20 per cent of their recruitment budget this financial year that is about to end?

The Hon. S.C. MULLIGHAN: No, I am advised that it is more a reflection on the vagaries of timing of expenditures in the program. One of the biggest swing items, I am told, is the work that we get generated through the federal government with the processing of visas for people coming in from overseas. That has a really significant determinant on how much money we are spending bringing people into South Australia.

When I am indicating an initial budgeted amount for this current financial year of something over \$8 million against what had been funded as a budget measure a number of budgets ago, of \$12 million over three years, or roughly \$4 million a year, it kind of underlines how South Australia Police are able to flex up their spending for these efforts, in an effort to try to catch up to getting as many sworn officers back towards a funded complement as possible.

Mr BATTY: Sticking with this theme, I might go to page 54 of Budget Paper 5, continuing on with this accelerated police recruitment with \$4 million a year, if it is spent. There are some clues on what it is going to be spent on in the budget papers. One of them says increasing the number of courses delivered by the Police Academy. How many more courses will this extra funding deliver?

The Hon. S.C. MULLIGHAN: I am told that, historically, there used to be six courses conducted per year at the academy. That is now running at between 11 and 12 courses. In addition to that, there are five PSO courses per year, where previously that had been one.

Mr BATTY: I am interested because this budget item says you will be increasing the number of courses delivered; is that wrong?

The Hon. S.C. MULLIGHAN: No. As the money has been made available to police for recruitment and attraction, they have had the financial capacity to flex up those number of courses. What this budget and these budget papers show is that the increase from par, which is six courses a year, up to now running at a much higher output of 11 or 12, is able to be continued given the ongoing funding that is provided in this budget.

Mr BATTY: So last year there were 11 or 12, and this year there will be 11 or 12?

The Hon. S.C. MULLIGHAN: I am also advised that there are the additional four international recruit courses, which are funded in advance of those 11 or 12. If you are stepping up from six to 11 or 12, plus the additional four, you can see you are almost tripling the output in terms of number of courses through the academy. That has been able to be achieved through the funding year on year that is provided through those previous budget initiatives. But I think as we have explained for the benefit of the committee today, police retaining the flexibility of using the wage underspends from not being at their fully sworn complement has given them the capacity to use those resources to invest in those programs additionally.

Mr BATTY: Is that basically the Police Academy physical facilities operating at capacity now?

The Hon. S.C. MULLIGHAN: We would think that we would be pretty close to that capacity. If we are running 11 or 12 courses and the notional maximum cohort size of each course is 26—and I am advised there is some capacity to maybe increase that by one or two—then that is a full-throttle effort for the academy. But I think what I am also advised is those cohort sizes have not always been achieved because of some of the reasons I was explaining before about not having either enough applicants or enough suitable applicants for each of those courses. Some of the course sizes have

commonly been, say, 18 or 19 rather than 26, which has meant that we have not caught up to the fully funded sworn complement as quickly as what we would like.

Mr BATTY: How much of the \$4 million per annum from this budget measure is allocated towards those apparent increases in the number of courses delivered by the Police Academy?

The Hon. S.C. MULLIGHAN: I will have to take that one on notice. The other thing I could have mentioned in my previous answer, which the commissioner just reminded me of, is there is also a body of work which has been undertaken by police at the academy to redesign the Constable Development Program to make sure the training that is being provided is not only effective but it is as efficient as possible as well.

As you well know, having attended graduation ceremonies and understanding how long the courses go for and the content that goes into them, one of the things I have learned in the course of this job is, even the recruits that come from police forces internationally, many of them are not familiar with handling a firearm, for example, because it is not required in their home police force. I think police are doing everything they can to make sure the training is fit for purpose but making sure that it is not compromised in any way.

Mr BATTY: Another measure that this budget line is funding is improving vocational pathways. What does that look like, and how much of the annual funding is for that purpose?

The Hon. S.C. MULLIGHAN: That primarily relates to the Pathway to Policing program, which is being run in conjunction with Thebarton Senior College, and that provides the capacity for school graduates to be in a position where they are able to be fast-tracked into the Police Academy, having been assessed as having the requisite skills and capabilities that are suitable for becoming cadets.

Mr BATTY: The final thing that this budget measure is funding is engaging in recruitment campaigns. How much of the funding is for that purpose, and has there been any change in recruitment strategy recently, or since you became the minister, say, or are we going to just keep doing what we are doing?

The Hon. S.C. MULLIGHAN: In terms of the allocated amount, I might have to take that on notice and come back to you. It will basically be the component of the \$4 million per year that is budgeted as part of the initiative in Budget Paper 5, which you have referred to previously, as well as the additional funding that is provided from the ongoing carryover process, which we have been talking about as well.

