HOUSE OF ASSEMBLY

Wednesday 20 August 1986

The SPEAKER (Hon. J.P. Trainer) took the Chair at 2 p.m. and read prayers.

QUESTION

The SPEAKER: I direct that the following answer to a question without notice be distributed and printed in *Hansard.*

MONARTO HOMES

In reply to the **Hon. JENNIFER CASHMORE** (5 August).

The Hon. D.J. HOPGOOD: In all, three brick houses have been constructed at Monarto for zoo and National Parks and Wildlife Service staff, and the 80 year old Kalabar Homestead has been renovated. The cost of this housing runs to some $208 000. It is incorrect to suggest the houses have been unoccupied since construction because Government could not raise 'the several thousand dollars' required by the Electricity Trust to connect power. The cost to connect power to these premises and to the fauna facility and agistment area is $87 000.

The period each house has remained unoccupied varies. Kalabar Homestead was occupied within a week of the renovations being completed, in April 1983. The second house was occupied approximately seven months after the completion of its structural work—on 24 April 1984. There were a number of factors for this delay, none to do with lack of funding for power connection:

- the house had to take its turn on ETSA's program for power to be connected to the existing single phase line, resulting in a delay of some three to four months.
- the subsequent installation of fixtures and fittings.
- negotiation with the Royal Zoological Society regarding rental.

There was no urgent need for the house to be occupied prior to this date. On 24 April 1986, two more staff residences were completed, one for the fauna facility and one for the Zoological Society. Occupancy of these houses depended on the connection of a new three phase power supply, installed by ETSA, Murray Bridge. The date of completion of this task was to have been mid-November 1986.

However, due to ETSA's efficiency and the fortuitous fact that less rock than expected was encountered, the power line was completed in late July, four months ahead of program. Tenders have to be called immediately, rather than in September, for power connection to the two houses. Action is now under way to speed up the occupation of the two premises. One will be in use by mid-September and the other a month later.

WINE AND FRUIT JUICE TAXES

Mr OLSEN (Leader of the Opposition): I move:

That this House—

recognising that an increase in the wine sales tax and the removal of sales tax exemptions on fruit juice drinks containing a minimum of 25 per cent of Australian juice unfairly discriminate against South Australia because they will cause further widespread disruption and loss of income and jobs in our vital decentralised grape growing, fruit growing, wine and fruit producing industries;

condemns the Prime Minister for breaking, yet again, the promise he made on 20 February 1983 that Labor would not put an impost on the wine industry, and for ignoring representations on the impact of removing the sales tax exemption on fruit juice drinks;

calls on the Premier to immediately seek a conference between himself, the Prime Minister, the Federal Treasurer and senior representatives of the industries affected;

calls on the Prime Minister to immediately visit South Australia to review these decisions in full consultation with the growers and producers directly affected;

calls on the Premier to review current levels of the State liquor licence tax to determine whether some relief can be provided to offset the immediate impact of the increased wine tax; and

calls on the Premier to communicate this motion forthwith to the Prime Minister.

The Hon. D.J. HOPGOOD (Deputy Premier): I move:

That the time allotted for this debate be two hours.

Motion carried.

Mr OLSEN: Two years ago to this very day, this House debated a 10 per cent sales tax on wine. Two years ago to this very day, the Premier refused to take any significant action to resist that impost—that broken Labor promise. Two years on, and what has this approach achieved? Another impost on wine; and, into the bargain, a savage sales tax on our citrus industry.

While Mr Hawke and Mr Keating prepare to swim in even more tax—the higher Medicare levy, the petrol tax hike, the doubled wine tax—and to grab more of the hard earned money of ordinary Australians following last night's budget, they will sink many small business men and women in South Australia as a result. The Prime Minister has likened the present economic situation to war. But he seems to have drawn not a Brisbane line, but a South Australian line.

This State's interests have become expendable, not worth defending. Two years ago, the Premier refused to support quite specific action urged by the Liberal Party to defend our wine industry. Today, we have put forward this motion to give him one last chance to let him speak up for South Australia even if that means condemning his Federal colleagues. We call for quite specific action.

We want a top level conference convened immediately between the Prime Minister, the Federal Treasurer, the Premier and senior industry representatives of the industries affected. We want the Prime Minister to visit South Australia immediately to discuss these measures with the growers and the producers most directly affected. Mr Hawke must come to the front line to face those who will bear the brunt of Labor's policies.

The Premier must also look at how his revenue raising measures might be reviewed to offset some of the impact of the wine tax, because over the next four years the existence of this wine tax will generate more revenue for the State Treasury. I will return to that point in a moment. The Liberal Party urges unanimous support for this motion, because it affects not only the wine and citrus industries but the manufacturers of glass, corks and cartons, the printers of labels, the transport drivers, the agents and the retailers.

If the Premier and the Labor Party are serious about speaking up for South Australia's interests, for all of these industries, they will support the motion without amendment. The Premier has spent a great deal of time and energy over the last two years seeking the submarine project. We have supported him in these endeavours, but he must recognise that the impact of the measures we are debating today and the fringe benefits tax could more than offset benefits

which might come to South Australia from the submarine project in terms of jobs and markets.

Indeed, it is unfortunate that the same time and resources were not devoted to the protection of the car, wine and citrus industries over the last two years as have been allocated to seeking the submarine project. This motion seeks a change of approach, a change of attitude and a change in action by the Premier. The impact on South Australia of the fringe benefits tax—and now the measures announced last night—demand this. He can no longer go on saying that Treasurer Keating's economic policies are correct. They ignore and insult South Australia. The greatest responsibility, the highest duty, a State Premier in our federation has is the defence of his own State—no matter what the cost to his own Party.

Let me demonstrate the extent to which Mr Hawke and Mr Keating treat with scandalous contempt the South Australian wine industry. Two years ago, when the 10 per cent sales tax was introduced, Mr Keating said in his budget speech that it would not encourage wine imports. These are his very words:

> This reduction in protection is not expected to result in any significant increases in wine imports.

He was wrong—very wrong. Official figures I have obtained today show that, in the 12 months to March this year, wine imports to Australia increased by 43.4 per cent over the previous year. They totalled 1.5 million cases—18 million bottles. Over the same period, exports of Australian wine totalled 1.1 million cases.

At the time of the 1984 budget impost, the Federal Government also appointed an inquiry into the grape and wine industries. That inquiry reported last year and recommended in part:

> At the very least, the committee considers that there should be no increase in the sales tax until sufficient time has gone by to measure the impact of the present tax.

That recommendation was ignored last night. What was also ignored was the significant fall-off in growth of wine sales last financial year. They increased by a mere 1.5 per cent. This financial year negative growth is expected—anything up to 5 per cent. Compounding this problem is the fact that the industry still has up to 60 million litres in stock surplus to domestic requirements. It has been estimated that the imposition of the tax in 1984 has already cut wine industry jobs by some 10 per cent. It has also led to a widespread profit squeeze and a shakeout amongst wine producers and retailers. Smaller companies have become insolvent and larger companies have been taken over.

It is now estimated that the doubling of the tax will further reduce direct employment in the industry by at least 1 000 jobs and the consequences are even more serious when it is recognised that this industry has a multiplier of six. But as well as affecting domestic jobs and sales, the squeeze on the industry will also harm our export drive. A number of South Australian wine makers have been extremely aggressive in the establishment of export markets. But a profitable local industry is an essential prerequisite for the establishment of a firm base for exports.

The increase in the tax will bite further into the profitability of local production and therefore jeopardise the hard earned gains made to date in an extremely competitive world market for quality bottled tablewines. In his defence of this impost over the last 12 hours or so, the Premier has referred to the funds in the federal budget for the vine pull scheme. What needs to be recognised in this respect is that the funds allocated will be no more than barely adequate, if that, to assist those destitute growers who already decided to get out of the industry before this latest kick in the guts. Nor can it be said that his wine pull scheme is any long term benefit for South Australia. Eight of out 12 designated tourist regions depend very heavily on the traditions and attractions of the wine industry.

The Opposition is already aware of complaints made by overseas visitors to some Barossa wineries as a result of the vine pull scheme. They have said that they came expecting to see vistas of vines but had been disappointed to see areas of ravaged soil and barren blight, and a trip to the Clare Valley will confirm that also. This transformation is also putting pressure on local government in the three growing areas closest to the city to approve subdivisions. If that takes place one might as well sip wine in Brompton as in the Barossa Valley.

The Premier says more exports and more tourism will help offset the wine sales tax. I have shown this afternoon how that scenario is simply unrealistic. In relation to the Federal budget, I would also point out that it appears that funding for wine research and marketing has been significantly reduced.

There is, in fact, no provision in the Department of Primary Industry line for wine research this financial year, whereas some $342 000 was spent last financial year, and the allocation to the Wine and Brandy Corporation has been cut from almost $1.4 million to just over half a million dollars. So in the marketing and promotion of wine we have had at the same time a very significant curtailment of resources. I have mentioned that the doubling of the sales tax will help South Australia's budget. The impact of the 10 per cent tax last financial year and in 1986-87 will be to boost State revenue by $800 000, through receipts of liquor licence fees.

Because of the time lag in collections, the doubling of the tax will have its first impact in 1987-88. Then, and in the succeeding two financial years, the revenue boost to the State directly attributable to a 20 per cent wine sales tax will be about $4.2 million. The rate of South Australia's liquor licence fees is the highest of any State. Following the Premier's decision in 1983 to significantly increase this tax, his total revenue collections from it over the last three years have been more than $84 million.

If the Premier is unable to obtain any relief from last night's federal budget decisions, an option that he should consider to offset at least some of the impact would be a review of liquor licence fees. At the last election, the Liberal Party put forward a comprehensive wine industry development policy. We did so because of our concern that, over the last two decades, South Australia's proportion of national wine production had fallen from 75 per cent to 58 per cent.

An honourable member: And still falling.

Mr OLSEN: And still falling. This has particular implications for local economies—for the Barossa Valley, the Clare Valley, the Southern Vales, the Riverland and the Coonawarra. Because of the regionalised basis of grape growing, this latest impost will create further serious pressures in a number of country towns and regional centres, not to mention the impact in the metropolitan area on those dependent upon wine industry sales. The worst affected will be the Riverland, as it does not have the product mix of some other areas.

In an endeavour to protect market share in the extremely competitive soft pack market, it is likely that some winemakers will endeavour to absorb some of the impact. However, this also means that they will expect to pay less to grapegrowers or take fewer grapes from growers if they lose market share. Either way, the Riverland grape grower will be the loser. If that were not enough for the Riverland to absorb, the decision to tax at 10 per cent sales of previously

exempt fruit juice products is a double devastating blow. The region already has high unemployment levels and limited work opportunities.

The Renmark CES office currently has 2 010 people on its books. The citrus industry estimates that 35 per cent of the total crop could find itself without a market following this decision. That represents in excess of 200 000 tonnes. That problem cannot be offset to any large degree by exports, because only a small percentage of the crop is of export quality. The remainder must go on the Australian fresh fruit market and for processing for juice, fruit drinks and cordials.

The impact of that measure will be felt by a range of businesses: by packers, fruit processors, and supply industries as well as growers. A freight company which has been established in the Riverland since 1948—a family business—wrote to me a fortnight ago emphasising that the industry was already at a critical economic stage.

It faces problems of world oversupply and low grower returns. The Riverland Development Council, the Government's own advisory body, has said that growers in the region would not be able to survive additional imposts. This double hit for the Riverland in last night's budget must not be accepted without a fight at the highest levels as proposed in the motion that I have put before the House. The Liberal Party is not about forcing double dissolutions of the Federal Parliament, let me hasten to say, but about forcing a rational assessment of the impact of these measures, an assessment which I am confident will show that the losses it will cause are far greater in their overall impact than the benefits to Government revenue.

The Premier said on television last night that my attack on the Federal budget was hypocritical, that I had called for tough action yet was still complaining. The reality is that this budget places the major burden on taxpayers. It remains soft on Government spending and wages policy. Its growth and employment projections are dubious. I remind the Premier that, in calling for a tough budget, among the options I canvassed were a wage freeze, strong opposition to the ACTU superannuation push, a hold on Government spending for three years, and a compulsory work for the dole scheme.

In going to war—the Prime Minister's term—he has baulked at these options and has refused to cross the dividing line between what Australia needs in this current economic crisis and what trade union officials will allow him to deliver. As a result, we have an entertainment tax which will generate $330 million in a full year, a fringe benefits tax which will raise $575 million, and a wine tax to now cost $120 million. These will fund levels of Government spending which remain very high in historical terms.

As a proportion of gross domestic product, Government spending with each of the four Keating budgets remains higher than it ever was under a Coalition Government. And, while we now have a promise of a hold in spending in real terms for one year only, the former Coalition Government, in two budgets, achieved real reductions in spending and is committed to at least holding the line for not one year but for the whole of its next term in Government.

On the revenue side, budget receipts will rise in real terms by 3.8 per cent this financial year. Receipts as a proportion of GDP amount to 28 per cent; again, higher than in any of the former coalition's budgets. Let us hear no exaggerated talk from the Premier about how tough this Federal budget is. The estimated bottom line deficit is commendable, but it will be produced substantially by new tax measures rather than by spending cuts and reducing Government regulation and waste.

The SPEAKER: Order! I call the Leader of the Opposition to order for a moment. There are five specific points in this motion which are followed by another point where the Leader of the Opposition calls upon the Premier to communicate this motion forthwith to the Prime Minister. It appears to me that for the past few minutes of his contribution the Leader of the Opposition has been analysising the Federal budget in detail, and that is not the subject of this motion. Therefore, I ask him to come back to the subject of the motion.

Mr OLSEN: The tax rises, which are part of this debate and which are incorporated in the budget, mean no hope of Australia's disastrous inflation rate falling.

I have put before the House clear reasons why the imposts in the budget, as they discriminate so unfairly against South Australia, must be fought. I have called for quite specific action from the Premier, and have couched the motion and this debate so far in terms which should encourage and ensure the Premier's support. I trust that a unanimous vote on the motion will force the Prime Minister and the Federal Treasurer to stop waging war on South Australia. That is important. For that reason, I call on the House to support the motion.

The Hon. J.C. BANNON (Premier and Treasurer): I am very happy indeed to address the substance of this motion and certainly support aspects of it. I indicated immediately last night that, for all the pluses and all the pain in the Federal budget, there were certain areas—and this one concerning the wine and fruit juice tax is most notable—that discriminated against South Australia and would affect an industry that is fairly fragile and needs support, rather than another impost, to ensure its survival. Therefore, I think that this Parliament is quite right to vigorously protest about the impact of the tax. However, I think we must do it from a constructive base.

It is all very well to call for the Prime Minister to immediately visit South Australia to explain himself. In fact, the Prime Minister will be here on 27 August, on which occasion he will at least address meetings, and he can certainly be questioned; no doubt there will also be other opportunities to do that. It is all very well to talk about flying off to Canberra or taking all sorts of other actions, but any approach must be soundly based. I felt that the Leader of the Opposition's contribution in the debate today was infinitely superior to his off the cuff performances both last night and this morning. Obviously the Leader has had a chance to reflect a little on the realities of the situation we face and on some of the factual points that must be made in preparing a plan of action and a positive approach to this issue. I foreshadow that I intend to move an amendment to the motion, that is, to delete all words after the first paragraph (which I accept) and insert:

> expresses its condemnation of the Federal Government's decision and
>
> calls on the State Government in conjunction with appropriate industry representatives to prepare a strategy to minimise the impact of the Federal impost including:
>
> representation to the Federal Government protesting at the decision, outlining its economic consequences and its discriminatory application and seeking its modification or abolition;
>
> industry readjustment measures with full Federal Government financial support to maintain the viability of vine and fruit growing activities and regions; and
>
> marketing and export schemes and initiatives aimed at maintaining South Australia's market dominance in all sections of the industry.

That approach is positive and substantive.

Members interjecting:

The SPEAKER: Order! The Leader of the Opposition was heard in silence. The House should extend the same courtesy to the Premier.

The Hon. J.C. BANNON: During the past 24 hours we have witnessed quite an extraordinary performance from the Leader of the Opposition, one which throws severe doubts on his ability to perform under pressure. In the face of the adverse decision in the Federal budget, the Leader's reaction has not been to try to approach the issue positively; instead, he has complained—indeed, he has almost panicked—hysterically and pronounced that this is the end of the wine industry in South Australia. His initial job loss predictions, incidentally, meant that more than 50 per cent of all jobs in the industry would be simply wiped out overnight. Clearly, that is nonsense and a panicky overreaction which can only make those in the industry feel so alarmed that they simply will not want to fight or continue in business any more. We have heard the Leader in tones of near panic talk about the end of the Riverland economy. The Riverland economy has far more substance, clout and basis than that. Last night's impost will not finish the Riverland or its economy as long as my Government and the people of the Riverland have anything to do with it.

For the Leader of the Opposition to drop his bundle in the way that he has done, and to throw up his hands in horror and say, 'Look what they have done to us. We've had it. We're finished,' is wrong. I think that 'We're down the tube' was one of his expressions the other night. I find this a most apalling attitude from one who seeks to have a position of responsibility in this community. We need to have a constructive and positive approach in times of economic difficulty and crisis and this Government will adopt such an approach.

What is the reaction of the Opposition? It is to retrace the same negative, whining and whingeing approach that we have heard for the past 3½ years. Members opposite tried it for three years, and it is about time that they gave it up and recognised that South Australians do not give in so easily. Indeed, the people of this State do not accept that sort of nonsense. They rise to the occasion and want to do something about it.

The Leader of the Opposition has criticised me for calling him hypocritical, but it is surely a fact that he has been calling continuously for cuts and for restraints in public expenditure, both federal and State, although he is careful not to enumerate where and how they might fall. However, he says it loudly and often. He keeps saying that it is impossible for any kind of taxes, charges or other revenue to be collected in this State and he denounces any attempt to do so. However, he is privately sending me a letter asking to be provided with more funds for his own office and his own requirements.

In a speech to the Institute of Architects, he has called for the construction of a canal from Port Adelaide to the city. One after another, his frontbenchers and backbenchers are calling for expenditure on this, that and the other matter. This goes on day after day and we tally it up to about $1 million a day in modest terms. We are getting these demands for public expenditure. Okay, but then the budget is brought down providing for many of the objectives that have been called for. Incidentally, do not let us be diverted by this matter of tax.

The Hon. B.C. EASTICK: I rise on a point of order, Mr Speaker. Having regard to the comments you addressed to the Leader, drawing to his attention the fact that he must approach the motion in a positive sense, can you say which of the five heads the Premier is currently addressing?

The SPEAKER: The Chair is not obliged to answer the concluding part of the honourable member's question. This is not Question Time. However, I caution the Premier that he is bound by the same requirements as was the Leader of the Opposition. Further, I take this opportunity in this momentary lull in proceedings to remind the House that I called the House to order and requested that the same courtesy be extended to the Premier as was extended to the Leader of the Opposition. If that same courtesy is not extended, I shall, reluctantly, have to call individual members to order, a step that the Chair would be reluctant to take during such a serious debate. The honourable Premier.

