

HOUSE OF ASSEMBLY

18 November 1992

The **SPEAKER (Hon. N.T. Peterson)** took the Chair at 2 p.m. and read prayers.

PETITION

QUEEN ELIZABETH HOSPITAL

A petition signed by 62 residents of South Australia requesting that the House urge the Government to reduce waiting lists at the Queen Elizabeth Hospital was presented by Mr Hamilton.

Petition received.

REPLIES TO QUESTIONS

The **SPEAKER**: I direct that the written answers to questions as detailed in the schedule that I now table be distributed and printed in *Hansard*.

CHANGING DIRECTION SCHEME

In reply to **Hon. JENNIFER CASHMORE (Coles)** 18 September.

The **Hon. S.M. LENEHAN**: The Changing Direction Scheme is for those employees who are seriously dissatisfied with teaching, whose performance has suffered as a result and who wish to resign from teaching, whereas the Managing Poor Performance Scheme is for those employees who are experiencing significant performance difficulties and wish to remain as teachers.

The Changing Direction Scheme is a work force planning strategy designed to enable teachers whose motivation and performance has flagged and who wish to leave teaching to apply to receive a retraining grant, voluntarily resign and seek more suitable occupations. Vacancies arising as a result of the Changing Direction Scheme have increased placement and employment opportunities for teachers. Teachers being offered a retraining grant of up to \$42 000 (depending on fraction of time) must fulfil the advertised eligibility and suitability criteria for the scheme.

So as to ensure the confidentiality of applicants, an external consultant has been engaged to conduct an information hotline, manage the receipt and processing of applications and make recommendations to the Education Department of South Australia on which applicants should be offered retraining grants.

Of the 184 available full-time equivalent (FTE) grants, 1991 saw formal offers made and accepted by 117 teachers who fulfilled the eligibility and suitability criteria for the scheme. These 117 teachers totalled 111.7 FTE leaving a maximum of 72.3 FTE available for a final round in 1992.

A circular was faxed to all schools mid-August 1992 announcing another call for applications to the Changing Direction Scheme. This circular also reiterated the suitability and eligibility criteria for the scheme as well as outlining the process by which application forms could be obtained, where and how they would be processed and where further information could be obtained.

The Managing Poor Performance Scheme is intended to assist teachers, at all levels of the service, who may be experiencing significant difficulties in the performance of their duties. The procedures have established processes to ensure that all teachers gain timely, practical and positive support to assist them to overcome their performance difficulties. Failure to respond adequately to that support may lead to dismissal. The Managing Poor Performance Scheme is encouraging improved performance in our schools and will enable the removal of those teachers who lack the abilities and capacities to provide a quality education for students.

PAYROLL TAX

In reply to **Hon. JENNIFER CASHMORE (Coles)** 15 September.

The **Hon. S.M. LENEHAN**: The Government has decided to introduce a payroll tax rebate in respect of wages paid in 1992-93 as an incentive for private sector employers to maintain or increase their work force. The rebate will only be available to private sector employers and will be equivalent to \$1 700 for every full-time equivalent in excess of 98 per cent of average employment levels in 1991-92. As the \$1 700 has been calculated on an average wage of \$28 000 and most young workers earn less than this amount, employers of young people will have a larger proportion of their overall payroll tax offset than will employers in general.

If employers take full advantage of the rebate, about 6 000 full-time equivalent jobs would benefit from the rebate. It must be noted, however, that a proportion of this total would relate to existing jobs, reflecting the fact that the rebate is payable to firms which maintain 98 per cent of their employment also.

However, as the impact of this scheme is dependent upon the decisions made by private sector employers as to how they will utilise this substantial incentive, it is impossible to predict how many jobs it will create for young people. The rebate is a response to current high levels of unemployment which are caused largely by the recession. As the employment situation is likely to improve in the near future, the rebate will not be available beyond the current financial year.

PAPER TABLED

The following paper was laid on the table:

By the Minister of Labour Relations and Occupational Health and Safety (Hon. R.J. Gregory)—

Commissioner for Public Employment—Report 1991-92.

STATE BANK

The **Hon. DEAN BROWN (Leader of the Opposition)**: I move:

That Standing Orders be so far suspended as to enable me to move a motion without notice forthwith.

Motion carried.

The **Hon. FRANK BLEVINS (Deputy Premier)**: I move:

That Standing Order 112 be so far suspended as to enable the members for Kavel and Ross Smith to speak to the motion for an unlimited time.

Motion carried.

The Hon. FRANK BLEVINS: I move:

That the time allotted for this motion be until midnight.

Motion carried.

The Hon. DEAN BROWN: I move:

That this House no longer has any confidence in the Labor Government, because the evidence given to the State Bank Royal Commission and the report of the Commissioner on his first term of reference has established the guilt of the Government collectively in—

Repeatedly misleading this House about the Government's knowledge of the performance of the State Bank and other important issues associated with the bank, including the collusion of the present Premier in the misleading statements of his predecessor.

Encouraging the bank to undertake high risk growth which contributed materially to its massive losses.

Breaching the State Bank Act.

Its use of the State Bank as a 'cash cow' for Government expenditure.

Its failure to act on repeated warnings about the operations and performance of the State Bank which exposed taxpayers to huge losses as the ultimate guarantors of the bank.

The House further calls on the Government to accept the principle of collective responsibility for these grave derelictions of responsibility and public duty, and forthwith to resign.

I move this motion this afternoon as a test of our parliamentary system of political integrity and of Government accountability. If the Government survives this motion, it will be yet another blow to the people's confidence in our political system. They will have a right to view our political process with extreme cynicism. They will be more than justified in doing so. This Government has been tried and found guilty by an independent court of unquestioned integrity and ability. No-one could complain about the exhaustive nature and fairness of the royal commission inquiry. Everyone has been heard; everyone has been able to put their case fully. It has in no way been a kangaroo court. The Government set up the royal commission, set its terms of reference and selected the Royal Commissioner.

It now cannot complain about the decision of the umpire as it has been doing. The verdict is that the Government is guilty on all counts.

There are at least 3 150 million good reasons why this House should support the motion of no confidence. Each and every dollar lost by the State Bank could have been avoided; this is one of the irresistible conclusions of the State Bank Royal Commissioner's report. Had the Government been vigilant from the start, we would still have a bank of which we as South Australians could all be proud. From the very creation of the bank, however, the Government was careless, negligent and irresponsible in meeting its obligations under the State Bank Act and the SAFA Act. The report, as we all know, is critical of others as well: of the Treasury, the bank board, the Managing Director and the Reserve Bank. But, where is the most severe criticism directed of all? Undeniably, directly at the Government.

The Premier says that now is not the time to make that judgment. He says that there are other reports to come from the royal commission on terms of reference Nos. 2 and 3 and from the Auditor-General. However, those reports will deal essentially with the internal affairs of the bank. The report tabled yesterday is the only one which will deal in detail with the Government's role. By the Premier's logic a serial killer would remain free until all the victims were found. No matter what the other reports find, this Government here stands condemned.

I find it incredible that the Premier's main defence for the last 24 hours has been, 'Don't pass judgment on us yet; wait until the next royal commission report is out; wait until the Auditor-General's report is out.' In other words, the Premier is not prepared to be accountable. When will he be prepared to stand up and be answerable to the people of South Australia? When will he be prepared to put his job and the jobs of his Ministers on the line and hold them accountable for the results of this royal commission report? South Australians hit by the massive losses inflicted upon them have not even yet heard an apology from this Government, let alone any resemblance of guilt. After a decade of disasters, this Government must be held accountable.

This afternoon there are a number of key issues with which I wish to deal in debating this motion and putting the case on behalf of the Liberal Opposition. The first is to make quite clear why we direct this motion at the Government and not at the member for Ross Smith. Let it be quite clear: the Royal Commissioner's report damned the Government as well as damning the member for Ross Smith. It damned the Government, and there is one overwhelming conclusion as we read the 475 pages: that the Government failed in its duty, and failed miserably.

After all, it was the Government that had the policy of using the State Bank as a cash cow; after all, it was Government policy that directed that the State Bank should be used as the source of funds to go out and attack high risk development projects that the Government could use for its political objectives; after all, it was the Government collectively that misled this Parliament; it was the Government collectively that failed to carry out an independent inquiry into the State Bank, despite the numerous warnings that it had from 1988 on; and it was the Government that consistently breached the State Bank Act in ripping out profits not for any real benefit to the State, but for its own political objectives. I will come to that in more detail. After all, it was the Government, most importantly of all, represented by its Premier and Treasurer but done with the full knowledge of other Ministers, including the then Minister of Industry, Trade and Technology and now Premier, that consistently and persistently and deliberately misled this Parliament. So it is the Government that stands condemned by the royal commission report, and no other finding can come out of it.

I deal immediately with what I see as one of the most fundamental issues of all, and that is the misleading of this Parliament. We will present evidence this afternoon that clearly shows that this Parliament has been misled on at least 16 different occasions. My colleague, the member for Victoria who will follow me later in this debate, will go through each of those occasions in detail, setting out what was said to this Parliament and what the evidence

now is as substantiated by the royal commission report—issues such as the performance of the bank at various times, the Government's—

Members interjecting:

The SPEAKER: Order!

The Hon. DEAN BROWN: The Minister who interjected just now has a face about as pink as the State Bank centre. He happens to be one of the Ministers specifically referred to in the royal commission report who, despite the questions being asked in this Parliament, made the most gross and extravagant defence of the bank which he knew was quite dishonest. He can be accused of misleading this Parliament in the same way as the member for Ross Smith and the Premier.

Members interjecting:

The SPEAKER: Order!

The Hon. DEAN BROWN: I can understand his embarrassment. I will highlight to this House—

An honourable member interjecting:

The Hon. DEAN BROWN: I was not here, Madam, but the *Hansard* record clearly indicates what statements were made by the then Premier and Treasurer and other members in this Chamber. I come back to the key issues that we will highlight to the House this afternoon. This Parliament was misled over the performance of the bank at various times; over the Government's interference in commercial operations of the bank despite its claim publicly time after time that it took a 'hands off' approach; over the Government's raid on the bank's profit; over the Government's role in the Return project and the East End Market project; and over the disclosure of executive salaries.

I will deal with one or two of the more notable examples of where this House has been misled. First, I refer to *Hansard* of 7 August 1990 in the House of Assembly when the then Premier and Treasurer, in relation to his awareness of the bank's performance and before any disclosure of any loss whatsoever, but getting very late in the piece, as we all know now from the royal commission's evidence, said:

... the viability and strength of the State Bank and the State Bank Group is important to South Australia. I can assure the House that there are no fundamental concerns there whatsoever.

No fundamental concerns whatsoever on 7 August 1990. Let us look at the facts that have now come out in the Royal Commissioner's report. On 9 May 1990, three months earlier, the former Treasurer was told that non-accrual loans in Beneficial Finance could reach \$400 million and \$1 000 million in the bank. Yet, he had the gall three months later to stand up in this House and assure all members that there were 'no fundamental concerns there whatsoever', to use his own words. What a disgrace!

On 30 July 1990, approximately a week before that statement to the House, the former Treasurer was told there were problems with poor bank investments in New Zealand and London. Then, on 31 July 1990, the former Treasurer was told that a Price Waterhouse review of Beneficial Finance had indicated Beneficial's non-accrual performing loans were much worse at 9 May (\$400 million, as I have already said) and now there was an estimate that there could be a further blow-out of \$109 million in funds required in 1990-91 alone, more

than the total profit made by Beneficial since it was purchased by the State Bank in 1984.

There sits the former Premier, the man in whom this State placed its trust, the man who had the sole responsibility of reporting to this Parliament on the performance of the bank, who gave us an absolute assurance on 7 August that there was no fundamental concern about the bank whatsoever when he darned well knew those facts about non-accrual loans and major financial disasters and losses looming within the banking system. It is an absolute disgrace! Why that man did not resign there and then, I do not know. As his Attorney-General has said in another place, he should have resigned there and then. His own Party now condemns him. The Royal Commissioner has condemned him and even his own Premier yesterday afternoon decided to condemn him as well. Of course, the Premier condemned him for another reason: to save his own political neck.

Let us look at the position of the bank at the end of 1990 as yet another example of where this Parliament has been misled. I have told the Parliament about the position at August 1990, but several months later we have further evidence. On 4 December the then Premier assured the House of Assembly:

I am quite satisfied that the bank is conducting its financial affairs in the appropriate way. I have no information to the contrary.

Again, that was an absolute black and white assurance to the whole of this State as well as to this Parliament. Remember that it was only two months later that the whole fiasco blew open, the fact that we had non-accrual loans of \$2.5 billion, at least according to the former Premier's reports, but the evidence is that they were even higher than that. It was only two months later that the State suddenly had to inject almost \$1 000 million into the State Bank to stop it collapsing. Yet, the former Premier had the hide, the gall and the gumption to stand in this House and to tell the most basic and fundamental untruths, to be dishonest to this Parliament, to his own Government and to the people of South Australia.

The Hon. S.M. Lenehan: That is too strong.

The Hon. DEAN BROWN: Well, Madam, it is not too strong, because the facts clearly show that that is the case. That is why you do not deserve to sit there as a Minister of this Government when you are willing to put up with standards of that nature.

The SPEAKER: Order! The Leader is well aware that reference to members by the word 'you' or by any term beyond the position they hold in the Parliament or the electorate they represent is out of order.

The Hon. DEAN BROWN: Thank you, Mr Speaker. I occasionally get provoked by interjections such as that, where we have an honourable Minister claiming that it is fit, proper and okay to be dishonest to this Parliament. I am not—

Members interjecting:

The SPEAKER: Order! The Leader will resume his seat. Members on both sides of this Parliament should be paying attention to every word. This is one of the most significant debates that has been held in this Parliament in my time and certainly in that of any other member I can see from where I am sitting. I ask that everybody pay

due attention and respect and that all contributions to this debate be listened to in silence.

The Hon. DEAN BROWN: I get back to the fundamental misleading of this Parliament. On 4 December the Premier said:

I am quite satisfied that the bank is conducting its financial affairs in the appropriate way. I have no information to the contrary.

I point out that, in saying that, the Premier included both the board of the bank and the management of the bank, the finances of the bank apparently being satisfactory. On 13 December 1990, the Premier said:

I believe that the board and its Managing Director are doing their best in difficult circumstances to ensure that the bank remains active and successful . . . I have no reason to have a lack of confidence in those who are handling the bank's affairs. I simply want them to get on with it and do the best job that they can for South Australia—

I point out to the member for Ross Smith that I would not have stood in this House and grossly misled this have stood up and given the full facts, as the Premier Parliament and the public of South Australia: I would did he not give to this Parliament that sort of account at himself was required to do some two months later. Why the time he was asked about it in December 1990? Because he wished to plaster over the damage being done within the State Bank system; he wished to have a major cover up. I will deal with that in more detail shortly.

I stress to the House that, at the time the Premier made that statement on 13 December, the former Treasurer knew that the relations between the board and Mr Marcus Clark had broken down completely, that there had been moves to have Mr Clark dismissed and that the bank facts. He knew that there had been a complete breakdown could be heading for a loss of \$200 million. They are the between the board and the Managing Director of the bank, yet he had the gall to stand in this place and say:

I believe that the board and its Managing Director are doing the best in difficult circumstances . . . I have no reason to have a lack of confidence in those who are handling the bank's affairs.

Two and a half years earlier, he had been warned, by one of the board directors, of major problems looming within the State Bank system and, in particular, problems in relation to Mr Marcus Clark—he took no action. That is the second case where this Parliament has been misled.

I refer to the third, that is, the extent of the State Bank's non-accrual loans in early 1991. This was after the announcement of the disastrous crash and the fact that we would have to put in money. In a press statement—and this was actually a statement issued by the bank on 10 February 1991—when the State Bank Group's estimated losses were first announced, the then Chairman of the bank, Mr Simmons, said:

This internal analysis disclosed that non-accrual loans, predominantly those accounts which are in arrears, could reach \$2 500 million.

The then former Premier and Treasurer advised the House of Assembly on 4 April 1991—some months later—that this estimate related to loans which could become non-accrual loans over the next three to five years—remember, the figure of \$2 500 million which could become non-accrual loans over the next three to five years.

Let us look at the evidence of the Royal Commissioner. As at 31 March, before the Premier made that statement to Parliament—that is, in 1991—the State Bank Group estimated that it had non-accrual loans at that time of \$3 395 million. That sum was not the \$2 500 million that might occur over the next three to five years, but it actually existed as at that date and was substantially greater at \$3 395 million. This figure was given by the State Bank Group in a quarterly report to the Reserve Bank on non-performing, renegotiated and doubtful loans. Other evidence given to the royal commission showed that J.P. Morgan believed the initial estimate of \$2 500 million for non-accrual loans was an underestimate. Proper provision for the Remm account alone was a major omission from that. So, there is the third example of where this Parliament has been misled.

I now deal with the knowledge of the reasons for the departure of the former Managing Director of Beneficial Finance. On 7 August 1990 the former Premier told the House of Assembly:

Mr Baker, as has been reported, has retired from his position as Managing Director of Beneficial Finance. Effectively, that was following differences of opinion between Mr Baker and the board concerning the performance and direction of the company.

However, on 31 July 1990, some seven days earlier, the former Premier and Treasurer was advised that Mr Baker would be leaving Beneficial Finance because of irregularities in loans from Beneficial Finance which could lead to criminal prosecution.

Mr Ingerson: A bit different from what he told us!

The Hon. DEAN BROWN: A substantially different story as now revealed by the State Bank royal commission. So, for the fourth time, our former Premier and Treasurer grossly misled this Parliament. One wonders what went on in Cabinet through all this. Did the Cabinet, for 2 1/2 years, sit there like the three wise monkeys: totally blind, totally deaf and totally unable to speak? Did we have a Cabinet of 13 monkeys running our State, not being prepared to ask the Premier and Treasurer a few fundamental and basic questions about the performance of the State Bank and get some honest answers, even behind the locked doors of Cabinet?

I come to another example where this Parliament has been misled, and that is the bank's projected profit as at September 1990. The then Premier told the House of Assembly on 12 February 1991—and members should appreciate that this is the statement he made after the major announcement about the crash of the bank:

On 5 September 1990 at a meeting with the Chairman of the State Bank, I received a report on its projected profit performance for 1990-91. That report predicted a post tax profit for the group of \$36.75 million.

The evidence presented by the royal commission shows that, at this time, Treasury had advised the former Treasurer that the bank's profit projection was optimistic, and I quote from the evidence of the royal commission:

It is conceivable that the result could be as bad as a loss of \$100 million.

Based on this advice, Treasury advised that there should be an external review of the bank's performance. Two things come out of that. Here we have the Premier telling us in February 1991 that back in September he had been told that the profit for the bank was to be \$36.75 million: now from evidence we know that in fact it was likely to

be a loss of up to \$100 million instead. Furthermore, we have evidence that the Treasurer had been advised urgently to get an external review undertaken of the bank, and again he rejected to do so.

There is yet another example of where this former Premier and Treasurer misled the Parliament. I turn now to the bank's profit projection as of October 1990 and I quote again from the House of Assembly *Hansard* of 12 February:

I was advised by the bank on 24 October 1990 that the result for the year could be one of small profit or break even.

That is on 24 October. We already knew he had been earlier advised that there could be a loss of \$100 million. From the royal commission's evidence, we find the following:

On 24 October—

that is the day the Premier made that statement to the Parliament, so the information was fresh in his mind; he had just been briefed that morning on the issue—

the Treasury advised the former Treasurer that the most likely after tax result was a \$15 million loss, with a worst case loss of \$100 million.

Having been briefed on that morning about the circumstances, in hindsight of the loss he still decided three months later to try to mislead this Parliament and he has been caught out by the royal commission evidence. I wish to cite only one more case this afternoon. As I said, later in the debate the member for Victoria will go through each of the examples in detail. The last case relates to the State Bank's exposure to Equiticorp. On 15 February 1989 the former Treasurer told the House of Assembly that assets involved in the State Bank Group's exposure to Equiticorp were 'secured'. Have members got it—'secured'?

That is a legally accepted word meaning that a mortgage or something is held over those assets. The facts now presented by the royal commission show that in a letter from Mr Marcus Clark on 24 January 1989—about three weeks earlier—to the former Premier and Treasurer he was told that \$49 million of the State Bank Group's exposure to Equiticorp was 'unsecured'.

Here is a letter from the Managing Director of the bank to the Premier and Treasurer of the day telling him that part of the exposure—a fairly large part in those days, \$49 million—was unsecured. Yet, three weeks later, with the knowledge of that in writing—it was not just a conversation but black and white evidence—the Premier had the gall and the indecency to stand in this House and mislead the Parliament—

The Hon. Jennifer Cashmore: And to abuse the Parliament—

The Hon. DEAN BROWN: Yes, and we know that that abuse went on for the next two years before the truth even started to come out, and even two years later we find, based on the evidence to the royal commission, that the Premier even then could not come out with the truth. Even at that stage he consistently had to be misleading this Parliament. That highlights just some of the examples where this Parliament has been consistently misled by the then Premier and Treasurer, the man who should sit in absolute disgrace along with all his other Ministers.

The important thing now arises as to where our present Premier stands in all of this. From the evidence presented to the royal commission and the further evidence that

came through clearly on television again last night from Mr Hartley, we had examples where the present Premier sat in this House for two years or more and was willing to see his Premier mislead this House time after time, yet knowing that the information being given to the Parliament was false. He knew it was wrong. He knew that the Parliament was being misled.

He had been warned by the permanent head of his own department—a man in whom he had great faith, a man with whom he had regular contact and whom he saw weekly if not almost daily—Mr Hartley, who also happened to be a director of the State Bank—about the problems in that bank. He had been warned about the rapid growth of the bank, about the appointment of bank directors and how the present board was unsatisfactory, needing greater strength to be put on it.

The present Premier knew, and what I find absolutely abhorrent is that he sat here in this House, just two seats away from the former Premier, and for something like 2½ years was willing to allow that Premier deliberately to deceive and mislead this Parliament. The Royal Commissioner has also reported on this matter. He states:

The extent of the responsibility which rested on the Government to appoint suitable directors cannot be underestimated.

In other words, the Royal Commissioner saw the matters being raised with the present Premier as being fundamental to the collapse of the bank. Yet, as I said, he sat there for two years and did nothing.

What would have been the honourable course for the now Premier to take? I believe he had only one course of action; that is, to resign from the Cabinet and make a clear statement that the evidence being presented to the Parliament by the then Premier was in fact false. But he did not do so. Then, we had the pathetic statement from the Premier yesterday, in which he tried to put the blame for the failure of the bank onto everyone else but his own Government. He tried to blame the former Premier—the member for Ross Smith—and the directors and management of the bank. He said, 'Everyone else was at fault, but not we the Government.' Obviously, he had not even read the royal commission report, even though he had had it for four or five days, ahead of everyone else. He had not even bothered to read it, because almost every page of that report is critical of the Government, not just of the former Premier and Treasurer or the bank.

Members should look at the conclusion in the report. The Premier yesterday time after time on the media came out and said that the conclusions of the royal commission report clearly placed the responsibility with the former Premier and Treasurer and other parties. Yet, on that same page in the conclusions there are six or seven references to the failure of the Government which the Premier refused to acknowledge.

The Premier's credibility is now mortally wounded, because he has sat in this Parliament and done nothing. For those two years the least he could have done was to go into Cabinet and threaten to resign from Cabinet unless the Premier was prepared to have an independent investigation of the State Bank, but he did not even do that behind closed doors. He cowered, bowed and scraped to the Premier, and as a result this State has suffered. We now have a man who is Premier of this State whose credibility, as I have said, is mortally wounded; a man

who for two and a half years put his own political survival ahead of his integrity. As a result of that this State is suffering.

I now deal with another key aspect of this motion; that is, the growth of the bank. Let us take a comparison, because the Premier on a number of occasions has said, 'Every other bank in Australia is in serious trouble and facing the same dilemma as the State Bank.' Let us take the period from 1984 to 1989 and look at how the State Bank grew by comparison with other banks in Australia. The asset growth for the various banks is as follows: the ANZ Bank, 137 per cent; Commonwealth Bank, 100 per cent; National Australia Bank, 175 per cent; Westpac, 164 per cent; State Bank of Victoria, 256 per cent; State Bank of New South Wales, 178 per cent; and the R&I Bank of Western Australia, 266 per cent. But, the State Bank of South Australia had a growth rate in that period from 1984 to 1989 of 378 per cent, and the Premier did not hear any alarm bells ringing. That was almost four times the growth of the Commonwealth Bank, almost three times the growth of the ANZ Bank and almost the double the growth rate of the NAB and Westpac. What sort of miracle did he have on his hands that the State Bank of South Australia could grow and outgrow every other major bank in the whole of Australia, even those with established overseas operations? Yet he sat there as Premier and Treasurer and as the guarantor to that bank and did not question its growth rate.

Why? There was one fundamental reason. It was because of the relationship that he had set up between the State Bank and SAFA which was supplying the capital funds for the growth; the bigger the growth of the bank the higher the profits—not the true profits, but the fiddled, phoney profits that were coming through to the State Bank. He allowed this uncontrolled growth because he saw the direct benefit of it on the bottom line of his budget and he wanted to use that phoney, false money, those phoney profits of the bank, to his political advantage. Now we see why perhaps the South Australian Government, whilst having the highest expenditure rate on a percentage of gross State product of any State in mainland Australia can have a slightly lower tax rate on taxpayers compared to some States at least on a per capita basis.

The Hon. Frank Blevins: The second lowest.

The Hon. DEAN BROWN: The second lowest, we agree. Historically it has been slightly lower. Do you know why, Mr Speaker? It is for the very reason that the Treasurer has just highlighted, namely, that they took these phoney profits out of the State Bank and the taxpayers of South Australia are going to pay for that for the next 10 years, and the cost will be high. I turn to another key feature of the motion where this Government stands condemned and guilty on the issue of breaching the State Bank Act. I refer specifically to section 22 of the Act concerning payments of dividends to the Government. The royal commission report, at page 52, states:

However, as the payment to the Government was at a fixed yield, irrespective of the operating surplus of the bank, this commitment by way of an interest payment clearly inhibited the determination of a proper dividend as provided in section 22(1)(b) of the State Bank Act.

At page 153, the royal commission report states:

The agreement to pay the SAFA dividend from profits before calculating tax was inconsistent with the Act . . . the after-tax profit of the bank was inappropriately inflated.

That is the very proof for the argument that I have been putting here this afternoon. There were phoney profits from the State Bank—not as the Act required, to be paid after the profit was determined and established, but on a quarterly basis and paid in advance. Page 101 of the royal commission report refers to the Government grabbing revenue from the bank, as follows:

The failure of the Treasurer and Treasury to consider any measures to protect the Government's liability under the guarantee is a reflection of their general perception of the bank, at least from 1985, as a source of funds (a cash cow) only. There was a blinkered failure to review the Government's position in the face of flashing warning lights.