In terms of changing the recruitment process and programs, my advice is that there have been a series of changes which have been put in place by the commissioner. I do not claim any credit for that because this program had been well in train by the time that I took the portfolio on, and given I have released four budgets with absolutely no change in design whatsoever except for the financial year in them, I am probably not the best source of knowledge in terms of making these sorts of things attractive. I rely on the expert advice that is provided and that the commissioner pursues.

Mr BATTY: I guess the worry is, despite all of our best efforts, we have still failed to reach establishment numbers by the target we set this year. We have a shortfall of a hundred police. Does funding another 300 police turn a shortfall of 100 into a shortfall of 400? There is no point in funding new police if we do not have a plan to recruit them.

The Hon. S.C. MULLIGHAN: No, I do not think so because what the last two financial years in particular have shown is a significant improvement in sworn officers and catching up on that shortfall against the total funded complement. That is, I think, a reflection of the efforts to improve the workplace and working environment. That is stabilised attrition rates of people wanting to leave the force but at the same time also stepping up the number of people attracted to applying to be police and then training them through the academy.

I think both efforts, particularly over the last, I would say, two financial years in particular, have shown that even in advance of the measures in this budget, SAPOL is making very significant progress in getting back because there was a very significant shortfall post COVID. That has been successfully pegged back by SAPOL; they have made substantial progress, as we spoke about

earlier—a further 60-odd increase in sworn numbers during the course of this financial year—and we expect that progress to continue, given the success of the programs South Australia Police have put in place to date.

Mr BATTY: Will any of this funding go towards a dedicated retention plan?

The Hon. S.C. MULLIGHAN: A range of different initiatives have already been put in place to try to improve retention. A lot of it is governed through the enterprise agreement and the working conditions specified as part of the agreement.

My attention has been drawn to the extended hours rostering, for example, which has been really heavily consulted on with the workforce to try to come up with a regime of rostering which is more amenable to police and, hence, more attractive to their lifestyles as well. Then you have the overall issue of remuneration.

Part of the rationale of reaching the interim agreement with police was to provide a significant step up in remuneration and to try to dissuade those people who, proud as they are of being police officers, enjoying the job and so on, thought they were not being remunerated at a level that was enough to convince them to stay in the job. A range of measures have been put in place and continue to be put in place to improve retention and to try to decrease the issue of attrition that we spoke about previously.

Mr BATTY: The next budget measure down is the expanded motorcycle capacity. When will the first new bike arrive?

The Hon. S.C. MULLIGHAN: There is capital expenditure as part of that line of \$1.218 million, which is largely for the procurement of the bikes.

Mr BATTY: When do we expect to see them?

The Hon. S.C. MULLIGHAN: As long as Peter Stevens keeps going, asap. Putting aside that sort of facetious comment—as we have with police cars, there is an ongoing rolling order of police vehicles, including motorcycles, which are used for a period of time and are then replaced. The \$1.2 million indicates the funding that is made available to purchase the additional 33 motorcycles in the next financial year when the measure comes into effect, as well as all the other expenditure required to modify the bikes and procure all the other police-specific items and equipment used to fit them out. I am also advised that that funding also includes the additional training necessary for the motorcycle-specific duties for those police officers.

Mr BATTY: Is that a particular pressure point at the moment? Was it a priority to double the motorcycle police fleet, rather than double the size of the Youth Crime Taskforce, for example?

The Hon. S.C. MULLIGHAN: I am advised that it is a priority. They play a particularly important and visible role in terms of road safety and promoting road safety outcomes, but they have a much broader range of duties beyond that as well. It has been identified as a particular priority, given that, while we have made some progress in the last 20 years of bringing down the road toll, we seem to be stubbornly hitting a threshold that is hard to crack through to continue reducing it.

Mr BATTY: Did the Premier's Taskforce into policing recommend that the number of motorcycle officers be doubled?

The Hon. S.C. MULLIGHAN: I am not going to comment on the contents of a report that was provided for cabinet.

Mr BATTY: Next page, page 55, is the pistol replacement. What replacement pistol will be procured?

The Hon. S.C. MULLIGHAN: There will be a procurement process that will invite responses from firearms manufacturers to demonstrate their particular models and their capabilities and through-life servicing requirements and costs and all that sort of stuff, as well as working with the officers themselves about what is effective for the task but comfortable and user friendly to have as a critical piece of police equipment.

Mr BATTY: When will that procurement process commence and conclude?

The Hon. S.C. MULLIGHAN: My advice is that some of the preparatory works have already commenced within South Australia Police. While I cannot give you the exact timeframe, there is obviously a period of time where you approach the market and advertise that you want responses from manufacturers, then there is a period of time that is allocated for people to respond to that call, and then there is an understandable and necessary period where there has to be the assessment of the various responses from the manufacturers, the down selection presumably to a shortlist and then to a final model before going through the contractual arrangements with them. That is why the bulk of the funding for the purchase of the thousands of firearms is in 2026-27—roughly 12-ish months from here.