The Hon. J.C. BANNON: Thank you, Mr Speaker. It is relevant to this issue (and I shall not go into any greater detail) to point out that it shows the sheer inconsistency of members opposite. They pick and they choose. Whatever interest group or pressure group raises its head, they are prepared to support it and to espouse its cause. If it is a matter of expenditure, they want it made; if it is a matter of tax reduction, they want such a reduction made; and so it goes on. Country, city, national or State: it does not matter—there will be a spokesman opposite who will take up the cause. However, this is a much more serious issue than that. This is a real issue that affects a major industry in our State and we must address it in a comprehensive, coherent and positive manner. That is exactly what my motion does. We are not pulling any punches. We are making it clear that we reject the impost and the way in which it has been applied. In doing so, we believe that the Federal Government is wrong and discriminatory. That has been laid down clearly.

I will refer to certain aspects on this point of its discriminatory and dangerous nature in considering in detail the impact of this tax. However, it is not a cause for panic and it is not a cause for us to say that there is nothing we can do except invite the Prime Minister to face the music, or whatever. That is sheer nonsense. We must sit down with representatives of the industry, the people who know where they are going and what they are doing. They are the people who have had to absorb, in the case of wine, major restructuring, major changes to their market, and even the tax of two years ago. They had to do something about that, and they had to survive. We must talk about what we will do for the future of this industry.

It is not as if nothing has happened in the past couple of years. Indeed, a considerable amount of positive effort, of finance and energy on the part of the Government and the industry has been put into ensuring that the wine and fruit growing industries remain viable. It is amazing what short memories the Opposition members have—the same members who brayed for us not to expend any more public funds into the Riverland fruit cannery and other restructuring in the Riverland. They are the members who have seen us, through the Riverland Development Council, which was established and funded by our Government, through our support of the cannery and its restructuring and the arrangement with Berri Fruit Juices, and through a whole series of other measures, doing something comprehensive and constructive about that region. As I say, the memories of those opposite are very short indeed.

In terms of our own support for the wine industry in its marketing, the organisation of SAPRO; the various promotions of the Department of State Development, totalling well over $200 000 in 1985-86 of various kinds; the Department of Tourism making the wine industry a centrepiece of its interstate marketing program; the way in which we responded with the abolition of cellar door sales taxes on the occasion of the last impost—a whole series of things

have been put in place and will be continuing. The reconstruction I was talking about as far as Berrivale is concerned has amounted to something like $5.3 million. So there have been definite tangible and constructive programs put into place by this Government to ensure that this industry remains healthy and active; that will continue, but it has to be done on a realistic basis and the action suggested in my motion covers the way in which we can improve and develop those strategies.

One reason we find ourselves in this state today, as far as the wine tax is concerned, has been that ongoing and continuous campaign by brewing interests, which I have referred to in this House, well documented, heavily financed, which have been urging at all points to ensure that a wine tax is imposed. It has been a comprehensive national push by some very powerful interests indeed. Perhaps they can claim some sort of credit for having, if you like, given the Federal Government an imprimatur or permission to apply this.

I have rejected those arguments absolutely and totally. There is no proper comparison with those excises which have been traditionally levelled on the beer and brewing industry. They can talk about them themselves and lobby on their own part, but to wage a campaign which seeks to link that with the wine industry and its particular needs or requirements is absolute nonsense. Wine should not be taxed on the same basis as are other alcoholic beverages. The industry does not have the same capacity to absorb and withstand such effects.

The wine industry is regionally concentrated and that is where we get discrimination against South Australia. The production of wine is completely different from beer production; the gearing up and down of the process is over a much longer time scale; the process is much more involved; and you cannot switch on and switch off to suit demands in the wine industry as you can in the brewing industry. The market itself does not have the high profitability or the monopolistic situation that the beer industry has. We have 381 producers, a few wholesalers, and an increasingly concentrated retail sector operating against the winemaker versus the power of the large beer cartels and their bargaining authority against the large retail chains. You are not comparing like with like in how you market your product.

The surplus production in the wine industry has also meant that in many cases the buyers have their own markets and much stronger negotiating power. The industry returns far less and traditionally will, and probably must, because of the nature of winemaking and wine marketing, than one can get in brewing and other shorter-term industries. All in all, there can be no comparison made, yet it has been done, and it has been marketed very effectively indeed. I think we should all be warned against that and watch those campaigns and do everything we can on a united basis to make sure that one section is not playing off another.

As to the question of discrimination against South Australia, I do not need to go into that in too great detail. We produce 60 per cent of Australia's wine grapes, and a massive 32 per cent of those are grown in the Riverland region alone. Our wine production is linked closely with our tourist image and various other aspects of our economy which means that anything affecting the wine industry will affect South Australia quite disproportionately. Incidentally, again, that is another difference between the wine industry and the brewing industry or any other industry which might seek to say that wine is enjoying some sort of special benefit if it is not taxed. It is quite clear that discriminatory action is involved in such a tax.

I want to deal with the impact of this sales tax as we can perceive it at this early stage, in relation to both wine and fruit juice. The 10 per cent wholesale tax introduced on wine was largely absorbed by winemakers and grape growers. That, clearly, had an effect on their profitability. It meant that the price to the retailer was not affected overall. That, of course, also reduced the average level of return on invested capital. Despite the introduction of wine coolers (and, thank goodness, that new product came on to the market, although whether it is a passing fad or will establish a long-term market position it is too early to say), there was still a decline in the growth of wine sales and an oversupply of grapes. That is the industry on which this impost is being imposed. While the absorption did take place on the previous occasion, at an individual company level the effects ranged from it being fully passed on with little or no effect on sales, particularly in relation to those very high quality premium wines, to in fact a real fall in the ex-factory price of wine, involving, for instance, some of the producers in the Berri region.

The effect of the increased tax will therefore be dependent on the market position of those wineries. Some of them may be able to sustain it, but others will simply not have the capacity, and they will go out of business. Some can absorb the increase and thus preserve their sales position, while others must pass it on. However, in either case, through either a drop in sales or the need to absorb the increase, there will be a drop in profitability in an industry that already has an extremely low rate of return. There is no question that there will be some loss. The extent of financial loss and job loss is not easy to determine. Claims of job losses with any numbers attached to them—the sort of numbers that the Leader of the Opposition or others have mentioned—have to be regarded with some reservation. We must really get down to it and try to work out just what the impact will be on an individual basis because, certainly on the last occasion, notwithstanding that the evidence indicated that thousands of jobs would be lost, there was in fact no such job loss.

It may be different this time, and we certainly have to look at this matter on a rational basis. Of course, as has been pointed out, there is significant risk to the tourism character of some of our winegrowing areas where vine pull schemes and other readjustments taking place distort the tourism impact. The Barossa Valley has already been mentioned in this regard and, again, this is something that must be addressed very directly.

I have mentioned wine coolers and I said that we are fortunate that they came on the market and that they were so successful but, of course, they will be taxed at the same 20 per cent rate as will be wine—in other words, at the same rate as that applying to non-fruit juice soft drinks (and coolers are half citrus juice). This represents an even higher tax on the wine content. There are over 30 brands of wine coolers on the Australian market, accounting for 3 to 4 per cent of wine sales. Wine sales in that area are increasing but it is still too early in the marketing stage to determine whether coolers have a long-term market or whether they have simply been a fad or have had fashionable appeal to the public. The Australian Wine and Brandy Producers Association says that the wine cooler market is at a very early stage of development. Future growth in wine cooler sales will adversely affect the total sale of wine.

There may, in fact, be a displacement factor at work there, in any case. Again, that needs close attention. In relation to sales tax on fruit juice, the Australian industry has in the past been considerably assisted by the sales tax exemption. It has meant that fruit juice has been used to a

greater extent, and that locally sourced fruit juice has been preferred because of the tax advantage that that confers.

It was communicated to us that the Federal Government had in mind a full inquiry into fruit juice and fruit drinks, to be conducted by the IAC, and, pending such an inquiry, there would be no change to the level of sales tax. We certainly have the increase in tax: whether or not we get the inquiry I do not know at this stage, but I would have thought it is most important that such an inquiry take place. If that inquiry shows the sort of adverse effects that could well come about through this abolition of sales tax exemptions in this area, the sales tax exemptions should be restored immediately.

What are the reasons for the retention of sales tax exemptions? World prices for orange juice concentrates effectively have fallen, leading to large stock losses and a request for temporary tariff protection against Brazilian imports, in particular. There has been a drastic reduction in prices as a result of that competition. By eliminating the exemption, less juice will be used in drinks and cordials, thus reducing the total market for fruit juices. There will be a significant substitution of Australian juice by cheaper imported concentrate, which will mean a significant reduction in fruit bought by local processors for juice, hence a significant reduction in already depressed grower incomes. It can affect major investments that have been made by many parties—including the Government, which has a $4 million investment in the Berrivale orchards—and adversely affect the viability of fruit packaging cooperatives.

My colleague the Minister of State Development has already taken up this matter with the Minister for Economic Development, Senator Button, and it is clear that, if there is to be an inquiry—and I believe that there should be—changes must be foreshadowed if the inquiry comes up with the sort of findings one would expect. It is true, as the Leader of the Opposition has said, that there was a massive increase in imports of wine, but the evidence is also that, because of the drop in the Australian dollar, that dumping process which was taking place has in fact come to a halt to a large extent. There will still obviously be wines in certain categories—most notably premium champagne—which will be imported, and the market will pay whatever price it has to bear. But, in terms of the mass imports which we have been experiencing in the past two years and which have been growing fast, the tide has turned very much indeed and, in fact, a number of major wholesalers have made the decision to cease importing and concentrate on the local product.

That sort of import substitution ought to ensure that at least whatever drop occurs in the overall sales the Australian market and Australian originated product will get a much bigger share of the market and thus help ameliorate the effect. In addition, it demonstrates the great export opportunities available to our industry. There are now major cost advantages in putting our wine onto the international market, and there has been much effort, preparation and some major breakthroughs in the past few years. We really have to build on that and do something about it in a massive way.

For all those reasons, I commend my amendment to the House, as opposed to the motion moved by the Leader of the Opposition which is essentially negative, condemnatory and does not accept the realities of the situation. I have in no way watered down our attitude of condemnation of this action, but make more precise and emphasise those areas in a positive and constructive way where we can take action and do something instead of whinge about it. Let us not drop our bundle in the face of adversity. Let us lift our game and get something done. I move my amendment accordingly.

The Hon. E.R. GOLDSWORTHY (Deputy Leader of the Opposition): We have had a typical weak, wimpish response from the Premier, which we always get from him when he is asked to take on his federal colleagues: he just refuses to do it. His record has been quite appalling and this State has suffered disastrously as a result. What have we had from him today? We have had a personal and vitriolic attack on the Leader which was completely unwarranted, in view of what the Leader had said.

The Leader did not resort to attacking the Premier in his motion, but the Premier spent about 10 minutes attacking the Leader. He then set about watering down the import of this motion, but that is his style. I submit to the House that it is about time that there was a change of style by this Premier. A fortnight ago there was an attack in this very place on the Western Australia Premier (Mr Burke), who was prepared to stand up and take on his mates in Canberra.

The Premier, again with his typical response, says, 'Let's sit down and have a pow wow,' after the event—after we have lost not only the battle but also the war. He accuses us of scaremongering. I will read to him in a moment some of the predictions of people in the Riverland, these people he talks about—'these sturdy country folk will rise to the occasion; they will not be put down by these scaremongering Opposition members, least of all the Leader.' Let the Premier get up on his stump in the Riverland and sound forth with this lofty nonsense about these hearty people who will join the dole queue. The fact is that the Premier refuses to stand up and fight. The resolution that he, moved today is typical of his normal wimpish response to all of the depredations of his federal buddies.

Let me set in its proper context and background this disastrous budget for Australia. What has led to this? What led to this was the initial depredations of the Federal Government when, in the first flush of victory, it swept to office. What happened? We had Whitlam revisited! The flood gates were opened and all responsible commentators said that it was a very dangerous path that Australia was treading. I invite members opposite who care to read responsible economic analyses and to read what people were saying at that time—'Spend up big.' 'Borrow up big.' 'Have short-term job creation programs.' 'Build up big overseas debts.' 'Create employment.' The whole emphasis was on employment: that is the background of this matter.

What happened? That path that responsible economists had suggested was very dangerous for Australia has led to the present calamity. This has been brought home by the judgment of people overseas, people who watched what was happening in this nation and who made their judgments about what they thought of the strategy. Now we are in this sorry state. The other point I make as background to this motion is that not only has that strategy failed—and failed miserably—but also we have had a Federal Government which up until about three months ago was saying that all is well with the economy, that the domestic economy was in good shape and that it was our overseas balance of payments which was the problem.

What is the second scenario? What is the second fact which this Government cannot escape and which has led to this situation? It is this: it is not the Federal Government that is calling the tune in Australia—it is the Australian Council of Trade Unions. This applies equally to the Government of South Australia: it cannot move, lift a finger, or legislate without the say-so of the Trades and Labor Council of South Australia.

When Mr Hawke decided that we needed more revenue in this State and that we needed to impose more taxes, he dreamt up this idea of a tax summit. I am setting the background now to this motion. I am outlining what has led to this sorry situation, this disastrous situation in which this State, which has been singled out for particularly punitive treatment, finds itself and in which the nation finds itself.

The Hon. J.W. Slater interjecting:

The Hon. E.R. GOLDSWORTHY: The press do not normally report more than the first two speakers in this place. I am very pleased to know that members opposite are listening. Members opposite cannot get around the fact that Hawke called a tax summit to work out ways in which he could increase the level of taxation in Australia to fund his overspending. We received the ACTU package in June last year. Kelty spelt out the package in February last year when he spoke to a conference of his socialist mates and said, 'We will support tax changes in this country. We will support the sort of taxes that come out of the tax summit.' I refer to an article in February 1985, before the tax summit, as follows:

> The union movement strategy for 1985 was outlined at the weekend by the Secretary of the ACTU, Mr Bill Kelty, who put the Federal Government on notice about what was expected from the prices and incomes accord and the Hawke Government second term. Mr Kelty said no proposition that resulted in an increase in the tax burden would be acceptable at this year's review of the tax system.
>
> He also foreshadowed a push by the ACTU for a Government crackdown on perks, such as company cars, expense accounts and education fees enjoyed by executives in expansion of the taxation pot into currently non taxable areas. Mr Kelty's frank speech was before a seminar organised by the socialist forum—a discussion group consisting of former Communist Party members and current ALP members predominantly from the left wing.

What did we get from the tax summit? We received precisely what Kelty predicted in February. If one takes the trouble of referring to the transcript of the tax summit and looks up Kelty on page 43, one will see that he supported option A—and that is what we got. However, where was Prime Minister Hawke in all of this? Prime Minister Hawke was involved in a deadlock breaking conference behind closed doors.

The SPEAKER: Order! I caution the Deputy Leader of the Opposition that the same requirement about sticking to the motion before the Chair applies to him equally as it does to any other member.

Members interjecting:

The SPEAKER: Order! The Chair took on board the Deputy Leader's introductory remark, before he launched off into the points he has been canvassing for the past three minutes, that he intended to establish some background. However, at the moment he has placed himself in a difficult situation whereby he is giving all background information and he has nothing up front. I ask the Deputy Leader to return to the motion before the Chair.

The Hon. E.R. GOLDSWORTHY: Mr Speaker, I guess it is a matter of judgment as to how much of my speech I want to use to set the scene in relation to this disastrous attack on South Australia. It is factual and I think that the House should not forget it. I have almost finished setting the scene in connection with this further blow against the South Australian economy, and particularly regional economies. I am interested to hear what the Minister of State Development has to say about his regional groups in the Riverland, and particularly in the Barossa. I complete my scene setting by saying that Mr Hawke walked into the International Hotel, where the bulk of the union delegates were staying during the tax summit, at 8 p.m. on Wednesday and disappeared upstairs with Mr Crean and Mr Kelty for hours of private talks to thrash out how their new package could be framed to appeal to the unions. Next day the newspaper headline proclaimed, 'ACTU gracious in beating Keating'. No one should think for a moment that the two fundamental propositions with which we approach this disastrous scene are not of the ALP's own making. The ALP's initial budgets have led to this, along with its complete subservience to, and control by, the ACTU.

What do we have in the weak amendment that the Premier seeks to foist on the House? We have a continuation of the Premier's style where he is not prepared to take on the feds. One can think of numerous occasions—in fact, he does it on every occasion—where the Federal Government has proposed to do something particularly damaging to the South Australian economy and the Premier has said that he will do something about it and he has been beaten. That has happened again. What is the solution? There are two major prongs in arriving at a solution.

The first is to boost tourism and the second is to boost exports. However, that is plain pie in the sky and no answer to the short term problems that have hit this regional economy. Does the Premier still proclaim, as he did earlier to the public of South Australia, 'I back Keating all the way'? Does he still say, as he did in his statement to the tax summit, that he supports the fringe benefits tax? His submission contains a couple of interesting qualifications regarding the very South Australian industries that have been hit for six. The Premier says:

> The South Australian Government accepts the major weakness in the present income tax system is the present law regarding the taxation of fringe benefits, and measures need to be taken to bring fringe benefits within the tax net.

That tax has decimated the car industry and has put people out of work. In 1982, members of this Government came to this House daily with a message of doom and gloom and talked about the tragedy of unemployment. Let us see what happens to unemployment in the next 12 months as a result of the Federal Government's policies. As usual, the Premier is having two bob each way every time he opens his mouth. There is so much backing and filling that it is a typical submission from the present South Australian Government. The Premier does not stand up for any darn thing. Above all, he will not take on the feds. The document continues with this qualification:

> However, we note that the single most important tax benefit is probably the provision of motor vehicles and that sales of wine are likely to be affected by the proposed non-deductibility from corporate income of entertainment expenses. These industries are, of course, important to the South Australian economy. We would urge some modification of the current proposals should the impact on South Australian industry be likely to be detrimental to the growth prospects of these key industry sectors.

However, what have we got? We have a death blow that was struck at the industries last night. What will the Premier do about it—sit down and have another powwow, another conference, boost our exports and encourage tourism? I invite the Premier to drive through the Clare Valley, through the Barossa, or through the Riverland and see the effect of the vine pull scheme on the countryside. Let the Premier consider what the tourist industry will do for those regions when they are completely despoiled and devastated by this scheme under which people will be paid for pulling out their vines if they satisfy a means test. The Clare Valley will not be attractive. There will not be a sudden boost to tourism to affect these people whose incomes will simply disappear.

What about the export industry? What about all this pie in the sky business about exports? While I was away in South-East Asia a couple of months ago, I inquired about the chance of selling our primary produce there, because I

considered that such markets were our best export chance, as I realised that we had no chance of selling our secondary products because they were not competitive. I inquired of trade representatives and other people in South-East Asia and I found that we would be lucky if we could export 10 per cent off the top of our crop, anyway, because of the nature of the crop. We are being beaten hands down by other exporting countries, especially the USA, because we are not reliable suppliers. I was told about an instance in which a container load of pears arrived and half the consignment was cooked while the other half was frozen. There had been trouble with shipping. We have a notoriously poor record in terms of delivery. If any member thinks that we will overcome the depredations of this tax by boosting exports, he is fooling himself. It will be a long hard slog. Let me remind the Premier and the Minister of State Development of what the Riverland Development Council said recently. The Minister was in the Riverland recently, making a grandiose announcement about this new found momentum that the *Advertiser* reports we are to get in South Australia. Neither I nor the increasing number of unemployed have seen it, but the Minister's announcement concerned the Government's giving away money.