This is the Royal Commissioner speaking: they failed to heed the flashing warning lights. I quote now from page 240 of the royal commission report, and this is one of the most classic and telling quotes of all. The report states:

Treasury's response to such information thus far reflects, by way of analogy, its perception that the bank had occasional chest pains thought to be temporary indigestion that could be resolved by the panacea of gentle and reassuring words from the board. Treasury and the Government preferred to keep on enjoying the rich cholesterol-filled cream of increasing cash flows from the bank, when proper medical testing of the bank would have revealed progressive cardiac arterial thickening which was likely to (and did) lead ultimately to a massive cardiac infarction; it would have led to death but for the life support system provided by the taxpayers and the massive blood transfusions donated by them which will leave them weakened for many years to come.

In response to an interjection from the Treasurer a moment ago, I point out that the Royal Commissioner himself said that it would be the taxpayers of South Australia upon whom the pain would be inflicted for many years to come. Under section 19(7) of the State Bank Act, approval of the Treasurer is required for any acquisition of more than 10 per cent in the shareholding of a company. On page 64 of his report, the Royal Commissioner said:

. . . if (as the evidence amply illustrates to have been the case) the policy was to trust the commercial judgment of the bank, it became the role of the bank alone and not the role of Government to determine what was 'appropriate'.

All 38 applications under that section of the Act for acquisitions of more than 10 per cent were granted by the Treasurer. The evidence is that in all 38 cases not once was a proper investigation carried out. That is the gross negligence that has been inflicted on South Australia by the former Premier and Treasurer and by the whole of the Government. I say 'by the whole of the Government' because the responsibility under the Act to carry out the approval and investigation of the acquisition lay with the Government.

I wish to touch quickly on another important aspect of this no-confidence motion: the political interference with and manipulation of interest rates prior to the 1985 and 1989 State elections and the 1987 Federal election. Shortly, the member for Navel will deal with this in far more detail. He will do so with some very rich memories of the events that led up to the manipulation of interest rates. I will deal quickly with the 1985 freezing of

interest rates. On page 89 of his report, the Royal Commissioner said:

It is an irresistible conclusion that the Treasurer temporarily forsook his 'hands off' role and his perception of a commercially independent bank . . . he was willing and anxious on this occasion to sacrifice that advantage in the short term for the political advantage of his Government.

What a damnation by a royal commissioner: that the Treasurer was prepared to fiddle. His whole defence before the royal commission, this Parliament and the media of South Australia is that the Act required him to have a 'hands off' approach; yet, here is evidence presented by the Royal Commissioner that when it politically suited him he was only too willing to put his hands in the swill trough of the State Bank for his own political gain.

Interest rates were frozen again prior to the 1989 election. The Royal Commissioner describes that occasion as a surreptitious \$2 million fiddle that was carried out and paid for by the taxpayers of South Australia for the political advantage of the Labor Party so that it might save its political neck. As I said, the member for Navel will deal with that issue in much more detail shortly.

The Hon. M.D. Rann interjecting:

The SPEAKER: Order!

Members interjecting:

The SPEAKER: Order! The Minister is out of order.

The Hon. DEAN BROWN: I point out that the Royal Commissioner has already dealt with the Minister of Tourism—and dealt with him very harshly in another place. He will have a pink face for a long time to come.

Members interjecting:

The SPEAKER: Order!

The Hon. DEAN BROWN: I wish to touch on another very important aspect of the no-confidence motion, because it relates to the warnings given to the Government. I emphasise that these warnings were given as early as 1985 with the final crash coming, as members will recall, in 1991. In 1985, after the bank complained about the cost of the guarantee fee proposed by the Government, the Royal Commissioner said:

Even at this early stage [in 1985] the Treasurer might have been expected to ask, 'How safe is a bank whose margins are so fine that its commercial viability would be threatened if it lost the commercial edge over its competitors that a cost-free guarantee gave it?'

On page 71, regarding the events at the end of the 1985-86 financial year, he said:

It is now possible to identify some matters which may have led to significant questions being addressed to the bank, if the Government had shown more interest or concern.

In relation to the warning given to the Premier in 1987, on page 113 of the royal commission report it is stated:

The Treasurer maintained a consistent attitude of unqualified trust and confidence in the board and Mr Clark. By this time, however, there was a growing body of evidence available to and known, or provided to, the Government to suggest that the strategy and policy of the bank, and the capacity of its management, might not justify that confidence, not the least of which was the bank's apparent inability to make and adhere to a realistic plan of growth, or to achieve a reasonable commercial level of profitability.

And a warning was given to the Government at the end of the 1986-87 financial year. Page 125 of the royal commission report states:

It was a year in which there were a number of signs that did not augur well for the future, but many of them were not heeded, and they failed to elicit any active response from the Government.

On top of that, we had consistent warnings from Mr Hartley in 1988, in 1989 and consistently through 1990. We had the warnings from the Liberal Party, which consistently asked questions in this Parliament, a whole 95 of them, which will be dealt with in more detail by the member for Coles during this debate. Ninety-five questions were asked of the Premier, with all the Ministers on this front bench able to hear those questions for two years, and apparently not once did they insist on the Premier and Treasurer making sure there was an independent inquiry into the State Bank. Not once did they heed one iota of the 95 questions raised, the threats or the warnings—or the warnings issued by the public media. And I pay tribute to the *Advertiser* in particular which, day after day and week after week, questioned the management and the financial viability of the State Bank. As I said, they just sat there: not just the Premier and Treasurer but all 13 Ministers in the Cabinet, like the three wise monkeys—blind, deaf and dumb.

I come to another important point referred to in the motion of no confidence, that is, the collective responsibility of any Cabinet Minister. I refer in particular to a ruling that you, Mr Speaker, made in this House on 14 April 1992. You stated:

The principle as the Chair understands it is of shared ministerial responsibility and, as I understand the form of our parliament, Cabinet is a shared responsibility . . .

You yourself, Mr Speaker, have pointed out that, if this Parliament is being grossly misled on occasion after occasion, not just the Premier and Treasurer is responsible but the whole of the Cabinet, based on that quotation. I also refer to the House of Representatives practice book, which states:

Broadly, it is required by convention that all Ministers must be prepared to accept collective responsibility for and defend publicly the policies and actions of the Government or else resign.

That is exactly what we are asking them to do today: accept full responsibility for the actions of the Government and resign. I quote to the House what the Royal Commission into the Australian Government Administration said in 1976. It is a very pertinent quote, and I ask all members to listen carefully. It is as follows:

Collective responsibility is based on the principle of the unity of Government. No office holder can plead exemption from responsibility on the ground that he was not consulted. This principle recognises the right of the electorate to hold the Government as a whole responsible for the results of its term of office. Every Minister is required to admit a moral responsibility for the policies of which Government as a whole pursues.

That clearly states that this entire Government, this entire Cabinet—all the Ministers involved—must accept full responsibility for the policies that the Labor Government carried out in pursuing the State Bank; its policies of making sure that the State Bank profits were excessive; its policies of rapid growth within the State Bank; and its policies of breaching the State Bank Act and the other

areas I have outlined to the House this afternoon. Under all three accounts of collective responsibility, this entire Cabinet—this entire Government—stands condemned, based on the results of the royal commission as handed down yesterday.

In moving this motion on behalf of the people of South Australia, I highlight that South Australians are angered, appalled and astounded by the recent events under this Labor Government. They, like me, hope there are some members in this House who, when faced with the enormity of the Government's failure identified in the royal commission report, will rediscover their independence and will find it impossible to go on sitting in the same Cabinet room with Ministers who knew everything but were not prepared to admit it publicly. I am reminded of both the Minister of Primary Industries and the Minister of Health, Family and Community Services, and the statements they made before their appointment to Cabinet.

I stress that those two Ministers highlighted to this House that they would suspend judgment on this Government until the publication of the royal commission report. When the first bail-out was announced in February 1991, the Minister of Health, Family and Community Services said that, if something startling happened, he would reconsider his support for the Government. I ask the Minister: what more startling a report could have been conceived than the one handed down yesterday by the Royal Commissioner? Then we have the Minister of Primary Industries, who said as recently as 1 September this year:

We will have to make a judgment when the Royal Commissioner's findings are made known. I can't rule out that I would never support a no-confidence motion, but it would have to be a very, very grave and weighty matter, grave and weighty in the sense of almost illegal.

They are his words. I point out to the Minister of Primary Industries that in fact the State Bank Act was illegal: it was breached time after time in the way the Government administered that Act. I urge these Ministers not only to revisit these statements but to remember the position they have taken previously on accountability to this Parliament and on the financial administration of the Government. After all, it is the Minister of Primary Industries who is the former Chairman of the Economic and Finance Committee and who stood and postured on the importance of accountability of the Parliament and the Government. Where does he stand now on this important matter? I also recognise you, Mr Speaker, in a statement you made on 31 August 1991—

The SPEAKER: I draw the Leader's attention to the fact that we are debating a motion, in which there is no mention of the Speaker, the member for Semaphore or any action to be taken by that member or that person in this House. If you are going to relate to that in this debate, relate it to the motion before the Chair.

The Hon. DEAN BROWN: Certainly, Mr Speaker. We are moving a vote of no confidence in this Government, and all members in this House may have the opportunity to vote on that motion. If in the event it is a tied vote after a division, the Speaker will have a casting vote. All I wish to do, without reflecting on you, Mr Speaker—because it would be inappropriate to do so—is to point out to the House a statement that was

made in which you said you would reserve your judgment on the future of the Government until the Royal Commissioner's report was handed down.

Mr Speaker, today is judgment day, and I go no further than that to remind you of your statement that you would bring down the whole Government—not just the Minister—if Parliament had been misrepresented. The Royal Commissioner refers several times to this sorry saga as a tragedy. Indeed, it is; it is something akin to a three-act tragedy in the Shakespearian mould. We have had the first act of mystery and intrigue in high places; posturing characters strutting around central stage, wheeling and dealing for personal and political gain. Caesar Bannon, Brutus Arnold, Cassius Blevins and Portia Lenehan—

Members interjecting:

The SPEAKER: I am sure the Leader is not intending that as a reflection on members.

The Hon. DEAN BROWN: Never, Mr Speaker. Then we have the array of acquiescent supporting players nodding their heads, plotting and scheming off stage and, on stage and in public places, delivering hypocritical speeches, while all the time Rome burnt. The alarm bells were not even raised until Rome had been reduced to ashes. The curtain falls on the first act when the financial institution is in disarray and the leading actors are discredited.

Members interjecting:

The SPEAKER: Order! The Chair was under the impression that this was a serious debate. Obviously, I was wrong.

Members interjecting:

The SPEAKER: Order! The Leader.

The Hon. DEAN BROWN: Thank you, Mr Speaker. We then had the second act—the grand trial, the relentless lifting of the veil of intrigue that clouded all the doings of the first act, and still more posturing with egos busted and reputations challenged. The verdict is brought down as the curtain descends on the second act with the leading characters exposed and the collective guilt determined. Now we move into the third act.

Members interjecting:

The SPEAKER: Order!

The Hon. DEAN BROWN: In the third act the masses of South Australians are angry but the discredited players are still evasive and disclaiming responsibility. They are unrepentant, under siege, and now they are claiming loudly that the verdict is wrong or incomplete. They want to wait until more reports come out—or, as the member for Ross Smith said, 'I can't accept the umpire's decision.'

In this traditional farce they are even pleading for another act to be brought down on this saga, but the people will have none of it. We are poised for the final act to be played out, either as a long laborious blood bath with the inevitable results, or it can be a quick finale. Either way the result will be the same: the leading players will fall on their swords and their triumphs such as the State Bank will collapse. But most important of all, ultimately this Government will be judged by the people of South Australia.

The tragedy is that this Parliament has been misled. This Parliament has had a Labor Government that has mismanaged the bank and has been negligent in the way it has carried out its administration of the Act. It has

failed miserably in upholding the principles of government and all of the Ministers in this House, from the present Premier down, must share the collective responsibility for the fiasco that South Australia now faces. They are condemned and have been found guilty by the Royal Commissioner and there is no questioning of the judge. There can be no questioning of the verdict.

This Government stands condemned for misleading this Parliament and for mismanagement, fiddling with the State Bank Act for its own political advantage, and for political manipulation of interest rates. There is no other conclusion but to ensure that this Government resigns in disgrace—and resigns now. This House no longer has any confidence in this Government.

The Hon. LYNN ARNOLD (Premier): I would suggest the very first thing the Leader should do is send his script writer back to *E Street* and get a new one because, frankly, we have had a very poor performance by the Leader this afternoon. He has attempted to quote selectively from the text of the Royal Commissioner's report on term of reference 1 and to draw a number of very long bows as a result of his selective quoting. He then tried, by innuendo, to establish that there are other things of which the Government is somehow guilty when frankly they are not sustained by any reading of the Commissioner's report or the evidence allegedly cited by the Leader.

From the moment I tabled the Royal Commissioner's report on term of reference 1 in relation to the State Bank it was obvious to every member of this Parliament that the Opposition was going to move some sort of motion of no confidence. It was itching to do so. It even pre-empted that matter on Monday night on the Channel 10 News; somehow anticipating what would be in the Commissioner's report, the Leader of the Opposition said:

Based on what he has laid down as clear standards, Mr Peterson has no alternative but to bring down the Government this week

Yet again there was that eagerness—the 'how many sleeps to Christmas?' keenness of the Leader, trying somehow to get into Government. Already at that stage it was quite clear that the desperation was apparent. Here was a Leader not even prepared to wait and read the Commissioner's report and yet making those sorts of comments on Monday night. Does that mean that he regards with contempt the whole process that has involved millions of taxpayers' dollars to bring this report to this stage—an unfinished process, as we well know?

The Government embarked on the royal commission to find answers and to see blame directed where it should go. That process is still under way. What the Leader is after is not facts; not the appropriate apportioning of responsibility among all the players the Commissioner himself has acknowledged are involved this. The Leader wants a mob lynching; he wants the entire Government somehow to be slated with this matter without even hearing all the findings of the Commissioner or the Auditor-General.

Members interjecting:

The SPEAKER: Order!

The Hon. LYNN ARNOLD: Never mind that already a very heavy toll has been paid with the member for

Ross Smith as the former Premier and Treasurer resigning; never mind that the whole process is itself not finished—this process of investigation that has involved thousands of pages of evidence and the fact that we have yet seen only one of the terms of reference reported on, with others still to come, including the Auditor-General's report on the entire operations of the State Bank, which is very pertinent indeed.

The Opposition is desperate to link myself and the present Cabinet with all matters of the tragedy of the State Bank. It is not prepared to examine the other matters that are still to be examined; it is not prepared to see a proper mapping out of the apportionment of responsibility. In its eagerness to do that, it has made many claims about the relationship between myself and the former Director of the Department of State Development, Rod Hartley. It claims that I knew from late 1988 exactly what was going on in the bank, that I had been warned by Mr Hartley and that I sat there and took no action. That is clearly absurd. One only had to sit in the royal commission and certainly hear my evidence.

An honourable member interjecting:

The Hon. LYNN ARNOLD: I acknowledge that they will not accept my evidence. But they had only to hear Mr Hartley's evidence to the royal commission to know that that set of claims is absurd. The interjection was, 'What about the 7.30 Report?' As it happens, I did see that program last evening. I happened to be there and stayed on to watch the rest of it. I happened to hear the comments made by Mr Hartley, when he said:

I cannot attach any blame to Mr Arnold in terms of my communication with the Government, because I know my messages got through and I know, as this report says, that the Premier got repeated warnings from me.

Members interjecting:

The SPEAKER: Order! The Premier will resume his seat. The Whip has indicated to me that there is a very long list of speakers on this matter. I say once again that it is a serious matter. If members want to turn it into a farce then do so, but some of you may be outside before it is finished.

The Hon. LYNN ARNOLD: There was another statement made last night by Rod Hartley on the 7.30 Report to which attention should be drawn. He said, 'There was nothing more that Mr Arnold could do any more than I, except make these repeated warnings.' The point to which I want to draw attention is the evidence that Rod Hartley gave to the royal commission. It is one thing to make these sweeping assertions that Rod Hartly said all sorts of things and that anything that had ever gone wrong in the bank and has now been attested to in the royal commission report was somehow conveyed at these meetings between Rod Hartley, myself and the former Premier or between Rod Hartley and myself or at the lunch referred to in October 1990.

I think it is important that we go back to the evidence given to the commission not by me, although it is there to be freely examined and I have a copy for anyone who would like to look at my evidence on this matter, but by Mr Hartley. He was asked a number of questions about meetings with me. In one piece of his evidence he said:

So I was able to say to Mr Arnold, 'Well, I have actually got a pretty strong message through to the Premier by now', and so I

don't think in this delicate area of 'It's not your portfolio', he was saying to me, 'It's difficult.'

He was then asked:

The point I'm seeking to make is he offered to make the contact on your behalf but you said, no, you'd do it. (Answer) Yes, that's correct, although I noticed from his evidence he did mention it to the Premier at a Cabinet meeting.

That is in my own evidence. Let us go to another occasion. He was asked further questions about these meetings and what exactly he was conveying, and he said:

I would like to just make it clear that, by during the course of 1989—

and it should be remembered that for two years he was telling me everything that had gone wrong in the bank and that somehow I was being told at these meetings; here he is saying what he was saying during the course of 1989—

my concern about the inability of the board to satisfactorily control and outgun and question Mr Clark was a matter of very real concern from the beginning of 1989 and it was expressed to the Government and to those two particular, or Mr Woodland in particular...

He was further questioned in that same round of questioning, as follows:

Anything you said to Mr Arnold, up until that stage, wasn't said with a view to him interceding in any way, was it? (Mr Hartley) No, it wasn't, no. (Question) And up until that stage you hadn't said anything, I suggest, forcefully, to the Premier personally? (Answer) In a determined way to the Premier...

That evidence refers to mid 1989. I might interpose at that point that one of the concerns that Rod Hartley had always adhered to was the need for any chief executive officer to have a strong board. He made the point that he, as Chief Executive Officer, prior to entering Government service and later going back into the private sector, relied heavily upon having a good strong board. He was not *per se* making any criticisms at that point of the capacity of the particular chief executive officer—he was pointing to the need for the relationship with a good strong board. It is worth noting that as late as February 1990 the board of the bank, the board to which Mr Hartley still belonged at that stage, was seemingly still so impressed with Mr Marcus Clark that it approved a \$50 000 increase in his remuneration. That decision was made by the board in February 1990, so I believe that supports the comment that I have made that his concerns in 1989 were about the relationship between the board and any CEO.

Let us go to some other evidence. It is important to see the other evidence that is coming through. He acknowledged in October 1990 that he was getting very anxious indeed. I have made the point that, whereas previously his concerns were about the growth rate being too fast, about the calibre of the board at large and about the need for the Chief Executive Officer to be under better control in the context that I have mentioned, those concerns were without any substantiation of facts as to financial problems in the bank; there was not one substantiation of a financial problem being faced by the bank. They can be categorised as opinions that were not being shared by the chair of the bank, by other members of the board of the bank or, indeed, by other pundits at that time. He was in the category of a lone voice.

History has since shown that many of his concerns have been substantiated by facts later revealed but not at that time available. Therefore, the judgment made by the former Premier in that matter was on the basis of the raft of opinions before him, and one of those opinions was going in a different direction from the others. However, by October 1990 his agitation had become very intense. He had just gone to New Zealand with another member of the board to examine the bank's New Zealand subsidiaries and was alarmed at what he had seen there.

Again, he was not able to quantify the nature of the losses that he anticipated might be incurred. Indeed, this stood out alone from the other operations of the bank, so his concern was about reporting that matter to me, not the full scope of information he may have had about the financial losses. I point out that he is an assiduous board member and knows the legalities of what he could actually say to those outside the board. He said—and we are talking now of September and October 1990:

I concluded that it was getting so desperate that I could not live with myself if I did not do something, and I then approached the Chairman and said, 'We have to do something.' I think that must have been mid to late September.

I will go through some more of this. A meeting was held with me. Rod Hartley was asked:

Did you ask him to do anything? You previously told us he, as State Development Minister, didn't really have any direct responsibility. Why speak to him at all?

Mr Hartley replied:

Well, first of all, I was so worried, that I just wanted to get it off my chest and the more people in Government I spoke to, in a way, at the senior level, the better...I just felt I had to tell somebody else, but I have to say that, when we discussed, at the end of my lunch; 'Well, what are we going to do about this information you have given to me, Rod', a question asked by the Minister—

and, as I said yesterday, this question was actually asked twice during the lunch—

we decided there probably wasn't much he could do because... between asking for the lunch with him, and having lunch with him, I had, by then, spoken to Barbara Deed and he noted that I had spoken to Barbara Deed and he was sure that would be passed on to the Premier and the Premier would see me when he got back.

As my own evidence later testified—and as Rod Hartley confirmed on the *7.30 Report* last night—I discussed that matter with the then premier some time later. Another question:

Did you ask him to bring his good offices to bear with the Premier as well?...From your point of view did you ask him to do that?

Mr S.J. Baker interjecting:

The SPEAKER: Order! The member for Mitcham is out of order.

The Hon. LYNN ARNOLD: The answer: 'No'.

Mr S.J. Baker: This is pathetic.

The SPEAKER: The member for Mitcham is out of order again.

The Hon. LYNN ARNOLD: With reference to the concerns that he had in 1989, he was asked:

So, subject to what you have said, you didn't convey to the Premier or to Minister Arnold the concerns which were being voiced at the board during 1989 in any really explicit terms?

Remember: I am accused of knowing the full details of the losses and other problems being faced by the bank. Here, Mr Hartley is being asked whether he conveyed that information in any explicit terms. Mr Hartley replied:

No, it didn't make those expressions of concern any less strongly put, but no, I had no specific examples that I mentioned.

Then, in late 1989 with reference to the question of the non-accruals that have been mentioned and in relation to his meeting with the former Premier, he was asked whether he had told him that non-accruals had increased to over \$400 million by December 1989. Mr Hartley replied:

By that time, when I was seeing the Premier in December, we didn't have the latest figures available to me on non-accruals.

So, that information was not then conveyed to the former Premier. We then come to the matter of dividend policy. The Opposition has tried to allege that the Government was determined to get as much in dividends out of the bank as possible. Let us hear what Rod Hartley might have told me as Minister or the former Premier. He was asked a question about discretionary dividends, as follows:

Did you discuss with either the Premier, your Minister or indeed any of the Government officers to whom you were speaking during 1987-88 or indeed later on that that was the approach you were taking to the requests or arrangements about dividends?

Mr Hartley replied:

No, I did not.

So, I suggest that, before members opposite start talking about the evidence of Mr Hartley and somehow trying to create out of that evidence a view as to what may have taken place, they read what was actually said.

Let us now turn to the rewriting of history with which members opposite seem very keen to proceed. They seem to forget the very comments that they put on the public record about the bank and the type of role the bank should play, because the Leader has totally misrepresented his Party's contribution to the debate on the State Bank Act in November 1983. No member of the Opposition then made reference to the prudential operations of the bank; nor was there any emphasis on the distinction between the Government's oversight and its intrusion in particular, loan decisions. I invite all members to check the *Hansard* of 1983 and confirm that that is correct. However, to save time, I draw attention to a few quotations. The then Leader of the Opposition, the member for Navel, was supportive of the creation of the State Bank and of the bank's embarking on a period of growth. He said at that time:

Following a worldwide trend for banks to increase in size, market share and size are extremely important in the Australian banking sector.

What an invitation to the newly merged State Bank to go out there and grow!

Members interjecting:

The SPEAKER: Order!

The Hon. LYNN ARNOLD: The member for Hanson had even more enthusiasm for the bank's embarking on worldwide operations—and he was a banker. During the debate, he said:

Certainly, it is very important for the bank to retain a London office. Hopefully sometime in the future there could be justification for branches of the bank in California on the west

coast of America and, who knows, even on the east coast. Possibly also branches could be established in Malaysia, Singapore and Japan.

The member for Hanson was very keen on that. Incidentally, at that time, the member for Hanson started talking about salaries of senior management and chief executives of the bank. He had some comments to make about the need for a very attractive salary package. He said:

Of course, it is necessary to present a very attractive package to encourage persons to seek that position. This is the marketing system today, and to attract the best executives in the country one has to pay the top salary and provide the best conditions. There is no doubt that the new executive salary and benefits will be well into the six figure sum, and I would not begrudge him that at all because his job will be to put confidence into this new bank.

Those are the member for Hanson's words.

The Hon. Frank Blevins: The bank read that.

The Hon. LYNN ARNOLD: The bank must have read it, yes. Far from emphasising the Government's oversight of the bank's performance, the Opposition has gone to great lengths to ensure that the Government had little or no input into the running of the bank. They were at pains to point out that the Government should be able to consult with the board in an endeavour to reach a consensus on issues, but they made clear that there should be no power of the Government to direct the board of the bank. Again, I will quote the very words of members opposite back to them. The member for Light, who, I must say, wondered where some of these came from, said:

I put to the Premier quite sincerely that consultation entails dialogue around the table until there is mutual acceptance of a point raised. It does not involve a dictate or heavy instruction from the Government to a board that it will do a certain thing, or else. However, the inference is there and the possibility exists that a Government could seek to interfere unnecessarily into the affairs of the merged bank. That is not on for members of the Opposition . . . and would not occur when members of the Liberal Party are in government . . .

In reference to clause 15 of the State Bank Act, the member for Hanson said:

This means that the Government or Treasury in no way can instruct the new bank to do what it would like it to do. If it does, then the board would be required to or should report the action. I like that provision, because that clause protects all parties—Treasury and the Government and particularly the board with its responsibilities. There is no way in which the Government can coerce the bank into doing something that the board believes is not in the best interests of the bank.

The quotes continue. Let us look at the Hon. Mr Trevor Griffin in another place, who was most insistent that the Government should have a hands-off policy approach to the running of the bank. He said:

We have to ensure that as much as possible this bank is independent of the Government in respect of its day-to-day operations and the use of its assets.

The quotes go on in that regard. I note the references to the many warnings of the Opposition about the bank and, indeed, the former Premier in his ministerial statement in early February last year also acknowledged that, as it turns out, a number of those questions had been pertinent. However, it is interesting to note that the Opposition

cannot claim to have been a large fighting entity on this matter and, as will be canvassed by other members on this side later in the day, a very odd sort of approach was being taken by the Opposition at that time to those sorts of matters generally.

There are some other matters that need to be dealt with. In terms of apportioning responsibility, one should accept the comments made by the Royal Commissioner in terms of the assigning of blame or responsibility. I remind the Leader, because he has clearly forgotten it, given the contribution he has made, of the Royal Commissioner's comments. He said (page 389):

...it is not part of the current inquiry on the first term of reference to assign blame or apportion responsibility for the disaster that overtook the bank.