Mr BATTY: I will move on to Agency Statements Volume 3, Program 1: Public Safety. Is there any allocation in this program budget line for the review into the district policing model, and who is conducting that review?

The CHAIR: What was the page number?

Mr BATTY: Page 189.

The Hon. S.C. MULLIGHAN: My advice is that police have gone to market to procure a suitable candidate to be the reviewer and that process is already underway. Sorry, was there an additional element to your question?

Mr BATTY: What is the timeline?

The Hon. S.C. MULLIGHAN: The response from the market has been received and it was indicated when approaching the market that they were looking for somebody who could conduct that work in approximately a three-month period, so that will be part of the assessment criteria about what people have responded with, demonstrating that they can meet that timeline. But once that procurement is finished, then roughly three months from then on there will obviously be a period of time for police to consider the details of that review.

Mr BATTY: Sorry for my ignorance, but what is the market in this context? It is obviously external.

The Hon. S.C. MULLIGHAN: It is certainly external to government, and they are consultancy firms, universities, people who can demonstrate a familiarity with the task of policing. I do not have the assessment criteria here but as far as I am advised police are looking for somebody who is conversant with the demands of the policing task in the current day and age, and how the district policing model aligns to that and so on. It will not be necessarily that the entire market that does these sorts of public policy program reviews is suitable but certainly in the advice that the commissioner has provided to me previously they feel that they have been public enough and cast the net wide enough to ensure that there should be a number of people who are identified who are capable who respond.

Mr BATTY: Did you say that you have now received the response from the market?

The Hon. S.C. MULLIGHAN: Yes, and they are being assessed.

Mr BATTY: How many responses were received?

The Hon. S.C. MULLIGHAN: I am advised that it would not be appropriate to talk about that because, as you can imagine in a procurement process, if there is any indication about what sort of response there has been from the market while police are still engaging or negotiating with tenderers, that might influence the disposition of the tenderers.

Mr BATTY: Fair enough. Will the review be made public?

The Hon. S.C. MULLIGHAN: The commissioner's advice to me is that there will be a component of it that is intended to be made public, but there may well be parts of the review that are not appropriate to be publicly released. That would be informed by whether any of the review content or findings have any bearing on operational considerations or capabilities, understandably. But that will be something that will be determined by the commissioner in due course.

Mr BATTY: Have the terms of reference for the review been set, or is that part of what the market operator will determine?

The Hon. S.C. MULLIGHAN: I am advised that the terms of reference have been set, and they have been provided to those people who are responding to the tender process, to the procurement process. They are not being released at this point in time, particularly while the tender process is underway.

Mr BATTY: Will the terms of reference be made public soon?

The Hon. S.C. MULLIGHAN: That is to be determined. They may well form part of the public-facing document, but the terms of reference may have some relevance to operational considerations and so in some part may not be appropriate to be released. Again, that will be considered by the commissioner.

Mr BATTY: I think you mentioned that it was going to take about three months—I think that is presumably from when a reviewer is appointed. When is a decision expected to be made about the appointment of the reviewer?

The Hon. S.C. MULLIGHAN: My understanding is that the assessment panel is considering the responses. While it was an objective of the tender process to identify a three-month period, that will be subject to the tender responses as well. At this stage the advice is that a decision will be made in the near future once the assessment panel has concluded its work, and then, notwithstanding the feedback from the tenderers, it will still aim at that three-month period.

Mr BATTY: Who sits on the assessment panel?

The Hon. S.C. MULLIGHAN: My advice is that it is the deputy commissioner, the assistant commissioner in charge of governance and the superintendent responsible for organisational reform.

Mr BATTY: Was the review into the district policing model a recommendation of the Premier's task force into policing?

The Hon. S.C. MULLIGHAN: I think the commissioner has been up-front publicly that this was an initiative of his own.

Mr BATTY: I refer to the same budget program on public safety, but to a different topic. How many officers are on the Youth and Street Gangs Task Force, and are there currently any vacancies on that task force?

The Hon. S.C. MULLIGHAN: My advice is that, as the member may be aware, the formation of the task force was an amalgamation of the temporary operations of Mandrake and Meld, and that it has a total establishment of 33 officers and there are not currently any vacancies.

Mr BATTY: No vacancies?

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

Mr BATTY: But it has the exact same number of officers as Operation Meld and Mandrake had. I think there was a bit of confusion last time, so I just wanted to clarify that.

The Hon. S.C. MULLIGHAN: The temporary operations of Meld and Mandrake were staffed by secondees from districts, so the formation of the ongoing task force means that those 33 positions become ongoing positions and those secondees are no longer being taken from those other districts, diminishing their numbers. This means that, in effect, between the districts and the task force there is an overall increase in resourcing as part of the additional 70 roles that the commissioner identified earlier this year.