I now wish to quote from a communication sent by the Riverland Development Council, a body that will supposedly boost this so-called enormous export drive. In this connection, I point out that it is not a matter of the Opposition stirring: these people on the Riverland Development Council are speaking for themselves. They are the hardy people who according to the Premier do not know what they are talking about. The communication states:

> We understand that the Federal Government in its budget deliberations may be considering the removal of the current tax-exempt status from fruit juice products containing 25 per cent or more Australian juice . . . The Riverland Development Council was created to look at ways of restructuring the Riverland region in South Australia. It is facing a difficult task already without the imposition of greater problems caused by governmental action.

If the Premier wants further evidence from the Riverland about the attitude and the thinking of the people in that area, let him listen to what Mr Peter Wood, of Berrivale, had to say in an article in the local press:

> The citrus industry supports many thousands of Australian fruitgrowers, packers, fruit processors and other supportive supply industries, most of whom live in the economically beleaguered country areas.

Mr Wood proceeds to give an analysis of the tragic effects of the proposed tax, which is now a reality, on the grower, who is the person who must bear the full effects of the latest impost, who is pulling out his vines, and who will see the fruit rotting on the trees. Not only will the grower be adversely affected: the regional economy will also suffer. Indeed, the effects of the impost will be felt throughout the State. After analysing the effect on the grower, Mr Wood said:

> The resulting scenario would be horrific.

Those are not the words of the Leader of the Opposition: they are the words of a leader of the industry in the Riverland. So, the Premier should not get up here and huff and puff with all this nonsense about the Leader of the Opposition in this place scaring these people, because the submission from these people states:

> The resulting scenario would be horrific not only for those many, many thousands of growers, workers and families in the irrigation areas who rely upon citrus for their livelihood but also for all related service businesses, local councils, regional economies and Australian consumers. Australian irrigation areas are under economic siege already from excise taxes on brandy and sales tax on wine, and a reduced intake of soft fruit for canning due to competition from South Africa and EEC subsidised fruit, while citrus fruit returns have been halved in the last 12 months due to dumping by Brazilian suppliers.

So, the Premier should not tell these people that the position will be remedied by increasing exports. If he does, he will get the same reception as that enjoyed by Mr Gilfillan, a member in another place, when he said in California that we could sell oranges to that State. Indeed, the only oranges that I could find in Singapore were labelled 'Sunkist' and they were imported from California, so they have beaten us even in the Asian market. We have all this pie in the sky stuff regurgitated by the Premier today, but it does nothing.

What is the Government's record on exports? We hear much about South Australian International and we have this glossy splurge about what the Government will do in that regard by instituting immediate action for an export drive, but we have seen neither sight nor sound of such action. So, the Premier should not get up with his wishy-washy approach to these critical problems which will throw thousands of South Australians out of work. The shocking budget introduced last night will not only hit every man in the street: South Australians will be hit harder than will anyone else in the nation.

The Hon. LYNN ARNOLD (Minister of State Development): This motion is of such significance that we need to clarify what it is we are proposing to talk with when we talk about the Commonwealth Government and the wine tax. I say that because what we have heard for the last 20 minutes has nothing to do with the wine industry in terms of w-i-n-e, it has more to do with the whine industry, w-h-i-n-e. All we have heard for the past 20 minutes is a diatribe that failed to come to grips with the real issue of what is going on with respect to the wine industry in South Australia. The Deputy Leader was eager enough to declaim his own Leader by saying, 'Don't listen to the Leader, listen to the Riverland Development Council. Listen to this person and that person.' That is fine, because that is where we are getting some decent information on effects to the wine industry in South Australia. We certainly did not get it from the Leader or from the Deputy Leader.

The Deputy Leader of the Opposition said at some length that we are proposing a powwow and he went on in quite down-putting terms about the value of having a powwow. Presumably he believes that the arguments on behalf of the South Australian agricultural industry in this State can be put by some kind of frenzy that would take place outside a building, but he is saying, 'Do not dare go near the members of the Federal Government and actually talk with them, because that is a powwow and we know that that does no good.' So we are supposed to go outside and jump up and down in a frenzy. I wonder what his own Leader thought of that, because it seemed to me that the Leader was calling for just such a powwow in that his motion calls on the Premier to seek immediately a conference between him, the Prime Minister, the Federal Treasurer and senior representatives of the industries affected. I just do not know what else a powwow is supposed to be other than that sort of thing.

What we need to do is work our way through the blank rhetoric of the motion that has been put by the Opposition today and look to the substance of the problem. I believe that that is precisely what is being proposed in the amendment that has been moved by the Premier. The amendment acknowledges the first paragraph of the motion moved by the Leader of the Opposition; it acknowledges that there will be a serious impact on South Australia by virtue of the decisions made in the budget last night with respect to the wine industry and the fruit juice industry—that is acknowledged. That part of the motion moved by the Leader of the

Opposition remains in the amended motion that we would have this House pass eventually. We then go on to propose that this House express its condemnation of the Federal Government's decision. We have said that that decision needs to be condemned; we have said that we believe that the wine and fruit juice industries in South Australia cannot sustain the sorts of pressures that are being applied by the taxes announced last night.

We go further than that: we go on to talk about constructive issues that need to be resolved. First of all (and this is the part that would have sent the Deputy Leader into a frenzy) we have a motion calling on the State Government, in conjunction with appropriate industry representatives—some of the very people being quoted by the Deputy Leader; people we talk to and whose point of view we are eager to hear—(and I have heard these points of view before and know that the Premier has heard them too) to prepare a strategy to minimise the impact of the federal impost.

Apparently, that is something to be decried; apparently, to have a plan of action is not to be desired; apparently, we are just supposed to have some loose flinging and flailing about without any purpose in mind as to where we are trying to go. We then go on to say what that is going to be. The motion suggests this should include representation to the Federal Government protesting at the decision, outlining the economic consequences, outlining its discriminatory application and seeking its modification and abolition. That is quite firm. Then we talk about industry readjustment measures with full Federal Government financial support to maintain the viability of vine and fruit growing activities and regions. Lastly, we go on to talk about marketing and export scheme initiatives.

In every one of those cases the Deputy Leader found something wrong: every one of them was not valid; every one of them was not to be supported. I believe there are enough people who are directly involved with the wine or fruit juice industry who would be dismayed to hear the kinds of comment being made by the Deputy Leader today.

Ever since our election to government we have been supporting the wine and fruit juice industries, and a look at the public record will identify that. We have also been spelling out our concern at the impost on the wine industry, and we did so when the first impost was set. There were debates in this House at that time about that very matter. Not one member opposite can say that this Government was not concerned and did not oppose those imposts at the time.

Let us consider what has happened in this wine trade in Australia over the past couple of years. First, we should be concerned about the growing level of imports and what, until this year, has been a static level of exports. The Wine and Brandy Association identified the growing chasm between exports and imports of wine with respect to this country. Wine imports in 1983 amounted to $23.6 million and wine exports amounted to $15.3 million. In 1985 wine exports marginally increased by $1.5 million to $16.8 million while wine imports ballooned to $51.3 million, an increase of nearly $28 million. That is an enormous variation and it is working against the wine industry in this country. We must realise that that is one of the pressures that must be faced. It is not sufficient to say that we must concentrate only on the tax that has been imposed: there are other pressures that must be identified and reacted to, and one of them involves international trade—the import and export proposition. However, we are told by the Deputy Leader that it is an absolute furphy to worry or think about exports of the wine industry.

I will return to that point a little later, because there is a lot of evidence to show that there is a very significant potential and that we could return to the situation of 50 years ago when 50 per cent of Australian's wine production was exported. That is the stage we ought to be getting back to—the mass exportation of a much larger quantity than the approximately 5 per cent or 6 per cent that we are exporting from Australia at the moment.

We also need to identify and react, with respect to the South Australian wine industry, to the fact that there are problems in relation to South Australia versus the other States in terms of the potential 'problems' in the future. I use the word 'problems' advisedly, because I believe that we are able to answer those problems and meet them.

The Leader of the Opposition identified that South Australia's share of Australian wine production has (and I use his words) gone down from 70 per cent two decades ago to about 57 per cent at present. The Leader's wording implied that there had been a net decline in South Australian wine production, but the reality is quite the opposite. Wine production in South Australia has, in fact, increased but wine production in other States has increased faster. That, in itself, may not be anything of special significance, but there is one aspect which I believe is significant and which we will need to address. It is something I did not hear mentioned once in the points made by members opposite: it is the perception of the wine-consuming public of the wines produced in the various parts of Australia, and there may well be problems in that regard.

It is true that South Australia is perceived by Australians to be the prominent wine State in terms of its being the biggest and oldest producer and the producer of top quality wines, but there is perhaps some indication from wine drinkers in other States that South Australian wines might be old fashioned. People might, in fact, prefer to go to some of the trendier, smaller boutique wineries in other parts of Australia. The inclination, especially amongst new wine drinkers, may be to prefer some of these wines. Unless we can counter that perception, we may face a problem from that point too.

That is just one aspect of some of the pressures facing the wine industry in South Australia. It is for that reason that the South Australian Government—that is, the Department of State Development and I as the Minister of State Development—has been supporting and working with the wine industry in South Australia to examine the state of the wine industry and its potential, and to develop a strategy for that industry, because we believe that we need to examine the potential pressures and optimise the potential for the wine industry in South Australia.

So, we will not take just a one-off approach, which would see us jumping up and down about one thing (and on this occasion we are very much opposed to this tax), while there are also many other things which need to be addressed but which have failed to be addressed absolutely by the Leader of the Opposition and the Deputy Leader of the Opposition. The Deputy Leader said that we should have looked into this matter 18 months ago. I would like to know where he has been for the past 18 months. The Government has done a tremendous amount to assist in the Riverland and in other parts of South Australia. One minute he talks about the Riverland Development Council as if it is something in which not to take pride; he said that the Government had funded that and it was almost as if he was blaming us for some kind of tokenism. However, in the next breath he has said that the Riverland Development Council had said this, that and the other.

Mr Rann: Within four minutes.

The Hon. LYNN ARNOLD: Yes, in the space of four minutes. The situation is that the Riverland Development Council has made a very worthwhile contribution in the Riverland. It is something that this Government at least pays credence to. The Government appreciates advice received on a wide range of matters affecting the Riverland area. We believe that the Riverland Development Council offers us the prospect of developing the economy of that region in the years ahead. We believe that there is a future for that region. While we do not ignore the very real problems that exist, on the other hand neither do we have the overwhelming cynicism towards the people of the Riverland, it appears, as shown by the Deputy Leader of the Opposition.

I remind the House of what he said a few moments ago when he was talking about the Premier's comments on the proposition that the Riverland does have potential to grow in the future. The Deputy Leader of the Opposition referred to the 'lofty nonsense about these hardy people'. What kind of attitude is that to the future of South Australia? One must face the problem—and the problem is the tax—but one does not decry the ability of people to cope with problems. Our approach is to help the community cope with those problems and develop those areas. The Riverland Development Council is part of our strategy to do that.

I will refer to the matter of wine promotion in a few minutes. Before I do so I want to comment on another matter raised by the Deputy Leader of the Opposition. He said that we are devoting all our energies as a State Government to winning the submarine contract, believing that will be the boat that will bring home the riches. He then went on to say—and these are his words—'It is unfortunate that time and energy has not been devoted to the car industry, the wine industry and the citrus industry.'

Mr Olsen interjecting:

The Hon. LYNN ARNOLD: The Leader may well say that it is not true, but that is what he said. I can identify a number of things that we have done for the car, wine and citrus industries in this State. With respect to the car industry, one need only look at the massive improvement in exports of automotive components, for example, from South Australia since the present Government came to power. The amount of money and support that we have provided to the automotive industry in this State is indicative of that. The tooling centre proposal, which is being canvassed in a number of offices at the moment, is also part of that support proposition.

Mr S.J. Baker interjecting:

The Hon. LYNN ARNOLD: The honourable member will probably have to make an appointment to see his doctor for a hearing test. I have indentified some of the things already, and time will not allow me to go through all the things that this Government has done. However, they are all on the public record. Apparently, the honourable member is not only deaf but also blind because he cannot read what has been printed over a long time. With respect to export of South Australian wines, the South Australian Government has committed significant resources to promoting the export of South Australian wine. Among other things, we have supported exhibitions of wines overseas. We have supported delegations of the wine industry to tap and expand new markets. We have produced an excellent video, for example, that was launched at the London wine show. It was acclaimed by everyone in the wine industry as being a superb example of the kind of promotion that is needed for South Australian wines. It was acclaimed by those who want to make money out of exports. The very people who will benefit from it have said that it was an excellent promotion. Alongside that, we have produced the booklet *Vintage Australia* and funds are being allocated this year for the purposes of promotional activities in markets in Hong Kong, Singapore, Europe, New Zealand, and so on. That is an indication of the efforts of the Government.

We provide funds up front to support those activities and funds up front to support export initiatives. Yet, we are told that, apparently, this is a meaningless exercise to be involved in. I do not accept that proposition at all. I have much more faith and confidence in the wine industry in this country to be able to get out there and sell its products. It will not, however—and this is the point that the Government is making—be able to optimise export sales if at the same time it is facing this tax impost within Australia. The point needs to be made that the tax causes a problem for wine that is different from that for beer, ales and other alcoholic beverages. That was detailed previously by the Premier when he identified that the time for production from grape picking to the processing of the grapes, the making of wine and then the storage of wine for appropriate fermentation is a much longer time span and represents a much greater value by the wine producers relative to their recurrent income and, therefore, the inventory cost of that, with the taxing of that inventory making another inventory cost, places a much greater burden on the wine industry than do similar excises on the beer industry.

I refer to another point that needs explaining in some detail. This matter was totally left out by the Deputy Leader of the Opposition. It was as if he had no interest or concern about this area at all, and I refer to the fruit juice industry. Sure, we would have to be very concerned at that situation as well. I suppose the consumers in the shops may not have appreciated over recent years that more fruit juice was starting to appear in drinks on shop shelves and that various soft drink and cordial manufacturers were starting to claim that their drinks contained natural fruit juice as well as the other products that they contained. People might have thought that that was simply a health motivation, and I would like to say that it was, but, in fact, it was partly due to economic motivation, because it became a benefit for them to incorporate fruit juice in their products, because fruit juices were exempt under the sales tax provisions.

The removal of sales tax exemptions for fruit juices does, however, bring the situation back so that the natural fruit juices that have appeared in the cordials and other soft drinks on the shelves in shops may well start to disappear from those products. Again, one can identify a health concern, and I am certain that members would agree with that. It is also significant that we will start to see an impact on Riverland growers when they find that it is not a viable market into which to sell their products. This is a matter that also needs to be drawn to the attention of the Federal Government and, hence, the purpose of having in our motion the call for the discussions in that area.

I believe that one other point of view that needs to be made very strongly on this matter in respect of the effects of this impost, the one that has now been placed on the wine industry of South Australia, is its relativity to the effect of the previous impost. I fear that some people in Canberra have thought that the previous impost did not seem to have a great deal of effect—and I use the word 'seem' most advisedly—and that in fact therefore this new impost will not have an effect either.

The facts are that a large proportion of the wine industry, with little capacity to absorb it, did absorb that impost, and it must have been a very bitter pill to swallow. But there is not room any more to keep on swallowing that kind of impost, because that kind of further pressure will be just

enough to wipe them out. A point of concern is that some of the wine firms that were least able to absorb it (although they were not all able to do so, and some absorbed it totally, some partially and some hardly at all) were not those that were seeking to pass on the price increase to the public. This included some of the smaller wineries. Wineries either passed it on and hoped that they could get higher prices for their products or, alternatively, they faced serious economic problems.

This further impost will simply make it impossible for some of the smaller wineries to continue to survive. They will face the very real threat of going broke, and those others which previously absorbed it partially or totally are also going to be less able to absorb it. When we talk about absorption of the tax, that is not to say that there has been no problem. Of course, we also need to identify that there is a very serious problem, and absorption by the winery passes that cost on in two ways: to the growers and, secondly, to the employees of those wineries.

The SPEAKER: Order! The honourable member's time has expired.

The Hon. P.B. ARNOLD (Chaffey): Let there be no misunderstanding that the effect on the grape and citrus growing industry in this State will be devastating, and anyone who suggests that it will not obviously has no knowledge whatsoever of the industry. My family has been involved in the wine grape growing industry for some three generations and I have been involved in it all my life, and am very conscious of the plight of grape and citrus growers in South Australia. I stress once again that if this Federal budget stays in position as it is there will be hundreds of growers in the Riverland who will be forced out of existence. If the Premier and the Minister who has just spoken—

Members interjecting:

The SPEAKER: Order! The honourable member for Chaffey has the floor.

The Hon. P.B. ARNOLD: The Premier can laugh about the situation, but every day of the week there are growers and families being forced off their properties, particularly in the Riverland, and that is no exaggeration. If the Premier were aware of his facts he would know that that is the case. He only has to check with the General Manager of the State Bank to find out the exact situation. It appears that the Premier's answer to the ills is to see that there will be the collapse of the Australian dollar. That will right all of our problems for us and will be our saviour. What an incredible situation—that these industries, because they have been taxed out of existence by the Federal Government, are going to be saved because the Australian dollar is not worth anything overseas!

The Premier claims to have a great understanding of the problems of the citrus and wine industries and the grape growing industry, but it is a strange thing, that while he claims to have this great understanding, the Federal Treasurer and the Prime Minister seem to have no understanding whatsoever, so perhaps he could do a little work in that direction and enlighten the Federal Treasurer and the Prime Minister. The Premier has also stated that the Riverland is not the sort of place that will give up. If it were going to give up, it would have given up years ago, because it has been pounded by Government after Government for the past 50 years, as far as taxes are concerned. One only has to go back to the '70s.

An honourable member interjecting:

The Hon. P.B. ARNOLD: I said Government after Government, so let us get that quite clear. Let us go back to the 1970s, when Whitlam came in and imposed the first devastating excise on brandy, which literally brought that industry to a standstill.

An honourable member interjecting:

The Hon. P.B. ARNOLD: Just be quiet and listen for a while. You had your go. In the mid 1970s, that was followed up by the next Government, which then wiped out the brandy industry. For four years after those imposts in the '70s Berri Estates, which was the biggest brandy producer in the southern hemisphere, did not make a single drop of brandy. If that is brilliant government, then I hope that the Premier can explain it to me.

We hear time and time again in this place that the answer is that the growers have to become more efficient. It is recognised around the world that the growers in the Riverland—and particularly the citrus and wine grape growers—are some of the most efficient producers in the world. That is borne out by international statistics. Only one country in the world has a higher rate of production of citrus per hectare, and that is Israel. The reason is that their total industry is much younger than that in Australia and other parts of the world; therefore, their trees are at their optimum production at this stage. But when it comes to competition with States like Florida and California, the Riverland citrus industry leaves both of those States for dead. The production is way in front, so any suggestion that it is inefficiency on the part of the growers is absolute rubbish.