Further, he states:

It is the primary task of the Auditor-General to ascertain the causes of the failure, which may well involve conclusions with respect to the personal responsibility of the bank's officers, and it is the commission's third term of reference that specifically addresses the role of the board and Mr Clark.

That is a very important quote, because it quite clearly indicates that anyone who attempts to prejudge this issue without having those reports to hand is denying any sense of natural justice. However, we can draw from the key findings of the first report a number of references about various bodies. The failings by the bank are quite obvious. The occasions where the bank failed to properly advise the then Premier are mentioned on many pages, where he says—

An honourable member interjecting:

The Hon. LYNN ARNOLD: If the honourable member wants me to read out all the quotes where that is mentioned, I will do so. Further, the Commissioner states:

Mr Bannon has said publicly that he was let down by those in whom he placed his trust and confidence.

Well, don't shake your head, because the Commissioner's comment on that (page 389) is:

The evidence unequivocally places the board and Mr Clark in that category...

With respect to the Reserve Bank, a lot of criticism can be levelled there. When the Hon. Peter Reith in the Federal Parliament—someone from whom members opposite would want to draw some comfort—was being questioned on radio this morning, what did he immediately home in on? He did not worry about other players in the whole State Bank disaster: he came back to the Reserve Bank, and that is where his comments were directed.

Regarding the Reserve Bank, there is an important quote, as we all know, that talks about all the players in the ultimate tragedy, to use the Commissioner's words. One of them is the Reserve Bank. A lot has been said by the Leader about the role of the member for Ross Smith as the former Treasurer, but relatively little has been said about the other key players. Let us look at the Reserve Bank. The Government did derive comfort from the fact that the State Bank complied voluntarily and fully with the Reserve Bank's supervision requirements. Clearly, that was a false sense of security. As the Royal Commission report shows, not only was the State Bank not relaying information to the Government regarding the Reserve Bank's concerns but the Reserve Bank itself,

while identifying some problems, failed to detect the seriousness of the situation. Yet here we have the Leader saying that somehow back in 1988, 1987 or 1985—he gets more expansive as to when it should have been identified—that which the Reserve Bank itself apparently did not fully pick up should have been picked up. The Royal Commissioner states:

The reassurance that the Government claimed it derived from the Reserve Bank supervision was misplaced, as there was an absence of lines of communication between the Government and the Reserve Bank.

I believe the responsibility for that rests heavily with the Reserve Bank. Further, the Commissioner states:

While in hindsight it is clear that the Government's reliance on the Reserve Bank's supervision was misplaced, at that time that reliance was not unreasonable, especially in the light of frequent claims by the State Bank that it complied fully with Reserve Bank of Australia requirements. Based on the Reserve Bank's charter, supervision by the Reserve Bank of Australia includes such matters as enforcing various prudential standards, collecting and analysing statistical information from the bank, monitoring the bank to ensure that it complied with agreed prudential standards on issues such as capital and liability, liaising with the bank's external auditors.

That is a very comprehensive set of responsibilities and, if one is then getting reports from the Reserve Bank that everything is okay, what is the Government to deduce from that? It is quite clear from the report that Tim Marcus Clark and the then board embarked on a policy of deliberately not disclosing Reserve Bank of Australia concerns to the Treasurer. There is case after case in the royal commission report where the bank simply did not inform its owner of its discussions with the Reserve Bank. Where is the blame to lie in that situation? I put quite clearly it is to lie with the then bank. The Royal Commissioner rightly points out:

Had these concerns been relayed to the Government, it may well have had a profound effect upon its future relationship with the bank.

In relation to the State Bank's exposure to Equiticorp, which was well in excess of Reserve Bank limits and on which the Reserve Bank had strong concerns, the Royal Commissioner states:

The decision of the bank in the face of the Reserve Bank's opposition cannot fail to be significant. The bank said it was too late to change its decision, but the bank 'knew the rules' before the decision was taken. Its behaviour was inconsistent with what the Government believed and expected was occurring, and the failure of Mr Barrett to tell the Government what had happened has not been satisfactorily explained, for the voluntary submission of the bank to Reserve Bank supervision was one of the 'building blocks' for the bank in 1984.

I return members again to the debate in this Parliament on that matter at that time. The Commissioner continues:

One is left with the uneasy suspicion that disclosure to the Government may have damaged the high esteem in which Mr Clark was held by Mr Bannon, a suspicion that is fed by the failure to inform the Government of other relevant matters arising in the course of the bank's relationship with the Reserve Bank which did not cast the bank and its performance in a very good light.

It quite clearly comes from that that the management and the then board of the bank did not take the Reserve Bank of Australia's concerns particularly seriously. There

seems to have been no follow-up to the concerns, let alone informing of the Government. The Royal Commissioner further states:

The board's preparedness to assist Equiticorp in December 1987 in the face of earlier Reserve Bank concerns about the size of the bank's exposure to Equiticorp and Mr Clark's presence on the Equiticorp board was unquestioning and displayed a continuing dismissive attitude to the role of the Reserve Bank.

By July 1990, the Reserve Bank was raising major concerns with the management of the bank, and those concerns were not conveyed to the then Treasurer. The concerns included widespread rumours regarding the group's financial performance; the perception by nationally operating banks that the State Bank of South Australia published results that were simply not believable and that the—

The Hon. J.C. Bannon interjecting:

The Hon. LYNN ARNOLD: In the light of what has happened, that is ironic, yes—and that the bank clearly had a credibility problem; Beneficial Finance's performance and prospects; the managerial capacity of the bank group, particularly in the light of recent acquisitions; the rapid growth of the balance sheet; the status of Oceanic Property Growth Trust; and the bank's exposure to the property market in London and New Zealand. It was in July 1990 that this was coming to the attention of the Reserve Bank, and that was not communicated to the then Treasurer.

Shortly after raising these concerns with the bank, Dr Bethune from Treasury met with the Reserve Bank, and it is surprising, to say the least, that the Reserve Bank did not convey similar concerns to Treasury at that meeting. I do not know what was supposed to happen at that meeting. Was Dr Bethune supposed to have a crystal ball so that he was then somehow to read in what might be in the mind of the officers of the Reserve Bank who attended? Was he supposed to play a game of 20 questions to try to work out the right question to ask that would get the right answer? Surely it was incumbent upon the holder of the information at that time to willingly volunteer that information to the officer from Treasury, but that did not happen. The evidence presented to the royal commission on this matter is most disturbing indeed.

There are many other quotes with which I could deal concerning the Reserve Bank, and I suggest we might come back to those later in the debate. Let us turn to some of the other matters that have to be—

The Hon. Dean Brown: Haven't you read it?

The Hon. LYNN ARNOLD: I have read it very well indeed. I suggest that you could do with going through it.

The SPEAKER: Order!

The Hon. LYNN ARNOLD: I turn now to interest rate matters that have been raised. First, we have the 1989 interest rate subsidy arrangement. I have made clear my comments concerning that on a number of occasions, including in this House in answer to the Leader, but I will have to restate some of the points about that, because there is some kind of suggestion from the Leader that I have been involved in that process or that my colleagues have been involved in that process. I will just go through the actual facts. The State Government's position was made quite clear by the former Premier. As I mentioned before, it is not for Cabinet discussions to be canvassed

publicly but, as was made clear by me and my predecessor in early September, the matter of the interest rate subsidy was not a Cabinet decision. It was not even a Cabinet submission. As the member for Ross Smith told the *Advertiser* on 5 September:

The arrangement was one which was determined and finalised between the South Australian Financing Authority, Treasury and the bank. It required ultimately a general endorsement from me as Treasurer, and that was obtained, and that matter has been fully canvassed before the State Bank royal commission.

The arrangement did not need to be referred to Cabinet, and indeed was not. The Treasurer's instructions do not apply to statutory authorities and therefore cannot apply to a transaction between SAFA and the bank. SAFA and the bank had the power to enter into the transaction. The Treasurer's instructions did not apply to the agreement between SAFA and the Treasurer. The Treasurer had ostensible authority to enter the arrangement with SAFA on behalf of the Crown, and he had the statutory authority to do so under the Treasurer's Incorporation Act. The appropriation vote for the Treasury Department or the Governor's appropriation could validly be applied to meet the commitment of Treasurer to Treasury. The arrangement is similar to those affecting the State Bank's indemnity.

That quite clearly puts the context of what happened with respect to the interest rate subsidy. I mentioned yesterday that the reference to the pre-election advertising referred, I am certain, to the HomeSure campaign, because it did not refer to that arrangement at all.

Members interjecting:

The Hon. LYNN ARNOLD: If the Deputy Leader wants to take issue with that, I suggest he come up with some evidence in the contribution he might want to make in this matter.

Mr Olsen interjecting:

The SPEAKER: Order!

The Hon. LYNN ARNOLD: With respect to the 1987 interest rate changes, the bank advised the then Premier of a proposed interest rate change. At a subsequent meeting, the then Premier suggested that the bank should consider its proposed increase in housing interest rates very carefully, because any move might have an effect in the volatile climate of the time. Those comments were made in an environment in which interest rates were coming down, not going up. The State Bank, however, was proposing to increase housing interest rates despite the general climate. No direction or demand was made to the bank by the then Treasurer. The Treasurer merely stated his views.

Members interjecting:

The Hon. LYNN ARNOLD: In response, the bank decided to defer the proposed increase and review the issue in mid-July of that year.

Members interjecting:

The SPEAKER: Order!

The Hon. LYNN ARNOLD: I also want to make the point that that matter was not considered by Cabinet because, again, there was no need for it to be so considered.

Members interjecting:

The SPEAKER: Order!

The Hon. LYNN ARNOLD: Assertions have been made that the Government has misled Parliament. On

radio this morning, the Leader said that they would quote 12 examples. Then it grew to 16 but, when he had his own, he was back to four or five. He said, 'We are still working on it. People further down the bench will come up with a few more when the beavers upstairs on the second floor have managed to find a few phrases in *Hansard* to which some innuendo can be attached.

What must be said is that, in answering questions in this place, all Ministers (Premiers included) act in good faith upon the information given to them. We have the Royal Commissioner himself acknowledging that the former Premier was misled by the bank, so if there were situations—

Members interjecting:

The SPEAKER: Order!

The Hon. LYNN ARNOLD: —where the then Premier gave information in answer to questions in this place based upon information given by the bank that was itself information that was not correct, how can he be held to blame for that if, in fact, the authors of the information given to him which he accepted in good faith did not give the correct information? We do know the example of the off balance sheet companies. The information provided to the former Premier regarding off balance sheet companies highlights just how reliant the Government was on obtaining accurate information from the bank, and it is worth recounting that particular saga.

Following questions about off balance sheet companies asked in Parliament on 4 December 1990, Tim Marcus Clark provided an answer to the then Treasurer at a meeting on that day. Tim Marcus Clark informed the then Treasurer that the bank had five off balance sheet companies and Beneficial Finance had 53. Based on this information and further details provided by the bank, the Premier provided an answer accordingly on 6 December. Unfortunately, the bank, through the chair, later informed the Premier, who had already acted in good faith upon the information provided—on 11 December—that the information previously provided on a number of off balance sheet companies was incorrect and that there was still some confusion concerning what was classified as being an off balance sheet company.

Following receipt of this letter and after obtaining further advice from Beneficial Finance and Treasury, the then Premier did the only thing that was appropriate to do: he made a ministerial statement in Parliament on 13 December explaining the answer he had previously provided on the number of companies being wrong. That highlights that, despite wrong information being provided to the Government, the Treasurer informed Parliament as soon as he was aware that he had been given wrong information. Other matters concerning commercial confidentiality were raised. As the Parliament would appreciate, the concept of commercial confidentiality in relation to bank clients is very important.

The very reason we established the Auditor-General's inquiry as well as the royal commission was to ensure that some aspects of ongoing banking business would not be subjected to such public scrutiny as to tear that business apart.

Members interjecting:

The SPEAKER: Order! The Premier.

The Hon. LYNN ARNOLD: Once again, the Government relied on the bank's assessment of what was

commercially confidential and on the information that they provided as a consequence. The then Treasurer was careful to ensure that at all times the bank did not devalue the concept of claiming commercial confidentiality where it was not appropriate. However, it would appear that this important concept was used by the bank as a veil not to provide full details to the then Treasurer.

For instance, during questioning for the 1990-91 Estimates Committee, the then Leader of the Opposition asked the Premier if he could indicate the proportion of the State Bank Group's total loans involved in property investment in other States and what proportion of the bank's non-accrual loans and provision for bad debts relate to these loans. The Premier replied that he would refer the matter to the bank and, in a written reply on 24 September to the Under Treasurer, Tim Marcus Clark indicated that the bank did not consider it appropriate to provide this information.

The then Treasurer then questioned the bank on the extent to which providing an answer in relation to the proportion of the loans could be commercially confidential, and in response the bank undertook to do what it could with respect to information. On 28 November 1990 Tim Marcus Clark again wrote to the Under Treasurer and indicated that the matter was discussed at the bank's board meeting—with members of the then board—on 22 November 1990 and that the board had advised him that they were unwilling to make such information available on the grounds of normal commercial practice and competitor confidentiality.

It is interesting to note that the very information that Tim Marcus Clark refused to provide on the grounds that it was commercially confidential was provided by the bank in response to another question in Parliament at a later date. As stated at the beginning, the Government relied on the information provided by the bank but that, as the Royal Commissioner himself accepts, was misplaced trust. As the Royal Commissioner stated, it is hard to resist the conclusion that not only has the bank misled the Government as to the shared circumstances confronting it but the management was likewise anxious to mislead the board to the same effect.

A number of other matters could be canvassed in this respect as well and we could go to the allegations that the State Bank Act has been breached. That is the Leader's allegation and he has been making it by means of interjection with various references to whether or not I have read the Commissioner's report. The Commissioner makes no specific key finding that the State Bank Act was breached.

However, he does find that Treasury discouraged the bank from adopting normal commercial tax effective measures for the purpose of minimising its notional income tax and wrongly arranged with the bank to treat payments to SAFA as deductible for the purpose of calculating notional income tax. In the Commissioner's view this presented an inflated and distorted picture of the funds available for distribution under section 22(1)(b) of the State Bank Act.

It is the case that Treasury discouraged the bank from engaging in certain financial practices, particularly related to the funding of companies through preference shares. The effect of this was to reduce the bank's tax

obligations to the Government of South Australia at the expense of a lower gross return to the bank and hence to South Australia's public sector on a consolidated basis. This Government believes that Treasury's approach to this matter was appropriate.

It is also true that it was agreed that payments by the bank to SAFA on capital provided by SAFA to the bank were deductible for the purpose of calculating payments to the State Treasurer in lieu of income tax. The Government understands that it has not been determined that such an arrangement is inconsistent with the Commonwealth Income Tax Assessment Act. There are other examples of the bank's balance sheets, including large amounts of tier one capital, which attract a return to holders of that capital on an interest rate related basis.

One such example is the \$1.4 billion of undated floating rate notes issued by the Commonwealth Bank. The view was taken by the bank and Treasury that payments under the relevant arrangements between the bank and SAFA were appropriately deductible. The arrangements were entered into *bona fide* and there is no suggestion that officers deliberately breached the Act. The approach taken appears to be consistent with a tax ruling given by the Australian Taxation Office in 1987.

At this stage the Government is not in a position to accept or reject that there is a necessary inconsistency between the capital classified as tier one and payments in question being tax deductible. Inquiries have been made of the commission's staff to attempt to elucidate the basis of the commission's remarks on that case. Other references have been made by the Leader to the collective responsibility of Government. I already identified in my answers yesterday and in my ministerial statement the references being made in here to the former Treasurer, the former Under Treasurer and Treasury, but I also identify that, while evidence cites other members of Executive Government, those members are not cited in the key findings or the summary.

It is worth noting that since we are so fond of listening to the royal commission there was another royal commission that I was asked about in this place: would we examine its findings to see what implications it had for South Australia? That was the Western Australian Royal Commission, and it is worth noting the following statement in the report of that commission:

It is the commission's view—

the Western Australian royal commission's view—

that, whatever its parliamentary and electoral effect in limiting or extending the scope of political responsibility, a convention of collective ministerial responsibility cannot legitimately be used without more to infer the collective impropriety of a Cabinet from a finding of impropriety in the case of a particular Minister in that Cabinet.

They wanted us to pay attention to the Western Australian royal commission, but now I guess they do not want us to pay attention to that commission; that would not quite suit their purposes.

I wish now to come to a couple of other matters concerning the board's assessment of Mr Marcus Clark. We have had references that the board clearly was not supporting Mr Marcus Clark, and one board member in particular. I draw attention to pages 359-60 of the Royal Commissioner's report:

Despite mounting unease about Mr Clark in 1989 the board itself did not as a board address the issue. Indeed—
and I mentioned this before—

in February 1990 it increased Mr Clark's salary package by \$50 000 per annum and Mr Simmons, contrary to the tenor of his own notes, gave a message of reassurance rather than alarm in his private discussions with the Treasurer on 9 February and 8 May 1990. As a result—

these are the Commissioner's own words—

it is understandable and not surprising that the Treasurer at this time said that he thought it desirable for Mr Clark to stay with the bank, notwithstanding Mr Hartley's explicit warnings.

Let me talk a bit more about Mr Clark and his particular role, because the Opposition would have us believe that they have never believed he had any merit, that they were always against him. The Opposition has, as I mentioned yesterday, ignored the way in which he was selected for the Chief Executive Officer position in the State Bank and suggests that somehow or other we slipped it by them. As I pointed out yesterday, he was not in fact appointed to the Chief Executive Officer position by the then Premier: he was appointed by a selection process that I identified clearly. But what of Mr Marcus Clark? The point that needs to be made is that Mr Marcus Clark was seen in a very favourable light by the community in South Australia for a considerable period.

The Hon. Frank Blevins interjecting:

The Hon. LYNN ARNOLD: Certainly, he was seen by the *Advertiser* in a favourable light for a considerable period of time—

The Hon. Frank Blevins: And also by Hewson—

The Hon. LYNN ARNOLD: The Deputy Premier mentions someone else who likes him, and he is quite right. Let us look at John Hewson. We have already heard the words of Peter Reith from the Federal Opposition, but now let us look at the words of John Hewson, who some time ago wrote an article for *Business Review Weekly* and he was talking about the need for outsiders to come into significant jobs. One job he was looking at was that of Governor of the Reserve Bank of Australia. He said it was important that they looked for some good candidates, and he used the phrase 'young Turks'. He said they needed some good young Turks. He was not just writing an article and flippantly throwing in the concept: he was actually prepared to put names behind his words.

An honourable member interjecting:

The Hon. LYNN ARNOLD: Very courageous in the light of what was to happen later. Let us look at some of the names he thought should be considered for the position of Governor of the Reserve Bank of Australia. He stated:

Amongst the list of young turks you could include the young State Bank turks—Nicholas Whitlam from New South Wales, Bill Moyle from Victoria, Tim Marcus Clark from South Australia.

They are the very words of the Leader of the Federal Opposition himself. He certainly felt that Tim Marcus Clark had considerable talent and expertise at that time. So, too, did members opposite for a long time. So, suddenly to suggest in hindsight that they knew all about it, that they knew better from day one, is clearly to rewrite history in a most unfortunate way. We have seen

that happen in dictatorships, but we ought not to be seeing it happen in this country.

I suggest that the Opposition not just spend its time following the lead of the *Advertiser*, which seems already to have set its position in place as to what is going on in this matter. I suggest that they get off this cracked record of 'We must go to an election; we must go to an election.' No doubt they will keep on saying that for many months to come; in fact, for somewhere between 15 and 18 months to come. If they do want to look at how editorial opinion is running on this matter around the country I suggest that they would do well to read what some other newspapers are saying about the Royal Commissioner's report. I will not go through the quotes; I will leave that for other members on this side. It will be done by members on this side, because I know they will not do it on the other side. There are quotes in the *Sydney Morning Herald*, the *Age* and the *Australian* about how they perceive the problems coming out of the interim report of the Royal Commissioner on term of reference 1.

Clearly there are no grounds for the Leader's motion to be supported. It is simply a cynical exercise designed not to give any concept of natural justice of allowing all the evidence and findings to be taken into account but, rather, to try to rush the judgment and to deny any concept of natural justice in terms of apportioning a reasonable allocation of responsibility for what the Commissioner quite rightly describes as the ultimate tragedy of the State Bank.

Mr INGERSON (Deputy Leader of the Opposition):

What an amazing 15 minutes of self-defence. We sat here while the Premier talked about his role with Mr Hartley. It is well to remind the House of what that role was. Premier Arnold said (transcript page 12140) that Mr Hartley began expressing concerns about this issue from the last quarter of 1988. Premier Arnold met Mr Hartley on 3 May 1990 and on 2 October 1990 and they discussed the growing problems of the bank. At their meeting on 2 October, Mr Hartley told Premier Arnold that Marcus Clark was an 'egomaniac who was acting in a dangerous way' and that he should be dismissed or stripped of his powers and sidelined. He believed that if it was not possible to sack Marcus Clark he should be effectively sidelined. Those comments were from the transcript.

What did he do? He sat on that information, because in December of that same year, two months after Premier Arnold had been advised of that position, Premier Bannon got up in this House and advised that he had full and unqualified confidence in Mr Marcus Clark. He said, 'Yes, I believe that the board and its managing director are doing their best in difficult circumstances to ensure the bank remains active and successful.' Premier Arnold sat here in December of 1990 knowing that those facts were wrong and understood very clearly that the then Premier had misled this House.

Premier Arnold a few minutes ago also talked about the Reserve Bank and its role and said that clearly the Reserve Bank did not have a major position or was not concerned. I quote from the very last comment made by the Commissioner about the Reserve Bank. He states:

It is a measure of the Government's low key role, if not its indifference to the manner in which the bank conducted its affairs, that it claimed to justify its attitude and policy by its reliance on the surveillance of, and the State Bank by the Reserve Bank without having any idea of without seeking to ascertain the outcome of that surveillance.

That is directly opposite to what the Premier said to this House some five minutes ago. It is a quote from the Royal Commissioner on the role of the State Bank and the Reserve Bank.

I now turn to the comments about the member for Ross Smith. The Premier told this House a few minutes ago that the information given to the member for Ross Smith when he was Premier may have been incorrect. All the information, as rightly stated by the Leader earlier, was information put before the royal commission, information of which the Premier was aware but which he did not give to this Parliament. The Premier clearly misled this Parliament, because if one looks at the evidence of the royal commission one sees that he knew that the answers he gave to this Parliament were incorrect and that he misled the House.

This vote of no confidence is about accountability, collective responsibility, honesty in Government and basic business principles. The Royal Commissioner's report has found this Government wanting in all these areas. The Leader of the Opposition has extensively summarised the glaring deficiencies that are exposed in that report. One of the most damning is the Government's abysmal inability to understand basic business principles.

Last night when I sat down to read the royal commission report I was staggered at the number of times the Royal Commissioner said, 'Premier Bannon, at his six weekly interviews with the bank, was given information that either he or the Treasury did not look into.' One of the examples that I read last night was that in setting up the Hong Kong branch the figures given to the Premier suggested that the gross profit would be about .75 per cent. The Royal Commissioner said clearly that no bank in that sort of industry could possibly work on less than 4 per cent. Yet, the Premier of our State, the person in charge of our investment in the State Bank operations, did not even bother to find out that a fundamental bank operating charge was nearly five times less than it should have been. That was just one instance; there were half a dozen other instances in which the bank gave information to the Treasurer and consequently to Treasury and not one single thing was looked at or investigated. I will come to other examples as I proceed.

The Royal Commissioner has shown that this Government, backed by enormous ignorance, demonstrated reckless regard for its responsibility as custodian of the taxpayers' assets. The \$3 000 million involved suggests clearly the sort of recklessness with which the Government treated our taxpayers' money. We are all paying for that recklessness. The reckless growth of State Bank's business overseas and locally negated all the recognised traditions of business assessment and good management.

This Government failed the people of South Australia almost from the day that the State Bank opened. In making that statement one only needs to read what the Royal Commissioner says on page 69 about the growth of the bank:

The Government's implicit message to the bank during the year was that it should pursue its growth both locally and internationally, provided it projected profits and made a satisfactory and progressively increasing return of funds to the State under section 22 of the Act. That message is understandable, but it lacked the desirable element of restraint appropriate to a 'newborn' bank that had to learn to walk before it could run as quickly as it did.

The Royal Commissioner also said:

There is no doubt on the whole evidence at this relatively early stage that the focus of Treasury on profit (that is, the level of contribution to Government coffers) rather than the quality of performance was reflected in bank strategies which were dominated by the request for ever increasing profits.

I am only a small businessman; I have been involved in business in this State for 25 years. Like most small businessmen in this State I know that, if one does not charge enough in terms of cost to create a profit, one goes broke. In the very first year of the formation of the bank this Government ignored one of the most fundamental requirements for business to survive: to make sure that one makes enough profit before one continues to grow or to get into the growth stage. The Royal Commissioner recognised that. The Premier, at his six-weekly meetings with the bank, should have known that because he was given all the information. There was not one skerrick of information in terms of profitability, of profit plans and of future budgeting that the Premier did not see in 1984-85 and every year from the beginning of the bank. Yet, the basis on which this whole problem was set up started in 1984-85.

The Royal Commissioner has identified that the uncontrolled growth of this high risk business is a key cause of the bank's losses. He has reported that the Government encouraged the bank to continue along this course, as I have just said. The bank began in 1984 with \$3 billion worth of assets. By October 1990 this had increased to \$23.9 billion. Evidence presented to the royal commission showed that over the period 1984 to 1989 the major banks performed in a significantly different way. As the Leader in his presentation said, the State Bank of South Australia over that period had a growth rate of 379 per cent: three times higher than the ANZ Bank, four times higher than the Commonwealth Bank and double that of the National Bank and Westpac. It was the biggest single growth of a regional bank under the control of a Government which was investing taxpayers' money willy-nilly without any control at all.

This level of assets of \$7.5 billion, which was advised to Treasury in June 1992, was exceeded by June 1987—five years ahead of the projection. In 1988 the bank told Treasury that it planned to have assets of \$18.7 billion by June 1993. This level was reached in 1990—three years ahead of the plan. Rapid unplanned asset growth is also illustrated by a comparison of projections in some of the early strategic plans with the actual results. A table in the royal commission report clearly shows that in all six years of the plan the growth of the bank did not marginally exceed the plan, but was well in excess of the plan. The Commissioner said that on not one occasion was this original plan referred to in the next five years to see whether the growth of assets and the profitability consequently to the bank was in line with reality. Not once was this strategic plan, set out to

guide the planning of the bank and the owners, the taxpayers of South Australia, referred to as a reference point to see whether things were going all right.