Mr BATTY: I see. I think your press release talked about how merging the task forces would then also add an extra 13 police officers to their ranks. I think the commissioner told the Budget and Finance Committee that that might have been some sort of misunderstanding. Did you misunderstand, or is there an explanation for that?

The Hon. S.C. MULLIGHAN: As I have explained to the other place previously, and as I just reiterated in my prior answer, rather than having to staff the temporary operations of Mandrake

and Meld with secondees, the 33-officer contingent now of the ongoing task force has meant that secondees are no longer required in the districts. I do not have with me the reference to 13, but I think the commissioner has tried his best to answer that in Budget and Finance.

Mr BATTY: How many arrests have been made by the Youth and Street Gang Task Force since its creation?

The Hon. S.C. MULLIGHAN: Just to correct a previous answer I provided: you asked what is the make-up of the procurement panel. There is also a probity officer that sits independent of the deputy commissioner, assistant commissioner and superintendent. Sorry, could you just repeat that question?

Mr BATTY: How many arrests have been made by the Youth and Street Gang Task Force since its creation over the last four months?

The Hon. S.C. MULLIGHAN: We do not have that figure. We will take it on notice and come back to you with a response.

Mr BATTY: Perhaps also if you can take on notice how many arrests were made by Operations Mandrake and Meld in the four months prior to the merging. I think merging those operations was first suggested in a SAPOL management report dated 3 April 2024. Is there any reason why that did not occur until February 2025?

The Hon. S.C. MULLIGHAN: The commissioner advises me that it was a function of timing to identify the opportunity and the roles that are able to be put in place for the establishment of the new task force. As I said, one of the ancillary benefits has been not just having secondees for two temporary operations but having an ongoing contingent of 33 officers for the task force, alleviating that situation where secondees had to be taken from other districts.

Mr BATTY: I think that same management proposal report identified a challenge, being the lack of required skill set of members attached to those operations. How has this been addressed with the new task force?

The Hon. S.C. MULLIGHAN: It has been addressed by having the task force staffed by sworn police officers with the skills and attributes necessary to be in that position. Obviously, being part of an ongoing task force means that they develop particular experiences and hence enhanced skills from doing that type of specific policing work over a period of time, and that is something that having an ongoing task force rather than a temporary operation benefits.

Mr BATTY: How many new youth and street gangs have been identified by SAPOL over the last 12 months?

The Hon. S.C. MULLIGHAN: My advice is that the task force is monitoring four distinct groups as part of that work. I am not going to name them for the record, but that continues to be a focus of their endeavours, continuing to monitor and, whenever necessary, intervene on the activities of those four distinct groups. I am advised that one of the reasons for not naming them is not wanting to inadvertently contribute to their notoriety.

Mr BATTY: Sure. Does the minister sit on the youth crime round table?

The Hon. S.C. MULLIGHAN: Are you referring to the effort the Attorney-General put together some weeks ago?

Mr BATTY: The government's youth crime round table.

The Hon. S.C. MULLIGHAN: I, along with Minister Cook, attended a forum—I would not call it a round table, because there were several tables, some of which were not necessarily round—where there were some 50-odd, I think, attendees to discuss it. Aside from the ministers, there were police, a range of social and community service representatives, and representatives of criminal justice agencies and the courts. Those forums are held from time to time, but they are convened by the Attorney. I cannot say when the next meeting is or what the schedule is, but yes, I have participated in those efforts.

Mr BATTY: So you have just attended the one forum?

The Hon. S.C. MULLIGHAN: In the time that I have been minister, yes.

Mr BATTY: Have there been any outcomes from the forum or the round table?

The Hon. S.C. MULLIGHAN: Beyond my areas of involvement, I am certainly aware that there are ongoing efforts within the courts and the human services portfolios to try to provide better supports, not just to young South Australians who might find themselves at some risk of engaging in illegal activity or becoming familiar with those sorts of organisations that we discussed in a previous answer but—

Mr BATTY: But specifically coming out of the round table.

The Hon. S.C. MULLIGHAN: One of the things that the Attorney has been at pains to make clear to me is the necessity to increase resourcing broadly across the criminal justice system by providing, for example, additional funding for courts. It enables them to have greater financial capacity. The Courts Administration Authority is an independent body of government, but providing additional resourcing to courts enables them to continue the efforts they have put into their youth justice endeavours, including through the Youth Court, through diversionary measures and so on.

Similarly, with the Human Services portfolio and some of the activities and programs that are funded through Human Services, and then more broadly in Correctional Services, while we have, in the last two budgets, added more beds, the clear message to government from Corrections has been that there needs to be more accommodation provided outside of jail to try to prevent people who are on remand or who are fit for bail not having to languish in correctional facilities and risk them becoming more heavily involved in either criminal activities or in subsequent criminal justice involvements.