Let us look at what will happen in relation to the citrus industry, and let me try to explain to members opposite why last night's action by the Federal Government could well result in a surplus of 200 000 tonnes of citrus in Australia. First, we have to appreciate that 80 per cent of citrus juice goes into juice products such as citrus drinks and cordials. If we lose that outlet, 35 per cent of the total production of citrus in Australia will be surplus, which amounts to some 200 000 tonnes. How does this come about? First, we have soft drinks that are currently taxed at the rate of 20 per cent. Pre budget we had fruit juice drinks that contained above 25 per cent fruit juice and there was no tax. As of last night, that same juice now has a tax of 10 per cent, so the differential between pre budget and today is a matter of 10 per cent instead of 20 per cent. Bearing in mind the relative value of 25 per cent Australian juice content, we finish up with a line ball situation. Now we have a situation where there is no financial incentive for drink makers to use the 25 per cent Australian juice content, so in many cases they will either drop down to 5 per cent content or will not use any at all but use totally artificial flavouring; this applies to many other soft drinks.

So, there is no doubt whatsoever that we are confronted with a surplus of 200 000 tonnes, because there is absolutely no incentive left for the drink manufacturers in this country to continue to use Australian produced juice. Let there be no argument about the claims that this is pie in the sky and that it will not happen. It certainly will happen unless there is some incentive for Australian drink makers to use the Australian content. We found in 1984 that, even though the Prime Minister gave an absolute undertaking that there would be no wine tax put on the wine industry, he immediately went ahead and put on 10 per cent. That was totally absorbed by the winemakers, grape growers and retailers. There was virtually no increase in the cost to the consumer in Australia. There is absolutely no room for that to happen again.

The growers are down to a base price of $175 a tonne and, if we like to delve into it, when we look at the cost of pruning, picking, fertilisers, water rates and everything else that goes into producing a tonne of grapes, we realise that there is no way on earth that we can produce those grapes

for $175 a tonne. Consequently, many growers are going out of the industry, and the Minister of Agriculture is well aware of the number of growers who applied for the vine pull scheme—far in excess of what he ever anticipated. That clearly, in itself, underlines the fact that the Government did not appreciate the plight of the industry, and to have this additional tax put on top virtually destroys any chance that those people had of surviving.

In my own case, I am fortunate that I happen to be one of the lucky ones who have an additional source of income. Many growers in the Riverland and in the other producing areas of South Australia are not in the fortunate position of having an outside income. I can assure members opposite that it is my additional income that has enabled me to keep my vineyards going. I said to my people the other day that, financially, I would be way out in front if many of the grape varieties on my property were pushed into a heap, burnt and the land left vacant. If such action is in the interests of productivity in this nation—action that has been forced upon us by this government's action— then somewhere along the line the Premier has a lot to teach the Federal Treasurer.

I think that even the Premier would accept that, fundamentally, someone in this nation has to be productive and that there are fewer and fewer people left who are productive: they are being forced out day by day. The average person in business today would be far better off financially to pull their money out of what they are doing, invest it somewhere at 15 per cent interest, and sit back without a responsibility in the world while being thousands of dollars better off through being absolutely non productive. Until such times as Governments and Treasurers can get it through their thick heads that there is no future for this nation as long as that attitude exists, and that there has to be an opportunity for those who get out there and be productive to receive some just reward for their efforts, then this country will continue to go down the drain. As things stand at the moment, unless the Federal and State Governments combine to come down with some logic in this area there will be literally hundreds of growers in South Australia who will go to the wall.

The Hon. M.K. MAYES (Minister of Agriculture): In supporting the amendment put forward by the Premier, I will throw into the argument some additional facts which have not yet been met by matters put forward by Opposition speakers in this debate. In addition, I will highlight some of the things that this Government has undertaken and raised with the Federal Government in relation to the wine industry and the citrus industry in this State.

It is interesting to note the criticism of the Premier and the Government made by the Leader of the Opposition in his motion before the House. I will raise some matters relating to the lobbying that has gone on by particular sectors of the brewing industry. I have not heard reference by the Leader, the Deputy Leader, or the member for Chaffey about the role that these people have played by their lobbying. One of the key Liberal functionaries in this Commonwealth has had a large part to play in lobbying the Federal Government and industry sources to have this tax instituted. It is no secret that very powerful and influential forces within the Liberal Party, no less than the Treasurer of the Liberal Party, have been lobbying actively for a wine tax.

Members interjecting:

The Hon. M.K. MAYES: I have obviously touched a raw nerve with members opposite, because my comment has brought an avalanche of interjections from the other side. How many people have seen Opposition members informed that some of the key functionaries in their Party are playing a major part in this matter? I wonder whether the member for Chaffey will enlighten his constituents about the part that they have played. Mr John Elliott has been a significant lobbyest in this matter and he has significant interests in the brewing industry. It is interesting to note that there is no reference in this motion to those matters.

Members interjecting:

The Hon. M.K. MAYES: This certainly has touched a raw nerve on the other side of the House. The point I make in relation to the motion and in drawing attention to the amendment put before the House by the Premier, is that it is important to note the constructive way in which the Premier has proposed that we approach this problem of the wine tax. As Minister of Agriculture, I do not resile from the fact that this tax will have a significant impact on the wine industry in this State. The proposal that we meet with wine industry representatives to discuss this issue as soon as possible in an endeavour to build up a strategy to approach the Federal Government—the wording of a motion, of course, being the 'Federal impost'—makes it very clear how our Government views this wine tax increase.

In addition, the amendment seeks representations to the Federal Government protesting about the decisions, outlining the economic consequences and its discriminatory application and seeks its modification or abolition. I would like to throw some light on the impact that the Department of Agriculture has estimated this tax will have on the wine and citrus industries, in particular, in this State. It was noticeable that criticisms were made during the debate by the member for Coles who criticised the Government for not voicing its concern earlier than today. I inform the member for Coles, the Opposition and the public that the Government, through both the Premier and me—

The Hon. Jennifer Cashmore interjecting:

The Hon. M.K. MAYES: —has made public statements with regard to a tax on wine and the impact that it would have on this State. I have before me today a telex received from Mr David Dean, Executive Officer of the United Farmers and Stockowners of South Australia, One paragraph of the telex states:

> The wine grape section appreciates your representations to the Federal Government over the last year and shares with you the disappointment that a disportional [sic] tax has been imposed on South Australia.

That goes to show that, in fact—

The Hon. Frank Blevins: They are affiliated to the National Farmers Federation and McLachlan put in his amount through Elders and the brewery.

The Hon. M.K. MAYES: The former Minister of Agriculture has given further information about other members of the Liberal Party who have probably played a part in selling out their colleagues who are associated with the UF&S. It is interesting to note that, at least, industry representatives are prepared to acknowledge the commitment and concern that this State has exhibited for this industry.

Members interjecting:

The Hon. M.K. MAYES: We do not need any encouragement. If one looks at the other side, one is quite certain that we have no problems with the Opposition. This is a situation that we must deal with as a Government. I believe that we have done all that we can by way of measures instituted from the financial resources of this State to assist the industry, both in terms of its restructuring and its exports. I turn to that, because I was shocked and amazed at the Deputy Leader's comments in relation to the future of our citrus and grape export industry.

Mr Ingerson interjecting:

The Hon. M.K. MAYES: It is interesting to note that the member for Bragg interjects. I am still waiting for an apology from him, but he is not man enough to make it.

The SPEAKER: Order! I suspect that the Minister is introducing extraneous material into his contribution, so I ask him to desist.

The Hon. M.K. MAYES: Thank you, Mr Speaker. I fell foul to responding to an irrelevant interjection. In relation to the assessment of the overall impact of this wine tax, it is interesting to note the sort of assessment one can make with regard to the overall possible surplus of grapes that might occur within the wine industry. The department has made a careful analysis of this matter on the basis of this 10 per cent increase and has come up with a figure of about 12 000 tonnes which could be additional to the surplus and which would have been on the market had it not been for the vine pull.

Therefore, as a Government we have to identify the problem. We have heard nothing from the Opposition about identifying the specific problem. We have to look at what that means in terms of the industry. We have not heard from the Opposition about what it suggests can be done by the use of State Government facilities or funding. We have heard this wild thrashing about, as the Premier said. In effect, we have a situation in which, if we are not successful in getting the tax removed because the Federal Government intends as part of its economic package to continue with it, then there could be a large grape surplus in the wine industry during the coming vintage.

It is not easy to determine that, because one has to make estimates of the price elasticity of demand in relation to the various types of marketed wine. I think they vary quite significantly from the top of the range boutique wines to wines marketed in casks and flagons for general consumption by the community as a whole. The elasticity factor can vary greatly. That variable must be taken into account in assessing the impact of the wine tax. If we look at the overall effect and at some absorption of the tax—as was previously cited by the Minister of State Development and the Premier—the worst possible situation would be 12 500 tonnes of wine grapes surplus in the coming vintage.

If the State Government is faced with a situation of having to address that problem—and no doubt the problem will fall to us to address—hopefully we can gain some assistance from the Federal Government in that regard. We will be pressing, and continuing to press (as we have already done), for additional funding for the vine pull scheme. We estimate that in the order of $1.5 million is required from the Federal Government to address that surplus, if people determine that they want to withdraw from the industry. Some have given that indication in relation to the vine pull proposal. Looking at the two-for-one scale, in addition to the $5.25 million devoted to the vine pull scheme from Federal and State Government funding, we will be seeking about $500 000 as a top up to assist these people. That is one aspect of the magnitude of the problem that we face.

In addition, there is the social impact that can occur from such a decision in relation to the community, as the member for Chaffey mentioned. I share with him the concern that he has for growers in the Riverland. No-one would wish upon them the situation that they now face. If one makes an assessment in relation to their potential for expansion in other industries, a potential exists. We have had this discussion previously. I remind the member for Chaffey of my trip overseas. Certainly, the honourable member raised the issue of research being provided to growers to offer them alternatives in relation to the produce that they market. I think they are positive alternatives. I am sure that the honourable member will agree with me more than with his Deputy Leader. If we can devote funds and resources to research development for a particular commodity and then look at all the assistance that we can provide as a State and in lobbying the Federal Government and other States to campaign for additional funds for marketing, I believe that we can open up new alternatives and create new advantages for the wine grape industry in this State.

There is no question that wherever one goes—in Asia, Europe or the UK—there is a demand for our table grapes, and that demand will continue to grow. Certainly, with the various factors affecting overseas markets, we will definitely see an increasing demand for Australian table grapes on European and Asian tables. In relation to the overall impact that we have seen, we believe as a department that the situation in the Riverland in particular will require our urgent attention. I acknowledge the points that have been made by all speakers in relation to the impact that has been already felt concerning the vine pull. I believe that we need to consider a number of measures to assist both the wine grape producer and the wine manufacturer. The Premier's amendment will address the problem of gaining cooperation within the industry, involving both producers and growers, to see the development of a program and an organised approach to both the Federal Government and other industry representatives.

I now turn to the citrus industry and refer to the direct detrimental effect on the Riverland area. Of course, as the member for Chaffey, the Premier and the Minister of State Development have outlined, there will be two likely impacts on the industry in this State: first, possibly a reduced consumption of fruit juice drinks containing greater than 25 per cent Australian content; and, secondly, a reduced competitive advantage relative to imported juices. I think the current effective tariff figure for Australian juices is about 47 per cent.

I raised this matter at the last meeting of the Agricultural Council in Adelaide only a fortnight ago. This whole issue will be addressed. Indeed, the Federal Minister was pressed by all State Ministers to address the whole issue of the citrus industry, particularly the impact of tariffs and the dumping of foreign juices (especially concentrates) on the Australian market. The Federal Minister indicated that he would write to all State Ministers, the New Zealand Minister and the Papua New Guinea Minister raising with them the problems that we need to address in taking a consistent stance. The member for Chaffey mentioned the brandy industry: it is worth noting that other rural industries lobbied very strongly for the maintenance of markets, particularly the French market, in regard to brandy.

The honourable member did not develop the full argument as to the impact on the brandy industry of other rural industries (particularly the wool industry) strongly lobbying for access to the French market. That is the problem we face. If we place tariffs or artificial barriers on imported goods, we face repercussions, and members opposite know that. We face repercussions from those other markets involving particular products. We saw what New Zealand had to go through with regard to the butter issue. We should place on record that it is not as simple as the member for Chaffey would have us believe. In fact, it is a very complex issue that must be comprehensively addressed by the industry and by the State and Federal Governments.

It is not an easy matter of saying that the brandy industry was wiped out, when the member for Chaffey said that it occurred under the Whitlam Government and then went on to say 'the next Government'. Of course, the Fraser Liberal Government had its hand in it, as well, and we

know what part it played. The member for Chaffey did not point out that it was the fact that other rural industries lobbied very strongly for access to the French market which had an impact on that decision. We know that we must look at this as a comprehensive overall assessment.

An honourable member interjecting:

The Hon M.K. MAYES: No, we do not. I have asked the Federal Minister to provide us with his analysis of what the Federal Government intends to do about tariffs. We must address this issue particularly in relation to the citrus industry. It cannot be left to lag as it has. In addition, it is important to note that in the citrus industry we have an avenue for export which can be developed. I do not know where the Deputy Leader went when he visited Singapore. Certainly I saw Sunkist oranges, but I also saw Australian oranges. Australian oranges are marketed in Singapore, Japan, Europe and all over the world. The Australian orange has a market place. People I spoke to in Japan and Europe were keen to have them. Finally, I point out that the Federal Minister is about to announce that the Industries Assistance Commission will conduct an inquiry into the whole fruit industry including the citrus industry—

Members interjecting:

The SPEAKER: Order! I call the member for Mitcham to order.

The Hon. M.K. MAYES: Obviously I have touched a raw nerve, because the Opposition has not been prepared to acknowledge the effort that has been put in by this Government in relation to local industries.

Members interjecting:

The SPEAKER: Order!

Mr OLSEN (Leader of the Opposition): In response to the last statement by the Minister, which was obviously meant to be a great announcement to sum up the Government's argument, that there is to be yet another inquiry by the IAC (which is something that the Premier alluded to in his remarks), that inquiry will study the impact of this tax and then make some adjustment in the future. I suggest that the Premier's statement and certainly the Minister's statement are very much like Nero fiddling while Rome burned.

If we are to have another inquiry, some small businessmen and women will not survive while the inquiry is being held. The position is that critical in the Riverland, in the Barossa, in the Clare Valley, in the Southern Vales and at Coonawarra. If one does not believe that, one should discuss this matter with the grape growers to find out how desperate they are as a result of the oncosts, taxes and charges that have been applied to their businesses. These business people cannot tolerate any more: they are at the end of their tether. They want a sympathetic and compassionate response from the Government, not another inquiry that will sweep this matter under the carpet for another year, at the end of which they will not be there.

The Minister of Agriculture should know what I am talking about because recently he went to the Barossa Valley and got a rude message from the grape growers concerning the vine-pull scheme. Indeed, the Minister knows how desperate these people are because they told him. He came back to the city and reconsidered amending the means test that had been applied to those growers in relation to the vine-pull scheme. I acknowledge the time given by the Government and its concurrence in enabling the debate to proceed on this motion, which is of significant importance to South Australia and to the people who are employed in this State, not to mention the small business people. I appreciate the time that has been made available and the support of the Government in allowing this debate to proceed. However, the Opposition cannot support the Premier's amendment, and such refusal is based on three basic reasons. First, the amendment completely absolves the Prime Minister from the specific and unequivocal election promise that he made on 20 February 1983. Indeed, the Prime Minister made that promise not once, but twice.

The Premier seeks to get the Prime Minister off the hook by deleting from the motion the reference to yet another broken Hawke promise. The amendment also deletes any reference to the capacity of this Government, in the budget that it will introduce in a fortnight's time, to give short-term relief to these people in the wine and the citrus industries of this State. I demonstrated earlier how over the next three budgets this Government will pick up $4.2 million extra in liquor licence fees. There is the capacity for the Government to make concessions to the industry and to give some relief so that growers can survive and so that the South Australian long-term unemployment queues, which are already the longest in Australia, will not be lengthened further. The latest federal impost on the wine industry will force more people onto the unemployment queues. The Premier's amendment deletes any reference to his capacity or his Government's capacity, through the coming State budget, to give relief to these people.

In the motion, the Opposition refers to a specific point, asking the Premier at least to consider it. However, his amendment demonstrates that he does not want to consider giving relief in the coming State budget. The Premier talks about marketing and how the marketing exercise will boost the sale of wine in South Australia, in Australia, and overseas. He makes that statement at the same time as his tourism budget has been slashed by 12½ per cent. What absolute nonsense to suggest to the House that we will embark on a strategy of marketing our wine products in other States and overseas when his tourism marketing budget has been slashed! It is nonsense to suggest that that is the way out for the people in the wine and citrus industries. It is also nonsense to leave it to the industry because, as a result of the fringe benefits tax, the capital gains tax, the assets test, and the tax on superannuation lump sum payments, the incentive of these people is being destroyed. The industry in this State has no capacity left to undertake the marketing exercise that would be required.

The SPEAKER: Order! The time for the debate has expired.

Amendment carried; motion as amended carried.

GOVERNMENT FINANCING AUTHORITY ACT AMENDMENT BILL

Adjourned debate on second reading.

(Continued from 7 August. Page 188.)

Mr OLSEN (Leader of the Opposition): The Opposition is seriously concerned about some of the implications of this legislation. However, before indicating our specific response to the proposed amendments, I ask the House to briefly consider the background to this measure. Legislation to establish a South Australian Government central borrowing authority was introduced in this House by the former Liberal Government but lapsed at the time of the 1982 State election.

On the whole, my Party supported the reintroduction of the legislation in December 1982 and has followed with interest SAFA's activities in the financial market place since its inception. Since 1983 the SAFA objective has been to

group semi-government borrowings into a cheaper and more orderly system under one umbrella. In addition, the authority has assumed the obligations of the State to the Commonwealth under the financial agreement, the Commonwealth-State Housing Agreement and other specific purpose agreements with, in return, the State Government becoming indebted to SAFA for like amounts.

A benefit from the formation of a central borrowing authority in this State and in other States has been a more orderly primary issue market with greater cooperation among State Treasuries in scheduling borrowing programs. Currently, the Act provides for the SAFA board to consist of either three or four members, including the Under Treasurer as *ex officio* Chairman.

In his second reading explanation, the Premier referred to the proposed amendment to section 6 as being necessary to facilitate the appointment to the board of people from the private sector. The Opposition questions why this cannot be achieved within the limit of the current four members. While we will not oppose this amendment, we ask the Premier to indicate in his reply the sort of person he has in mind to add to the board. If it is necessary to expand the board, the opposition believes that it is imperative that those persons invited to join the board should have sound experience as well as established track records in both the domestic and overseas capital markets.

The pace of recent change in Australia's financial markets has been radical for the market's participants and users—and certainly observers. As participants must make decisions on prices and positions every day, the new provision enabling the authority to make decisions other than at a meeting will assist in maximising the return of funds at SAFA's disposal and with the management of the authority's offshore liabilities. To that extent we support the changes. The proposed amendment to section 17 was foreshadowed in SAFA's third annual report. As the Act currently stands, some but not all of the funds held in working and trust accounts under the Public Finance Act could be lodged with SAFA. It is therefore appropriate that this anomaly be removed to enable the authority to complete the integration of its cash management facilities. The Premier in his second reading explanation indicated that, when the original legislation was drafted, section 11 of the Act was intended to empower the authority to purchase shares or form companies. However, in a foreword to the 1984-85 SAFA annual report the Premier said this:

> The Government firmly supports the policies which have formed the basis of the authority's work. In particular, the Government supports SAFA as—
>
> 1. A mechanism for the central coordination of the borrowing and related financial activities of the State public sector as a whole, and
> 2. One of the several vehicles by which the State can use its high credit status to take advantage of opportunities in financial markets—both domestically and overseas—and reduce net borrowing costs or earn profits for the benefit of the South Australian community.