The profit of the bank is the most critical thing in this whole exercise, and the profit of the bank was ignored. Premier Arnold did nothing to ensure that the bank curtailed its strategy, which has now cost South Australians \$3 150 million. In fact, all Ministers supported this growth. We have heard our Leader refer to the blushing face of the Minister of Tourism, who will be remembered in this place for the outrageous statements that he made in that area. The member for Coles will take that up. One thing that is important in this debate is the involvement of the Government and Cabinet. It is clear that this rapid growth of the bank was controlled and accepted by the Cabinet, and rightly it should be.

The royal commission into Australian Government administration in 1976 clearly said:

Broadly, it is required by convention that all Ministers must be prepared to accept collective responsibility for and defend publicly the policies and actions of the Government or else resign.

Probably the most interesting quotation of all comes from Premier Dunstan on 7 February 1978. I noticed that the Deputy Premier's ears pricked up then, because it is a very interesting quotation. Premier Dunstan moved a motion of confidence in his Government on 7 February 1978, following the dismissal of the Police Commissioner. Essentially, this was over the same principle on which we are challenging the present Government over the State Bank issue—accountability to Parliament and whether Parliament had been misled. In moving his motion Premier Dunstan stated:

Today the time has come for every member of this Parliament to stand up and be counted on principles that lie at the heart of our free and democratic way of life. The principles are as simple as they are great. The Executive Government of the State is responsible to Parliament and to the people. It must account for its actions, and account for them fully and effectively. Should any member of a Government of this State deny this accountability, mislead this House, the penalty is clear: resignation or dismissal from office. There is no other choice.

It is interesting to note that the accountability of Cabinet was recognised by Premier Dunstan as a fundamental part of the Westminster system. With all his faults, with all the things with which I disagreed in respect of the way he did things and what he represented, the one thing that Premier Dunstan stood for was the accountability of the Government to this Parliament, and it was clearly laid down in those conditions.

Looking at the key events during this period, we note that in 1985 the uncontrolled spending of the bank started with Executor Trustee. Then it bought SVB Day Porter Ltd, and then it purchased and set up an offshore branch in London. In 1985 not one of those major developments was investigated by Treasury and not one of those issues was commented upon by the Premier, yet every one was approved by him and he was given the information.

The Royal Commissioner was very damning of the fact that these sorts of acquisitions in 1985 were not investigated. In 1986, a branch was opened in Alice Springs, and we had the beginning of the State Bank Centre, which was originally priced at \$85 million and ended up costing \$120 million. We had the purchase of

Myles Pearce, which has now been sold back rightfully to the private sector. We had the setting up of offices in Melbourne, Sydney, Hong Kong and Katherine. An office was set up in Hong Kong because the Bank of England said that the London office was breaking the prudential rules. In the Commissioner's report, he clearly said:

We are going to let the bank set up, with the support of the Premier, an office in Hong Kong...

That was to enable the bank to get around the rules of the Bank of England. So, in 1986, Premier Bannon was quite happy to be involved in scurrilous action. In 1987, we had the purchase of Ayers Finnis and Oceanic Corporation. The Premier had all the information on the purchase of Oceanic, but did not bother—

An honourable member interjecting:

Mr INGERSON: Because the Royal Commissioner said he did. In his report, the Royal Commissioner said that the Premier had seen all the evidence on the purchase of Oceanic but did not lift a finger. Oceanic turned out to be one of the biggest single disasters for the State Bank. Then we had the East End Market, the opening of the New York office and Remm. So it goes on. There was a total lack of control of asset growth by the bank, and there was no support from the Cabinet to make sure that Premier Bannon looked at this most destructive issue as far as the bank was concerned. From the beginning of his report, the Royal Commissioner said that the major problem in this area was the lack of control and supervision by Premier Bannon at that time to make sure that all this asset growth was accountable, and that was one of the most damning single issues in the whole development of the State Bank fiasco. I support the motion.

The Hon. FRANK BLEVINS (Deputy Premier): I oppose the motion. The motion purports to shell a whole litany of atrocities by this Government which warrant its being condemned by this House. I argue that the royal commission's first report does absolutely nothing of the sort. What the first report does is what was expressly stated by the Commissioner at the start of the report. He said that it is not a report that allocates blame. It is the first report of three, and when the picture is complete I think the Parliament has an obligation to consider the three reports together and decide on the merits or otherwise of the Government's actions.

It is true that the first report was harsh, to say the least, on the actions of some parties. It was particularly harsh on the actions of the former Premier and Treasurer. Of course, it was open to the commission to bring forth that result—there is no doubt about that—and the former Premier and Treasurer has not attempted to deny his responsibility. However, like the member for Ross Smith, I was very surprised by the style and tenor of the report. Quite frankly, I expected something a little bit more judicial. I did not expect the flowery language, some of which was read by the Leader in his response. However, the tone has been set, the report has been written in that way, and I suppose people will form and express their own views on the way in which the report was put together, particularly its language.

The tone has been set, and I hope it continues. I hope the same treatment is given in subsequent reports dealing with the board and the management. I regret that tone, I

was surprised at it but, now that it has been set, I hope it continues. I expect that the Auditor-General's Report will be somewhat different. It has been suggested that the whole of Cabinet ought to have been running the bank—despite the fact that the Act says that it could not. That is an extremely simplistic notion. You would have to have 13 Cabinet Ministers, all bankers, all with the ability to walk across the road to the State Bank, to know where to go and what to look at. Merely to state the case is to dismiss it as nonsense: thirteen people in Cabinet cannot be in that position. If those 13 people were all bankers, what would we do about every other thing with which the Government deals?

Mr Brindal interjecting:

The Hon. FRANK BLEVINS: Because 13 bankers would not be too good on education, health and so on.

Members interjecting:

The DEPUTY SPEAKER: Order!

The Hon. FRANK BLEVINS: They are the points I am making, although I will have to shout very loud over the member for Hayward. The point I am making is that all Governments have to rely on advice from the Public Service and institutions and particularly from regulatory authorities. It is extremely difficult, as was pointed out by the Royal Commissioner, when the owner has no control over the day-to-day regulations under which the bank operates. The principal body charged with that task in Australia is the Reserve Bank. I say here and now that, of all the disappointments I have had throughout this affair, nothing has disappointed me more than the Reserve Bank of Australia.

Every individual in Australia, every Government irrespective of its political persuasion and every business which has dealings with banks have the right to expect that the principal body that has been entrusted with the job of ensuring the stability and good order of our financial institutions, particularly the banks, is the Reserve Bank—and I argue that the Reserve Bank fell down on the job.

Members interjecting:

The Hon. FRANK BLEVINS: There is no question that others fell down on the job, too. I am not arguing that; that is not the point I am making.

An honourable member interjecting:

The Hon. FRANK BLEVINS: You can make your points later. The point I am making is that it is critical for every individual, for every depositor from the smallest to the largest, for everyone who does business in Australia that the Reserve Bank of Australia is up to the job and does that job. What has happened to banks throughout Australia in the past few years has, to say the least, indicated that the Reserve Bank of Australia has been lacking. I am not referring only to the State Bank of South Australia. Almost on a daily basis, including today, one can pick up the newspaper and see headlines such as 'ANZ's \$1.9 billion fiasco'. Where was the Reserve Bank then? If one turns to the back of the newspaper, one reads, in respect of the ANZ:

The bad news is that the bank has flushed \$4.5 billion down the drain over the past four years on bad loan provisions.

Members interjecting:

The DEPUTY SPEAKER: Order! I ask the honourable Treasurer to sit down, because there are far too many interjections. Nearly every member is on the

list to speak, and they will get their opportunity to say what they want to say. In the meantime, I order the House to hear the Deputy Premier in silence. It would be most unfortunate in a situation such as this if we were to lose one member.

The Hon. FRANK BLEVINS: I am not sure how unfortunate it would be; it depends from which side of the House they come. Again, whether one is a taxpayer in South Australia, a shareholder in Westpac or a shareholder in the ANZ Bank, I think those taxpayers, shareholders and depositors have been badly served by the Reserve Bank. For an institution with such an important role, I believe that is unacceptable. There have been many quotes. I would argue that there have been many yellow stickers used since Monday; we should get shares in the company that makes them. The number of yellow stickers alongside the quotes have been extensive, but they have been very selective. I would guarantee that the yellow stickers in the pages of the royal commission report on this side—

Members interjecting:

The Hon. FRANK BLEVINS: That's right.

Members interjecting:

The DEPUTY SPEAKER: Order!

The Hon. FRANK BLEVINS: Get him out. I would argue that every one of the yellow stickers on the other side would be—

An honourable member: Your stickers are different.

The Hon. FRANK BLEVINS: Exactly! That is what I have just said. I bet they would be different. I will quote from the royal commission report some passages that relate to the Reserve Bank, and I think it is important that I do that. These are just a few of the quotes. The Royal Commissioner states:

The bank's preparedness to assist Equiticorp in December 1987 in the face of earlier Reserve Bank concerns about the size of the bank's exposure to Equiticorp and Mr Clark's presence on the Equiticorp board was unquestioning and displayed a continuing dismissive attitude to the role of the Reserve Bank, and what did they do about it? Throughout this period from December 1987 to the end of March 1988 there is not the slightest hint that the bank board considered that the Government should have been advised of the bank group's exposure to Equiticorp and that the Equiticorp group and the bank were playing games with the Reserve Bank guidelines for the bank. The Government was left in blissful ignorance.

I condemn the board, I condemn the management of the bank, but I also condemn the Reserve Bank of Australia. What on earth was wrong with it picking up a phone, contacting Treasury, contacting the Premier and Treasurer? What was wrong with it doing that? Further, the—

Members interjecting:

The DEPUTY SPEAKER: Order!

The Hon. FRANK BLEVINS: You had your say and you had it in silence. Show the same courtesy to other members in the Chamber, because the Deputy Speaker has already warned you. Further, the Royal Commissioner states:

If the Government had become aware of Mr Clark's personal involvement with and the bank's very significant exposure to a group of companies experiencing significant liquidity problems, especially when the Reserve Bank had concerns about the nature

and extent of the relationship, Mr Bannon may well have had rather less confidence in Mr Clark.

It is quite clear what the Reserve Bank is charged with doing. The concern is its brief: I will not quote it, because it is too long and I am running out of time. Further, the report states:

The bank was selective with its compliance with the Reserve Bank policies and guidelines. The Government did not know that.

The State Bank—again, with the very little that we can glean from the report, the very little concern that the Reserve Bank was expressing—complied only minimally. The question should be asked, 'If there was no statutory or other obstacle, why did the Reserve Bank not inform the Government of its concern?' Nevertheless, it was not until November 1990 that the Reserve Bank conveyed its concerns to the Government. By that time, it was all too late. It was the end of 1990 before the Reserve Bank finally got its act together, contacted the Government and said that there were some problems.

I suppose we could point out the problems and carry on pointing them out, but I am sure members opposite will do that for the next few hours. The important thing for me as the Treasurer of this State now is what has been put in place is to ensure that these things do not happen again, although in his opening statement the Leader said that not \$1 of the loss that the State Bank has made needed to occur. An absolutely incredible statement! That is a puerile statement, because almost every bank in the Western World, over the past few years, has had losses—billions of dollars. That has happened to some of the best run banks, because banks do not have crystal balls and because banks cannot predict that every loan they make will be good. They just cannot do that. To say that all the losses could have been avoided is nonsense. It may well be that some of them could have been, and I concede that readily.

I also ask, 'What is the position for the future?' If the arrangements for reporting by the Reserve Bank and the relationships between the Reserve Bank and Treasury and the Reserve Bank and the Government were bad—and that is undeniable, and I think the Reserve Bank must take a considerable amount of the blame for that—I believe that the situation has now been fully rectified. In August 1991, the Reserve Bank reached formal agreement with the State Government regarding prudential supervision of the State Bank. It is a tripartite arrangement involving *inter alia* the provision of materials submitted to the Reserve Bank, to the Under Treasurer, and the right of attendance of the Under Treasurer or nominee at Reserve Bank consultations with the bank. That is now happening on a regular basis, and I think we can all take comfort from that.

Importantly, the agreement includes the provision that, if at any time the Reserve Bank or the South Australian Government considers that matters of sufficient importance have arisen regarding the condition of the bank, each will involve the other. That seems to be awfully basic to me: it does not seem to be anything that we should say has had to be instituted recently. It seems to me that the Reserve Bank, which is charged with this prime responsibility, should have ensured in its own procedures that these things were in place for its

own benefit. Direct contact is now maintained between the Under Treasurer and the Governor of the Reserve Bank and between other staff.

As has often been stated, and as I am sure will often be stated again and into the future, what has occurred in the State Bank has been a tragedy. There is no way that we can turn back the clock. Everybody wishes that that could occur: it cannot be done. But what we can do and what I believe is my role and that of the Government, the role of the Public Service and, indeed, the role of the bank, is to ensure that such events never happen again. The share holders of Westpac, very many of them who are superannuants and who have now been beggared by what has happened in Westpac, could not give a damn whether Westpac is held in the private sector or the State Bank in the public sector. It really does not make any difference to those individuals, but arguably—

Members interjecting:

The Hon. FRANK BLEVINS: I am not concerned about the directors: I am concerned about the people who invested in Westpac. I am concerned about the taxpayers of South Australia. You could argue that, if you are a superannuate for example, with the bulk of your superannuation in Westpac, you are in an infinitely worse position than are the taxpayers of South Australia—as an individual—and that would be correct. We are seeing some tragic cases now in our electorate offices.

This Government is committed to ensuring that this does not occur again. The Government is not just committed and putting its hand on its heart: this Government has put the machinery in place to ensure that that does not happen again. I believe that, after the other two reports are published and after the Auditor-General's report is out, the whole of South Australia will want to get on with running the State and not to continue wringing their hands about the condition of the State Bank.

It is only the Opposition, for political purposes, that wants to drag out the pain of this for the people of South Australia. I believe that, given the events after February 1991, this Government has done everything correctly as regards the bank, the public servants have done everything correctly as regards the bank; and, in the main, the bank itself has done everything correctly. For those reasons and many others, I believe that the House should oppose the motion.

The SPEAKER: Before calling on the member for Mitcham, I remind the member for Navel and the member for Bright that interjections are out of order. Reference to a name rather than to a position held in this Parliament is also out of order. The member for Mitcham.

Mr S.J. BAKER (Mitcham): I can understand the problems that the Treasurer has with this report, because he is into it right up to his ears. He has been sitting alongside the Treasurer since the 1989 election. He knows what has been going on. He is just an apologist for the Government; he is an apologist for the now Premier; and he is an apologist for the former Premier—and I can understand that. I can understand that he was upset about the language in the report, although one must find difficulty reconciling his statement about that matter in relation to his famous statement, 'The

bastards at the bank got us'. That was the statement that he made to shift the blame away from the Government, and he continues to do that, although his language in this House is somewhat more tempered.

At least he did come clean and mention atrocities, because there have been atrocities visited upon the people of South Australia by the actions of this Government, and the record quite clearly shows that. I can understand why the Treasurer, the premier and every member of that Cabinet would want to say, 'Let us wait for the next two reports.' That is quite understandable. The next two reports are not about the Government: they will be about the board and the management of the State Bank. It is interesting to note that some of those reportings may well reflect on individuals who have perhaps involved themselves in criminal activities. I can understand why the premier and the Treasurer, and the whole Cabinet, would want those other two reports to come out to take the heat off them.

Let us be quite sure of what is involved. We know that some of those people who are alleged to have committed criminal offences walked away with huge payouts from the State Bank and Beneficial Finance, presumably with the imprimatur of the Government. What happened when the ship started to sink? There were some huge payouts to get them out of the way. I wonder what role was played by the premier of the day and his hapless Minister of Finance of the day? I can understand that the premier and the Treasurer have difficulties with the report and want to wait for the next two reports to come out.

I take up the issue of whether the warnings got through, as was reported by the premier. If the warnings got through, what happened to 13 Cabinet Ministers? What happened to the people over that two year period in relation to the action they took to ensure that the bank became accountable? Nothing!

The Hon. Dean Brown: They sat on their hands and did nothing.

Mr S.J. BAKER: They sat on their hands and did nothing. I can understand why the premier would want to be like Pontius. I can understand why he would want to make his pleas of innocence to this House and go through that long and involved process when everybody nearly went to sleep. I can understand that, because he is just as guilty as everyone else, if not more so, because he had someone on his left hand side telling him regularly there were huge problems with the State Bank, and that person took no action. That person is the present premier. I can understand it.

I can understand why the Premier would want to refer back to the 1983 debate regarding the limitation placed on the State Bank Act. I refer all members to section 15 of the State Bank Act, which allows the Premier the right of inquiry and the right of instruction. The Premier has full power to intervene in the State Bank. He had that power, but he could not use it for sheer political purposes. Interestingly, the only times he did intervene in the bank were for sheer political purposes: exactly what was debated in 1983 should not have happened. In terms of the normal responsibilities of the Treasurer of the day, of course, the rules were different. It was said, 'We won't intervene on matters of importance to the State and the taxpayers, but we will intervene on matters associated with getting us back into government, like rigging

elections and paying out \$2 million, or getting a Remm development up and running when it is not viable.'

On the matter of the Reserve Bank, the State Bank in South Australia has never complied with the Reserve Bank instructions, because State Banks have consistently said, 'We are not beholden to the Commonwealth rules. We are separate. We are different.' I note that it is reflected in the report; there is some voluntary arrangement and the State Bank does not have to comply with the Reserve Bank rules, and never has. It has never complied with those rules. Interestingly, in terms of how much compliance did take place, the Royal Commissioner states in his report (page 386):

More importantly, such information was not sought by the Government from the Reserve Bank or the State Bank.

It is a measure of the Government's low key role, if not its indifference to the manner in which the bank conducted its affairs, that it claimed to justify its attitude and policy by its reliance on the surveillance of the State Bank by the Reserve Bank without having any idea of, and without seeking to ascertain, the outcome of that surveillance.

The Government could not have cared less. Now it wants to blame the State Bank. I will deal with the breaches of the State Bank Act. Government happens to be the biggest business in town, and 13 Cabinet Ministers are given the responsibility of running the Government on behalf of the taxpayers of South Australia. We have a board, with the Premier as Managing Director and all his other Cabinet colleagues as directors. It is quite apparent, and the report goes to some length to say, that the Act has been breached on a number of occasions—deliberately breached. For that, they are all guilty.

I will refer to the five areas in which the Government has some rights. I will talk about rights and responsibilities in a moment. Under the Act, the Government has a right to appoint the board. The Government has a right to approve acquisitions when they involve greater than 10 per cent of shareholder capital. It has a right to be involved in the provision of capital. It has a right in relation to the guarantee of liabilities, and it has a right to determine a return on capital to the Government with respect to profitability. They are the five rights provided in the Act.

When we get down to responsibility, the Commissioner rules that the Government has broken, breached or smashed its responsibilities under the Act. The Commissioner so rightly concludes that, with every right installed in this Act—this Act that was agreed to by this Parliament—there is a responsibility on behalf of the Government. Members can read the pages. I will not list them all, but it is referred to on pages 37, 38, 39, 41, 42, 43, 45, 46, 47, 48, 57, 59, 60, 64 and 66. In fact, if we go right through it, we see that it appears on about every second page. It keeps saying the same thing: the Government has a right to appoint the board, but the board must have the appropriate expertise.

Whilst the Commissioner said that it was appropriate to have some continuity between the old board and the new board, the composition of the new board, when the State Bank went into its development phase, was totally inappropriate. Yet it was the responsibility of the Treasurer and the Government of the day to get it right.

It was their responsibility, and that is what the report concludes.

The second matter is the approval of acquisitions involving greater than 10 per cent of shareholders' capital. The Commissioner said, 'If you are going to approve it, you must scrutinise it. If you have a right of approval, you have a right of disapproval.' That is what we concluded in this Parliament when the State Bank Act was passed. We did not say that the State Bank could do anything it liked. We believed that we inserted certain responsibilities in that Act, but the Government believes they are its right, that there are no responsibilities.

In relation to approval of acquisitions, the Act was clearly breached again and again. The State Bank came to the Treasurer 38 times, and 38 times it received approval. It was not questioned—38 times, a 100 per cent record. There was no scrutiny and there was no responsibility as was required under the Act. The simple job done by the Treasurer was to sign the document, but he never asked a question. The Commissioner says that he was derelict in his duty and the Government was derelict in its duty and it breached the Act because it did not live up to its responsibilities. At the same time that the National Safety Council and Equiticorp hit the books as massive losses—

The Hon. Jennifer Cashmore: And Hooker—and Laserex.

Mr S.J. BAKER: And Hooker and Laserex, as the member for Coles reminds me. At the same time that this was happening the State Bank totted up with the United Building Societies a total of more than \$1 billion, and he signed that acquisition, too, without questioning. How stupid can he be? How ignorant was every member of this Government to allow that to go on!

What about the provision of capital, which requires a right and responsibility to know that one is getting a return on that capital? I do not want to go through all the pages of the royal commission report, although I know that certain members of the House will not read it because, to do so, would be damning for them. Those members will only want to listen selectively to members on their own side who will say, 'It was not all that bad. The Commissioner has gone a little overboard with his language.'

I think the Commissioner was very kind. He was kind, because if we go through each section of the Act that has been breached we see that certain members on the other side should be in gaol. Clearly, \$3 150 million has been lost and there is hardly an excuse for the breaches of the Act that took place and the lack of responsibility displayed by members opposite, particularly the former Premier, certainly the current Premier and certainly the current Treasurer, and we work down the line.

We know that books were cooked and I am going to take up that issue in relation to the provision of capital and the responsibility involving the guarantee of liabilities. Section 22 of the State Bank Act provides:

Payment to be made to general revenue

(a) a sum equal to the income tax for which the bank would have been liable under the law of the Commonwealth assuming that it were a public company liable to income tax under that law; and

(b) such further sum (if any) as the Treasurer, having regard to the profitability of the bank and the adequacy of its capital

and reserves, determines to be an appropriate return on the capital of the bank.

That is the right, and the responsibility is to make sure that it is right. What happened? Taking the 1988-89 period, for example, the bank reported a profit of \$90.8 million, but we know it did not provide for Equiticorp or the National Safety Council. We know it had provision of about .4 per cent. We know that the Commissioner has come up with what he would regard as prudential standards and, instead of making a \$90.8 million profit, the 1988-89 year should have recognised at least a loss of \$3.2 million—at least a loss. It was cooking the books in respect of \$3.2 million. That would have caused financial strain to the Government, which was going into an election year. What the Government collected for that year was \$45 million in income tax, based on 50c in the dollar, whereas the Government would not have received any tax at all with a loss being incurred, and it received a gratuitous payment on capital of \$88.1 million, including a discretionary payment of \$8.5 million.

What happened? During an election year, with no knowledge by the then Premier, as the Premier would have us believe, we found that Treasury was richer by the sum of \$133 million. If the accounting had been right the Government would have received nothing, and it could not have made extravagant promises. No wonder the people of South Australia question the integrity of this Government.

As to the final point of determining the return of capital to the Government, I have already covered that. On each of those five items the Commissioner rules that there has been a breach because no-one, including the Treasurer, applied due diligence. The Commissioner ruled that the Government failed to look, listen and act, and it failed in all its responsibilities in relation to some form of protection of the people of South Australia.

What gets up my nose about this whole matter is that when people commit a crime out in society, whether it be through envy, anger, greed, poverty or whatever, that person faces the full thrust of the law. However, when a Government embarks on the process that this Government adopted for sheer political expediency—hang the consequences—the line has to be drawn.

The line should be drawn across this Government. Each of the 10 Ministers who survive on those benches today is an accessory before, during and after the fact and under the law they are all equally guilty. It might not be guilty of murder but it is certainly manslaughter. They have murdered the State Bank Act, they have torn it apart and thrown it away. They said, 'We did not know it was our responsibility.' That was very convenient when the bank was turning over \$130 million to prop up an election.

The Government cooked the books to help themselves out and, in the process, they obliterated the responsibilities that are required under the State Bank Act. I shall now read to the House an important conclusion. It relates, first, to the directors and then to the Government, and it states:

The comfort the directors sought to draw from a fate shared by all the major trading banks—

that was reflected upon by the Treasurer and everyone else who has wanted to speak on the subject, by claiming that the State Bank was like the rest of the banks—

was tainted by one critical and differential factor. Any commercial risk inherent in the strategy, activities and decisions of the private banks had the potential to put at risk the interest of their private shareholders: in the case of the State Bank, the corresponding risk was to the financial interest of the State and ultimately to 'the people of the State'.

That difference, and the statutory obligation of the bank to the people of the State (section 15(1)) demanded a level of prudence and caution on the part of the bank, and a level of risk surveillance by the Treasurer as the guardian of the State's financial interest, that neither the bank nor the Treasurer ever recognised or addressed, even when the real risk was staring them in the face.

How much more damning evidence can we have than that? That puts it right on the line. The excuses we have heard about there being one or two dogs barking at the time—and the statements, 'Yes, we are listening to them but we really could not do anything about them because they were communicating directly with the Premier or Treasurer of the day,' or, 'It was the Reserve Bank's fault because it did not inform us,' or, 'It was someone else's fault (the board, the managing director or someone else)—simply do not wash.

Members interjecting:

Mr S.J. BAKER: Yes, we have had excuses that the Cabinet table is too long and too oval on occasions when people do not want to live up to Cabinet responsibility. It would be laughable if it were not serious. I have notes that could occupy me for two hours on this subject about the breaches of responsibility. In fact, I must share with the House one of these instances I have noted. In 1989, the original profit projection was \$24 million. Premier Bannon was not too happy with that and it was immediately upgraded to \$54 million. The Premier was not happy with that either, so it was upgraded to \$73 million. The final profit projection was \$97.3 million. That was from a \$24 million start when all the bad debts were starting to accumulate.

What level of responsibility has been taken by the former Treasurer of this State? With so much information available to Government members, what level of responsibility has been taken by the Premier of today, the Treasurer and all the Cabinet? The Government stands condemned. I know that the cracked record, 'We want an election', is shared by 80 per cent of the population. I support the motion.

The Hon. G.J. CRAFTY (Minister of Housing, Urban Development and Local Government Relations): Thank you, Mr Speaker.

An honourable member: Where's the member for Ross Smith?

The SPEAKER: Order! If the House desires, the Chair will just take note of people when they leap to their feet. I am not aware of any list that the Opposition has given me in reference to the speaking order on the Government side. If there is any objection at all, please raise it in the normal manner. If the Minister of Housing, Urban Development and Local Government Relations wishes to speak he has an absolute right to do so. The honourable Minister.

Members interjecting:

The SPEAKER: Order!

The Hon. G.J. CRAFTER: I am disappointed that the Opposition today has not chosen to debate the totality of the first term of reference that has been reported on to this Parliament. The Opposition has seen fit not to want to enter into a broad ranging debate about the whole of the royal commission report but has chosen to debate only certain aspects of the report and its interpretation of those aspects.