I forget the date of that meeting, but it has been in my time as police minister, so in the last four or five months, but these are ongoing endeavours across a range of different agencies where new programs are put in place. I think the other thing I would say is we are also trying to change our resourcing and the way in which we provide services to children in the child protection system as well, because obviously it occurs, unfortunately, from time to time that children in state care become involved in criminal activity or are subject to criminal activity by other people in the community, and so part of the additional resourcing that has gone into the child protection system is to try to provide the structures and supports to those kids so that they are not exposed to that or do not become involved in it.

I am happy to take it on notice. I am also advised that South Australia Police is aware of more investment that is going into rehabilitation for young people who are either currently in custody or who have been in custody, but these are programs that are outside my portfolio somewhat. I might take the question on notice and come back to you with some detail after consulting with those other agencies.

Mr BATTY: Thank you. I think the round table was an initiative that was in the government's youth offender plan. Was SAPOL consulted on the youth offender plan, the final version of that that was released on 6 March 2025?

The Hon. S.C. MULLIGHAN: Yes.

Mr BATTY: What feedback did they give?

The Hon. S.C. MULLIGHAN: I do not have the details of the specific feedback that was provided but South Australia Police were engaged by the Attorney-General's Department that put it together.

Mr BATTY: So SAPOL wrote the youth offender plan?

The Hon. S.C. MULLIGHAN: No, AGD put it together but SAPOL provided their feedback to it during the course of the process, but the extent to which that feedback was taken into account, I do not have information in front of me that enables me to comment on that.

Mr BATTY: What date was SAPOL first consulted on the youth offender plan?

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

The CHAIR: We are drifting a little bit away from budget lines, but if the minister is happy to answer, I am easy.

Mr BATTY: I am happy to move on to a different topic, in any event, Chair. Program 1, public safety, continuing to respond to community needs, and there are many references to preparation for COP31. What resources have been spent on COP31 early preparation so far? Funding, but also how many FTEs have been dedicated to this task and where have they come from?

The Hon. S.C. MULLIGHAN: In recent weeks, South Australia Police have put together a team of six to eight people to conduct the detailed planning and investigations that are required to get ready for it. Then there is a far more significant funding allocation that has been provided in the financial year of 2025-26, which will be primarily for South Australia Police and the Department of the Premier and Cabinet to fully understand what the requirements of the COP31 conference is and that sort of preparatory work is in advance of and separate to the actual resourcing for it should South Australia be awarded the hosting of it and then in that respect we would anticipate that the commonwealth provides a significant amount of funding to meet those costs.

Mr BATTY: So there are six to eight SAPOL resources currently working on preparatory work. Where have they come from within SAPOL?

The Hon. S.C. MULLIGHAN: It has been a combination of redeploying some staff from other roles and also bringing people into the organisation as short-term contractors, but I need to make it clear that, should Adelaide win, that team of six to eight will expand exponentially to fully scope out what is required and then that of itself will be a much smaller effort to actually conducting the policing task for the conference.

Mr BATTY: Have any SAPOL resources been diverted from domestic violence to prepare for COP31?

The Hon. S.C. MULLIGHAN: There has been no negative impact to existing tasks or duties. There was an assistant commissioner and an officer of police who were involved with the royal commission into domestic violence whose involvement has wound down as that commission has got to the stage of the commissioner finalising her recommendations. As they have no longer been required for that particular task, they have been transferred onto the COP31 task.

Mr BATTY: Have any SAPOL resources been diverted from tackling youth crime to prepare for COP31?

The Hon. S.C. MULLIGHAN: No dedicated resources from youth crime have been diverted from that task in terms of COP31.

Mr BATTY: So for the six to eight people, how many of them are existing resources and what tasks were they doing, or would they be doing, if we were not preparing for COP31?

The Hon. S.C. MULLIGHAN: I am advised that one has come from external to SAPOL's staffing complement as a contractor. Two have returned from leave who were on leave pending retirement. They have come back to duties to assist with this particular task. The remaining staff have been reallocated from other work in the same vein that SAPOL is currently moving its resources around to meet whatever the demands of the day are.

Mr BATTY: How many police officers are on leave pending retirement?

The Hon. S.C. MULLIGHAN: I will take that on notice. It is not unusual, either for South Australia Police or in other areas of the public sector, that when people are getting towards their retirement they might choose to use their long service leave entitlement before finally finishing up and so on. I actually think whoever those two are, it is a credit to them. They have chosen to go for one last drive around the block, so to speak, on duties.

Mr BATTY: As the preparatory work for COP starts to ramp up, will the additional resources coming on board be additional or will they be coming from elsewhere within SAPOL to undertake that preparatory task?