The Premier then went on to say:

> Notwithstanding its [SAFA's] strong capitalisation and profitability, it should continue its conservative approach which it has adopted in relation to such matters as investment and exposure to currency fluctuations.

The Premier's logic to that extent has been inconsistent, for now it seems we have another turnaround. This Bill would do away with the so-called conservative approach. SAFA would have unlimited and unspecified powers to engage in financial activities at the Treasurer's whim. The Liberal Party is very suspicious about this proposal. We believe, in fact, that it is an attempt, through the back door, to establish another South Australian Development Corporation by a different name.

Members will recall that the Development Corporation was one of a number of legacies of the Dunstan era which the former Liberal Government was required to dismantle. The corporation was a body which loaned and invested large amounts of taxpayers' money, significant sums which subsequently were classed as irrecoverable. Projects like the Riverland cannery and the Frozen Food Factory come quickly to mind as difficult and politically sensitive financial assignments undertaken by the corporation. It was therefore with good reason that the former Liberal Government dismantled that particular form of socialist involvement in the economy. But at the time, in 1981, the present Premier led the campaign against this action. Now, it seems, he wants to resurrect it by giving SAFA much wider powers than were ever contemplated when the former Government first put the SAFA Act before the Parliament, or even when the present Government reintroduced the legislation shortly after the 1982 election.

Under this Bill, SAFA is to have the power to deal in shares, to form companies, to lend and to undertake any other financial activities as the Treasurer of the day sees fit. These powers are very similar to those held by the former Development Corporation. For that reason, the Liberal Party will oppose the relevant portions of clause 4 of this Bill.

This is a Government which has shown that it cannot exercise proper financial control over events like the Three Day Event and the Youth Music Festival. Yet it now wants to mobilise SAFA's funds—funds which are held in trust on behalf of the taxpayers of this State—to play the share-market, to enter into unspecified partnerships or joint ventures or to form companies. That is just not on, so far as the Liberal Party is concerned. Of course, while the Government seeks this greater involvement in the economy through surreptitious means, it is not prepared to put SAFA on the same competitive basis as private operators in the marketplace.

This Bill enshrines SAFA's advantages with respect to liability for State taxes, duties or other imposts. Clause 7 means that not only may SAFA itself be exempt from liability, but partnerships or companies in which SAFA may become involved may also have that same unfair advantage. I foreshadow amendments to make SAFA and all its activities liable to taxes, duties and other imposts; in other words, treating it on the same basis as the marketplace. This is an important point, because quite large sums of money can be involved, as illustrated by the following example. Between September and December 1984 SAFA entered into a number of transactions which involved the authority, ETSA and the Local Government Financing Authority issuing securities to four major domestic institutional investors and one British-based institution. The total cash proceeds from the transaction amounted to $510 million. I am aware that seven separate transactions were involved in a round robin arrangement, four involving SAFA, two with ETSA and one with the LGFA.

In a reply to a question on notice in September 1985, the Treasurer advised:

> Because of the innovative nature of the transactions, which provided considerable savings for the authorities, it was necessary to structure the transactions so that equitable interests in a trust were transferred between parties other than the statutory authorities involved. Such a conveyance was technically dutiable under the Stamp Duties Act but it was appropriate for the State to meet the cost involved in the transaction.

There is no argument with that. The fact is, the amount of stamp duty payable on this transaction was $19.6 million or 3.84 per cent of the amount borrowed.

The existence of this transaction first came to the notice of the public and the Opposition when the $19.6 million was recognised as revenue on the monthly statement of the Consolidated Account in February as a separate item under stamp duty receipts, with payment thereof raised on the expenditure side of the statement. Thus, there was no bottom line budget effect. I acknowledge that. My point is that it was drawn to the attention of the public and the Opposition because there was accounting for that figure. SAFA's ability to obtain an advantage like this, made possible through this Act by the Treasurer's decree, where he only has to gazette the exemption without any public justification, put the Government in a privileged position in the marketplace.

I do not believe, and the Liberal Party does not believe, that this body ought to have that privileged position. I would have thought, on past legislation and performance and views of the Government, that in any authority they created they wanted to ensure—and the State Bank is an example of this—that the same conditions apply to those instrumentalities as apply in the marketplace generally. I think that is consistent with what the Government's view has been in the past. That being the case, then it ought to apply to the current legislation going before the House on the amendments to the SAFA legislation.

The amendments I will move will put SAFA on the same accountable and competitive basis as other operators. If our amendments are successful, the Liberal Party will support this Bill through the remaining stages before this House. If the amendments are not successful, we will seek to oppose the Bill at the third reading.

Mr S.G. EVANS (Davenport): I wish to raise in this debate a difficulty that a business house faces. When I look at the original Act I see that it was originally called the South Australian Government Financing Authority, which was SAGFA—not an easy name to promote. We decided to leave the 'G' out, and that made it SAFA. The legislation provides:

> For the purposes of this Act, the Authority may, with the approval of the Treasurer—
> *(h)* enter into contracts of guarantee;

and then:

> *(j)* enter into any agreement or arrangement of a kind not previously mentioned in this subsection or acquire or incur any other rights or liabilities.

I wish to raise a matter where a group was trying to promote a product in this State and could not get support. This group wrote to the Premier quite recently—and I am not blaming the Premier for not responding at this stage—and I believe an organisation like the Government Financing Authority could have entered into guarantees or, through the State Bank, could have given some back-up to this organisation, seeing that the Finance Authority has the power to borrow from and invest money in the State Bank.

The company, Acuhealth Pty Ltd, of 188 North Terrace, Adelaide, in a letter of 6 August wrote to the Prime Minister, as follows:

> Enclosed are copies of submissions to the customs and health departments concerning competition between a Japanese product and a similar Australian product. Our Adelaide company, Acuhealth Pty Ltd, have been designing and manufacturing the unit over the past 18 months, and we have had an Adelaide medical acupuncturist compile a book for use in patient self-treatment.
>
> University departments have given the unit a high safety rating and we are discussing clinical trials with Flinders Medical Centre Pain Clinic. Testing has proven this type of unit extremely effective in many conditions such as headache, whiplash, back problems, female menstrual disorders, sports injuries, allergies, sinusitis, insomnia, arthritis, RSI and many others, and it may be seen how this could affect the cost of health provision for the Australian Government.

The DEPUTY SPEAKER: If I can interrupt the honourable member at this stage: the Chair is having difficulty in linking up his remarks with the matter before the House. I assume that there is a lead-in to the Bill that is before us.

Mr S.G. EVANS: In the past, in relation to debate on amending Bills before the House, latitude has been given to members to raise matters that the member believes can be picked up under the Act. With respect, I am not playing politics but I am trying to make a point that I believe is important to the State. I am asking whether or not the attitude that has existed previously still prevails.

The DEPUTY SPEAKER: I think the honourable member is drawing an extremely long bow. I ask him to align his remarks more closely to the Bill.

Mr S.G. EVANS: Thank you, Sir. I will not read the whole letter that was sent to the Prime Minister. I think I read enough of that letter to indicate that the business house of Acuhealth Pty Ltd was concerned that it could not get support here or from the Commonwealth for a project that could have brought money to this State. I now refer to the shorter letter, dated 7 August, that was forwarded to the Premier. It is as follows:

> I am enclosing copies of letters sent to: *(a)* Australian Customs Services, *(b)* Commonwealth Health Department, and *(c)* Prime Minister of Australia, for your interest and information. The letters are self-explanatory.
>
> We battled for three years before finally discovering a group to finance this project and have met nothing but obstruction from the Australian Publishers Bureau in regard to promotional advertising. A great chance for South Australian manufacturing is threatened to be missed if the Japanese unit is allowed preferential treatment in our media. All we ask is that we are allowed to claim for the product which has been proven.
>
> We welcome any opportunity for more scientific trials, but these will take time which, if we are to compete with the Japanese, we do not have. The units have been:
>
> (1) Designed by an Adelaide industrial designer from the Design Council of Australia.
> (2) Electronic board designed at Technology Park.

I take it that that is an area that South Australia has been trying to promote. The letter continues:

> (3) Injection moulding by an Adelaide firm.
> (4) Explanatory book written and published by an Adelaide doctor.
>
> We have not requested financial assistance but with the threat of Japanese imports it is becoming more urgent for promotional assistance to get the project off the ground.

I believe that, when the first approach was made, if the people in the right place had picked up the matter it could have helped this organisation get off the ground, even though finance was not a problem. I appreciate the latitude given to me in making these remarks, but I believe that it is an important matter. I know that the Premier has received the letter to which I have referred. I have no real opposition to the Bill.

The Hon. J.C. BANNON (Premier and Treasurer): I do not wish to reply at any length, and certainly a couple of the matters that have been raised will be covered quite adequately under of amendments that have been foreshadowed. I refer to the Leader of the Opposition's reference about the clarification of the powers of the Government Financing Authority. Interestingly enough, the Leader's concern seems to go in the opposite direction to the case that was put by the member for Davenport, who would like to see the Government Financing Authority become involved more directly in entrepreneurial and investment activities.

I point out that the Government has already established instruments to assist in that area, most notably, of course, with the formation of Enterprise Investments, the investment development fund that we proposed before the last election. Enterprise Investments is operating on a commer-

cial basis, looking at investments in high tech and other developing industries, and it has made some interesting investments already. There are instruments to do that. That is not the function of the State Government Financing Authority, nor is it the intention of the amendment of the Act.

The question of share purchases and so on comes about largely through incidental transactions that are being entered into by SAFA. There may be occasions when a more direct intervention is considered desirable or necessary, but this amendment in no way signals an abandonment of the conservative and prudent requirements under which SAFA will operate. The very fact that the Treasurer retains an ultimate control I would have thought clearly indicates that it is not a matter of whim, but a matter of the board's responsibilities and the ultimate control of the Treasurer to ensure that those highest prudential requirements are observed, because we cannot play around with the State's money in this central financing authority. It is not established as an entrepreneurial fund in that sense.

I would say that, far from opposing the amendment, the Opposition ought to support the flexibility it will give to the Government Financing Authority, recognising that in the extremely fast moving and complex financial market that we are operating in today—the deregulated market—one must have a very wide range of flexibility to be effective. In no way do I resile from the statement I made that in fact the Act as originally passed contemplated those powers, but on the basis that I have just described, and this has been reiterated in the prefaces and the description of the working of SAFA in its annual report. There is no change of policy here; it is simply to clarify the powers that the authority needs to operate effectively and flexibly. I commend the Bill to the House as proposed.

Bill read a second time.

In Committee.

Clause 1 passed.

Clause 2—'Constitution of the authority.'

Mr OLSEN: Has the Government selected the additional board members? If so, will the Premier indicate who they are and, if not, will he give an undertaking to the Committee that the Government will ensure that those people who are invited to join the board have a proven track record in the area of SAFA's normal operations, and that means in the area of the financial markets, etc.

The Hon. J.C. BANNON: I think it is clear that the need for the expansion of the board is not simply based on the need to introduce additional expertise, although that is certainly a benefit of it. It is also a fact that with the increasing range and level of transactions that SAFA handles, the increasing staff that it needs to do that, and its increasing importance as a financial instrument, to devolve that authority on the board of the size that it is is putting a very heavy responsibility on those individuals.

It can also cause problems of quorum and things like that, which I think we should seek to overcome. That is one element in the expansion. By expanding, it certainly gives us the opportunity, as I have said, to introduce to the board of SAFA private sector expertise—and I stress 'expertise'. This is not a policy body as such; this is a body which requires experts in their field to be running and advising it. Those persons currently on the board have rendered very useful service. In looking at introducing a new element to the board, we obviously want people who have that kind of expertise to contribute.

I might add that we also have to be careful, because of the wide range of transactions and market activities of SAFA, to ensure that we do not come across conflict of interest problems. Taking all those into account, the opportunity to make some further appointments is something the Government would like to secure. At this stage, we have made no decision as to who should fill those positions but, as indicated, it will be people with private sector background and expertise in the field.

Clause passed.

Clause 3—'Quorum, etc.'

Mr M.J. EVANS: I move:

Page 1, lines 25 to 26—Leave out 'not less than an absolute majority of' and insert 'all'.

I do that for a number of reasons. One is perhaps out of an abundance of caution in relation to the activities of an authority which, the Treasurer assures us, will be dealing with sums of the order of $7 billion by 30 June just past; sums which I think are quite staggering by any measure. Therefore, given the small number of people who, on behalf of the State and at the direction of the Treasurer, administer this amount of funds, I believe that where they are to conduct their business and make decisions out of the normal course of events, out of their normal meeting strategy—in effect, on the telephone or by mail—given that there is no restriction whatsoever on the nature of the decision they can take by that process, it seems to me that a little more caution is required as to how they are to exercise it. I particularly make that point in relation to what the Treasurer has just said. Each of the members of the board is appointed for his or her particular expertise, and I would imagine that there is likely to be very little overlap in areas of expertise, because the Treasurer and the Government would naturally want to have on that authority the widest range of advice possible.

It is quite possible that a particular member of the board—just one—given his special area of expertise, will have objections to a particular transaction which, if those objections were to be voiced to the remainder of his or her colleagues, might well be crucial in swinging their vote from yea to nay, but without that advice they may well see the transaction as acceptable.

In the past, during my time in the Public Service, I have had occasion to be a member of a number of statutory authorities, some with financing operations similar to this. It has been my view that, where a transaction can appear fairly harmless and reasonable, one member with special expertise could sometimes swing the view of the group to a different viewpoint. Given the sheer scale and increased powers that this authority is now to have, it seems to me that, since the numbers which my amendment would affect are likely to be only one or possibly two people, an absolute majority will require, in the case of three members, two affirmative votes anyway, so there is only one extra vote required. In the case of four members, clearly three affirmative votes would be required anyway, therefore there is only one additional vote required. It seems to me that where the normal businesslike procedures of a routine meeting are not to be followed, this is a precaution which a reasonably prudent Parliament—as distinct from a prudent authority—might well insist upon in the legislation.

The Hon. J.C. BANNON: I take into account what the honourable member says and I think he has a fair point. As he said, the idea, particularly where quick decisions are often required, is for the authority to have that flexibility to be able to ring around members or use some other means to get agreement. I guess it is also fair enough to say that if one or more members are not happy with that or have some objection, or would like to make a contribution, they really need to have the opportunity to talk to the full board

and have it so considered. Therefore, the Government would find that amendment acceptable.

Amendment carried; clause as amended passed.

Clause 4—'Functions and powers of the authority.'

Mr OLSEN: If it is the wish of the Committee, I will take each of these amendments together rather than dealing with them separately. I move:

Page 2—
Lines 1 to 6—Leave out paragraphs *(a)* and *(b)*.
Lines 9 and 10—Leave out paragraph *(d)*.
Lines 15 to 18—Leave out paragraph *(g)*.

The Liberal Party opposes the proposed amendment of the Government. The clause has wide-ranging implications to enable SAFA to enter into any lending proposal at the discretion of the Treasurer. Whilst the Treasurer in his second reading speech might well put some restrictions in it, in his view, what we are doing is enacting legislation that will be on the Statutes for current and future Treasurers. That being the case, it needs to be reasonably specific as to what the legislation entitles the Treasurer of the day to do.

Whilst this Treasurer might be quite clear as to what he would be prepared to authorise or otherwise, that might not necessarily be the case down the track and, for that reason, the legislation needs to be clear and needs to spell out exactly what is proposed. In the Treasurer's second reading speech response, the way in which he described how he believed SAFA would continue to act while he was the Treasurer is something with which I do not have a problem. What we are talking about is the establishment of legislation which is more important because, being on the Statutes, it will be for the guide of future Treasurers. In that respect, we ought to be quite clear and specific as to how we designate the discretion of the Treasurer of the day.

I do not believe that it ought to be in competition with private sector finances—even our own State Bank—and whilst the current Premier and Treasurer would not allow that to happen, the fact is that it ought to be clear in the legislation. SAFA was formed to manage effectively surplus funds of the State, and coordinate the State and semi-government borrowing activities. There is simply no argument with that. We have consistently supported that legislation before this House, but it is not there to compete with the private sector financial intermediaries or for commercial lending purposes, and it is in that area we have some concern. It is in that area that we want it to be specific, because we are talking about putting legislation on the Statutes for not only the current Treasurer but also future Treasurers to act within.

The Hon. J.C. BANNON: I cannot accept that 'competition'. SAFA is not in competition. In fact, it works very much in concert with other financial institutions, but it must be effective. If there are occasions when its activities may compete to the benefit of the State, so be it, and we as a Parliament—and any Government—should be strongly supportive of that. It is odd that, on the one hand, the Opposition is constantly making references to the tax burden in South Australia, as they put it, and they fail to recognise—

Mr Olsen interjecting:

The Hon. J.C. BANNON: The burden, in comparative terms, is less in this State than in most others but, that aside—I am not trying to get into that argument—all members would be aware of the real constraints we have in terms of our own sources of revenue raising. Apart from managing the Government's money, one of the things that SAFA can do is make money which can go into general revenue, and thus support us in our current account. To the extent that it can do that, it reduces the need for us to raise money through taxes, charges or by any other means.

I believe that the first duty of the Parliament is to ensure that SAFA has the power to be totally and fully effective, because it is in the public interest that it be so effective. It is also important, I agree, that we should ensure that SAFA is acting prudently and carefully in discharging its charter. Section 12 of the Act makes quite clear that the authority shall in the exercise and performance of its powers and functions act in accordance with the proper principles of financial management and with a view to avoiding a loss. So it is clearly spelt out that there are proper principles of financial management. The board of SAFA is charged with observing them and that is yet another of the safeguards or indications in the Act that SAFA is not to embark on adventures or entrepreneurial activities of the risk-taking kind that are unacceptable.

The other thing about the proposed amendment in opposition to this is that SAFA ought to have powers that are consistent with those broader powers that other bodies have, bodies such as the State Bank. I know that, ideologically, members opposite would argue this, but I do not believe that they have any case to argue on the actual practical effects of it—who would argue that the acquisition by the State Bank of Beneficial Finance, a private finance corporation fully competitive in the market, has not been of great benefit both to the State, the State Bank and, ultimately, its owner, the State Government, which receives both dividends and tax payments from the State Bank.

The fact is that the State Bank has those powers. Its ability to acquire Beneficial Finance, as a profitable operating subsidiary, has been of considerable importance. Why should SAFA not have the same sort of power if it proves necessary as part of its overall transaction? We have another example in contemplation at the moment. The Victorian Government has invited us to take equity in the National Mortgage Market Corporation, which helps to obtain housing finance, and there are very good reasons why we should be involved. Again, SAFA is the very best instrument for the State's involvement in that sort of venture participation in the interests of the State. It is a very useful function and one that should be clearly within its charter, if both the SAFA boards come to the conclusion and if the Treasurer supports the conclusion that it is appropriate for it to do so. I really think that underlying this whole issue is very much an ideological rather than a principle commitment on the part of the Opposition. Perhaps members opposite ought to just state that in those bare terms.