Members interjecting:

The Hon. G.J. CRAFTER: I am referring to the motion before the House. There was an opportunity for debate to ensue—a debate that the Premier indicated to the House yesterday he thought was not only in the interests of the standing of this Parliament but in due respect to the report and in due respect to the part that this first report plays in the other reports that we will receive, not only from the pen of the Royal Commissioner but, of course, the very important report that we will receive in due course from the Auditor-General. But, I would suspect that the motives of Opposition in this matter are simply to turn this debate into a political action and, indeed, to avoid a debate on the report in its proper context and, most importantly, to deny the importance of validity of the reports that are yet to come to this House—as I said, not only from the pen of Royal Commissioner but also from the Auditor-General.

We have to put all those reports together before we can form judgments. But, of course, this Opposition has already judged the issues. It will not wait for any further reports: it has stopped the trial halfway through, brought down its judgment and wants to move off immediately to an execution. I suspect that that is not in any way a sense of fair play or of natural justice. The Opposition is obviously very concerned about what might appear in future reports that come to this place. We might get a different judgment of the actions of the former Premier and Treasurer and, indeed, a judgment that might see his actions dealt with in a different light and perhaps in a less harsh light.

Similarly, the difficulty in making a fair judgment about the Government cannot, I believe, be made by the Opposition, or indeed anyone else, until all of the facts are known, pieced together and put into the proper context. Of course, the Opposition does not want to wait until the facts are known before making its judgment. I suggest it cannot afford to take that risk because it will be found wanting. So, it has now jumped—boots and all—into a political exercise, and what we are hearing today should be judged simply as such.

It is an Opposition that clearly lacks substance in its approach to the issues of the day. It lacks credibility; it is totally dominated by political considerations and a thrust for power, and power alone is its driving force. It does not have policies in place; it does not have alternatives; it does not have the capacity to offer a credible alternative to the people of South Australia. It simply wants to play politics. That has been shown throughout this session in Parliament and, I would suggest, for the past 10 years in this place. It is no more evident than here today. We have not heard a word about policy or about alternatives.

The SPEAKER: Order! There is a point of order. The Minister will resume his seat.

Mr BRINDAL: I rise on a point of order, Mr Speaker. My program says that we are debating a motion of no confidence in the Government. I ask you, Mr Speaker, to rule on the relevance of what the Minister is currently saying.

The SPEAKER: I will listen very closely to the Minister. However, we are debating a very important issue. It is a vote of no confidence in the Government. Previous speakers on both sides have ranged fairly widely. If it is the desire of the House to keep to exactly the terms as set out on the sheet, the Chair will act accordingly. However, let me also point out to the House that that will limit the debate very significantly. The honourable Minister.

The Hon. G.J. CRAFTER: Once again the Opposition has taken the easy way out and avoided the full debate offered by the Government. It has chosen selectively to debate those points of the report that suit its short-term and banal interests. This has been shown throughout this session of Parliament, as I said, and I think over a long period. Well, so much for the role of a true Opposition. So much for a real debate about the real issues of the day. That is still to come and I doubt very much whether we will ever get it. I think that this shows the Opposition's real interest in the true well-being of the State Bank.

The State Bank is our greatest single asset. The Opposition is not really interested. I will go on in a moment to talk about the actions of the Opposition over a long period with respect to its true interest in the bank. It is a bank which once again is moving into profitability. It remains a major thrust in the stability of this State and, indeed, of this region. Its very existence underpins the jobs of thousands of South Australians and indeed the viability of key industries in this State. If members opposite do not want to acknowledge that then that is to their folly. Yesterday, the State Bank put out a press release and as Minister of Housing it took my particular interest because it stated:

The State Bank is continuing to set records for home loan approvals, posting a new monthly high in September and its best quarterly performances in a September quarter. Approvals of \$121 million in September, \$109 million in July and \$105 million in August boosted total home lending, including HomeStart, to \$335 million for the quarter. We have said this surpassed the previous record for the 1992 June quarter of \$316 million. State Bank is on target to lend more than \$1.2 billion to home buyers, including HomeStart in 1992-93.

This would smash the record of \$842 million set in the 1991-92 financial year. This is an outstanding result for the State Bank, a vital institution for the well-being of our State and community, particularly in this area of affordable housing.

We have not heard anything from the Opposition about its attitude to the bank and what it believes the policy should be surrounding the bank and its management. What will the Opposition do if it ever achieves office? We have not heard a word about any of those fundamental issues. Clearly, the Opposition wants to sell the bank; it wants to dispose of it as quickly as it can. Its ideological philosophy is about private enterprise, not public enterprise. It can be seen that that is the context in

which it has been debating this issue and the actions around it. The attitude of the Opposition to the debate and its actions in recent years towards the bank and its management need to be put into that context. It is rumoured that the member for Coles was given important and relevant information some years ago by Sir Norman Young about the management and business acumen of the bank.

Some of this information is alleged to have found its way into questions asked in this House. But the question that must be asked is: why did the honourable member, if she did receive such information, or the Leader or subsequent Leaders, not reveal this information and its source? Why not test it then and there with the Government, the bank or the Auditor-General, as is the duty, I would suggest, of a responsible Opposition member, or, indeed, the Opposition itself? If the Opposition had that information, it chose to keep it to itself. It dribbled out a bit every now and then in Question Time when the Parliament was in session. I suggest that the Opposition, if that was the case, was not putting the interests of the people of South Australia and the well-being of the State Bank above its own political agenda. If that is the case, it chose to play a form of political Russian roulette with the bank.

The Leader of the Opposition this morning was questioned on ABC Radio by Keith Conlon about the role of the Opposition with respect to some of these matters to which I have just referred. Keith Conlon said:

The problem the Opposition faces here Mr Brown (is) that the Opposition wasn't in the terms of reference. It was about the Government and board, but if the Opposition were in the terms of reference it would have been found dreadfully wanting, too.

I think the Leader gave a very unusual and odd reply. He said that indeed the royal commission had vindicated the Opposition. I believe that the Leader of the Opposition misunderstands what was and what was not before the royal commission in its terms of reference. He misunderstands the findings of the Commissioner when he baldly states that Mr Jacobs brought down a finding on a matter that was not even before the royal commission. He was caught out by Mr Conlon; he was found wanting in his response. Then he delved into some sort of fairyland to provide this answer:

If you read the royal commission report, in particular his key findings, you would find that the Liberal party has been clearly vindicated.

That simply is untrue and the Leader of the Opposition cannot point to one word in this report of the royal commission to justify that statement. The Liberal Party was not before the royal commission, nor were the actions of the Liberal Party before the royal commission.

Mr Conlon went on to say that it is 'now known' that the member for Coles was sat on by her Party when she was in possession of obviously important information. The Leader went on to say that the sole source of the Opposition's information was the six-monthly report presented to the Parliament by the bank. It will be interesting to hear from the member for Coles and other members what the actual source of the information was if the Opposition is prepared, with the benefit of hindsight, to justify its judgment of the actions of the bank. Was the only source of information available to honourable members those six-monthly reports? Let the honourable

member explain to the House the factual basis of the statements made by Mr Conlon on radio this morning and answer the questions posed by Mr Conlon, which I believe the Leader of the Opposition either erroneously answered or did not answer at all.

Clearly the Leader of the Opposition did not want to answer the questions that were being put to him this morning on the radio and he was left floundering. Fortunately, he was saved by the 9 o'clock news. One further quote from the Leader's interview this morning cannot go unchallenged. He said:

The whole of the royal commission report is a damnation of the Arnold Government.

My reading of the report does not indicate that the Arnold Government was mentioned at all. What are the findings of the royal commission report? I will refer to the findings of the Royal Commissioner. They need to be repeated over and over again for the benefit of the Opposition because it tends to exaggerate to the point of unbelieveability. The Royal Commissioner's final conclusion, based on all the evidence that came before him in tens of thousands of pages, is as follows:

The saga of the State Bank is thus seen to be a story of inappropriate relationships and an unsatisfactory quality and level of communication between the Treasurer and Treasury; between the Treasurer and the bank; between Treasury (including SAFA) and the bank; between the board of the bank, its Chief Executive Officer and its management; between the Reserve Bank and the bank; and between the Reserve Bank and the Government. All these players played a part in the ultimate tragedy.

What the honourable member has said, I believe, is not just a total exaggeration of his conclusions on the report but a fabrication. On radio this morning, the Leader of the Opposition said:

Virtually every page of the 400-page report is critical in some aspect of the way the Government performed.

That is not a factual statement; it is without foundation; and anyone who reads the report can tell that.

Members interjecting:

The SPEAKER: Order! The member for Mitcham has had his go.

The Hon. G.J. CRAFTER: It suits the Leader of the Opposition to go on radio and tell the people of South Australia that that is his interpretation of it. He certainly does not like to hear the factual basis of the report, which is far from that which the Leader tends to want to tell people in the community. The Leader is simply not reading the report and translating it to the community with the honesty that I believe we should be able to expect from an Opposition. The Leader has a strange sense of reporting the facts. This morning on radio he said there were 12 items that he wished to raise, and then he adds a few more as the day goes on.

The Leader of the Opposition went on to say that the whole of the Westpac Board had resigned following the disclosure of huge losses at that bank. In fact, all the directors did not resign. That is simply another case where the Leader's statements cannot be trusted. He is not giving the factual basis of the circumstances surrounding this issue. In fact, the State Bank is subject to public scrutiny every day that this Parliament sits, unlike Westpac and other private banks. If shareholders are lucky, they get an opportunity to ask a few questions once or twice a year, and then in a very constructed

environment. If the member for Hanson is indicating that he would prefer to have the terms and conditions under which private banks operate, I think he should reflect on the role that this Parliament and the people of this State have in the State Bank. I want to put on record that the Chairman of Westpac, Sir Eric Neal, and four other directors resigned. In fact, a minority of members of the board resigned, which is a far—

Members interjecting:

The SPEAKER: Order! The member for Heysen had better watch that he does not go.

The Hon. G.J. CRAFTER:—cry from that which the Leader of the Opposition chose to tell the people on radio this morning, the very day that the ANZ Bank also announced huge losses with respect to its outcome for this financial year.

I believe that today we have been treated to a very shoddy debate in this place built around the short-term political interests of the Opposition. This motion is not about alternative policies with respect to the management of public enterprises or about how we are going to deal with the long-term interests and the role the bank plays in the economic recovery of this State and the other essential services that it provides in our community, particularly in the area of affordable housing for the great majority of South Australians. We have been treated to another diatribe of abuse of a political nature against individuals on this side of the House and against the Government as a whole. I think that simply debases our Parliament and brings us into disrepute in the eyes of our electors who expect more of us in dealing with such fundamental and important issues surrounding those that are raised in the totality of the first term of reference reported upon by the Royal Commissioner, Mr Jacobs.

Not one member has mentioned the enormous work of the Auditor-General and the teams of people who have worked with him, or, indeed, the importance of the other two terms of reference and the relevance of their reports. The whole thing reminds me of a poem of John Dryden entitled *Absalom and Achitophel*. I sum up the Opposition's contribution to this debate with the following quotation:

A monstrous mass of foul corrupted matter,
As all the devils had spew'd to make the batter.

The SPEAKER: Order! The member for Victoria.

Mr D.S. BAKER (Victoria): Mr Speaker, on several occasions today you have mentioned the significance of this debate. I think everyone on this side of the House who has sat here for the past 19 minutes and listened to the Minister of Housing, Urban Development and Local Government Relations would wonder whether he had read the report of the royal commission and, if he had, whether he understood what it was about. To get the debate back on track, I will read the first part of the motion moved by the Opposition today, as follows:

That this House no longer has any confidence in the Labor Government because the evidence given to the State Bank Royal Commission and the report of the Commissioner on his first term of reference has established the guilt of the Government...

The commission's first term of reference states:

The relationship and communication between the bank and the Government (in its widest sense as defined to include Ministers, officers and public employees) with respect to the financial

position and financial affairs of the bank and the adequacy of such communication. (Term of reference 1 referred to in this report as 'TR1').

This is the report that we are debating today and on which the Opposition has moved its motion. The Opposition's attack on the Government is based on this report. The Minister of Housing, Urban Development and Local Government Relations said that we should be talking about policy direction. That has absolutely nothing to do with this motion. We are talking about the first term of reference of the Royal Commissioner: that is where this debate will stay, and I ask the Government and its speakers to stay on that topic.

The Minister of Housing, Urban Development and Local Government Relations then went on to say that the Opposition had no input into the royal commission and that anything it put before the royal commission was not relevant at all to its investigations. I wish to quote five points from the Opposition's submission to the Royal Commissioner. The first point states:

The Government gave itself significant powers to influence the strategic direction and performance of the bank. It also accepted important responsibilities on behalf of South Australian taxpayers, particularly in relation to its guarantee of the bank's liabilities. Those powers and responsibilities imposed on the Government a clear and very strong obligation to keep itself informed about the affairs of the bank and how these would affect its financial performance. This obligation was not fulfilled to the extent that it should have been.

That is the first point made by the Opposition in its submission, and the Royal Commissioner found in favour of it. The second point which the Opposition put before the Royal Commissioner states:

The rate of the bank's expansion interstate and particularly offshore was something not contemplated by the Parliament at the time the merger legislation was debated in 1983 nor were the intent and the implications of this expansion subsequently explained adequately to the Parliament or publicly.

The Royal Commissioner found that the Opposition's second point was correct. The third point in the Opposition's submission to the Royal Commissioner states:

The growth of the SBSA between July 1984 and the end of 1990 was unbridled, even reckless, significantly beyond its original charter and imprudent in the light of economic circumstances, particularly since the share market crash of October 1987 and the property sector problems occurring from soon afterwards. Growth of such proportions should certainly have caused full and proper inquiry from the Treasurer.

The Opposition's third point was found to be fact by the Royal Commissioner. The fourth major point put forward by the Opposition in its submission states:

A major reason for the losses of SBSA was an aggressive style of writing business which had insufficient regard for economic circumstances, but in pursuing this approach SBSA was given the full support of the South Australian Government.

The fourth point was found to be fact by the Royal Commissioner. The final point in the Opposition's submission states:

There has been gross under-provisioning by SBSA for bad and doubtful debts. This had the effect in 1989-90 and also in 1988-89 of considerably overstating the group's financial results. SBSA also was less prudent than other major Australian banks in

making provisions in the light of the changing composition of its loan portfolio and the economic downturn.

That was also found to be fact by the Royal Commissioner. I do not know how the Minister of Housing, Urban Development and Local Government Relations can get so far off the track in his contribution to this House to not understand that they are the facts of this case and that is what the Opposition is debating.

Mr Brindal interjecting:

Mr D.S. BAKER: I will not take up the interjection from the honourable member. I now want to refer to another area where this House was misled. The Leader has already pointed out very clearly for the information of the House—and it is very important; in fact, the whole debate centres around this point—where this House was misled. I refer, first, to Government interference in the commercial operations of the bank. The former Premier said to the House of Assembly on 14 February 1989:

I as Treasurer am not involved in, and nor does the legislation allow involvement in, the day-to-day commercial operations of the bank. I think it would be quite inappropriate...It is a commercial operation making commercial decisions under its statute. If I was involved in those decisions I would certainly be guilty of political interference.

Obviously, the former Premier and Treasurer misled this House and, obviously, the present Premier knew that he misled this House. On 24 October 1989, the former Premier said to the House:

No member of this House should seek to undermine its [the bank's] commercial viability nor interfere with its commercial operations.

Again, the former Premier misled this House and, again, the present Premier knew that he misled this House.

I now refer to another very significant statement, and it was covered by the Premier in his contribution today. The Premier went at length to cut the rug from under the former Premier, the now member for Ross Smith. He said:

I knew nothing about the interest rate deals that went on, those sleazy under-hand deals. They did not come up in Cabinet, we did not know anything about it.

He managed to pull the plug right out on the hapless member for Ross Smith, who was sitting there looking more glum than usual. This is what the former Premier said on 10 September to this House:

The Government will not enter into secret pre-election deals with the State Bank and indeed has never done so.

Did the present Premier not distance himself from that one? Mr Speaker, you were speaking to someone, and for your information I will re-state that sentence. On 10 September 1991, the former Premier, the member for Ross Smith, told this House:

The Government will not enter into any secret pre-selection deals with the State Bank and indeed has never done so.

If this House was not misled then, please will someone tell us the other times when he did mislead us, because it is quite obvious that that was a blatant lie to this House. The royal commission went on further than that and found that not only had secret deals been done on interest rates then but also secret deals were done in 1985 and in 1987 at the Federal election. Those matters will be covered at a later date by another member, the member for Kavel.

The next matter of misleading this House involves the payment of dividends to the Government. The former Premier, the member for Ross Smith, told this House on 9 August 1990, in answering a question about the dividend payments by the bank to the Government:

In any business, one must ensure that there are appropriate and adequate reserves, and there is no doubt that this is the case in relation to the State Bank.

What did the Royal Commissioner find? The Royal Commissioner found that the former Treasurer had ignored his obligations under section 22 of the State Bank Act as regarding the bank operating profitably and the bank's adequacy of capital, before milking out—and the Commissioner has said it was a milking cow—the funds into State Treasury. This House was misled, because the facts in the royal commission show that the Premier was doing exactly the opposite of what he was telling this House.

The next matter is the public disclosure of executive remuneration. It was on 13 November 1990 that the former Treasurer was asked to disclose the remuneration package of Mr Tim Marcus Clark, and he replied to this House:

I am not prepared to other than refer the honourable member's question, and it will be up to the board of the State Bank to decide whether it believes it is appropriate in the circumstances.

Mr Becker: That was my question.

Mr D.S. BAKER: The member for Hanson says it was his question. He is quite right: he had asked it several times before. What did the Royal Commissioner find? He found that, in 1984 and again in 1988, the former Premier made undisclosed arrangements with the bank that the executive remuneration should not be revealed publicly. This House was misled, and the present Premier knew that this House was being misled when that statement was made.

I refer to the Remm project—and that got a lot of publicity at the time—and the Premier's statements about concessions to Return. In this House on 11 August 1988, the member for Ross Smith said:

The Government is not offering any concessions to Remm in the Myer redevelopment.

Let us have a look at the evidence given to the royal commission. On the same day that the member for Ross Smith made that statement to this House, the former Treasurer asked SAFA to give urgent consideration to underwriting \$10 million of the State Bank's exposure to the Remm project. This underwriting was not part of SAFA's normal business, and the SAFA board objected. Pressure was put on SAFA to agree to the proposal. The underwriting had been proposed in lieu of concessions on Government taxes and charges for which Remm was liable. On the same day the member for Ross Smith misled this Parliament, and Premier Arnold knew that he had misled this Parliament.

Then we get onto some more events to do with the Remm project and more questioning from the Opposition on matters concerning the Remm project. It was in the House of Assembly on 13 February 1991 that a statement was made:

There are no Government underwriting assurances on that project.

That statement was made by the then Premier—

Mr Meier: On behalf of the Government.

Mr D.S. BAKER: On behalf of the Government. The former Treasurer had already approved the SGIC's \$485 million put option on Remm, which was to underwrite the project to allow it to go ahead when construction started. He had approved a \$10 million SAFA underwriting, which I have already said. I know that, consequently, new arrangements were made, but on the very day that he reported to this Parliament that there would be no Government underwriting assurances, already he knew there were, and he new full well what those matters were.

In relation to the Remm project, in the House of Assembly on 13 December 1990, the member for Ross Smith said:

As far as the financing arrangements are concerned, they are in place and I am told they are satisfactory.

What happened before the royal commission? The Royal Commissioner says:

At a meeting on 22 October 1990, the State Bank advised the former Treasurer that the project was becoming a major problem for the bank because of delays in construction and union action.

That was on 22 October 1990, but on 13 December 1990 the arrangements were all in place. Quite clearly, the member for Ross Smith misled this House, and quite clearly Premier Arnold knew he misled this House. Still on the issue of awareness of cost overruns on the Return project, I turn to 29 October 1991, when the former Treasurer was asked:

Has the Treasurer received advice from the State Bank as to the cost of the Remm project of union bans and other delays and, if so, what was that advice and when was it received?

His reply to this House on 29 October 1991 was:

I do not recall advice on that specific point.

The facts before the Royal Commissioner were that in December 1990 the former Treasurer received written advice from the bank showing that the cost delays on the project caused mainly by union bans exceeded \$100 million. Again, the member for Ross Smith, the former Premier, misled this House, and again Premier Arnold knew that that had occurred.

I just want to wrap up on the most important point of all: it was used by the Leader, and I will repeat it so that the facts are before the House. I refer to the position of the bank at the end of 1990. The member for Ross Smith told the House of Assembly on 4 December 1990:

I am quite satisfied that the bank is conducting its financial affairs in the appropriate way. I have no information to the contrary.

It was at that time, as we have seen on page after page in the Royal Commissioner's report, that the Premier knew what was going on. He had been briefed on many occasions. Mr Speaker, he misled this House. In fact, he told this House blatant untruths on 4 December 1990. Again on 13 December 1990, in answer to a question, the former Premier said:

I believe that the board and its Managing Director are doing their best in difficult circumstances to ensure that the bank remains active and successful...I have no reason to have a lack of confidence in those who are handling the bank's affairs. I simply want them to get on with it and do the best job that they can for South Australia.

Clearly, that was a blatant untruth. Clearly, this House was misled. The importance of this debate today for you, Mr Speaker, is that you understand the gravity of the

situation and understand that the South Australian Opposition, for three years, probed and pushed. If I wanted to get information, as Leader, I walked down to the bank, got the information, came back and asked the questions. The former Premier hid from it all and hid from the public of South Australia a \$3 100 million debt to this State—the greatest financial disaster of any Government organisation in Australia's history. He should resign. I support the motion.

Members interjecting:

The SPEAKER: Order! The Minister will resume his seat for a moment. Once again, let me point out to the Opposition that the Chair decides who speaks in this debate. If members rise to their feet and wish to speak, they will be recognised. The honourable Minister.

The Hon. M.K. MAYES (Minister of Environment and Land Management): Thank you, Mr Speaker, and I am pleased to be able to make a contribution—

Members interjecting:

The SPEAKER: Order! The Chair cannot hear the Minister.

The Hon. M.K. MAYES:—to this motion before the House. My colleague the Minister of Housing, Urban Development and Local Government Relations referred to an interview this morning on Keith Conlon's radio program between 8.30 and 9 a.m. It is interesting to read the transcript of that interview by Keith Conlon with a number of people, including the Leader of the Opposition. As a lead-in, one of the news readers gave a summary. Keith Conlon said:

Lou Chinner of ABC radio news yesterday put it briefly and succinctly, 'The State Bank Royal Commissioner, Samuel Jacobs, has pointed the finger at everyone involved.' And towards the end of the Commissioner's report on the first term of reference he says this, 'The saga of the State Bank is thus seen to be a story of inappropriate relationships and an unsatisfactory quality and level of communication between the Treasurer and Treasury; between the Treasurer and the bank; between Treasury (including SAFA) and the bank...its Chief Executive Officer and its management; between the Reserve Bank and the bank; and between the Reserve Bank and the Government.' And as Lou Chinner put it, everyone gets the finger pointed.

Then Mr Conlon introduced Dean Brown. He said, 'Good morning'. Conlon said:

Well, thank you. Well, is that the problem the Opposition fundamentally faces here, Mr Brown, that the Opposition wasn't in the terms of reference, it was about the Government and the bank, but if the Opposition were in the terms of reference it would have been found dreadfully wanting too?

Mr Brown protested in the body of the interview. Keith Conlon continued:

Despite the fact that in 1988 the Commissioner is now telling us that that was a crisis year and that the signs were there. Why was it taking until February or March, or later in 89, and why was it taking Jennifer Cashmore, who we now know to have been sat on by your own Party—

Mr Brown protested, 'Well, Jennifer wasn't sat on by the Party.' Conlon said:

So you're denying that the Liberal Party at any stage tried to dampen down criticism of the State Bank?

I think Mr Conlon is known for his capacity to delve into these issues at some depth. In fact, he brought the matter to a head. It actually floated up. He pointed to the

suggestion that in fact the Opposition was using it as a political stunt, and that the member for Coles was sat on. We know that is a fact because of the events that took place. In many ways, the member for Coles was a lone voice on many issues in the Opposition's ranks.

Quite obviously, the member for Victoria was known to be sitting on the member for Coles—metaphorically speaking—in terms of her role within the Parliament and as an MP. It rolls easily now off the tongues of members opposite that they did not sit on the member for Coles; they deny it profusely, but we know that it was occurring. The member for Victoria was leading the charge. Consequently, for the member for Victoria and others to get up and claim the glory is quite ironic and amusing from this side of the House, I can assure all members.

In my response to this motion, I will look at where we go and what comes from this royal commission. I want to pursue the issue of where responsibility lies for the failure in communication, in systems and in operation that has resulted in the tragedy of the State Bank. In doing so, I wish to point out to members the basic reasons for our undertaking the \$20 million exercise of the State Bank royal commission. We have undertaken that exercise to ensure that the failures that have occurred are never repeated. The Premier has given that undertaking to this House and to the public at large.

Mr Lewis: You expect us to believe it?

The Hon. M.K. MAYES: I don't care what you believe, frankly. I am not in the least bit interested, quite honestly. I do not think too many people in the community are either, just for your bad news. We have undertaken that exercise so that systems can be established that comprehensively ensure that the checks, balances and accountability requirements at all levels of the bank's operations are put in place very soundly. It should be remembered that to carry out those reforms cannot yet be totally achieved. As the Premier has correctly pointed out, the total picture and hence the total strategy for reform cannot be developed until the second and third reports and the Auditor-General's report are tabled and consumed by the community, considered and then adopted to give a full and balanced picture of what should be done to ensure that we avoid any future tragedies of this sort in any of the financial institutions in which we are involved.

Yet the principle stands: the royal commission exercise has been undertaken as a constructive exercise for Government now and in the future. I have been gratified to note that a number of commentators in the media in recent days have stressed this very point. The approach to the findings of the royal commission should be a constructive approach so that, at the end of the day, there will be a comprehensive range of reforms introduced at all levels of the operation of the bank: in the day to day operations of the bank; in the reporting systems, up through the bank management to the board, to the board's systems of prudential operation, to the relations between the board and the Treasurer, to the relations between bank management and Treasury and to the relations between the bank and the Reserve Bank. All those points have been touched on by the Royal Commissioner.

As the Commissioner has pointed out in his conclusions, this is where the problems have occurred.

Very clearly, this is where we need to learn from the Commissioner's findings and, accordingly, reform the systems. Many of those reforms have taken place already at various levels. The Premier and the Deputy Premier indicated a number of steps that we have taken to introduce reform to address these issues, given the information that was presented to the royal commission. The Government is clearly committed to ensuring further comprehensive reforms as and when the whole picture becomes clear to the community of South Australia.