The Hon. S.C. MULLIGHAN: I think it will be a combination. The task will be to bring as many people on board to SAPOL who have the requisite specialist skills that can assist in this task.

It may be similar to those two people who have returned from leave—experienced police officers who have a familiarity with what is required in planning for these sorts of major events—but there will also be a number to be determined of police with the necessary planning and project management skills who will be brought in from other parts of the organisation, who can contribute as well.

Mr BATTY: If South Australia is successful in securing COP, do we have an idea of how many additional police will be required for that task?

The Hon. S.C. MULLIGHAN: We do not really have an estimate at this point in time. It will be very significant, and we would anticipate that the Police Assistance to Neighbouring States (PANS) agreement would be triggered so that police from other jurisdictions would come across to assist. The commissioner has been at pains to emphasise to me, and to the government, just how significant the policing task and the overall security task is for the event, which would trigger a significant contingent coming from interstate.

Mr BATTY: Over what timeframe would that significant impact be? Obviously, it will ramp up towards an ultimate date.

The Hon. S.C. MULLIGHAN: My understanding is that it is scheduled for November next year. The conference usually runs for two to three weeks, and then there is a bump-in and bump-out period. I think I am right in saying that the lead-up time will be a longer period of time than the wind-down—particularly if we are taking officers from other jurisdictions, they will want to return to their home jurisdictions as quickly as possible—but we do not have a firm estimate at this point in time. We will know more once (a) we find out obviously if we are getting it, and (b) we understand what the scope and the scale of the conference is going to look like.

Mr BATTY: In terms of SAPOL's own commitment to that, as opposed to interstate jurisdictions assisting, what pressure will that place on our resources for that month and where will those pressures most be felt? Where will officers be coming from to work on COP?

The Hon. S.C. MULLIGHAN: That is to be determined by that planning team. Obviously, there is going to be an impact, but part of the planning task will be to understand what the minimum requirements are for the South Australian community itself which then, of course, informs how many officers we would seek to come to South Australia under the PANS agreement as well. We are probably just not at that point yet where we can understand the number of officers and then hence how it is going to be staffed and from where.

Mr BATTY: Do you think we have enough police officers to host COP?

The Hon. S.C. MULLIGHAN: No, and that is why we will have to trigger the PANS agreement and bring them in from other places around the country. There is myriad considerations with this. If you look at the COPs which are held in—how can I put it—European countries where lots and lots of countries are very close by and readily accessible to one another, then there has to be a commensurately larger policing and security contingent because you have all of the activists of Europe making themselves available for the conference; whereas, given our geographic isolation, that may not be as necessary.

It is an enormous task to sail in an unpowered boat from some of these other countries to Australia, for example. That might mean that it is not quite to the same scale as what we have seen in other places around the world.

Mr BATTY: How many new police officers does this budget fund ahead of the COP conference?

The Hon. S.C. MULLIGHAN: I think in the previous budget measure you saw the FTE impact in 2025-26 and 2026-27. There is no illusion that the additional funding to increase the overall complement of South Australia Police is going to make any meaningful contribution towards the overall task of COP. That is why we will have to trigger that PANS agreement and seek officers from other jurisdictions. Probably the only thing I would say is the extent to which the motor cycle police are brought on will be one element of it, given looking after dignitaries and motorcades and all that kind of stuff.

Mr BATTY: Budget Paper 4, Volume 3, page 188, the investing expenditure summary and the long-running saga of the SA Police barracks relocation, as well as the separate line item of the Gepps Cross relocation. Are these projects now complete?

The Hon. S.C. MULLIGHAN: There are 15 business units that were relocated from the Thebarton precinct. Obviously, the most visible relocation effort has been for the horses and I think dogs and the band, and road safety down to West Beach. The other 10 or so have been relocated to a number of different areas. They have taken out a long-term lease in Blackburn House on Grenfell Street for a number of the business units. There are three which we are considering the Netley precinct for, and they are the traffic camera unit, the armoury and just some miscellaneous storage requirements. Obviously, committing as I did to deliver the redevelopment of the courts precinct, there is the staging area on Carrington Street as well.

Mr BATTY: Yes, the legal profession is delighted. There are two different line items then. Does the SA Police barracks relocation relate to those other business units that have not moved to Gepps Cross effectively?

The Hon. S.C. MULLIGHAN: Yes.

Mr BATTY: What was the total cost of the Gepps Cross relocation, to move the horses and the other business units to Gepps Cross?

The Hon. S.C. MULLIGHAN: I think it is as it is set out in that line, so that \$95.1 million and the \$67.5 million for the other business units that have gone elsewhere.

Mr BATTY: And that will be the total cost?

The Hon. S.C. MULLIGHAN: That is my advice, and that is where that figure of \$162 million or whatever it is has come from.