Ideologically we do differ. My Government believes very strongly that State instrumentalities, whether financial, commercial or otherwise, ought to be able to fully compete and enter into the marketplace within the proper, prudent limits. Those functions are spelt out in the Act. They are controlled by the management structure of those bodies and ultimately they have the Treasurer's endorsement, which is necessary for such adventures. Having done that, there should then be no question that those powers are not exercised in accordance with the Act, and the Act puts beyond doubt what they can and cannot do. To leave the constraint and doubt in this area resulting from the current wording of the Act would be to undermine that flexibility and effectiveness which I think is very important to SAFA. Let us not forget the basic importance, the increasing importance of SAFA, not just as a money manager and loan raising authority for government but also as a revenue earning body for government.

Mr OLSEN: There is no doubt that on an ideological and philosophical base we are opposed to the Government's direction of the entering into the marketplace by Government authorities of whatever means to compete, particularly

when competition in the marketplace is based on unfair trading competition. There are many trading advantages that SAFA would have in the marketplace that simply are not there for other private sector people, financial intermediaries and the like; they are simply not there.

Let me acknowledge that first: yes, it is a philosophical base on which we look at this question. Secondly, the assurances given by the Treasurer as to the extent of the limit of the flexibility to be used by SAFA in the marketplace would suggest conservative and prudent control (to use the Treasurer's term), as would apply when he is Treasurer of the day. I might not have any argument with that, but what we are talking about is setting down legislation for the future and for that reason we have to be cautious, in my view.

The Premier referred to clause 12 and said that the proper principles of financial management would be a further restriction on SAFA. Proper principles of financial management would not be a restriction on SAFA entering into a whole range of joint ventures, partnerships, shareholding purchases or the formation of respective companies. The words of clause 4 simply do not achieve what the Premier indicated they would achieve. The fact is that clause 12 gives a direction as to the principles to be applied. I have no doubt that those principles have been applied in the past and will continue to be applied in the future. But, it does not preclude, and does not inhibit or restrict SAFA, with the support of the Treasurer of the day, from entering into a whole range of activities in the marketplace.

It is in that area that my Party has a great deal of difficulty in supporting the present Government's direction. It is fair to say that SAFA, unlike the South Australian Superannuation Fund, has been somewhat successful in its investments, and reports to date tend to demonstrate that. That is not what we are talking about. We are not talking about the operations of SAFA in the past; we are not talking about its track record; we are talking about the expansion of SAFA and to what extent that expansion ought to be allowed under the legislation before the House.

There are one or two issues about which I seek clarification and to which the Premier referred in speaking to my amendment. The Premier indicated that proposed amendments to section 11 of the Act are in the interests of the State in a broader sense—I think that is how he described it. An example was given of the authority lending to a nursing home pending the receipt of a Commonwealth grant. It was also mentioned that previously a more cumbersome method of assistance had to be found. I do not have difficulty with that sort of interim arrangement being applied by SAFA. What temporary form of assistance has been provided in the past by the State Government, and what is the frequency of assisted measures of that nature?

The Hon. J.C. BANNON: I am advised that it is very infrequent that these situations arise. On other occasions, for instance, the SGIC would be approached to do that on a commercial basis. That might not be terribly appropriate or desirable in relation to a particular body. In the case mentioned, I think that it is clear that this was just short-term assistance that could be provided at less cost and with far less difficulty than if the organisation concerned had to track around to the banks or use some other method. That is the sort of flexibility that is needed. It is as simple as that.

Mr OLSEN: In formalising this facility through SAFA, does the Premier intend that short-term borrowers, as in the example just used, pay SAFA common public sector borrowing rate or the prevailing market rate for a short term loan of that nature?

The Hon. J.C. BANNON: In that particular case it would have to be the market rate.

The CHAIRMAN: I take it that all the amendments proposed by the Leader can be taken as a group?

Mr OLSEN: Yes.

Amendments negatived; clause passed.

Clauses 5 and 6 passed.

Clause 7—'Liability of authority to State taxes, etc.'

Mr OLSEN: I move:

Page 2, lines 26 to 36—Leave out this clause and insert new clause as follows:

7. Section 23 of the principal Act is amended—

(a) by striking out from subsection (1) the passage "Subject to this section, the authority" and substituting the passage "the authority";

and

(b) by striking out subsections (2) and (3).

As I indicated in the second reading stage, the Opposition opposes this clause. Currently, under section 23 of the Act, by notice published in the *Government Gazette* the Treasurer may exempt the authority or instruments to which the authority is a party from State taxes and charges. Now the Government wishes to increase the number of exempt parties. Under the proposed amendment, public sector trading enterprises such as the State Bank and its subsidiaries Beneficial Finance Corporation (to which the Premier has already referred) and Executor Trustee of South Australia, provided they are party to a transaction involving SAFA, could be granted stamp duty exemptions on a wide range of financial instruments.

These entities will have a distinct trading advantage over their competitors who must pay stamp duty. When the State Bank was established, one of its selling points in the House, and the Liberal Party supported the Government's endeavours in this area, was that the State Bank out there in the market place was to be treated exactly the same as other commercial banks operating in the market place. However, this clause will now provide the capacity for an exemption for the State Bank, Beneficial Executor Trustee and so on. My Party believes that, if either the Government or SAFA wishes to pay the stamp duty liability of tenders in and order for transactions to remain attractive to those parties, the cost of stamp duty should be charged against SAFA's operations.

I have mentioned the $19.6 million example at the end of the 1984-85 financial year, which indicated that a transaction was actually accounted for in the consolidated account sheet for February 1985. That gave a clear indication of the transfer and the amount of funds that related to stamp duty. I believe that is prudent. I recognise that in that instance the bottom line effect was zero because it was merely a transfer. However, the fact is that there was accounting for that. I believe that the accounting should be included in the accounts that are eventually tabled before this Parliament. As the cost of funds borrowed is reduced through SAFA's absorption of stamp duty payable in transactions of this nature, there will be minimal impact on the authority's annual trading results.

The Hon. J.C. BANNON: The Government opposes the amendment. There are two aspects, and I will begin at the starting point. This clause seeks to amend section 23 of the principal Act. Section 23 (1) makes it quite clear, as follows:

> . . . the Authority and instruments to which the Authority is a party shall be liable to all taxes, duties and imposts under the law of the State as if the Authority were not an agency of the Crown.

That is the starting point. The onus of proof must be discharged by the authority in any instance.

In other words, the Treasurer must be convinced that it is in the interests of SAFA and the Crown, but mainly and

most importantly of the Crown, that any exemption be given. The Treasurer will not forgo revenue when it can come in. That would be unreal. Heaven knows, we have enough problems on the revenue side as it is without making special arrangements, when the Act clearly states that the authority is liable to pay. There are two categories where one can see this being done. One is in the case of the Loan Council. There are certain Loan Council requirements about the application of stamp duties and other State taxes as they apply to semi Government authorities. We simply are not empowered by the Loan Council requirement to so levy them.

The other broader category covers those transactions which would not have happened if the impost was made. An example is the situation referred to where the transaction—an extremely advantageous transaction in the interests of the State and all those participating—could not have taken place if a stamp duty which was not contemplated in the nature of the transaction, by the operation of this section, was applied. So it is not a case of the Government having said, 'We can do without this $19.6 million.' The fact is that, without that element in the transaction, all the other benefits that flowed from it simply would not be available. They are the instances where this can apply. I think they are quite reasonable, if one bears in mind the starting point whereby, first, the authority is liable and, secondly, it must discharge an onus of proof if it is not to be so liable or if it is to seek an exemption. That is done against the background of a Treasurer who wants to ensure that the revenue is maintained and a rigorous approach is taken. It does not matter who occupies the Treasurer's seat, that attitude will not change.

Mr OLSEN: We seek full disclosure of the activities. While it is recognised that any Treasurer of the day will not forgo stamp duties lightly, there may be, for special reasons at the time, an exemption for a transaction which this Parliament would have no subsequent knowledge of. This is a principle that the Opposition does not support. We support the full disclosure of transactions of that nature. For example, there are taxation advantages for lenders of SAFA who elect to receive a lower rate of return on their funds, in return for either SAFA or the Government paying the stamp duty. I refer to overseas lenders and the recently announced decision to levy the 10 per cent withholding tax on the interest payments on offshore borrowings by Commonwealth and State authorities. Section 128 (GA) of the Income Tax Assessment Act may make it more attractive for lenders to receive lower interest rates and, hence, interest payments in return for either the Government exempting stamp duty or SAFA being charged that amount. That is an example of why we believe there ought to be the basis of full disclosure. Our amendments will at least enable that to take place.

Amendment negatived; clause passed.

Clause 8 and title passed.

The Hon. J.C. BANNON (Premier and Treasurer): I move:

That this Bill be now read a third time.

Mr OLSEN (Leader of the Opposition): As I indicated during the second reading debate, as the proposed amendments have not been accepted by the Committee, the Opposition will oppose the third reading of the Bill and will seek to apply amendments to the legislation in another place.

Bill read a third time and passed.

LOCAL GOVERNMENT FINANCE AUTHORITY ACT AMENDMENT BILL

Adjourned debate on second reading.

(Continued from 14 August. Page 387).

The Hon. B.C. EASTICK (Light): The Opposition supports the major thrust of the Bill, but there will be opposition to some aspects of it. I refer to the debate when the original Bill was introduced in 1983. At that stage a very clear message was given by the Opposition. I refer to page 2248 of *Hansard* of 1 December 1983, where I said on behalf of the Opposition:

> As is frequently the case when new legislation is brought before the House, the anticipated benefits or expectations are not met, and it may be necessary to readjust one's thinking and make necessary amendments at a later stage.
>
> I give a commitment on behalf of the Opposition that, should that fine tuning be necessary, assistance or support will be forthcoming.

Most certainly, that is the attitude that the Opposition will adopt in relation to those measures which seek to give an improved delivery in respect of the Act. However, there are one or two philosophical differences between the Government and the Opposition. These have already been canvassed in part by the Leader in respect of the Bill which has just been disposed of by the House and which refers to the ability of the local government authority to proceed to buy shares or form companies. That is against the general thrust of the original representations that were made to this House. On 17 November 1983, the then Minister of Local Government (Hon. T.H. Hemmings), in explaining clause 21 of the Bill then before the House, said:

> Clause 21 sets out the general powers and functions of the authority. The principal function of the authority will be to develop and implement borrowing and investment programs for the benefit of councils and prescribed local goverment bodies. The authority may also engage in such other activities relating to the finances of councils and prescribed local government bodies as are contemplated by the other provisions of the measure or approved by the Minister. Under the clause, the authority is empowered to borrow moneys within or outside Australia. It may lend moneys to councils and prescribed local government bodies.
>
> It may accept moneys on loan or deposit from a council or prescribed local government body and may invest moneys. The authority is empowered to issue, buy and sell and otherwise deal in or with securities. It may open and maintain accounts with banks and appoint underwriters, managers, trustees or agents. The authority may provide guarantees, deal with property, enter into any other arrangements or acquire or incur any other rights or liabilities. Finally, the authority may, at the request of a council or prescribed local government body, provide advice or assistance to the council or body in relation to the management of its financial affairs.

I acknowledge that the words 'the authority may provide guarantees, deal with property, enter into any other arrangements or acquire or incur any other rights or liabilities' could be construed to include being involved with shares or company structures. However, that was not spelt out or intended in the debate in this House and it was not a representation made by the Local Government Association, which proposed the formation of this authority and which with the full knowledge of the Minister, and I believe of the Treasurer, entered into discussions with the Opposition before the legislation came before members.

It has been said with an element of pride subsequently that this was a measure involving a bipartisan approach. A frank discussion took place and the record reveals that the creation of the authority has been a step forward in the history of local government in this State. The authority has gone from strength to strength. Indeed, a report to 30 June 1985, tabled in this House earlier this year, states:

> The response from councils has been excellent with the pool of funds invested for councils growing steadily from $14 million

in July 1984 to a peak of $65 million in January 1985 and running down to just over $33 million as at balance date.

The figures that have been indicated to me subsequently for 1985-86 are well above the $100 million mark at the peak. I think I am correct in saying that $114 million was the peak of operations for 1985-86, which was a great success. The number of councils participating has risen, as I understand it, from 80 per cent to 90 per cent. There have been a number of other authorities that have been taken under the wing, again within the general framework provided with this legislation, and it has been to the ultimate benefit of local government.

However, I draw the distinction between local government and the State Government in relation to the possibility of providing the opportunity for shares and involvement with companies. I believe that the State Government, which has utilised that authority over a number of years, has benefitted the creation of companies in this State which might otherwise not have come to the State. A number of those companies—the Government having provided funds and taken up shares or becoming involved—have subsequently moved out. I will not list them all but the oil industry comes readily to mind. We have seen it in relation to the timber industry in years gone by; there was certainly involvement by the Government with Samin, the operators of the Burra Mines, where the investment of funds has been to the ultimate benefit of the whole State.

I do not see the possibility of the involvement of local government funds necessarily benefitting the whole State the same as funds expended by the Government. If the Government undertook an operation which had a less than favourable bottom line, it would then become a cost against the whole of the State and that would be something which could be met without difficulty. However, if circumstances arose where the funds which were subscribed had come from local government and were a loss, then there would be a sectional loss to people within the State as opposed to a State loss as with the involvement of State funds. It might be a fine line but I believe that situation exists.

The point was also raised as to who is going to determine in which council areas some agreement might be reached to provide for the expenditure of local government funds either by way of company or by way of shares. I could see with the fairly volatile nature that exists within the local government arena, albeit that they are now all happily married within the Local Government Association, that that might not necessarily be the case if you were to intrude what might be deemed a beneficial arrangement to one group of councils rather than the lot. You might even get the problem arising, as we have seen in the past with local government, of the country *versus* the city or *vice versa* and that would not be in the best interest of the local government fraternity. Fortunately, the two associations which existed some years ago have been melded into one, so I do not believe that we need to provide any opportunity within the local government fraternity for a division to occur because of the beneficial direction of funds from such as the Local Government Finance Authority.

I am fully appreciative of the fact that the Treasurer has to give approval to any arrangement which might be entered into and that it would not be easily given, without there being a proper recognition of all the factors. However, I still pursue the point on behalf of the Opposition that we do not deem it to be a proper distribution of funds by the Local Government Authority in this area of operation.

In the preparation and delivery of the measure to the House the Treasurer clearly indicated that it was only a relatively small Bill of nine clauses. The Treasurer indicated, for example, that clauses 2, 3 and 9 were procedural in nature to improve efficiency and simplicity—that is the fine-tuning to which I have referred before and which we give our full accord. To some extent clause 6 also fell under that head. The Treasurer drew attention that, under clauses 4, 5 and 8, it was intended that additional powers would be given to the authority to provide additional operational flexibility and, in particular, broaden the functions and the extent of power to the authority which was provided by clause 4 in particular.

The third batch of amendments which were catered for were the correction of deficiencies which have been revealed by Crown Law advice. That is probably where the argument starts that it was clearly the intention of the board of the authority to undertake this placement of shares and the involvement with companies which required that they take that Crown Law advice. Whether it was a chicken and egg situation is not clear. Perhaps the advice had originally been sought in relation to SAFA and subsequently, with the commonality which exists between the Local Government Finance Authority and SAFA, there was an exchange involving the Crown Law Office advice.

The Crown Law advice indicated that clause 4 in particular was of some concern as to interpretation and was not deemed by Crown Law to be wide enough to allow for the action contemplated. It also drew attention to clause 7 which it is stated similarly corrected a now questioned belief that the Minister could rearrange a council's finance to be indebted to the Local Government Finance Authority rather than to an external lender.

That matter was one that was clearly canvassed at the time of the passage of the original Bill. There can be no argument from the Opposition in relation to clause 7. It is indeed to the advantage of local government overall if a particular council is having difficulties that can be offset by the funds coming under the guidance of the Local Government Finance Authority and advice given that that should be possible of operation. I accept that particular course. However, there are these other differences to which I have referred and in due course there are amendments which have been circulated for which I would seek the concurrence of the House. I support the Bill to the second reading.

Mr DUIGAN (Adelaide): I also support the Bill. I am very glad to follow the member for Light. In particular, I am glad that he referred to his own contribution to the debate in 1983 when the Bill was introduced and that he referred also to the second reading explanation of the Minister who introduced the Bill. I am glad that he referred to that, because it reduces the need for me to remind the Opposition of the support it gave to the proposition when it was introduced and the support it offered for any amendments that might have had to be made as a result of one or two years operations of the authority.

I would like to congratulate the members of the authority on its success over the period since it was established following the passage of the original legislation through this Parliament at the end of 1983. The second annual report, which has already been referred to and which was laid on the table in this House in October 1985, indicated that there was indeed considerable success associated with both the investment activities of councils and the loans that were being offered to local authorities via the Local Government Finance Authority legislation. Also, the report indicated the high level of membership—and active membership—of local government in this State in the affairs of the authority. It indicated that the response from councils had been excellent, with the pool of funds invested by councils growing steadily, namely, to the end of 1984-85.

The Treasurer's second reading explanation indicates that that growth rate to the beginning of this year had continued to increase, as indeed had the level of loans provided to local authorities. The annual report also indicated that, in respect of loans, the authority had fully utilised its allocated limits during the year and, more particularly, that on 30 June 1984 the ownership of existing council debenture loans totalling $92.6 million was transferred to the authority from the Savings Bank of South Australia, the State Bank of South Australia and the South Australian Superannuation Fund Investment Trust, with the authority then becoming indebted to the State Government for that amount. I think that that indicates again the nature of the confidence being expressed in the authority by South Australia's major financial institutions and, indeed, it gives us the confidence with which to go ahead with the measures proposed in this Bill to extend the powers of the authority.

The operations of the authority ensure that local government borrowings in South Australia remain in the hands of a fully owned and operated South Australian organisation with benefits provided directly to South Australian councils. Those benefits are amply set out in the second reading explanation, which indicated that a profit distribution of $100 000 from the operations of the authority had been made to councils in respect of the 1984-85 financial year and that it is expected that that amount will be higher for the 1985-86 financial year.

The opportunities that were identified by the Minister of Local Government when introducing this Bill into the Parliament have indeed been very fully realised. We are now presented with three categories of change, the most important being the extension of powers to the authority. Since the Bill was introduced, I have taken the opportunity of consulting with a number of members of the authority, notwithstanding that I had noted that the second reading explanation indicated that the proposed amendments had been developed in close consultation with the authority and that they had been fully agreed on by the authority. I can only assume that the proposed amendments suggested by the member for Light have also been discussed with members of the authority.

The opportunities presented as a result of the extension of powers of the authority mean that it will be able to extend its scope of operations and the size of its market. If the proposed alterations to the legislation are successful the authority will be able to extend loans to hospital boards, various community groups and sporting associations. I suggest that the board might be able to become involved in loan operations in the development of council sponsored retirement villages, which is an area of council activity that has recently begun to gather some strength in the local government sphere, the reason being that council involvement in retirement villages can provide assurances to local people about being able to continue to live in their area.

I am fortunate that the Prospect council area is within my electorate. That council has become very positively involved in the development of a retirement village for residents of Prospect, and that has now been fully endorsed and supported by the South Australian Corporate Affairs Commission. I am sure that the Prospect council would have benefited greatly had it been able to enter into loan arrangements (and, indeed, it may still wish to enter into a loan agreement) with the Local Government Finance Authority to provide funds for the development of housing estates for elderly people. They are just some of the examples of the extension of operations of the authority which the powers suggested in the Bill will allow the authority to enter into.