In the public approach to the royal commission report, there have been basically two points of view. The first view, to which I have alluded, is that the royal commission exercise should be justified in terms of the instructive recommendations that come out of it. The second view, which has also been widely circulated in the media, is that the royal commission should exact revenge from those responsible for the State Bank disaster. This is a totally understandable reaction from the public, and it is one which many of us share. I am sure there would be very few who would not. There is no doubt that there is a very strong sense of betrayal that this tragedy has occurred and has jeopardised the excellent financial position established in South Australia over the life of this Government.

However, it is tempting in apportioning responsibility for the State Bank to extend that blame to those who do not have responsibility for the bank's affairs, either under the corporate responsibilities of the bank's own internal operations or under the relevant Minister's responsibilities under the Act.

It is particularly easy for the Opposition, in order to satisfy their political ambitions, to attempt to smear the whole of Government with that blame, something that the Commissioner does not do, and quite rightly so.

Members interjecting:

The SPEAKER: Order!

The Hon. M.K. MAYES: I do not bother about you. We have a surprise for you. Do not worry, just stay there. The State Bank Act specifically gives the Treasurer the responsibility for Government relations with the bank, and in particular the Treasurer has that responsibility under section 15 of the Act involving the bank's policies and administration. That responsibility of the Treasurer is of course heavily circumscribed by section 14 of the Act, which gives the board 'full power to transact any business of the Act', but it is there nevertheless.

In executing those responsibilities there is nothing in the Act to require the Treasurer to involve the Executive of Government in his deliberations and dealings with the bank, except in one particular area, in relation to board appointments. The prevailing view indeed since the inception of the bank has been that the whole of Government should not be allowed to be or be involved in the financial affairs of the bank because the whole of Government's considerations, that is, the portfolio concerns of Ministers, could compromise the commercial independence of the bank.

That has been a prevailing view, particularly regarding the composition of the bank itself. The bipartisan view has been that the involvement of Government in the affairs of the bank should be at a purely financial level, that is, through the Treasurer, through Treasury and through SAFA. That was the way it was agreed that the

system should operate and that was the way it did operate.

It is reasonable for all of us to admit with the wisdom of hindsight that we share some responsibility for not foreseeing the problems that were inherent in the structure of the Act and in the operation of the bank from virtually the beginning of its existence. I was interested to note the reticence of the Leader of the Opposition to admit that very point to Keith Conlon this morning on the 5AN program to which I alluded earlier. It is a fair point, but it is not a point that justifies the Leader's call for this Government to accept responsibility under the Act for the bank's failure. That was the responsibility of the former Treasurer. He has accepted that, he has taken that step and he has tendered his resignation from that position.

I do not believe that this stunt by the Opposition deserves support, and certainly, given the performance of the Opposition in terms of its commitment to this debate, it certainly does not warrant that support.

The Hon. JENNIFER CASHMORE (Coles): What a threadbare defence, if one can call it that, of the Government's position over the State Bank by the Premier, the Treasurer, the Minister of Housing, Urban Development and Local Government Relations and now the Minister of Environment and Land Management, whilst all the time the chief perpetrator of the problems that have been inflicted on the people of this State is in and out of the Chamber and, here and now, not even present to hear. We cannot help wondering whether the member for Ross Smith is hiding from this Chamber; he is hiding either from the media or from the Chamber, one or the other.

One would think that in a debate of this nature, which is directed at the Government and at the Premier and the former Premier of this Labor Government, he would have been in the Chamber to hear the debate. That he is not here is an interesting reflection.

Members interjecting:

The SPEAKER: Order!

The Hon. JENNIFER CASHMORE: The motion refers to the Government repeatedly misleading this House about its knowledge of the performance of the State Bank. It also refers to encouraging the bank to undertake high-risk growth which contributed materially to its massive losses. Among other points, it refers to the bank's failure to act on repeated warnings about the operations and performance of the State Bank, which exposed taxpayers to huge losses as the ultimate guarantors of the bank.

As the member who asked the first questions in February 1989 about these very issues that I have just mentioned, and as the member who analysed or attempted to analyse the position of the State Bank throughout that year when I held the responsibility as economic spokesman for the Liberal Party which I was given by the then Leader and now member for Kavel, I would like to canvass some of those matters and lay at the feet of this Government the total responsibility for what has happened, because the record shows that the Government was warned and warned, and warned again. It was warned in many places, as the Royal Commissioner has explained.

The evidence to the commission shows that it was warned by Treasury. It was warned by its own officers and it was warned by members of the bank. For our purposes the relevant matter is that the Government was warned in this House, in this Chamber, where the Opposition's role was to scrutinise and expose. That is what we did and what we did repeatedly. At the time we were ignored, abused and vilified continually, and it is interesting to see that the Minister of Environment and Land Management attempts to defend the Government, yet he was one who, by interjection, suggested that the points I was making at the time, which have now been confirmed by the Royal Commissioner were, if I remember his words correctly, 'tripe'.

Let me begin at the beginning, which was the first question on the extent of the State Bank's exposure to the Equiticorp losses. That question was asked on 14 February. It was a simple straightforward question and I asked the Premier:

Does the Government consider that it was prudent for the bank to make this loan?

When the Premier answered he said (I note that there is no Minister on the front bench and certainly the member for Ross Smith is absent):

Equiticorp must be protected in terms of its commercial operations.

That was the first indication and one of many that were to follow that the Premier was going to hide behind the cloak of commercial confidentiality and refuse, as guarantor of the bank and as its custodian in the name of the people, to give the people the information that we as shareholders rightly deserved and required.

If this House analyses the answer to this question, it will find the seeds of everything that went wrong with the State Bank. The Premier went on to say that losses were only of concern if the bank's management of risk debt was insufficient. He said the bank was performing superbly. We know from evidence to the royal commission that the Premier had already been warned that that was not the case.

He went on to say about the Managing Director, Mr Marcus Clark—this was the following day in answer to a question—that we needed people like Mr Marcus Clark to help raise our profile. 'Indeed,' said the Premier, 'he has.' That would have to be the understatement of 1989, 1990, 1991 and 1992. He then went on to say in answer to a question the following day on 15 February, that is, a further question about the exposure of Beneficial Finance to Equiticorp (he was defending the aggressive lending policy):

...if a totally conservative lending policy is maintained, we probably do not get as high a level of bad debt because the risk is lower, but we ... get far less profit.

That was the bottom line then and that continued to be the bottom line. The State should have realised at that point that we were dealing with a bunch of brigands who were ready to do anything at all to extract from the State Bank the maximum amount of profit in order to make the general revenue of this State look okay and, as we discovered in two subsequent elections, to buy votes—an absolutely intolerable situation. There were further questions about company directorships but they were dismissed as being of no consequence. I was told that I did not know what I was talking about. I cannot stress

too strongly that throughout all of this—all of these questions—the Premier had access to high ranking and experienced Treasury officials. He had access to the directors of the bank and, if he wanted it, access to the Reserve Bank.

I had access, Mr Speaker—you and I had access, every member of this Chamber had access—to some very simple facts. We had access to the financial press of the metropolitan dailies. We had access to the weekly periodicals of this country, such as *Business Review Weekly*, and we had access to the six-monthly and annual reports of the State Bank. There was nothing that I knew about the impending demise of the State Bank that could not have readily been seen by anyone who could read a balance sheet.

Later that year, in April, the member for Briggs—now the Minister of Tourism—saw fit to move a motion condemning the Opposition for its sustained and continuing campaign to undermine the vitally important role of the State Bank of South Australia in our community. The member for Briggs, now part of the Government, and, in my opinion, culpable because his speech demonstrated that he had at least attempted to go to some trouble to read the reports of State Bank, read out a number of figures. He read out the following sentence:

Total assets have also increased massively from \$11 billion to \$13.5 billion during those same six months.

That is to say, the six months from 1987-88—the last full year of the report. The Royal Commissioner points out in his report that there was no attempt to control growth. He said at point 6.5 of his conclusions that there was a huge growth in assets. In fact, there was a seven-fold increase in assets between 1984 and 1990 and there was a ten-fold increase in lending between 1984 and 1989.

This was a bank that was totally out of control. I knew it just by looking at the balance sheets. Why did not the Treasurer know it? Why did he plead ignorance before the royal commission? Why did he come into the House yesterday and cry 'foul' and say that the umpire has been unfair? To use the vernacular, Mr Speaker, the dogs were barking it around Adelaide, accountants were speaking of it freely, and it was being talked about around dinner tables. Those of us in this Chamber who have had the privilege of being Ministers know that, when *Hansard* proofs are provided to departments, senior officers go through them with a fine-tooth comb and they refer to their Minister every item of relevance to that Minister's portfolio. They draw attention to what other members have said, they ask questions and they alert Ministers.

It is inconceivable that the Premier did not know what was happening. He had ears, he had eyes and he is a very intelligent man—we all know that. Whatever we might think of him, no-one can deny the intelligence of the member for Ross Smith. Similarly, we acknowledge the undoubted intelligence of the present Premier, who was Mr Bannon's accomplice along with other members of Cabinet at the time. Yet, yesterday in the House, the present Premier, said:

Evidence before the commission does not disclose any deliberate attempt by the former Treasurer or any other member of the Government to withhold the discovery of the bank's difficulties from the Parliament or the people of South Australia.

What happened in relation to that first question on Equiticorp? The then Leader, the member for Victoria, said the Premier had been briefed and he knew when he answered that question that that loan was unsecured. Yet, he told the Parliament it was secured. I find this totally shocking. It is incredible that someone can come into this Parliament day after day, week after week, month after month and tell lies to the people of South Australia—lies which are going to cost—

The SPEAKER: Order! The honourable member knows that the use of the word 'lies' is not Parliamentary.

The Hon. JENNIFER CASHMORE: 'Untruths' is a word that may be more acceptable to the Parliament, but the people of South Australia know quite well what was told to this Parliament and it was not the truth, and it was consistently told. That is why we are going to be paying a price of \$3 billion and more.

Mr QUIRKE: I rise on a point of order, Mr Speaker. I understand that you asked that those words that were unparliamentary be withdrawn.

Members interjecting:

The SPEAKER: Order! No, the Chair pointed out that the use of the word was unparliamentary and asked the honourable member not to use it. The honourable member did comply with that by using the term 'untruth', which is parliamentary.

The Hon. JENNIFER CASHMORE: On the day the member for Briggs moved his motion condemning the Opposition for its alleged campaign to undermine the State Bank I responded. In my response I pointed out that the growth was out of all proportion to proper prudential management of a bank; it was out of all proportion to any other bank in this country. I pointed out that the State Bank was a secondary not a primary lender, at which point the now Minister for Environment and Land Management interjected, 'That's tripe.' Well, it was a fact.

That question of prudential management is borne out not just scores but I would suggest hundreds of times in the Royal Commissioner's report. I refer members particularly to page 274, because this is a statement that I think unless we have seen it in black and white and put down by the Royal Commissioner we would find beyond belief. It states:

The corporate plan asserted that projected year end assets of \$5.141 million would produce a loss on the lending margin of \$339 000.

Put simply, the bank planned to lend at a rate of return less than it was paying for funds it was lending—on \$5.151 million, that is to say, 31.9 per cent of its anticipated assets at 30 June 1990.

All this time the \$9.4 billion liability, which comprised the taxpayers' guarantee, was at risk. Question after question throughout 1989 and subsequently throughout 1990, under the leadership of the member for Victoria, and 1991 probed and scrutinised these matters. If anyone were to press those computer buttons that indicate how many times a phrase has been uttered, 'commercial confidentiality' would have come up a score of times. Another excuse would have been, 'Don't ask me; ask the board.'

Out there in the community there is not just anger, there is not just rage, there is cold fury at what this

Government has done. It goes beyond anger, it is causing alienation and despair. People are losing their livelihood, but, worst of all, they have lost total faith in the democratic system. They know we have a Parliament which could if it wished dismiss this Government. The fact that has not yet happened is incomprehensible to most South Australians. They elected people to represent them. What kind of representation are they getting when this sort of thing is allowed to continue?

An honourable member interjecting:

The Hon. JENNIFER CASHMORE: Precisely, what is going to happen to our children? The Royal Commissioner states at .75 of his conclusion:

There is a failure to recognise the role of Treasurer as guarantor.

I have must have asked about six questions on that subject. Not once did I get a satisfactory answer. The Commissioner refers to the huge growth in assets, the huge increase in lending and the fact that the bank was going way beyond its charter, which is to look after the interests of South Australia. Why should a State bank, other than for reasons of monumental self aggrandisement and arrogance on the part of the Treasurer, the Minister responsible, its board and its managing director, open offices in New York and Hong Kong? What does that have to do with the farmers and home owners of this State?

The anger that I feel every time I look at that great towering building that cost us so much in so many ways can hardly be contained. Yet, I feel that if the people of South Australia do not have voices in this Parliament and if the voices are all on this side of the House, if there is no-one on that side of the House to speak for them, what kind of representation are they getting? How dare we call ourselves a Parliament for the State.

I want to conclude, recognising that I have a brief moment after the dinner break, by referring to the poor quality of the bank's assets. It was clear to anyone who read the financial press or even the daily news pages that we were heading for a crash. There was the Equiticorp crash, the Hooker crash, the Laserex crash and the National Safety Council crash. They were all warning signs. But the Government did not stop; it kept on buying property. The State Bank kept on buying property and at no stage did the Treasurer stop it. As the member for Mitcham said, there were 38 requests for approval and 38 approvals were given. There were 95 questions in this House seeking information and alerting the Government to warnings and 95 dismissals, bland reassurances, abuses and vilifications of the Opposition.

[Sitting suspended from 6.1 to 7.30 p.m.]

**PARLIAMENTARY COMMITTEES
(PUBLICATION OF REPORTS) AMENDMENT
BILL**

Received from the Legislative Council and read a first time.

STATE BANK

Debate on motion resumed.

The Hon. JENNIFER CASHMORE: Mr Speaker, I want to conclude by referring to the attitudes of two Premiers—the immediate past Premier and the present Premier. The thread of the responsibility of the State Government for the guarantee of the State Bank runs solidly through the Royal Commissioner's report. I refresh the memories of members by referring to an answer given by the then Premier (Hon. J.C. Bannon) on 4 April 1989 to a question that I asked about the bank's responsibility to its owners as well as to its clients. The Hon. J.C. Bannon replied:

While I am on my feet, let me deal with another total furphy that is being peddled by the member for Coles in her attack on the State Bank and its operations. She claims that taxpayers' funds have been put in jeopardy by this practice.

Some furphy: more than \$3 billion worth of furphy, two years warning of it and nothing happened. Now to the present Premier (Hon. Lynn Arnold). On page 7 of his statement to Parliament yesterday he said:

The proper conventions of Government have been met and discharged by the resignation of the former Premier and Treasurer as the responsible Minister.

I have observed the Premier and I never saw him as a coward until yesterday. I regard that as an utterly craven statement in which he dumped his former Leader and washed his hands of all responsibility. In questions and in speeches the Government has been condemned and the Opposition has conducted itself honourably.

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

The Hon. T.H. HEMMINGS (Napier): I have always held a pretty jaundiced view of royal commissions and I always will. I would even go so far as to say that this first part of the royal commission into the State Bank has been a waste of time. It could be said that the only beneficiaries have been the lawyers in the nice fat fees that they have been able to extract from the taxpayers through the Government for appearing on behalf of individual parties. In fact, there is an even greater beneficiary, and that is the Liberal Party's lawyer who not only took the money but has gained preselection into the Legislative Council, so he is a twofold winner.

The Liberal Party and the *Advertiser* had judged the former Premier guilty and had judged this Government guilty, and I would even go so far as to say that this morning's editorial in the *Advertiser* had been on the blocks for some weeks. Because the results suit their purposes, the status of the royal commission has taken on God-like proportions. His findings and conclusions and many biased homilies that are scattered through the report are being treated like the words of the gospel. But what would the reaction have been if perchance the findings in relation to the former Premier, the member for Ross Smith, had been—

The SPEAKER: Order! The member for Napier will resume his seat. The member for Hayward has a point of order.

Mr BRINDAL: Mr Speaker, the record will clearly show that the member for Napier alleged that this royal commission has been a waste of time. I believe it is the

practice in this House not to interfere with judicial actions or the judiciary, and I would ask you to rule whether that comment was in order.

The SPEAKER: I assume the honourable member is referring to the *sub judice* rule. Of course, this is not *sub judice* at the moment; there is a report. This aspect of the report, phase one, has been reported upon. Therefore, I do not believe any *sub judice* rule is applicable in this case. I do not support the point of order. Does the member for Hayward have another point of order?

Mr BRINDAL: I would like to speak to you about it in a minute, Sir.

The SPEAKER: I am always available to members of the House to speak to whenever they wish, as I am to my constituents. The member for Napier.

The Hon. T.H. HEMMINGS: Thank you, Mr Speaker. As I was saying before I was rudely interrupted, what would the reaction of the Liberal Party have been if perchance the findings in relation to the former Premier, the member for Ross Smith, had been of a more temperate nature? I would hazard a guess that the Commissioner would have been described as a mate of the Government, the umpire was crook or the evidence was rigged. I could go on, but I do not intend to talk about the royal commission in that light.

The member for Victoria, in his opening remarks, drew the attention of the House to the first part of the motion, as follows:

...because the evidence given to the State Bank Royal Commission and the report of the Commissioner on his first term of reference has established the guilt of the Government.

That is quite correct; the member for Victoria was right there. I will also talk about that, but only in the area with which I, as a Minister, had some dealings with the activity that the Royal Commissioner deals with in his report. The rest of it I will leave for others to canvass. It is in respect of whether the former Premier departed from his arm's length policy. I refer to page 90 of the report which deals with home loan funding and concessional loans. In both those areas the Commissioner refers to section 15(2) of the State Bank Act, which provides:

The board shall administer the bank's affairs in accordance with accepted principles of financial management and with a view to achieving a profit.

I draw the attention of the House and of the Royal Commissioner to subsection (1), which provides:

In its administration of the bank's affairs, the board shall act with a view to promoting—

- (a) the balanced development of the State's economy;
- and
- (b) the maximum advantage to the people of the State,

and shall pay due regard to the importance both to the State's economy and to the people of the State of the availability of housing loans.

I think that if more regard were paid to that area of the Act than to section 15(2), which relates to a straight out profit motive, after looking at the evidence and the findings, perhaps the Commissioner could have been more temperate in his interpretation of what the Government was trying to do with respect to the availability of concessional loans to the people of this State and to the new projects and policies that we were embarking upon.

From my dealings with the State Bank and with Tim Marcus Clark, when I was Minister of Housing and Construction, at no time did I find that they ever departed from their established practice of having little or no interest in assisting low income people to get into home ownership. In fact, in regard to the concessional loan program they were always trying to up the ante with respect to what reward they should get for administering that program.

The Commissioner has much to say about this matter. He said that the concessional home loan program was inherited from 1 July 1984. That is wrong, for a start: the State Bank had been running a concessional home loan program from as early as 1956, but the Commissioner is only worried about the new bank. He is always talking about the reward, but I remind the House—and I know that the Deputy Leader would be aware of this because at one time I think he had the shadow portfolio of housing and construction—that the concessional home loan program was funded entirely by the Commonwealth and State Governments and from levies through the South Australian Housing Trust and the State Lotteries Commission. The program was run by the State Bank solely as an agent of the Government. As a Minister acting on behalf of the Government I had control of that program at that time and I could direct the State Bank in regard to its operation. It was not my role to direct but to ensure that the scheme was administered correctly, and it was the responsibility of the State Bank to report to me on how it was administering that program.

The former Premier has been charged by members opposite—and this has been implied by the Commissioner—with interference. It was always my view from 1984 onwards, because of the State Bank's attitude and the costs it was charging the Government—that we should give the concessional loan program to the Cooperative Building Society, the Hindmarsh Building Society and any other private bank that wanted to administer the scheme, because we had evidence and written submissions from those organisations to the effect that they were fully prepared to fund the concessional loan program at a lower cost than that charged by the State Bank.

I put this to the former Premier who, because of his own and this Government's personal allegiance to the State Bank, felt that we should offer the State Bank a chance to get involved with the concessional loan program and subsequently with the low start loans program and HomeStart. The State Bank's response, when the former Premier asked whether it would like to continue to be involved, was to up the ante. So, for anyone to say that the former Premier was intruding into the State Bank's affairs as far as the concessional loan program is concerned is a total load of rubbish. In fact, time and again I implored the Premier to open up the concessional loan program and the new HomeStart program to bodies other than the State Bank because the bank had no interest in it whatsoever.

I refer to the evidence given before the royal commission in regard to the State Bank. With reference to the State Bank's seeking a further increase, Mr John Luckens, who at that time was my ministerial adviser, said in evidence:

At this point in time the State Bank was seeking a further increase in margins but we believed that a concessional housing scheme could be run a lot more cheaply than the State Bank was actually running it. We felt that we could put the scheme in the commercial arena and get a much lesser cost of administration than was being provided by the State Bank. The State Bank was also concerned that the concessional housing funding (approximately \$600 million) was showing on their balance sheet. The difference between the cost of funds and what was being returned on the concessional housing scheme wasn't high enough to show profits in regard to balance sheet assets. They were wanting the scheme to be taken off their balance sheet. Quite clearly we regarded the State Bank's demands at that time as excessive.

I concur with that completely—that is quite correct: other organisations showed that they could run a concessional housing scheme cheaper than the State Bank. The State Bank wanted a little more from low income people. It was not lending its own money but South Australian Government and Federal Government money, and it wanted an increase of 1.5 per cent per annum to administer it. In his report, the Commissioner states:

Specifically in relation to the request for a more favourable financial arrangement the Government, despite the bank's pleas—which could be categorised as concerns that in this respect the bank might not be operating in accordance with section 15(2) of the Act—regarded the bank's alternative claim as excessive, and rejected it.

That action by the bank is in direct contravention of section 15(1)(b) of its charter, but no-one bothered to question the State Bank, because—and I know that members have only my word for it—when I went to plead with him to involve the State Bank in the low start loans program, Tim Marcus Clark said, 'Mr Hemmings, it is not the job of our bank to provide loans for working class people, people on low incomes; we are now in the big league.' That is not the Marcus Clark about whom the Liberals have been speaking. That is not the Marcus Clark who is the so-called innocent party. I have yet to hear any real concerns expressed by members opposite about Marcus Clark; they have been too interested in attacking members on this side of the House. He is the man who was supposedly administering on behalf of the State and Federal Governments the concessional loan program, and his two concerns were to extract as much percentage as he could for his own profit and to worry about the \$600 million that was appearing on the negative side of his balance sheet. Now that part has been cleared up.

In regard to home loan funding, the Royal Commissioner states:

On 14 November 1985, the Treasurer announced a new 'HOME Low Start Loans' program to assist new and prospective home buyers.

That is patently wrong: the Premier did not announce the new program. The letter from which the Royal Commissioner is quoting is an invitation by the Premier, which was against my advice as Minister, asking the State Bank whether it wanted to get involved in a program such as a low start program. It was not an announcement; it was asking the State Bank whether it would like to get involved. As I have said, that request was made against my advice because I knew the attitude of Marcus Clark and the board to concessional loans and

assisting low income people. The State Bank said that a low start loan was no good, that it would not be popular and, apart from that, it could detract from some of the bank's own loan programs that it was offering to its own customers. Is that serving the State? I say 'No', it is just a vested interest.

The second letter quoted in the report is again from the Premier to the State Bank, again against my advice that he should exclude the State Bank and insist solely on the Cooperative Building Society and Hindmarsh, but the Premier gave the bank one more chance to get involved. He did not tell it to get involved; he asked it whether it would like to be involved. In his second letter, the Premier offered to provide all the safety net procedures that we had in the program for any of its customers who wanted to come in. The Government did not direct; it offered incentives to do this, but it is reported in such a way that the general public will read the report and not the transcript or the letters and will assume that the Premier directed the bank.

Ultimately, the Government did not proceed with the low start loans, because the State Bank did not want a bar of it. Eventually, the low start loan evolved into our highly successful HomeStart program. It took us a further three years because of the State Bank's intransigence; it did not want to get involved. Despite all that experience of the State Bank's attitude, when I eventually put the HomeStart program to Cabinet and urged that it be offered only to the Co-op and the Hindmarsh, the Premier to his credit—and by golly, he has been paid back by the State Bank for his actions—insisted that the State Bank get involved with HomeStart and that it be given rights equal to those of the Co-operative and Hindmarsh Building Societies. Was the State Bank happy with that? Was it?—bloody hell! It then held back the program a further six months because, instead of accepting the .25 per cent commission fee, it was hanging out for .35 per cent.

Despite the fact that it was doing over the ex-Premier at the time, despite the fact that the State Bank was deliberately misleading and ignoring the Premier, he then insisted that the State Bank get that extra .1 per cent commission fee on all HomeStart loans. I am happy to say that the bulk of HomeStart, despite Marcus Clark pouring scorn on the HomeStart/low start scheme, has turned out to be the most successful housing program this State has ever introduced, and it has saved the building industry. I am pleased to report to the House that, because of the stupidity and greed of Marcus Clark and, really, the foolishness of the member for Ross Smith in insisting that we pay it that extra money, the State Bank gets less HomeStart finance than anyone else. I will restrict myself to those remarks. Members opposite know that I do know what I am talking about, because I was involved. I know what Marcus Clark was, and more is the pity that at the moment he is not the one in the dock rather than the member for Ross Smith.

Dr ARMITAGE (Adelaide): We have just heard a very spirited defence of an historical event back in 1984 or 1985 regarding concessional housing loans and low start home loans, which is mentioned on page 90 of the royal commission report. What I find interesting is that the member for Napier did not take up the same spirited

defence for what is on page 290—the damning findings of the pre-election manipulation of home loan interest rates. When he decides to talk about that with the same vigour, it will be interesting to hear. Yesterday, the Premier in his ministerial statement said two particularly interesting things. First, he said:

It should be clearly understood that no impropriety is asserted against the Government.

Secondly, he said:

No failing is identified at a broader whole of Government finding.

There can be only one possibility as to how the Premier could say that: he must have received a sanitised version of the report. It must have been whitewashed before it got to him. I have to say that, in the very short time that we were given to read the report, I found at least 42 examples where the Government—the collective Government—is accused, amongst a litany of failures, of failing its responsibility as a guarantor, of imposing its desires on the bank, and of seeking political advantage from interest rate manipulation.

Despite the so-called and much vaunted hands-off policy with which the Premier hopes to wash his hands of everything, I put to this House that the political manipulation of interest rates was not a hands-off policy: it was a hands-in-the-till policy. The Government is further accused of not asking pertinent questions and of not adopting a coherent role. It is accused of choosing a comfort zone by accepting a policy of non-awareness. It is accused of failing to respond to appropriate cues, of being myopic and of not hearing when the noises of disaster reached a crescendo. None of these is excusable where ordinary South Australians are expected to bear the brunt of the bail-out—and bear the brunt they are, with every reduction in services being directly attributable to this Government's failure, its absolute incompetence and its culpability.