Mr BATTY: Does that include the city staging area?

The Hon. S.C. MULLIGHAN: Yes.

Mr BATTY: How many police are in the Mounted Operations Unit?

The Hon. S.C. MULLIGHAN: I will take it on notice. I think there are 32 horses and the complement is not too dissimilar for the number of police, and then there are stable hands and other staff who are not sworn officers out on the horses themselves.

Mr BATTY: Have any police in the Mounted Operations Unit left SAPOL in the last year and, if so, how many?

The Hon. S.C. MULLIGHAN: I will have to take that on notice. I mean, yes, we are aware of people leaving through retirement and so on, but I will provide what breakdown I can.

Mr BATTY: Can you provide a little bit more detail about when the horses are staged in the city? Is it just on the weekends or is it every night? How does it work, and how does that compare with how the unit used to operate?

The Hon. S.C. MULLIGHAN: The sort of operational deployment of the horses themselves in the city has not changed. Obviously, the purpose of the staging area is so that there is an operating base for the horses to come from when they are being deployed in the CBD. I do not think I have prospective information about when they are due to be deployed in the city because it will just depend on what the operational considerations of the day are. Presumably it will not be in September around Adelaide Oval, but there might be demonstrations on the steps of Parliament House and that sort of thing, as well as the ongoing patrol type and community safety duties which are undertaken in other parts of the CBD generally.

Mr BATTY: In terms of that sort of ordinary patrolling though, has that changed? Obviously, they are a bit further away now. Is there a difference?

The Hon. S.C. MULLIGHAN: My advice is it has not changed the presence of the horses in the CBD; it has changed the way in which they operate because they are obviously brought into

the CBD to the staging area. When they are deployed in the CBD, they leave the staging area on that task or deployment.

Mr BATTY: Have any officers in the Mounted Operations Unit raised concerns about the relocation to Gepps Cross?

The Hon. S.C. MULLIGHAN: Absolutely. Initially. But only on Tuesday, I think it was, I bumped into Senior Sergeant Kelly-Anne Taylor who was one of the staff who was Officer in Charge of Mounted Operations. She indicated how much of a terrific improvement in facilities the Gepps Cross facilities are, particularly given the age of the facilities that were at Thebarton before the relocation.

Mr BATTY: Has the South Australian Police Historical Society relocated to its new premises?

The Hon. S.C. MULLIGHAN: My understanding is that they are due to move in before Christmas. There is quite a bit of refurbishment and fit-out works that need to be undertaken in the site that has been provided for them on the corner of Sturt Street and King William Street, I think it is. That work is ongoing. They will get in before Christmas and then there will have to be some continued fit-out and treatment works even after they have moved in.

Mr BATTY: Has there been a delay to their move?

The Hon. S.C. MULLIGHAN: I think certainly it took us some time initially to find the appropriate location for them. There were a number of sites which quite a bit of time and effort were put into investigating whether they were suitable or not. We identified a retail premises on Port Road at Thebarton which ultimately proved to be unsuitable because it was not physically big enough for the collection. Even the location that has been identified now, which is really attractive from a location perspective and from a size perspective, we have had to work with the landlord on a structural issue which became apparent after entering into the lease, which has held back the timing to some extent. At least it is on track now. It is important not just to maintain public access to the collection. Obviously, we are talking about some really dedicated former officers who give their time voluntarily to this. We did not want them being lost to the effort because it was taking too long.

Mr BATTY: I refer to page 189 of the Agency Statement, a target to continue to respond to community needs and demands. One of those increasing demands we talk about is police conveying particularly mental health patients to hospitals. What is the estimated number of conveyances by SAPOL to approved treatment centres in this budget year that is about to end?

The Hon. S.C. MULLIGHAN: My advice is we can provide that figure. In fact, I think a similar figure has been provided previously, but we just have not got it with us, so we will take it on notice.

Mr BATTY: The 2023 memorandum of understanding about these issues says that SAPOL resources should be considered as an option of last resort. Is this occurring?

The Hon. S.C. MULLIGHAN: Yes, I think that is still the case. Police resourcing is still the option of last resort, even though it is happening. There is a body of work that is done on an ongoing basis with Health to try to make sure that police are only used as a last resort. Obviously, the co-responder model, which has been successful, has been not only continued in this budget but expanded to other service areas in the metropolitan area. I am advised that has been really successful both from a police but also Health's perspective, as well as from the individual who has been responded to. Certainly, the advice that was given to me by the mental health staff I met with when we announced the policy was that having an experienced mental health clinician and a police officer usually means that the person can stay in their own home rather than having to come into a health facility or some other treatment facility.

Mr BATTY: In answers provided to the Budget and Finance Committee, SAPOL noted, 'Due to the ongoing demand for SAPOL services in the conveyance of mental health consumers, the process should be reviewed to identify efficiencies for SAPOL.' Has this process been reviewed?