In conclusion, I point out that it is very important to keep local government loan borrowing activities very much with South Australian financial institutions. It is important to provide the authority with the powers and opportunities in needs. I think it is important to acknowledge that the authority and members of the authority wish to become very much self-supporting and to reduce their dependency on the State Government, and that they have endorsed these changes.

When introducing the Bill in 1983, the Minister indicated that the State Government was lodging substantial amounts of money with the authority in order to enable it to get off to what he described as a good start in the financial world. That exercise has certainly proved worthwhile. The authority now wishes to spread its wings and become increasingly self reliant and increasingly less reliant on the State Treasury, and I think that is a very admirable thing. With the authority being very much behind this extension of the powers, as well as the various technical modifications that need to be made to the Bill, I am more than happy to support it at second reading.

Mr S.G. EVANS (Davenport): I support the Bill to the second reading, and will see what happens with amendments. I take note of what the Premier said after he had explained the success of the authority within the last couple of years since its establishment. He then went on to say:

> It is important to note that these excellent financial results have been achieved without any drain on the budget of this State. On the contrary, the authority has made a contribution to the budget through the payment of guarantee fees on its borrowing. More significantly, councils are benefiting substantially from the operation of the authority.
>
> They do so in two ways: through the competitive nature of the lending and investment services which the authority provides, and through the distribution to them of portion of its profits.

In 1984-85 that was $100 000. Although it is not a burden on the State budget, one has to be conscious, after hearing the words of the member for Adelaide, that when we move into borrowing money at local government level we have to be cautious about the burden we place on the local community for the future. In my electorate there are three councils: one of those councils borrows virtually nothing; the second borrows a little; and the other has borrowed to the point that this year I think it will borrow $900 000, and the repayment program is $900 000.

The latter is the council which is in the least developed part of the electorate but, in fact, it probably has developed more community facilities than the one that borrows almost nothing. When the ratepayers in one area ring and complain to me because the rates are very high compared to the area next door, I have to explain to them that the one with the higher rates has higher rates because the council has borrowed and the repayment program is so high.

The point I am making is that this is the overall problem Australia has got itself into at Federal Government, State Government and now local government levels. Now we are going the next stage in this Bill to give the authority the opportunity to go further and then, as the member for Adelaide suggests, perhaps clubs etc. within a community will be involved. I do not necessarily object to that if those bodies have the backup, the determination and the proven record of handling such loans and achieving their goals.

The immediate answer to that by anyone who wants to criticise my comment is to say that it is up to the board of the lending authority to make that judgment. I agree with that, but if we move into the development of homes for the aged I support that, as long as in that development the borrowing is such that it is only against the development,

and those in the development meet the commitment to pay the bill, in other words, repay the loan.

If it becomes a bigger burden on the council, then there are people within that community who are struggling to pay off their homes and meet that financial commitment who will have to pay higher rates because the council borrowed to make housing available to a disadvantaged group, perhaps, and the responsibility of providing that accommodation should be with the State overall, not just that local group of residents. I do not say that as a criticism, but offer it as a warning as to how I see we have to be ultra cautious in this area of borrowing. I have said before that our country is nothing more than working agents for money lenders and slaves of interest rates. In all levels of Government we seem to think it is an easy thing to borrow money and hope that our children or grandchildren may be able to pay it off. We have already got the message in the country that this is not working.

So, I raise the point not in criticism of any particular council in my area. They know my concerns about borrowing too much and what is going to happen down the track, and they will argue that I am wrong but I will say I have a concern, and time will prove whether I am right or not. Many of the facilities we are creating will reach the stage of needing significant maintenance long before they are paid off, and we will then be looking to borrow to pay the maintenance on those projects. I take note of the Premier's comment. I believe that authority has done its job very well and I believe that it has been successful. Councils make the approach if they want to borrow or want guarantees, and it is up to the local government which is elected by the people of that area. That is nothing to do with the authority. The authority has to make a judgment of what local government can handle.

I know that the one who borrows most in my area is looking at a figure around 22 per cent of its total rate revenue to repay the loans. I think that is getting quite high, although it is an accepted practice. Some would argue to go to 24 per cent, so I offer that as a concern and will support this Bill to the second reading.

The Hon. J.C. BANNON (Premier and Treasurer): I thank members for their contributions. I would like to pick at up the point where the member for Davenport finished, which is to refer again to the success of the LGFA in the short time of its existence. The member for Light referred to expectations that need to be met. The record shows that expectations have indeed been met: they have been more than met. When one looks at the asset base of the authority, the profit level that it is able to generate and the benefits that that will bring to councils, and the fact that 90 per cent of the share of lending to councils is now through the LGFA, that demonstrates the success that the authority has had and the confidence that local government has in it.

Effectively, that means that it has come of age, and that therefore these amendments are necessary. The role of local government, and its responsibility, is often referred to in this place. The member for Adelaide, in his contribution, referred to that aspect. In responding to some of the reservations that members opposite have expressed, I should point out that, if we have confidence in local government and the Local Government Financing Authority structure, it is appropriate that these amendments, which mirror those of the Government Financing Authority, should be incorporated in it so that it can operate with the necessary flexibility.

Again, I point out that constraints are there; it is not just a question of local government going off on its merry way and financing projects which are not appropriate or which carry risk. There is still a very close working relationship between the Government and its instrumentalities, particularly SAFA, in the operations of the LGFA. Both the Minister of Local Government and the Treasurer have certain powers and responsibilities in respect to the LGFA, all of which provide appropriate restraints. Bearing those in mind, I ask members to support the Bill.

Bill read a second time.

In Committee.

Clauses 1 and 2 passed.

Clause 3—'Procedures, etc., of the board.'

Mr M.J. EVANS: I move:

Page 1, line 18—Leave out 'not less than an absolute majority of' and insert 'all'.

The amendment I move is identical in terms to the one that I moved in relation to the previous Bill before the Committee. The reason for so moving is the same, but there is a slightly different emphasis in relation to the Local Government Financing Authority. Although the amount of money it deals with is somewhat less than in the case of SAFA and the number of members on the authority is somewhat more, in this case they represent an even broader diversity of interest, and it would be of greater concern were they to be engaging in a decision-making process without acting in concert, with one or two of those members disagreeing, if there were no opportunity to refer to other members.

I point out to the Committee that, in fact, the financing authority already has a broad power of delegation contained in the existing Act, and therefore if there is some matter of a routine nature for which they would like approval that does not need to be the subject of a ring around—it can be the subject of a delegation. I am sure that the authority would make full and proper use of that power where appropriate. Of course, they would be dealing in somewhat less of an urgent climate than perhaps SAFA might be, because of the different scale of the operations; so, I believe that in this instance, although slightly different considerations pertain, that in fact my amendment is equally relevant.

The Hon. J.C. BANNON: I find the amendment acceptable for the reasons outlined and would like to see it incorporated in the Bill.

The Hon. B.C. EASTICK: I indicate that the Bill, with or without the amendment, was quite acceptable to the Opposition. I think that it gives commonsense and realistic approach to modern day activity. I accept that what the member for Elizabeth has proposed adds to the degree of caution which should always be exercised in relation to financial matters and applaud the end result.

Amendment carried; clause as amended passed.

Clause 4—'Functions and powers of the authority.'

The Hon. B.C. EASTICK: Before proceeding to my amendments, I would like to hear from the Premier his intent in relation to the substitution of paragraph *(b)*, which provides:

(b) to engage in such other financial activities as are determined by the Minister to be in the interests of local government;

How does the Premier see forward delivery in relation to this provision? It may be that it impacts on other areas to which I will refer later, and it could be held that it is a hypothetical question since there is no proposition yet before the Premier in relation to which he is to give a determination which is in the interests of local government. Quite obviously, in preparation of the measure, some consideration has been given to what was believed by the authority to be the need for such a provision. I would appreciate comment on that matter.

The Hon. J.C. BANNON: Nothing specific is in mind. The general broadening involved here is simply to anticipate possible representations or developments that might be made. The member for Adelaide referred to one area where perhaps something appropriate might be undertaken by local government. The fact is that while it allows the Minister to define these activities, or to determine whether they are in the interests of local government, clearly the Minister will be guided by the recommendations of the board which, of course, is a balanced board representing the interests of local government and has an input from the State Government. There is nothing specifically in contemplation at this stage, but our experience with SAFA and other financial bodies—and there is no model on which to base this particular one, because we are the first State to move to it—is that to have that flexibility of power is useful because of the nature of the financial market and the possible transactions one has to enter into.

The Hon. B.C. EASTICK: The Premier has indicated that there is a broad representation on the authority including those representing local government. I think that the Premier would also appreciate that, although the Local Government Association is a strong body with a strong executive, out in the field, the decisions of the executive, or of the association, are not always the decisions of the component parts of the Local Government Association or, more particularly, are they the views held by a number of councillors.

Never was this more obvious than in the passage of the first rewrite of the Local Government Act when a position was taken by the Local Government Association, as exhibited by the material put before Parliament. There were quite major differences of opinion as to whether the decision reached by the association was in the best interests of local government. This is an ongoing situation.

I suppose that can be drawn as a simile to the position in Parliament, that not everybody believes in the end result. There are 124 local governing bodies, and because there is sometimes a quite diverse opinion within local government of the end result projected in the name of local government, I seek an undertaking from the Premier that he perhaps look further than just those members of local government who are part of the authority when gauging the opinion of the local government fraternity in relation to the measure under consideration.

The Hon. J.C. BANNON: It is open to the Minister what sort of consultation or regard should be paid but, basically, the Minister must consider a recommendation of the board of the authority. The board of the authority certainly comprises persons from the Local Government Association. They have to be elected by nomination of that body. There is also, of course, the Secretary-General, for the time being, so there are the three. However, two other persons are elected at the annual general meeting of the authority: that is, the participating bodies have a direct input, irrespective of the views of the LGA, in its official councils. I think that is quite an adequate safeguard.

In such a diverse group as there is in local government in this State, one must look to a central body to pull it all together. The LGA has proved that it can do that. Of course, it will not totally reflect the views of all of its members, but it must have some kind of finger on the pulse because, after all, the LGA itself is a democratically elected body. Having said that, I point out that participation in the LGFA and its loan raisings is a voluntary decision that is made by any of the local government organisations. If they were unhappy about the direction of the authority or its policies in a certain area, they could always withdraw. They are not required to invest. The fact that at the moment about 90 per cent is being raised through the LGFA indicates a high degree of satisfaction. There is no reason to believe that that will not continue. The option is there. I think there is double protection, and the honourable member should be quite satisfied with that.

The Hon. B.C. EASTICK: I acknowledge what the Premier said, but I think it is important that it is on the record that just consideration must be given to the local government fraternity as a whole. Undoubtedly, that matter will be taken into account in due course. My amendment to the clause is in three parts, and I will move them as one amendment, because they form the basis of the argument that the Opposition has with the measure.

I believe that the general thrust of our opposition to the clause was canvassed during the second reading debate and also by the Leader of the Opposition on an earlier occasion. It is perhaps philosophical: at the present moment, it is certainly a position which, to my knowledge, has not been canvassed previously, that is, that this is a desire of the Local Government Authority. I have certainly had no representations from the authority, as Opposition spokesperson in this field, that it felt that it would be unjustly contained by the lack of the provision. There have been other communications from the authority as to the manner in which the whole operation is proceeding. In his response, whether positively or negatively, I would appreciate it if the Premier could indicate what particular projects the authority has in mind at the present moment and whether it has been impeded in progressing to its advantage, as it sees it. I move:

Page 2—
Lines 1 and 2—Leave out paragraph *(d)*.
Lines 7 to 10—Leave out paragraph *(g)*.
Lines 17 to 19—Leave out all the words.

The Hon. J.C. BANNON: I must oppose the amendments, and I do not think that would surprise the honourable member. As the member for Light mentioned, policy considerations in this case are on all fours with those that apply to the South Australian Government Financing Authority and its operation. I think that is an important point to make. The LGFA, within the constraints of its legislation, must be free to carry out its job flexibly and efficiently in the current financial climate. This clause does not so much broaden its powers as explicitly make clear that those powers exist. It may be that a transaction involves the acquisition of a company or shares as an incidental or ancillary part of the transaction. There should be no bar to that in the legislation. Equally, there may be occasions when it is sound policy or it is profitable or reasonable for the authority to more directly acquire partnerships, shares or whatever.

I have mentioned the fact that other statutory authorities such as the State Bank can do that. The example in that case is that the acquisition of Beneficial Finance (which has clearly strengthened the State Bank as a financial institution, providing it with a profit making subsidiary and, incidentally, operating on a national scale) has benefited not just the bank but also the Government as its owner. In this case local government, through the distribution of the dividend of the LGFA, stands to benefit. It is quite consistent, and I think it is important that it should be consistent, with those considerations. To my knowledge, there are no specific transactions of this nature involved at this stage. However, they could well arise. I think the whole point is that, where legal doubts have been raised about capacity in this area, those doubts should be cleared up in this particularly sensitive area of financial transaction.

Amendments negatived.

Mr M.J. EVANS: I note that these amendments seek to rearrange the powers of the authority in a structural way. At the moment the Treasurer's approval is required for investment, but a separate subparagraph refers to the authority's power to purchase and redeem securities, and so on. At the moment we are removing the restriction from the subclause and bringing it down to a new subclause to cover all those points. I am concerned that the authority may be unable to engage in day to day transactions such as investment and securities, or the parking of its surplus funds in a bank account or in Commonwealth Government securities and so on without the approval of the Treasurer. I fully accept that the Treasurer's approval should be required for a *bona fide* long term investment, but not for the day to day financing operations of the authority where it simply seeks to place money while it awaits applications for loans, and so on.

The Hon. J.C. BANNON: In practical terms, the honourable member is quite right. It would be quite unworkable for the Treasurer to approve each and every transaction. The way in which it is done is for certain categories of transaction to have a general direction: there is an approval to invest in Commonwealth bonds or something of that nature within a class of transaction and within guidelines. Providing they are observed, no further approval is needed. Anything out of the ordinary, as mentioned, would require separate approval.

Clause passed.

Clauses 5 to 7 passed.

Clause 8—'Exemption of authority from State taxes, etc.'

The Hon. B.C. EASTICK: I move:

Page 3, Lines 4 to 14—Leave out all lines in this clause.

The Opposition seeks to delete clause 32 of the original Bill and will do so by first leaving out all lines in clause 8 of the Bill for the purpose of moving to the final removal of section 32. It is an argument that has been before the House earlier this afternoon and one which I believe is starting to take a higher profile because of the likelihood of local government entering into an entrepreneurial role. That was the thrust of a meeting relatively recently held in Canberra. The fact of local government entering into an entrepreneurial role is fraught with some danger down the track. I do not know that tonight is the time to argue those matters other than to point out that already there is conflict in a number of areas.

The Minister of Local Government, for example, has had representations from the Earthmovers Association where a number of councils are undertaking earthmoving work with their equipment at prices which are not realistic prices. They have been able to put machinery into the field to undertake work at a cost which might cover some of their costs, but they can be demonstrated as not representing the total of their costs, more particularly because of the buying benefits that they have in sales tax in other areas. Those councils are genuinely undercutting legitimate *bona fide* small businesses. Those matters have already been brought to the attention of the Minister and I do not wish to canvass them at any length tonight other than to say that clause 32, either amended or unamended, does give, in the belief of the Liberal Party, a benefit that should not prevail.

The Hon. J.C. BANNON: The Government does not accept that. The facts are that the starting point is a liability for tax. As I have said on other occasions, the Treasurer does not lightly forego legal requirements in this area unless there is some good reason—reasons such as the fact that a transaction which is desirable might not take place or that there is some other requirement, whether it be in the Loan Council or elsewhere, for such exemptions to be given.

I point out also that the Opposition amendment, going as far as it does, simply deleting or repealing the whole of that principal Act would put the Local Government Financing Authority at a disadvantage even *vis a vis* councils and their operations. I am sure that that is not the intention of the Opposition. It seems that there is every good reason to allow a discretion to provide an exemption if it is going to make the authority more effective, more profitable and, therefore, better able to serve local government. I do not think there will be any objections from local government in that instance. The onus is there on it to demonstrate that such an exemption is appropriate and the Treasurer to approve it. With those constraints the power is quite appropriate.

Amendment negatived; clause passed.

Clause 9 and title passed.

Bill read a third time and passed.

SITTINGS AND BUSINESS

The Hon. D.J. HOPGOOD (Deputy Premier): I move:

That the sittings of the House be extended beyond 6 p.m.

Motion carried.

LEGAL PRACTITIONERS ACT AMENDMENT BILL

Second reading.

The Hon. G.J. CRAFTER (Minister of Education): I move:

That this Bill be now read a second time.

I seek leave to have the detailed explanation of the Bill inserted in *Hansard* without my reading it.

Leave granted.

Explanation of Bill

This Bill effects 3 amendments to the Legal Practitioners Act. The first amendment repeals section 26 of the Legal Practitioners Act. The Law Society has requested this repeal because the section limits the ability of a firm to expand, and with the recent increase in the number of firms becoming incorporated, the section now has the potential to work against the interests of young practitioners seeking employment. The repeal is included in this Bill so that the employment prospects of those seeking employment in the next few months will not be affected by the existence of the provision.

The second amendment is an alteration to provisions concerning the Combined Trust Account. At present the Act provides that legal practitioners must pay an amount equal to two-thirds of the lowest aggregate held in their trust bank account into the Combined Trust Account. This amount is calculated on 31 December and 30 June each year. A practitioner can draw money from the Combined Trust Account when the money is required to meet an existing claim or the money is required to establish a balance in the trust account sufficient to meet claims occurring in the normal course of practice. These provisions result in some practitioners have to deposit money in the Combined Trust Account and having them to immediately withdraw it.

This situation is overcome by this amendment which has the effect of incorporating the rationale for withdrawing funds from the Combined Trust Account into the requirement for paying money into the Combined Trust Account. That is to say, a practitioner will not be required to deposit

an additional amount with the combined Trust Account where the money is required to meet an existing claim on the trust account or the money is required to meet claims occurring in the ordinary course of legal practice.

The amendment ensures the auditor of the trust account will be required to include in his report the fact that the full amount was not maintained in the Combined Trust Account and the reason for this, and that the Law Society will be informed if a practitioner is not to place money in the combined Trust Account in reliance on the provisions.

The third amendment extends the limitation period within which complaints under the Legal Practitioners Act must be laid. The Act presently provides no special limitation period and accordingly the six month limitation period provided for by the Justices Act applies. This six-month limitation for the laying of complaints presents particular difficulty in the way of complaints being laid in respect of the maintenance of trust accounts by solicitors. Rarely will an account have been reported on by auditors and any necessary resultant investigations completed within six months of the end of the financial year. The amendment to the Act provides that proceedings for an offence aginst the Act may be commenced at any time within 2 years of the date of the alleged offence. These latter amendments have both been settled and discussed in consultation with the Law Society.

Clause 1 is formal. Clause 2 provides for the commencement of the measure. Clause 3 repeals section 26 of the principal Act. Clause 4 amends section 53 of the principal Act to insert new subsections (4) and (13). New subsection (4) provides that a legal practitioner is not obliged to deposit an additional amount with the society for the Combined Trust Account where the money is required for the purpose of meeting an existing claim upon his or her trust account or the money is required to meet claims in the ordinary course or practice. The existing exemption in relation to trust accounts where the balance held in trust does not exceed a statutory amount will continue to apply. New subsection (13) will require the auditor of the legal practitioner's trust account to report on the fact that the practitioner did not pay the full amount into the Combined Trust Account and to report on the making of a demand under subsection (7). Subsection (13) has been included to ensure that proper consideration is given to a decision not to deposit moneys with the society and, equally, to withdraw money from the society (where the same considerations apply). Clause 5 amends section 96 of the principal Act so that proceedings for an offence under the Act may be commenced within two years of the date of the alleged offence.