Let us ask the woman who cannot get an operation for breast cancer whether she thinks the Government is guilty of impropriety; let us ask any of the families of the hundreds of intellectually disabled children who have been waiting for years on the urgent list for housing; let us ask the businessmen who have been driven into bankruptcy by the bank; let us ask the farmers and the home owners who have had their main possessions repossessed; and let us ask all the 9 300-plus people on the waiting list whether they think the Government is guilty of any impropriety by performing not even half adequately and allowing \$3 150 million of taxpayers' money to be squandered.

After reading the royal commission record, one could ask, 'Did the Government care?' On page 99 of the report, it is stated:

The Government was not entirely 'hands off' in circumstances where its own political interests, as distinct from the interests of the people of South Australia, might be affected.

In other words, the Government was quite happy to say that it had a hands off policy but, where it affected its political interests, in it went. This discredited Government cares more about its own political survival than about the people and the welfare of the South Australians it supposedly governs. It is time that this Government's life support system was turned off.

In the Premier's ministerial statement yesterday, amongst many other notable things—and I believe it was a eulogy for an obituary for the myth of Labor mateship—he delighted in pointing out that the report assigns to the former Treasurer responsibility for a failure to scrutinise and control the bank more closely. He pointed out with glee that the former Premier was strongly criticised for his general approach in dealing with the bank. He damned his former Leader with faint praise by saying that the Commissioner accepts that the former Premier's policy of dealing with the bank was justifiable until at least early 1989. Further, he went on to say that the Government accepted there were many deficiencies in communication between the Treasury and the Treasurer.

The member for Ross Smith, in a petulant grievance yesterday, made a passing classical reference to Leonidas and Horatio. After the Premier's ministerial statement yesterday, in which the member for Ross Smith was brushed aside as a minor irritation, the only classical illusion appropriate for the former Premier to have thought about would be to address the present Premier with Caesar's immortal words *Et tu, Brute*. Dealing with the former Premier's grievance, I was pleased to see him bounce to his feet yesterday only too keen to spit the dummy and say that the umpire had done him wrong, and today we await with bated breath his long contribution. On the score of misleading Parliament, there have been many examples—

Members interjecting:

The SPEAKER: Order!

Dr ARMITAGE:—where this House has been misled. Chapter and verse has been presented in this House already.

Members interjecting:

The SPEAKER: Order!

Mr Hamilton interjecting:

The SPEAKER: Order! The member for Albert Park is out of order.

Dr ARMITAGE: At page 234 of the Royal Commission report it is stated:

The Treasurer asserted in evidence that the parliamentary stage is one where the form of questions carries a different focus and requires a more oblique style of response than could ordinarily be adopted in everyday affairs.

That was in response to the many questions over many years with which the Opposition signalled the potential failure of the bank and about which the Government did nothing. In other words, the Treasurer said, 'I don't need to tell Parliament or the people what's really going on.' I think he is being just a bit too cute and too smart by half, and it is an absolute tragedy that the people were not informed.

In dealing with the matters in the royal commission report, I point out that the Royal Commissioner makes absolutely clear his distinction between the Treasurer and the Government. He does it so often that it is quite clear that those terms are not interchangeable. So, there is no possibility for this Government to sneak away from the collective noun 'the Government' by saying that someone else was implied when the Commissioner meant to say that. I would ask: where is the Government most culpable? In my view, it is through not acting properly as the ultimate guarantor of the State Bank loans. What does

the Royal Commissioner say about this collective Government's ability and responsibility to the people of South Australia to effectively guarantee the loans? On page 48, the Commissioner says:

However, a relationship that gave proper recognition to the Government's responsibility as guarantor and as beneficiary of the revenue flows generated by the bank—

they are only too happy to take those—

called for the Treasurer and Treasury to adopt a more searching role than that of passively receiving information and making occasional suggestions on policy.

What an abrogation of the Government's responsibility!

On page 56 the Royal Commissioner goes on to say:

In particular it would be reasonable to expect that the justification for injections of capital and the quality of the growth that was fed by those injections should—

and that is the problem, because it should have been and it was not—

have been closely monitored, bearing in mind the ultimate liability of the State.

I remind the House that the ultimate liability was the State's, but the ultimate responsibility was the Government's. The ultimate Government responsibility is to provide schools, hospitals, aged care, women's shelters, prisons, what we call the public transport system, and so on, and every single one of those services has been depressingly cut because the collective Government failed to live up to its responsibility. It shrugged its shoulders when it should have been in there making sure that what it was guaranteeing was safe, but all it was trying to do was to leach a bit more money from the cash cow so it could buy yet another election. When the Government squanders money by not keeping the guarantor function properly under control, all South Australians suffer. I believe that this is the most important reason why this House ought not have confidence in this Government because, when it mattered, the Government was found seriously wanting.

Further, in talking about the guarantee, on page 101 the Royal Commissioner says:

The Under Treasurer's emphasis on a commercial approach might well have led the Treasurer to recognise that a commercial approach also requires a guarantor to understand and monitor the extent of the liability it is guaranteeing so it may ensure that the nature and degree of its risk is not altered without its knowledge and consent, or at all.

Damningly, he goes on to say:

The Government, inappropriately, failed to do that.

The Government, inappropriately, failed to care whether the bank was sufficiently safe when it was guaranteeing it, knowing full well that, if the bank fell over, all South Australians would suffer. In that most recent quote, I particularly draw members' attention to the fact that the Treasurer is quite specifically depicted differently from the Government, so clearly the Royal Commissioner meant to say that 'the Government' failed to act properly.

What were some other failings identified in the Royal Commissioner's report as Government failings, despite the Premier's paper-thin attempt to gloss over these specific examples? I emphasise that, in quoting these examples, I am quoting the report of the umpire; I am quoting the report of the unbiased person who spent months going through and sifting evidence—hours and hours of painstakingly taken evidence. It is his report. It

is not a member of the Opposition sledging the Government. I am quoting from an unbiased report—

Mr Brindal interjecting:

Dr ARMITAGE:—of a respected member of the judiciary. I remind the House that, in all these failings, taken in the context of the Premier's statement yesterday, there is no failing identified at a broader or whole of Government level. What a pious statement! Unfortunately, it is incorrect. On page 57, the Royal Commissioner says:

...one is driven to conclude that the casual approach to the receipt of such material—

and the material is material supplied by the bank—

and the absence of any action to determine whether it was both sufficient and appropriate, speaks of a surprising failure of Government at this early stage to assess and recognise its role and responsibilities as owner and guarantor.

It is a surprising failure of Government which has cost South Australians \$3 150 million. Further talking about failings of the Government and overseas expansion, regarding documentation which was put by the bank to the Government before the expansion, it was indicated that the bank's expenses, if looked at carefully, were projected to exceed net interest income. The Royal Commissioner (page 63) said that there may be explanations, but:

What is not acceptable is to observe the Government in the comfort zone it had chosen by its policy of non-awareness, with none of the questions arising on the face of the documents having been addressed.

That is where the Government has gone wrong. It has shrugged its shoulders. It has accepted a comfort zone by being non-aware, and all South Australians are suffering. On page 71, another failing of the Government is referred to. In dealing with the 1985-86 period, the Royal Commissioner says:

It is now possible to identify some matters which may have led to significant questions being addressed to the bank, if the Government had shown more interest or concern. Nevertheless, on one or two occasions the Government did involve itself to an extent that was inconsistent with its 'hands off' approach.

I emphasise the election manipulation. If anyone wants other examples, there are many others, and I suggest they read about the purchase of Executor Trustee as one prime example. Further, many members in the House have talked about the surprising growth curve which the bank, as a small regional bank, suddenly exhibited—379 per cent over a period when other banks, major banks with many more international and overseas connections, were not having the same growth pattern. What did the Royal Commissioner say about the actual growth? He said:

This was more than double the growth that had been contemplated in the earlier negotiations, yet no questions were asked by the Government as to the basis for that very much more rapid need for subscribed capital than had been contemplated.

No questions were asked by the Government. Further, he said:

The Treasurer continues to support Mr Marcus Clark despite growing evidence to the Government to suggest that the strategy and policy of the bank and the capacity of its management might not justify that confidence.

It is a litany of failures of the collective Government and, for a Premier to stand up and say that no failing has been

identified on a whole-of-Government level is crass stupidity. He cannot have read the same report. I found 42 examples—and I will not give any more—specifically on failings of the Government. I have found 42 in the short time I have had the report. Surely the Premier, with all his staff, has been able to have identified exactly the same things. I would like to quote one last example from the royal commission at page 74, because it is really the key to where the Government went wrong. I quote:

...there was one glaringly obvious—

not hidden away in the data, no fault of the bank's board not giving the right information or anything like that—

composite question to be asked: how was this fledgling bank creating such a large niche for itself so quickly in a highly competitive and deregulated market? Was it sacrificing quality for quantity? The answer to such a question should surely have been important to the owner and guarantor of the bank. The Government had all the data, but it never asked the question.

Is it any wonder that the people of South Australia are crying out for some accountability and for an election to bring in a Government that will at least ask questions in this type of situation? I wish to close by referring to a question I asked in *Hansard* and to collective responsibility, which I believe is the most important feature of this motion. On 14 April 1992 I asked a question about St John Ambulance and about problems specifically involving finance. I asked the question of the Premier because it was a question of finance, but the then Minister of Health took the answer. I took a point of order and you, Mr Speaker, said:

The principle, as the Chair understands it, is of shared ministerial responsibility and, as I understand the form of our Parliament, Cabinet is a shared responsibility.

This Cabinet shares a great failing, and all South Australians are suffering because of it. I strongly support the motion of no confidence.

The Hon. M.D. RANN (Minister of Business and Regional Development): I was delighted to be able to watch the Oscar Wilde like performance of the Leader of the Opposition today and also, in an unblushing way, to discuss the information that was provided to this Parliament at the time of my now famous, and I am delighted to hear it is famous, speech at the beginning of 1989. Let us remember that more than a year after I made that speech the KPMG Peat Marwick financial industry survey was released on 1 June 1990. KPMG Peat Marwick, the famous auditors, ranked the State Bank of South Australia as the best performing State Bank in the country and placed it tenth out of the 27 Australian banks surveyed. They placed it ahead of Westpac and the ANZ. That survey was conducted prior to the release of the 1989-90 results.

If members opposite think that KPMG Peat Marwick are not worth a crummet, they should stand up and say so. If these consultants and auditors are dishonest or fraudulent, then let us hear the Leader of the Opposition say that about Peat Marwick. At that stage they highlighted the underlying strength of the bank and its perceived ability to face the tough economic times ahead. That statement was made a year or so after I made my now famous speech.

What did John Hewson say in talking about the next available Governor for the Reserve Bank, the same

Reserve Bank that was expected to be the overseer of banking in South Australia? Whom did John Hewson, the hero of the Leader of the Opposition, put forward? He put forward Tim Marcus Clark. We have not heard a great deal from the Liberal Party in this State about that.

It is true that I did believe that Professor Hancock, a professor of economics and Vice-Chancellor of Flinders University, who was part of the selection committee for Tim Marcus Clark, and I did believe that Adrian McEwin and Maurice O'Loughlin, now a justice of the Federal Court and a Liberal appointee to the old State Bank, actually had some substance. Obviously, the Leader of the Opposition believes that Justice O'Loughlin—

Members interjecting:

The SPEAKER: Order! There is a point of order. I am not sure who is taking the point of order. There are so many members standing that I cannot be sure who is taking the point of order. Before the member for Mitcham makes his point of order I would ask all members to resume their seats and get out of the firing line.

Mr S.J. BAKER: Mr Speaker, I rise on a point of order. Can we turn the Minister's microphone off? I ask that, because we are suffering from noise pollution.

The SPEAKER: That is a frivolous point of order.

Mr S.J. Baker: It's a serious one—we could all be deaf.

The SPEAKER: I assume that the member for Mitcham is not—

Mr S.J. Baker interjecting:

The SPEAKER: Order! The honourable Minister.

The Hon. M.D. RANN: Thank you, Mr Speaker, and it is interesting to note the childish response of the dumped former Deputy Leader of the Opposition. We see that Maurice O'Loughlin, now a Justice of the Federal Court, was on the interview committee and actually recommended the appointment of Tim Marcus Clark. Are members opposite saying his views are not worth a crummet? Is that what they think of his judgment? Let us hear whether the Opposition actually believes that KPMG Peat Marwick, these judges, Mr Keith Hancock of the Australian Industrial Relations Commission, the former Vice-Chancellor of Flinders University, and Mr Searcy (a chartered accountant and Liberal appointee to the old Savings Bank) have no substance. If you believe that their views are not worth a crummet, let us hear you say so. Of course, there has been a deliberate distortion and perversion of what was actually said in the royal commission report. On the failings of the bank, I quote:

Mr Bannon has said publicly that he was let down by those in whom he placed his trust and confidence. The evidence unequivocally places the board and Mr Clark in that category... That was at page 389 of the report. Further:

(Mr Clark's) attitude (in February 1987) carried a clear signal to the board not only of a potentially dangerous growth culture but of an unwillingness to accept restraint. There is no evidence at this time to suggest that any such signal was received and understood by the board.

That was at page 111 of the report. Further:

Any board of directors is no doubt justified in ordinary circumstances to rely upon and accept management proposals. But simply to 'rubber stamp' these controversial recommendations (on section 22 payments on 28 July 1987) as it appears to have done was to advocate its overriding

responsibility for the prudent commercial management of the bank and, encouraged by management, simply to acquiesce the wishes of the owner.

That was at page 163. Then:

It is difficult to understand how the board, acting conscientiously and pursuant to section 15, could have approved the acquisition (of Oceanic) on the terms it did.

That was at page 145. Let me now refer to what the Royal Commissioner actually said rather than what the Leader of the Opposition tries to pretend he says about the failure of information from the bank to the Treasurer. Again, I quote:

It seems likely that the Treasurer's attitude was influenced at least in part by the selective quality of the information that was conveyed to him with a clear tendency on the part of the bank, and Mr Clark in particular, to suppress or disguise the bad news.

That was at page 390, and again I quote:

It (the bank) painted an artificial and misleading picture to the public of its financial health...

That was at page 391, and again I quote:

The responsibility of deciding what information to pass to the Treasurer or his officers touching the activities and performance of the bank rested solely with the bank.

That is at page 23, key finding 7.2. My final quote is as follows:

The reaction of the bank to the gathering storm clouds (in 1988-89) was to assure the Government that they were not storm clouds at all. No doubt those in the bank believed what they were saying in most respects, but there were signs that the bank, rather than give the Government realistic and sometimes bad news, preferred to present the picture in the same rose tinted colour it had used up to then.

That was at page 179. It is interesting to see a few members opposite scurrying away like rats. Under 'Board support for Mr Clark' the report states:

Despite mounting unease about Mr Clark in 1989 'the board itself did not, as a board, address the issue. Indeed, in February 1990 it increased Mr Clark's salary package by \$50 000 per annum and Mr Simmons, contrary to the tenure of his own notes, gave a message of reassurance rather than alarm in his private discussions with the Treasurer on 9 February and 8 May 1990. As a result, it is understandable and not surprising that the Treasurer at this time said that he thought it desirable for Mr Clark to stay with the bank, notwithstanding Mr Hartley's explicit warnings...'

Whilst the Liberal Party wants to scurry away like rats from these facts in the royal commission report, let us see how the former board members voted on Tim Marcus Clark's salary increase in 1989. There are a few other questions to be raised. We have seen in the past few days an abuse of this Parliament and a conspiracy, I believe, between members of the Liberal Party both inside and outside this Parliament, I understand, and David Hellaby of the *Adelaide Advertiser*.

On Thursday 12 November, Hellaby got Julian Stefani to tell the Upper House that former State Bank board secretary Mary Kotzes had her salary package doubled and received \$362 000 in mortgages. I understand that a Liberal Party press secretary, Jim Bonner, later told journalists and press secretaries that Hellaby was angry with Mr Stefani for tipping off television reporters because he wanted an exclusive on his story that he had fed to the Upper House through the Liberal Party. In other words, Mr Hellaby believes—

Mr BRINDAL: I rise on a point of order, Mr Speaker. I believe the Minister is clearly referring to debate and procedures in another House and is therefore quite clearly out of order.

The SPEAKER: I uphold the point of order. I am sure the Minister will bring his speech back to relevance to the current debate. However, reference to debate in the other House is definitely out of order.

The Hon. M.D. RANN: I am referring to the actions of a newspaper reporter. It is interesting that the newspaper reporter's abuse of a Liberal Party press secretary for happening to inform other journalists of what was happening in Parliament rather than the story being the exclusive privilege of that journalist in a bizarre perversion of parliamentary privilege and journalistic ethics happened on the same day that the full court rejected an appeal by Mr Hellaby against an order to hand over all documents related to two articles on the State Bank. Was he trying to divert attention from himself or was he trying to gain some credibility, because his credibility—

Mr S.J. BAKER: On a point of order, Mr Speaker, there is an appropriate time for this sort of debate, that is, during the grievance debate. This is a debate on a motion of no confidence. The Minister's remarks have no relevance to the motion before the House.

The SPEAKER: I assume the point of order relates to relevance. I uphold the point of order. Once again, I ask the Minister to come back to the subject of the debate.

The Hon. M.D. RANN: I will certainly leave the question of Mr Hellaby. However, the question of the State Bank has been raised in the New Zealand Parliament in the past couple of days, interestingly enough, in terms of the role of the State Bank. The issue raised was very interesting. I believe there was a conspiracy between journalists and members of the Government in New Zealand, and this abuse of Parliament by MPs and an unethical journalist does not begin and end in this State. In New Zealand, in a sleazy and cowardly attack, a Government MP and ex-National Cabinet Minister, Winston Peters, used documents stolen from the State Bank of South Australia in an attempt to embarrass the Bank of New Zealand.

Mr Peters, in a conspiracy that traverses the Tasman, quoted from alleged excerpt documents, which were stolen, not validated and unsigned State Bank board minutes. Mr Peters, who spends half his time trying to undermine his Prime Minister, Mr Jim Bolger, was involved in an irresponsible public disclosure of confidential banker/client information. I believe that in doing so he is a coward and should be controlled by his Prime Minister, who just does not have the strength to keep him under control. Certainly, he has all the ethics of a sneak thief in this role.

I draw members' attention to the statements by a number of New Zealand companies following this performance in Parliament, because I believe it was also said that Australian businesses would be loath to invest in New Zealand if they are going to expose themselves to unsubstantiated and irresponsible attacks from New Zealand MPs. I certainly concur with that. So, Mr Bolger's lack of control—

Mr INGERSON: I rise on a point of order, Sir. Discussions going on in the New Zealand Parliament

have no relevance whatsoever to this particular debate and I ask to you rule on a point of relevance.

The SPEAKER: I understood the Minister to say that the matter of the State Bank was raised in the New Zealand Parliament.

Mr S.J. BAKER: On a point of order, Mr Speaker—

The SPEAKER: Order! The honourable member will resume his seat. I will deal with one point of order at a time. As I understand it, the Minister raised the matter of a debate on the State Bank in the New Zealand Parliament. I am trying to resolve some other matters at the moment and I was not listening closely. I ask the Minister to ensure that his remarks are relevant to the debate, to the matter of the State Bank, and to relate his comments to the motion before the Chair.

The Hon. M.D. RANN: Absolutely, Sir. Indeed, in this House members opposite have raised the question of the State Bank and its operations in New Zealand. That was the subject of the debate in New Zealand to which I was referring. Certainly, I believe that the New Zealand business community is very worried about Mr Peters' role in using the Parliament to assist journalists in an unethical way.

However, I would like to refer to a number of other issues and I do intend to talk about the role of the Liberal Party in this State in terms of other banks in Australia. At another time, because it is not relevant to this debate, I will be discussing the role of senior Liberals in the Nugan Hand Bank, but that can await debate on a different issue. I am sure that members will be very interested to see the dossier that was sent out about a prominent Liberal Party member in this State by Liberal Party members to voters at a Liberal Party State Council meeting.

The SPEAKER: Order!

Mr S.J. BAKER: On the subject of relevance—

The SPEAKER: Order! Wait until you get the call. The Minister will resume his seat. The member for Mitcham.

Mr S.J. BAKER: On a point of order, Sir, I ask you to rule on relevance. The Minister is talking about the Nugan Hand Bank now.

The SPEAKER: Obviously, as the Chair will not be able to read up on *Erskine May* in the interim, I have to listen to every word. However, I ask the Minister for the third time to be relevant in his contribution to the debate before Chair.

The Hon. M.D. RANN: In concluding, I would like to talk about the Reserve Bank's failings and again go back to the report and the Commissioner's actual statements rather than these Oscar Wilde performances we have heard from the Leader of the Opposition. Everyone opposite knows that this is his last chance, because the member for Kavel is after his seat. This is what the Commissioner said about the Reserve Bank's failings (page 392):

The Reserve Bank perceived the incipient problems of the Bank at least as early as 1987, but it must have been aware that its views often went unheeded by the bank; in failing so to inform the Government it was guided by its policy of aloofness from the shareholder—owners of the banks for which it had statutory responsibility. However, it was neither logical nor commercially and financially sensible to adopt the same policy

of aloofness from the owner of a State Bank which had voluntarily submitted to its surveillance.

Of course, that is the same Reserve Bank of which John Hewson, the great hero of members opposite, the supposed saviour of the country with zero tariffs and GST, wanted Tim Marcus Clark to be governor. Let us go on to another part of the report. The Royal Commissioner stated:

At least from 1989 onwards, and in some respects earlier, the bank's rate of growth and some aspects of its performance and activities caused some concern to the Reserve Bank, increasingly so in 1990.

It goes on to say:

The opinions and advice of the Reserve Bank were not satisfactorily conveyed to the board of the State Bank, and the response of the bank and the board to such advice was unsatisfactory.

Finally, again I quote from the Royal Commissioner's report:

There was no arrangement in place to report the opinions, findings or advice of the Reserve Bank to the Treasurer or his officers, and in this respect the Treasurer drew false comfort from the perceived role of the Reserve Bank.

That statement is at page 25 as key finding 10.4. My appeal is for the Opposition actually to deal with what the Royal Commissioner said about these external forces, the Reserve Bank, the role of the board and the role of management. In conclusion, if I on one occasion made the State Bank blush as well as members opposite, I am delighted.

Mr OSWALD (Morphett): When the Minister of Tourism opened his remarks 20 minutes ago he referred to his famous speech. When one looks at what the Royal Commissioner did with that speech, I think he would be better advised to call it an infamous speech. On the subject of speeches, it would be interesting to listen not to the Minister of Tourism but to the member for Ross Smith who all afternoon has come in to speak and every time the television cameras have appeared has gone out of the door again. We will be quite happy to shorten our speeches on this side of the House and restrict ourselves—

An honourable member: Where is John?

Mr OSWALD: That is a very good question. We are happy to restrict our speaking time to about 10 minutes each to give the member for Ross Smith an opportunity to come in and make a contribution, because, quite honestly, members of this House and the public would like to have a contribution from him. He came in yesterday and was happy to speak for five minutes during the grievance debate and put down a position. This evening he is listed and time has been made available. In fact, he has been given unlimited time to make a contribution, but every time he comes through the door the cameras are up there and he turns round and hightails it out of the door again. It is about time that the Whip and Leader of the House went out and invited the honourable member to come in and make a contribution so that we can hear his response to the Commissioner's report.

Yesterday the verdict was delivered by the Commissioner, the former Mr Justice Jacobs. This inept, incompetent and negligent Government has been exposed

by the Royal Commissioner as the instrument that has brought about the demise of the financial base of South Australia and has mortgaged our children into the future. The tragic consequences of the events which lost South Australians \$3.15 billion, which every man, woman and child will have to pay into future generations, is now enshrined in the State's history and is a matter of fact for people in years to come. It is now on the public record and Commissioner Jacobs has identified John Bannon, the member for Ross Smith, and his colleagues, who now make up the Arnold Cabinet, as being responsible for what has been described as the worst financial disaster in the history of all Federal and State Governments. What a remarkable reputation to have hung around any Government's neck!

Already the effect is being felt in my electorate and in the other 46 electorates in this State with cutbacks in resources for schools and hospitals. Police patrols are curtailed and, when we check the reason why, we find that it is due to budgetary constraints. Bus timetables are now being constrained. In my area, we are finding enormous dislocation to senior citizens and other disadvantaged groups who have to use these facilities. Maintenance on our roads is under threat. The next step, of course, is the business community, and the ordinary wage earners in this State can look forward to a new round of State taxes and charges. Sir, if you truly claim to be an Independent, you have the awesome responsibility this evening to vote in the best interests of ordinary people in South Australia.

The SPEAKER: Order! Once again, I draw the attention of members to the fact that the motion before the Chair has no mention of my vote either as the Speaker, as an Independent or as the member for Semaphore. There have been many cries this evening for relevance, and I draw the attention of the member for Morphett to the need for relevance.

Mr OSWALD: Very good, Sir, but I am conscious of how powerless the ordinary man and woman in the street feels about what has happened in this city and State since 1989. Indeed, they will be looking to every elected member in this Chamber tonight, when they exercise their conscience, to think of them and to do the right thing by the vast majority of people.

The SPEAKER: Order! I think the member for Morphett has made his point. I would now bring him back to the need for relevance.

Mr OSWALD: Very good, Sir. Commissioner Jacobs has provided more than enough evidence for every elected member in this House to justify withdrawing support from the Arnold Government. It has now been confirmed that the Cabinet failed to respond to warnings that were given in 1989. The plethora of signs of impending peril is how Commissioner Jacobs puts it in his report. Tragedy, saga, failed communications, surreptitious payments, stupidity, political self-interest—all damning words used to describe a Government which chose to put political advantage for itself ahead of the best interests of the people of South Australia and, in so doing, squandered \$3.15 billion of taxpayers' money.

There is no question but that the report locks in the whole of the Labor Cabinet. Each Minister was a member of the House in 1989, and all are here and have followed the saga on a day-to-day basis since that date. If it has

passed the observation of any of those members who were members of the Cabinet in 1989 and who have been in the House between 1989 and today what was being put to the Government by the Opposition and the media during that time, they are far more incompetent than the report even gives them credit for. Both you, Sir, and I know that the Bannon Government milked the bank for all it was worth, seeking financial windfalls and using the bank for political gain. Today we have heard many examples from other speakers about the manipulation of the commercial operations of the bank and of secret deals for political gain.

I refer particularly to the setting of the bank's home loan interest rates before the 1985 and 1989 State elections and the 1987 Federal election. It was a scurrilous manipulation of the public purse by a desperate Government at the time. Only a Government that is devoid of any principles would do such a thing. It is a Government that can never again claim any credibility as financial managers in this State. The reason is clear: this Government can no longer be trusted. The ordinary man and woman in the street does not trust this Government and has been pressuring the Government, as everyone knows, to go to the polls and let them decide the future direction of this State for some years to come.