The Hon. S.C. MULLIGHAN: I am advised that that effort is ongoing and that there is actually a body of work which is underway within South Australia Police trying to identify further options to minimise the use of police resources for these callouts or taskings.

Mr BATTY: When do we expect that review or body of work to be complete?

The Hon. S.C. MULLIGHAN: We do not have a timeframe at this point in time, but it would be just dependent on the progress of the work and the initiatives that are identified in it.

Mr BATTY: At page 192 there is a highlight of continued emphasis on reducing crime. I think this is been framed as a so-called 'law and order budget'. Do we have a crime problem in South Australia?

The Hon. S.C. MULLIGHAN: All crime is a problem. That is why we have a police force. What we are doing is making sure that we are giving our police force the resources it needs to combat the problem as effectively as possible. What I would say is South Australia not only enjoys the services of the best police force in the nation but, to date, we have successfully avoided some of the problems that have come into being in other places around the country where crime has got out of control. One of the things we are hoping for, as a result of the additional resourcing in this budget and the efforts that police are undertaking, is that we steer clear of those sorts of problems in our state.

Mr BATTY: Are you satisfied if we just simply have less crime than interstate?

The Hon. S.C. MULLIGHAN: I do not have the numbers in front of me. For example, I know from the ABS data that we have the lowest number of youth offenders of any state or territory, and it is reducing. We publish our crime statistics monthly and you can observe movements in statistics from month to month. You can see in other places around the country where crime and certain types of crime have got out of control, and we simply have not had the same sorts of problems in South Australia.

Of course, as I said in my first answer, any crime is a problem. That is why you invest in having a professional, capable, highly regarded police force in the way that we do, and we have to continue reviewing how we support our police to make sure that these issues do not get out of control like they have elsewhere around the country.

Mr BATTY: You talk about youth crime going down. The SAPOL management proposal that I referred to before, dated April this year, talks about each police jurisdiction seeing an increase in youth offending. Separately, there has been an increase of 11 per cent in South Australia in 2022-23. Has it gone down since that time are you saying?

The Hon. S.C. MULLIGHAN: I am saying that the ABS reports that we have the lowest number of youth offenders of any jurisdiction on the basis that they record them. In terms of offences being recorded, when you have asked me previous questions about whether there are particular cohorts or gangs, for want of a better term, which have been identified who are responsible for promulgating this type of criminal activity, that is something that police are not only aware of but actively resourcing to combat, and those efforts will continue.

I reiterate the point that we seem to be performing much better in South Australia than in other parts of the country. One of the reasons that we stepped up resourcing in this budget is to make sure that, while we have had such a terrific record over many years in South Australia with our police force, we do not want to see that change and fall into the sorts of troubles that we have seen in other places around the country.

Mr BATTY: Page 194 of the budget has some activity indicators, including on crime. The first one shows the number of recorded offences against the person per 1,000 head of population, and it shows it rising from 15.3 to 15.9. Is this crime going up or crime going down?

The Hon. S.C. MULLIGHAN: The total number of offences recorded in the crime statistics month on month continues to fall. What we see, though, is that there are certain categories of offences against the person that continue to increase, while other categories of crime, including against property, continue to fall. When you have particular areas of criminal activity that are showing specific trends, you can understand why the commissioner is allocating resources accordingly in order to combat that type of crime.

These are statistics within an overall set of crime figures that show that crime is going down. What we are recognising in these figures and what our monthly crime statistics recognise is that

there are some types of criminal activity that have increased, and the budget and South Australia Police are allocating additional resources accordingly.

Mr BATTY: On a different and perhaps final topic, police security officers and numbers, I have some similar questions to what I started with. How many police security officers is the current funded amount and how many do we currently have? Also, how many police security officers were recruited over the last year and how many left over the last year?

The Hon. S.C. MULLIGHAN: We currently have 330 funded and we are about 60 short of that. There is a much higher attrition rate for PSOs, including those leaving to become police officers, for example. Of the 60, 40 were separations or people who left and 20 went on to become police officers. During the course of this financial year, we have had 55 recruits. Of course, given the previous 189 extra PSOs and the 98 funded in this budget, we will have those same efforts to catch up to fund the complement and then increase the overall number of PSOs into the future as well.

The CHAIR: Time having expired, I declare the examination of the proposed payments for South Australia Police now complete. Thank you to everyone who has attended today: all the advisers, the minister, the members of the opposition and members of the government. A lot of work goes into estimates and we appreciate the fact that a lot of work does go into estimates. I also thank the parliamentary officers who have to sit with me all through the day, and the security officer up the top there, who also has to sit for many hours.

At 18:01 the committee adjourned to Friday 20 June 2025 at 09:00.