Mr S.J. BAKER secured the adjournment of the debate.

COOBER PEDY (LOCAL GOVERNMENT EXTENSION) ACT AMENDMENT BILL

The Legislative Council intimated that it had agreed to the address recommended by the select committee on the Bill and requested the concurrence of the House of Assembly therein.

ADJOURNMENT

The Hon. D.J. HOPGOOD (Deputy Premier): I move:

That the House do now adjourn.

Mr LEWIS (Murray-Mallee): I wish to address three matters in the time available to me this evening. The first is the way in which the Premier has, in his usual cavalier fashion, completely ignored the issue that I put before him on two occasions during Question Time following his statement in the *Advertiser* on 5 June wherein he projected himself in the image of a tough administrator prepared to make the hard decisions whenever they had to be made, even to the point where he would castigate his Ministers if they refused to announce increased State charges before they were gazetted.

That would be serious if it were not laughable, because I invited him on two occasions to advise us in the first instance whether he had ever castigated a Minister and, if so, whether he would name the Ministers that he had to reprimand for not having announced the increases in their charges in the various regulations used by their departments to administer the matters for which they were responsible. He said that he would not name any of the Ministers. When I asked him whether, by not doing so, this was another broken promise, he said that it was not a broken promise. The Premier clearly confirmed by his answer to my first question that, indeed, he has had to reprimand Ministers since the time of his making that tough statement (and I use the word 'tough' advisedly). Why cannot he tell the public who they are? Why do they have to hide behind his apron strings? We know that he wears an apron—he is still in the kitchen and he has turned down the burner.

I invited him again just recently, as members would know, following my first question on 31 July, to say why he would not name the Ministers he had castigated or reprimanded for not publicly announcing their increased charges. He said, in his usual condescending arrogant fashion in dealing with honourable members in this place, that perhaps some of his colleagues would want to put up their hands and that it was really quite a futile and pathetic question. I do not think that it is. If a Premier wants to create the public impression that he is doing the right thing, the thing that market surveys indicated to him that he needed to do because he is seen for the wimp that he is, then he ought to be willing to follow through when he has made a statement of that kind and, indeed, make the reprimand a public one because the Ministers are, after all, holders of public office and a public reprimand would be appropriate. In my judgment, Ministers who are unwilling to accept responsibility for making statements to the public about increases in charges their departments make ought to be sacked if they will not resign. It shows a degree of gutlessness that should not be tolerated and, indeed, was never before even countenanced by Ministers in Her Majesty's Government in any Westminster Parliamentary system that I know of—certainly not in this Parliament's history.

The next matter to which I want to draw attention impinges somewhat on the substance of the remarks of the member for Light on the Bill previously before the Chamber. However, in no way does it directly reflect upon the decision of the House. I refer to the local government publication *Council and the Community,* Volume 5, No. 7 of June this year. On pages 7 and 8 there is a statement entitled 'Human Services Task Force' attributed to the Minister of Local Government (Hon. Barbara Wiese). It states in part—and I will have to paraphrase this, although I remind honourable members that I am not doing this in a selective way to mislead them. The statement is as follows:

> The Bannon Government believes local government can play a more significant role in the human services field. By developing a clearer partnership arrangement between State Government and local government there is a potential to improve the quality, accessibility and co-ordination of human services—

that means welfare—

within local communities. The Government will, over the next few months, develop in conjunction with the Local Government Association, a clear framework for the further development of South Australian councils in a wider range of human services [welfare]. Councils are elected bodies with significant resources—

honourable members should note that reference to 'significant resources'—I do not know what they are unless it is ratepayers money—

and are ideally placed to respond to the full range of needs evident within local communities. Expanded human services [welfare] involvement has further reflected the growing availability of financial assistance to councils through a range of Government programs. They [the councils] have a strong administrative base and an independent source of revenue.

That must refer to rates, I am sure. The statement continues:

The Government intends to identify a range of service areas—

the statement says that the Government will do that—

and functions in which a substantial local government role will be encouraged and supported.

By what and through which, I do not know. The statement continues:

In particular identified service areas the Government will actively encourage and promote a local government approach based on well designed programs with firm financial and administrative arrangements. A local government and human services task force will be established.

I have seen no other announcement of it. The statement continues:

It will proceed to identify the specific service areas which will be part of the local government based approach [to those problems]. The task force will report to the Government at the end of July.

I have not heard that report. What I now want to know is, if there was a task force, who was on it and did it report by the end of July as the Minister said it would in her publicity about it. What is more, I want to know from the Government what it considers to be the considerable revenue at the disposal of local government to fund these welfare programs. I put to the House and the Government that the sort of revenue that it is referring to is really along the lines of the Mickey Mouse tax proposal put up by the Hon. John Cornwall, who then had his wrists slapped by the Premier for putting that forward publicly. It is going to be a Robin Hood tax—rates will not be used to construct and maintain roads, or used to collect and dispose of rubbish and to look after problems that might otherwise constitute health hazards in local communities. That is the way that rates were always intended to be used, and I remind honourable members that rates are levies on capital assets. Instead of rates being used for that and that alone, as they were originally, now they will be collected for the purpose of providing welfare. Rates are taxes on capital assets, so it is exactly the type of Robin Hood tax that John Cornwall had in mind.

Members opposite and the Minister should come clean about that and tell the public of South Australia that they intend to impose on local government a number of programs that the Government will underwrite initially from State Government sources and require an increasing input from local government so that in a matter of a few short years—two to four years—they will have established these programs and then walk away from them, leaving local government with a total staff structure that it must continue to service with no revenue base other than rates from which it can do that. So, it will be a capital tax—such as that which the Hon. John Cornwall spoke about in his ill-advised and ill-conceived press statement. At least he was trying to be honest, however foolish that may have been. I regret that, and by my remarks now I intend to blow the whistle on the Government's devious approach to this whole problem.

The final matter I wish to draw to the attention of the House concerns a further ill-advised scheme, but in another area of Government responsibility, under the education portfolio, and I refer to the so-called equal opportunities program in school sports, where it is intended to prevent children from playing sports which are either competitive or which otherwise engage children in sporting activities of one kind or another which must all be integrated—in other words, no sex segregation. I have said in a letter that I wrote to a number of schools in my electorate:

I am equally dismayed at the lack of emphasis in the statement of the department—

and the radical left feminists who hatched the whole proposition up—

on competition and therefore encouragement of the individual.

Members interjecting:

Mr LEWIS: If members opposite belong in that category, I regret that.

Ms Lenehan interjecting:

Mr LEWIS: The member for Mawson has had her turn and I will take mine. I listened to the honourable member last Thursday. I think that those activities which fail to foster excellence and which fail in that cause in any chosen activity are to be regretted as being a waste of time. If they do not do anything else, they should at least develop personality and an understanding of what the real world is about. This SAPSASA policy as proposed does nothing of that. I will take up this matter further on another occasion.

The DEPUTY SPEAKER: Order! The honourable member's time has expired.

Mr ROBERTSON (Bright): Tonight I want to address the topic of the fringe benefits tax. This is a fairly brave thing to do in the light of the recent budget, but I intend to continue, anyway. It has become very fashionable and, in fact, very easy for politicians on both sides of politics to criticise the fringe benefits tax and its implications. It is easy to point to areas of application where the tax appears to be either petty or inequitable in its application and it is not hard to cite cases where people have become the unintentional victims of the fringe benefits tax. Possibly, it might be that the Government and its various instrumentalities, such as the Teacher Housing Authority, for example, would fall into that category. For all that, it has to be acknowledged that, in truth, the tax is an attempt and possibly the first genuine attempt to close some of the many loopholes that allow those in our society who derive most from it to contribute the least proportionately to maintaining the freedoms and opportunities which they above all are able to enjoy.

From time to time I have been critical of various aspects of the Keating-Hawke economic policy, but I have to concede, and every honest person in this country would have to concede, that the assets test and the fringe benefits tax are genuine attempts to put a stop to a series of long running and expensive tax rorts which have bedevilled this country for most its history. I cannot for the life of me see why fringe benefits in any situation should escape taxation. I can understand, however, why employers have been keen to displace their obligation for payment of fringe benefits tax onto their employees. They have done that for exactly the same reason that they have historically opposed every other increase in wages or improvements in conditions ever gained by their work force. The simple truth is it would save them money, and surely the employer of a PAYE taxpayer who accepts the obligation of taxing his employee's income at source must also accept a concurrent obligation of taxing additional non-cash benefits in the same way.

Whilst I believe that the fringe benefits tax deserves 10 out of 10 for its intent, and whilst Paul Keating deserves at least nine out of 10 for the courage that he has shown in implementing the measure, it would probably be reasonable to say that the Government deserves about two out of 10 for its efforts to sell the benefits of the new tax to the Australian population at large. As a correspondent to the *Advertiser* noted recently, he remembers Paul Keating every time he gets in his car to drive from home to work or to drive from point A to point B in the course of his daily work.

While the intent of the tax quite clearly is to move away from a system of undeclared income to one in which all taxpayers are taxed according to their real income, as opposed to their declared income, the difficulty lies in the fact that there appears to be no short term mechanism by which real wages can be adjusted. Employees whose benefits are now taxed suffer a real cut in income and employers suffer the inconvenience of administering a truly horrendous and cumbersome mechanism by which the tax is assessed and then extracted.

The future for the fringe benefits tax—and I sincerely hope that it has a future—must lie in somehow simplifying the assessment and collection of the tax, and in freeing up the wage system to allow real wages to return to their former levels. Ideally, I would favour a taxation system which assessed every cash and non-cash benefit and allowed no deductions or rebates whatever. Rather, I would prefer to see a system by which the inequity in society and the maldistribution of income and opportunity were overcome by the direct payment of a social wage, which took into account the needs of the individual and removed the premium which is presently attached to the ability of taxpayers to avoid and to evade their social obligations.

I wish to turn to the groups of people in our society who are more or less affected by the fringe benefits tax, to look at the way in which average wage and salary earners are affected, and to illustrate, I hope for the benefit of the House, that the 74 per cent or so of the population who are wage and salary earners below the level of average weekly earnings are not really affected a great deal at all. If we look at the figures, only one in 20 people in the 74 per cent receiving below average weekly earnings actually receives a private transport fringe benefit; one in 50 receives some form of entertainment allowance (not a huge proportion); only one in 17 has any benefit from a free telephone; only one in 35 gets any form of housing benefit whatever; only one in 40 receives any form of medical cost fringe benefit; less than one in 33 has any form of holiday expenses, which would be counted by the fringe benefits tax; less than 1 per cent have any club or society fees paid by their employer and, in fact, benefit in that way from the tax; and only 1 per cent receive any shares in the employer's firm by way of indirect benefit. That accounts for the 74 per cent of wage and salary earners who are below average weekly earnings. I think it is fairly clear from those figures that most of those people derive very little from fringe benefits and, therefore, stand to lose very little as those benefits are taxed.

I want to turn to the other end of the PAYE spectrum, to the 11 per cent or so at the top who do stand to lose something from the new tax. It is clear, though, while the fringe benefits tax falls mainly on that 11 per cent of wage and salary earners and also on the self-employed and employers, those are the very people who are going to benefit from the decrease in marginal tax rates which will come in on 1 December this year and again on 1 July 1987. Those are the very people who are going to benefit from reduced tax rates, so when it all comes out in the wash the amount they lose on the fringe benefits tax is going to be fairly minimal. The net impact on their tax is likely to be positive: they may in fact come out in front after the fringe benefits tax has been implemented. That is why, in his description of the tax, the Treasurer has always referred to it as a revenue neutral tax: it is one that will raise some revenue in the short term, but that will be given back in the long term by the tax cuts.

Finally, I want to look at the notion frequently put about by our political opposition, by the business sector, that Australia is in fact a high tax country. This is a theme I propose to pick up again at some future time. Very briefly, I turn to an article by Paul Kelly from the *Weekend Australian* on 2 and 3 August this year. Paul Kelly points to the United States, where the top marginal rate is in the low 30 per cent ranges. That does not make Australia particularly high compared to the United States but, if we look at it in detail, we see that the United States also levies State taxes, local taxes and imposes a 7.5 per cent social security levy and 1.5 per cent unemployment insurance. When all that is totalled up it comes out way ahead of tax rates in this country, which are all included in Federal income tax.

According to Paul Kelly, Australia is not a high tax nation and, when compared with the 23 OECD countries, Australia ranks only seventeenth in terms of high tax countries. I hope that that very briefly puts to bed the furphy that Australia is a high tax country: it quite clearly is not. It is quite clear that people right through the business sector, the self-employed and, in fact, the top proportion of wage and salary earners do not pay disproportionately high taxes but pay a jolly sight less than most people pay in northern Europe, and less than is paid by people in Britain or the United States. Australia is not a high tax country, and the article by Paul Kelly in the *Weekend Australian* should bear that out.

Mr BECKER (Hanson): On 31 July 1986 the member for Bright asked in this House a question which severely damaged the standing and reputation of Adelaide Pest Control. Yesterday the Minister of Consumer Affairs replied to that question and particularly to the call from the member for Bright for an inquiry into the pest control industry. In his question, the member for Bright reflected on the integrity of Adelaide Pest Control when he quoted out of context certain documentation which completely misrepresented the facts. That has been confirmed by the Minister of Consumer Affairs in his reply. Subsequently, when I called on him in this House to explain what actually happened, the member for Bright said on page 148 of *Hansard*, on 6 August, in a further speech, referring to his constituent:

> He had queried the invoice when it was sent to him—but received the following response from one of the principals of Adelaide Pest Control:
>
> I think, Mr Young, you should get your facts straight. Our contract is with your tenant, not with you.

Those last two sentences quoted are taken out of entirely different sections of the letter in question; they do not follow one another in the letter, contrary to what is indicated in *Hansard*. It is totally irresponsible for a member of Parliament to quote out of context two sentences, one following the other, without saying that in the letter, in fact, one does not follow the other. The impression given here by the member for Bright is that a director of that company replied in that manner with one sentence following the other, but that is not true. Furthermore, the member for Bright goes on:

> I made it clear to Mr Murray that the landlord and tenancies legislation and various other things had been breached and that

I thought that it would be in the company's interest to tighten up the procedure so that the same thing did not occur again . . .

The reply given by the Minister of Consumer Affairs states, in part:

The matters appear to stem from at least two misunderstandings—

that would be an understatement—

The quote consisted of two items: $85 for treatment and to eradicate bird lice and fleas, and $165 to birdproof the premises to prevent a recurrence of the problem.

That was the quote of $250 given by Adelaide Pest Control. I have been told that the $85 to eradicate the bird lice and fleas involved internal treatment in the premises. Under the Residential Tenancies Act, a tenant can invite into the premises any person he wishes at any time. It is very clear: the Minister explains it. The interpretation given by the member for Bright was totally incorrect. If I were a tenant I could invite a commercial person into the premises, and if I wanted that person to spray or eradicate fleas and lice in those premises, and pay the bill, I could do so.

Mr Robertson interjecting:

Mr BECKER: I could do so. The member for Bright should read what the Minister has to say, because it is very clear all through this issue that the honourable member has totally misrepresented the facts and has, under parliamentary privilege, smeared and slandered the reputation and standing of Adelaide Pest Control, and that cannot be tolerated. Instructions from the Speaker himself warn members not to take that attitude in this House. So, the honourable member was wrong, and he has been wrong in quoting out of context. In his personal explanation yesterday, the member for Bright had this to say—

. . . and those quotes varied by as much as 330 per cent.

This is a further misleading statement that has been peddled by the member for Bright: it is nothing like 330 per cent, as the honourable member knows. There was a quote of $85 for internal treatment for fleas and lice.

The member for Bright should also know that the person who asked for that treatment had pets and that sometimes the pest control companies can be called back two or three times within a given period to further treat the premises. That is why there was a quote of $85. That had nothing whatsoever to do with the birds nesting in the roof of the premises.

Ms Lenehan interjecting:

Mr BECKER: Madam, some of the statements that you make in this House give people the impression that you know everything about everything, but you do not know a damn thing! The other quote given by Adelaide Pest Control to remove the nests and repair the roofing was $165. I have already explained what that entailed. Under the guarantee given by the company it may be called back two or three times to further repair the roof, because if possums are involved they are known to lift roof tiles. If there are small birds involved they can get under the roof and forage.

As the member for Brighton—who is a conservationist—has often said, and would know, certain birds come back to a habitat to nest in the same area every year. He should know that, and should understand that, if one has a problem with birds in the roof of one's premises and if one seals the roof, the birds forage around and try to find somewhere else. If that happens, Adelaide Pest Control has to come back as it is sometimes called back to jobs once or twice to repair damage. That is part of the reason for its quote. They said that it would take four hours to do the job. The other company involved issued a quote for $75.

As I understand, the landlord who asked for that work to be done supervised it and stayed with the person doing it for most, if not all of the time, and watched and instructed what the person from the pest control company did, so, the time was cut down to about two hours. I suppose, but cannot in any way prove, that the landlord was looking to get a good deal at a very cheap price. If one takes the matter in the way that the member for Bright has explained it, obviously the landlord was looking for the whole job to be done for $85. They could not do it for that price; it is impossible to do so, and the member knows it. Therefore, he has totally misrepresented the fact—

Mr Robertson interjecting:

Mr BECKER: It is not an invoice, it is a quote; if one reads the whole document from top to bottom one finds that it is a quotation contract and when signed it becomes a contract.

Mr Robertson interjecting:

Mr BECKER: The member for Bright is irresponsible when he quotes the variation between estimates as being 330 per cent. If one relates the $160 mentioned to the $75 that was charged, the figure is about 120 per cent. Let us not quibble over figures. However, if the honourable member is to come here and slander the companies under parliamentary privilege he had better get his facts right. It is absolutely disgraceful. The member for Bright said in his statement:

The Minister's reply essentially confirms that there are wide variations in assessments and pricing procedures in the industry.

I could not find that quotation in my copy of *Hansard*. However, the Minister said:

The Minister of Consumer Affairs is satisfied that this matter does not disclose evidence of over-charging in the pest control industry and that an inquiry into the industry is not justified.

If that statement does not vindicate Adelaide Pest Control, and the pest control industry in South Australia generally, I do not know what does. I think that it was a terrible attack under parliamentary privilege on a company that could not defend itself.

Mr Robertson: The figure is 330 per cent.

Mr BECKER: A figure of 330 per cent is incorrect; at most it is 120 per cent. The member for Bright should have stuck to part-time school teaching in the field of geography. The electors of Bright will do the right thing in future and he will be returned to Victoria. The member for Bright should now withdraw his imputations against this company. He should have the courage to stand up and apologise for damaging the integrity of Adelaide Pest Control, a company that is known to the Premier of South Australia, because it has performed work at his premises. For any member to stand here early in his political career and start this sort of nonsense will not be tolerated. Private enterprise has its rightful role in this community and will be defended against such misleading and untruthful statements.

Motion carried.

At 6.25 p.m. the House adjourned until Thursday 21 August at 11 a.m.