The tragedy from the State's point of view is that it is the same Ministers who shuffle their portfolios around to create the deception that we have a new team administering the State, but in fact it is the same team that was there prior to the disaster. Again, both you, Sir, and I know that the Government is hoping that, by the member for Ross Smith stepping aside, accepting the blame publicly and having this ministerial reshuffle, the public and the media will forget the history of this tragic saga. The Government hopes that the public will forget the empire building of the bank and its uncontrolled expansion which was followed by the ailing and failed joint ventures with which we are all familiar: the loss-making subsidiaries of the bank and the Beneficial Finance Corporation, the doubtful loans which have yet to be called in and high flying executives and their families who travelled the world on open expense accounts.

The Hon. Jennifer Cashmore: They are still doing it.

Mr OSWALD: As the member for Coles says, they are still doing it. We all know about the properties that the bank has had to repossess at great loss to the taxpayer as a result of defaults, many of them because the bank and the Cabinet lost sight of their statutory charter under the Act. Since 1989 this Government has been on a course of self-preservation and damage control. It is interesting that the media this morning labelled it as the stench of self-preservation. How right they were. Surely there is no doubt in your mind, Mr Speaker, that ex-Premier Bannon and his Cabinet misled parliament not by accident, but by deliberate design. Earlier this afternoon my friend the member for Victoria listed all the examples in the royal commission report. In the interests of brevity, I will not repeat them.

The deception and damage control ranged over a vast number of issues and was raised through the Opposition questioning either through Question Time or in the general media. The Equiticorp collapse is well documented, but at the time Cabinet Ministers did not

want to know about it, despite warnings and speeches by the member for Coles and others. Members will recall that this commenced in about January 1989. Then there were the big losses from other gambles. Remember the names: Oceanic Group, Campbell Capital, IBIS Group and the United Banking Group in New Zealand. There was also the notorious—and much denied at the time—off balance sheet companies set up by Beneficial and offering highly complex tax minimisation schemes; they were also designed to produce for Parliament and the public at large misleading profit figures. Then there was Luxcar Leasing Limited which, as far as we can ascertain, involved \$52.5 million in tax debts. There were also joint ventures in North Queensland and Western Australia. The Ramada, Sydney was valued at \$20 million and was sold for \$14 million. The St Moritz in Melbourne, valued at \$35 million, was sold for \$21 million. Of course, there was the Pegasus horse leasing debacle on which at least \$71 million appears to have been lost.

Anyone who had their pulse on what was happening in Government in this State and who moved around at all in the community would have heard warning bells ringing when they heard of the participants in the Pegasus scheme and saw the people who actually owned the horses. In fact, anyone on the outside looking in would have seen that something was going to get out of control very fast. Then there was the greatest debacle of all: the Remm site, which was high on the list of Government damage control from the time the Opposition asked the first question. What does this all mean to the men and women in our electorates? It means a lost generation of opportunities. The State is already at an economic disadvantage compared with the populous States of Victoria and New South Wales. It means that we will have to work for another generation with one arm tied behind our back just to be on an even par. Already there is a rush to sell off properties: for example, the community centre in my electorate which puts through 2 000 people per week is now on the market in this desperate urge to sell property so that it can recoup money.

The Coast Protection Board is cutting back on funding for sand management. National park maintenance and staffing is in chaos, the Government is unable to manage the parks correctly, and short-term relief looks extremely doubtful. The list goes on, but the time allocated to me will not allow me to expand any further. Let me conclude by saying that the people of this State have been treated with contempt by this Government. They are angry, and they want the Government to go. They have inherited this \$3.15 billion debt through no choice of their own. They are innocent victims of an incompetent and negligent executive team in Government which should go, and go now. I urge all members of the House to support the motion.

Mr FERGUSON (Henley Beach): There is no doubt that the proposition before the Chair at the moment is extremely premature. The full story on the problems of the State Bank will be known only when the Royal Commissioner has reported on the second and third terms of reference and when the Auditor-General has reported on the causes of the failure. One has only to examine

thoroughly the report that is being discussed to understand this. On page 389 of the report the Commissioner says:

...it is not part of the current inquiry on the first term of reference to assign blame or apportion responsibility for the disaster that overtook the bank. It is the primary task of the Auditor-General to ascertain the causes of failure, which may well involve conclusions with respect to the personal responsibility of the bank's officers, and it is the commission's third term of reference that specifically addresses the role of the board and Mr Clark.

On that same page he also says:

...it is impossible to ignore the criticism in the report of the role played by the then Treasurer, Mr Bannon, but it would be a fundamental error to assess that role without also examining the role of the Under Treasurer and his officers, of SAFA, of the board and Mr Clark, and of the Reserve Bank. None of them escapes criticism, and sometimes severe criticism.

So, the proposition that is before us is extremely premature. It smacks of political opportunism. I believe the Leader is shoring up his own position before he faces a challenge from within his own Party. When all the reports have been assessed, the failings of the bank and the bank management are something that this Parliament and the people of South Australia will have to consider. One has only to read thoroughly what has already been said about the bank's management to understand this. On page 389 of the report the Commissioner states:

Mr Bannon has said publicly that he was let down by those in whom he placed his trust and confidence. The evidence unequivocally places the board and Mr Clark in that category... On page 391, the Commissioner says:

In pursuit of its objectives, the board, guided by Mr Clark, not only set itself goals that were unrealistic, but was also unable to make a plan and stick to it. It developed a culture of unrestrained growth...

On page 392, the Commissioner says this about the bank:

From an early stage in its history, the bank put stability at risk in the pursuit of growth in the hope and expectation that in due course growth itself would ensure stability.

On page 22, in his key findings, the Commissioner states:

In August 1989 the Under Treasurer gave specific warnings and advice to the officers of the bank with respect to its rapid growth and some aspects of its performance. Such warnings and advice were not conveyed to the board and were not heeded by the bank.

On page 111 of the report the Commissioner states further:

[Mr Clark's] attitude [in February 1987] carried a clear signal to the board not only of a potentially dangerous growth culture, but of an unwillingness to accept restraint. There is no evidence at this time to suggest that any such signal was received and understood by the board.

One of the problems I have in assessing the speeches of members opposite is the fact that they have given very little weight to the problem of deregulation and the cultures of all the banks in Australia over that time. I refer specifically to an article in today's *Financial Review* headed 'ANZ's \$1.9 billion fiasco'.

Dr Armitage interjecting:

The SPEAKER: Order! The member for Adelaide is out of order.

Mr FERGUSON: Thank you, Sir. I might have to take longer than I anticipated if this keeps up. The ANZ

Bank was featured in the *Financial Review* under the heading 'ANZ's \$1.9 billion fiasco'. Not only that, we and everyone in South Australia know of the problems of the Westpac bank. The member for Adelaide rudely interjected and said, 'This is a private bank'. There seems to be a different judgment on the other side about the use of private banks as against the State Bank. The situation is that the Australian people pay in any event for what happens to banks, both private and public, because they write off all their losses against taxation. The public pays because of the non-payment of taxation by private banks. Indeed, the ANZ bank has announced that there will be no dividend imputation on their dividends for the next three years. One of the reasons for this is that it is not paying any tax. So, one could ask the question: who is paying the tax? The Australian people are paying the tax. So, the general culture as far as banking in Australia is concerned is that the madness of the 1980s has already caught up with us.

I had the privilege of heading a select committee of this Parliament that looked into rural finance. As we went from country town to country town, the thing that impressed the committee at that time was the absolute stupidity of the banks, not only of the State Bank but of private banks as well. So, a share of the blame must rest on the total stupidity of the banks in Australia at that time. *Very* little weight has been given to this in the arguments of members opposite. I can agree with all the criticisms they have made about the State Bank. There is not one word that has been said in this debate by members of the Opposition about the State Bank with which I do not agree. But they must also look at the broader picture—at what was happening at that time. The Commissioner in his report stated:

There is no doubt that the external economic factors beyond the board's control made a significant contribution to the bank's adversity.

I believe that was a direct reference to the culture of deregulation and the mistakes that went with it.

Members interjecting:

Mr FERGUSON: Several members of the Opposition have referred to the Government's treating the bank as a cash cow for Government expenditure. That phrase has been used time and again—in fact, the member for Morphett has just used it. There has been much debate and confusion about the dividend payments and return on capital which the bank paid to the Government. There have been claims that there has been pressure for an inappropriate level of return, and in this regard it is worth reflecting on the former Opposition Leader's speech on the Appropriation Bill on 4 September 1990. In his speech, the member for Victoria criticised the Government for not achieving at least 15 per cent return. On a number of occasions, the member for Victoria had indicated that, unless the Government achieved a 15 per cent rate of return, that money would be better invested elsewhere. In interviews with the *Business Review Weekly* in August 1989 and on the ABC, the former Managing Director of the bank, Mr Tim Marcus Clark, said:

A proper return on capital reserves attributable to shareholders of the State Bank would be 15 per cent.

As Mr Clark acknowledged in evidence to the royal commission, even his target of 15 per cent before tax was

not ambitious; indeed, it was higher than the actual return and the Government's expectations.

So, we have the Opposition on the one hand being happy to criticise the Government for not achieving a high rate of return on the bank yet on the other hand claiming that the Government was using the bank as a cash cow. The Government's expectations for return on the bank were quite modest and appropriate. Indeed, the Government agreed with the Opposition and believed that it would be inappropriate not to expect a sound performance and return on the Government's capital in the bank. I understand that the Whips have agreed that the later speakers will take no more than 10 minutes. I have used my 10 minutes. I could go on about this, but I am totally and absolutely opposed to the proposition that is before the Chair.

Mr OLSEN (Kavel): And to think they called him Honest John! What we have before us in this House tonight is a disgraced former Premier. Commissioner Jacobs said so by the ferocity of his findings against the member for Ross Smith. John Bannon was this State's Premier for 10 years. Just one day and a 475 page report has shown that most South Australians never knew the real John Bannon, the member for Ross Smith. The question must be asked, 'If they had known just how far this man would stoop to stay Premier, would they have placed their trust in him?' I do not think so; the answer would be a resounding 'No'. After yesterday's royal commission report, no longer can former Premier Bannon hide his misleading statements behind a wall of theatrical words, as he did for so long. The actions of this man, the member for Ross Smith, the real John Bannon as opposed to Honest John, and their consequences, have been laid bare at last for the whole State to judge.

Yesterday, the Government was blaming Tim Marcus Clark: today it is the Reserve Bank. Who will be tomorrow's scapegoat for this fiasco, this tragedy, in South Australia? The Deputy Premier referred constantly to the Reserve Bank. I will quote from the all-Party Federal banking inquiry of November 1991—which was critical, I might add, of State Governments for relying on the Reserve Bank. We well remember that the Deputy Premier and the Minister of Tourism criticised the Reserve Bank, saying:

The Reserve Bank had a role, a function, a responsibility and did not pick up the phone and tell us.

What did the all-Party banking inquiry have to say about that. At point 1238, it states:

It was naive and grievously in error of State Governments and their advisers not to appreciate the need for an independent external supervisor. Sadly, the trust Governments maintained in the boards and management of the banks was misplaced.

Further, it states:

An additional factor in the difficulties was an apparent misunderstanding by the Governments of the role of the supervision of the Reserve Bank. They appeared to believe the Reserve Bank could be relied upon to protect the capital of the bank. However, in its normal supervisory procedures, the Reserve Bank is charged with protecting the depositors, not the shareholders.

This morning on radio, we heard the former Premier saying, 'Well, we should have advertised the rate freeze; we should have got the credit for it.' He used purely

'we'. Is that not interesting? He used not 'I', yet this Cabinet says that it did not know anything about it. Why all of a sudden has it become a 'we' and not an 'I'; it is a very interesting point. In relation to interest rates, no matter what the former Premier says, the evidence from the royal commission is clear. He raised home loan interest rates as an issue with the State Bank only on three occasions: just coincidentally, at the time of the 1985 State election, the 1987 Federal election and the 1989 State election. Interestingly, in 1986, when there was no election but when interest rates went up in one hit by some 2 per cent—a massive escalation in interest rates—what did he do? Absolutely nothing! That is a demonstration that the only time he acted clearly was when he thought there was some political imperative for him and his Government.

In relation to Homesure, we have heard members opposite interject today that Homesure, this new initiative, was really what all this was about. That is arrant nonsense, given the evidence of the royal commission and a note from Mr Paddison to Tim Marcus Clark of 2 January 1990, which states:

The Homesure scheme was announced in detail on the Wednesday before Christmas with no prior advice to any financial institution or consultation on the administration and the operational aspects of the scheme.

So, the bank did not know anything about it until well after the election campaign was over. It shows that the Government did not consult with its own bank before announcing the scheme, and it is further evidence that it was cobbled together in panic after the election promise of the Liberal Party on the Sunday night to get relief for home buyers in South Australia. We all know what happened. Rod Cameron was flown in from Sydney, and he did a poll on Sunday tonight. What they did between the Sunday and the Tuesday poll announcement was to cobble together this scheme to try to neutralise the initiative that the Liberal Party had taken on that occasion. So to link this 2 per cent to Homesure is arrant nonsense, as the evidence demonstrates.

The Hon. T.H. Hemmings: You are wrong there, John.

Mr OLSEN: I am not wrong; the Royal Commissioner supports my view, I might add for the benefit of the member for Napier. I am disappointed that the member for Ross Smith has not yet participated in the debate. Earlier today he could not participate because he was doing an on-line television interview. That is out of the way now. After dinner he could not go on because he had the 7.30 Report. The 7.30 Report is well and truly finished, but as yet there is no John Bannon, the member for Ross Smith. Obviously, the member for Ross Smith does not want to participate in this debate to the very last so that no-one can follow him and rebut. What he is trying to do is to re-write the Royal Commissioner's findings; he will try to re-write history, to make it different from what it is. That is one thing he cannot do: the 475 pages of this report will be a damning indictment of John Bannon reign as South Australia's Premier. It is a damning indictment. It does not matter what he says at any time, and how good the words are, it will not change one ounce the recommendations and clear points that are contained in the Royal Commissioner's report. There is such a wide range of emotions to cope with when facing

a man who has disgraced not only himself but also the office of Premier.

The Hon. B.C. Eastick: You say he has lost himself?

Mr OLSEN: He has lost himself as well. It would also be a cliché to say that I stand here in anger and sorrow, but I guess more in sorrow than anger. That is what the reality is. Let me explain why—

The Hon. Frank Blevins interjecting:

Mr OLSEN: —to the groans of the Deputy Premier. There has to be sorrow that we live in an age where in Australia the Westminster parliamentary system is no longer strong enough to uncover the long-term sins of a Premier, when a parliamentary system can be so hijacked by an Executive greedy for power and dismissive of its duty to serve the people of a State for the best interests of the people, not the Party in power.

During my years as Liberal Leader, it was almost impossible ever to crack this veneer of righteousness that would pervade the Government benches—the 'I'm holier than thou' attitude that permeated all who surrounded him. Questions went unanswered in this Parliament and criticisms went unreported, but we on this side of the House knew that it was nothing but a veneer. In fact, some of those in his own Party who had suffered from the results of disagreement with the real John Bannon, such as the Minister of Primary Industries, also knew of the public face. It was so much the 'Mr Upright Citizen' and, yes, they did call him Honest John.

Those who believed only the public face will today, no doubt, be tremendously let down by this report and what it has to say about this man. They will probably even be shocked by the findings of the Royal Commissioner who, in essence, has said that John Bannon was not only an incompetent Premier but a desperate Premier, a Premier who found nothing wrong in stooping to buying votes with taxpayers' money in two State elections. He bought—and there can be no other word for it—votes with taxpayers' money, money that belonged to the taxpayer, not to him—and let those words sink in. Then take those words and apply them to the private sector. Translated to the real world of business, they equate to the word 'fraud'—nothing less. And to think they called him Honest John.

Not only did he buy votes by interfering with the policies and decisions of the State Bank to ensure it would not raise interest rates before the 1985 and 1989 State elections, and during the 1987 Federal poll, but the Commissioner has found that he did so in the full knowledge that such actions, especially in 1989, were to the bank's financial detriment. How desperate is that? How dishonest a deal is that—and from the man, I repeat (and I will continue to repeat), they called Honest John?

Let us look back at the 1985 election. Even John Bannon's chief minder, executive assistant Pol Pot himself, Geoff, admitted to the royal commission that, in 1985, the Government's intervention in holding down interest rates was for political impact. That is what his chief executive said before the Royal Commissioner, and one cannot get away from that. That inference, the Commissioner says, could not easily be reconciled with the bank's supposed commercial independence from the Government. The Government insisted that the bank freeze the home loan rates for the three months to cover the election period, despite a letter from Tim Marcus

Clark to John Bannon on 26 September 1985 pointing out that the bank's profits could be adversely affected at a rate of \$2.5 million per annum by such an action. Says Commissioner Jacobs:

It is an irresistible conclusion that the Treasurer temporarily forsook his hands off role and his perception of a commercially independent bank. Contrary to his expressed desire on other occasions that the bank's decision making should recognise the advantage to the State of profit orientated decisions, he was willing and anxious on this occasion to sacrifice that advantage in the short term for the political advantage of his Government.

They still, unfortunately, called him Honest John. How honest is it to use the State Bank to prop up an election when such decisions were to the detriment of the bank and its shareholders—every single person who pays tax in South Australia? The taxpayers are the people we are talking about. Turning to the 1987 poll, during which John Bannon also abused his power over the bank—

The Hon. T.H. HEMMINGS: On a point of order, Sir—

Members interjecting:

The SPEAKER: Order! The member for Kavel will resume his seat. The member for Napier.

The Hon. T.H. HEMMINGS: Mr Speaker, I draw your attention to Standing Order 123, which provides:

No member to be referred by name. Members refer to other members by the name of their electoral district or their parliamentary title, and not otherwise.

The SPEAKER: Order! The member for Napier will resume his seat. Unfortunately, with so many people wanting to speak to the Chair, my attention was distracted. If the member for Kavel did refer to a member by name instead of electorate or position held, I would ask him not to do that.

Mr OLSEN: Thank you, Mr Speaker. Turning to the 1987 Federal poll, during which John Bannon, the member for Ross Smith, also abused his power over the bank—

The Hon. T.H. HEMMINGS: On a point of order, Sir.

The SPEAKER: The member for Napier will resume his seat. I assume he is going to raise a point of order regarding the use of a name?

The Hon. T.H. HEMMINGS: Not only that, Sir, but the member for Kavel directly contradicted your ruling.

The SPEAKER: I think the member for Napier should let the Chair worry about that. The member for Kavel did use the name of the member involved. Again, I point out that he must refer to the former position, the current position or the electorate of the member as required by Standing Orders.

Mr OLSEN: Thank you, Mr Speaker. I will repeat the paragraph. Turning to the 1987 Federal poll, during which the disgraced former Premier of South Australia also abused his power over the bank, it is worth remembering that the disgraced former Premier of South Australia was at this time Federal President of the ALP. Is that not coincidental? The State Bank reversed a commercial decision to increase housing loan interest rates and defer consideration of the proposed increase until after the July Federal poll. The Royal Commissioner states that the formal executive committee minutes are misleading about the reasons given for that decision: at

least, they do not tell the full story. The Commissioner continues:

The Treasurer requested the bank to review its decision on the express grounds that he did not want the bank to be seen as taking a political stance. It is difficult to understand or justify his reasoning, because his request inevitably did require the bank to take such a stance. By postponing its decision to increase rates, it avoided the risk of electoral damage to the Government then in office in Canberra which was of the same political persuasion as Mr Bannon's Government—

I quote the Royal Commissioner. And to think they called him Honest John!

The Hon. T.H. HEMMINGS: On a point of order, Mr Speaker. I will not say what my point of order is, Sir; I am sure you know what it is by now.

The SPEAKER: The member for Kavel did use the name of the person involved instead of the position.

Members interjecting:

The SPEAKER: Order! They are your Standing Orders. They belong to the House. All I am doing is applying your Standing Orders. Standing Orders provide that members should not use a member's name. I assume that the member for Newland has a point of order.

Mrs KOTZ: On a point of order, Mr Speaker, I do not believe that I heard the member for Napier actually make a point of order.

The SPEAKER: Once again, I point out that the member for Newland does not need to hear it: the Chair does. Once the member for Newland is the Chair, she can make the ruling. The member for Kavel.

Mr OLSEN: Thank you, Mr Speaker. I think I have made my point about the honesty of the former disgraced Premier of South Australia. I wonder whether he would have been so accommodating had there been a Federal Liberal Government in 1987. Is that not an interesting issue to ponder? Would the former disgraced Premier have been so helpful if he had not been Federal President of the Labor Party? I think not. It makes me wonder, as I am sure it makes most South Australians wonder, whether anyone outside his tightly knit office team has ever actually known the real member for Ross Smith, John Bannon. Who is this other person, who can change chameleon-like from honesty to power crazed when his office door has been shut? There was one persona for the public, but close the door and get away in the office and there was another persona—and other decisions made.

The trouble is, he was a man who lost sight of what is power and what is corrupt power. It is difficult to comprehend how power can change a man so much that he will see such abuse of power as his right and even today bleat on radio about the unfairness of the Commissioner's words on the subject. Can it really be that this man cannot see where he went wrong in using the State Bank of South Australia for his own political ends? Does he remain so arrogant that even today he believes that the role of Premier would give him the right to use our money for his elections, so that he could have an unfair advantage, so that he could sway votes with false actions?

Does he really see that this is the role of a State Bank to prop up a political Party? Is it quite incomprehensible that power can affect rational thinking to such a degree, and it certainly puts in context Commissioner Jacobs' statement that the bank's losses were in part a product of

the bank's pursuing unrealistic objectives in order to satisfy a Government eager for profits. What a cash cow—not only propping up a Government but propping up its election campaigns as well. It seems from reading the first report that the former Premier increasingly saw the bank as his very own bank to be plundered at call. That was never more obvious than in the 1989 State election campaign.

Despite a full year of questions from the Opposition about the bank's lendings and debts, despite increasing and vocal comments in the community about the Remm development, despite a bank board member informing him at regular intervals that all was not well at the bank, despite the concerns over Equiticorp and the bank's exposure to the National Safety Council and despite a national economic situation creating chaos in the property sector, where most of the State Bank's debts were, he had the audacity to insist that the bank hold down interest rates until after the 1989 election.

It would have been obvious to a blind man: the bank already had massive problems with keeping interest rates down and this would only intensify that situation. Commissioner Jacobs states that he, the former disgraced Premier, knew that the proposal to hold down interest rates involved the bank's acting to its financial detriment. He knew that.

Mr Lewis interjecting:

Mr OLSEN: He did it—and it was fraud, pure fraud—in a way which would avoid political odium and which might well attract support for his Government. He could not have failed to realise that the bank board was alive to that implication. To think that they called him honest! In 1989 the former Premier's actions in using the bank's money, the taxpayers' money, to buy votes were even more despicable than in 1985 and 1987.

In September 1989 the former Premier's then economic adviser Paul Woodland was sent to speak to the bank to voice the Government's concern over its expressed need to increase interest rates. The messenger was sent. In his evidence to the commission Mr Woodland did not deny that the level of home loan interest rates was politically sensitive, for he could not. The bank has claimed that the former Premier told it that an interest rate rise would be politically undesirable and the Commissioner heard evidence of Mr Clark's fury at the Government's order.

The situation was so undesirable for the bank that this time the former disgraced Premier was involved in a secret deal to give the bank \$2 million of taxpayers' money as payment to keep home loan interest rates down until after the November 1989 election. Commissioner Jacobs points out that the manner in which the compensation to the bank was agreed to and paid for can be described only as surreptitious. To think that they called him honest! John Bannon, the member for Ross Smith, is seen by these actions over these three elections—

Members interjecting:

The SPEAKER: The member for Napier is going to take a point of order, I assume, because the name was used, but I assume it was used in connection with the electorate. I think the honourable member is being a little pedantic if he does not allow that.

An honourable member: Go back to sleep.

The SPEAKER: Order! The member for Napier.

The Hon. T.H. HEMMINGS: I was just going to say, Sir, I have never been accused of that before.

The SPEAKER: Accused of what? You have lost me. The member for Kavel.

Mr OLSEN: Thank you, Mr Speaker. He is seen by these actions over three elections to have cheated the State and the State Bank for the good of the ALP. The Liberal Party lost the 1989 election by just a few hundred votes and I know from conversations with Government members since then that they believed an interest rate increase would definitely have seen them in Opposition, because the main theme of the 1989 State election was high interest rates and their impact on small business and home buyers. They would have been in Opposition, and I have particularly strong feelings about the former Premier's actions and misdeeds in the lead up to that campaign.

This is not a legitimate Government. They have cheated their way to the Treasury benches. You cheated the Liberal Party out of Government and the Premiership of South Australia and there is no Minister who has any legitimacy sitting on the Treasury benches in South Australia at the moment none at all. Not only are they there on 48 per cent of the popular vote when this side got 52.5 per cent of the vote, but they cheated and defrauded the taxpayers of this State to the tune of \$2 million to get there. I know that the consciences of one or two members opposite will allow them to understand that point. And well they do. You are an illegitimate Government waiting to be dumped by the electorate of South Australia.

The SPEAKER: Order! The member for Kavel will resume his seat. The member for Walsh.

The Hon. J.P. TRAINER: As on previous occasions, members are starting to fall into this habit of referring to people on the opposite side of the Chamber as 'you'.

The SPEAKER: I did notice that. I point out that 'you' is not acceptable terminology. The member for Navel.

Mr OLSEN: You would understand, Mr Speaker, that this subject is fairly dear to my heart. Nothing the former disgraced Premier has said in this House, either previously or today—if he would only come into the Chamber—or in his pathetic attempts to cover the tatters of his 'Honest John' tag on radio, has gone any way towards explaining why he did what he did. I want to hear the member for Ross Smith tell the Parliament what was there in the job specification of Premier of South Australia that led him to the view that it was right to abuse that position so that he could stay in it.

I want to know from the member for Ross Smith how he could in all conscience continue to take his seat in this House when he has been found to be a cheat and less than honest in his dealings with both this House and the bank. I want to know the state of mind of a man who says, 'I am not to blame for the bank's losses because the State Bank Act did not provide me with a charter to interfere', yet it allowed him to interfere to use the bank's money for his own political ends.

Of course, he did not give any of us these answers, and he has not done so, because he would have to be Houdini to answer those questions. Back in 1983 the man they called 'Honest John' said in Parliament about the bank:

One would expect that the board of the day in entering into obligations on lending would have regard to the impact of its policies on the State's economy and not expose itself too greatly to interstate or other loan arrangements.

A fascinating statement. By the beginning of 1989, more than 60 per cent of the bank's business was located interstate and overseas. The former Premier was, for the third time in four years, about to insist the bank enter into an agreement on interest rates which would have absolutely no regard for this State's economy. It is mind boggling stuff. To think they called him honest!

There are three other issues I would like to touch on. The first is the former Premier's involvement in Tim Marcus Clark's appointment. Another is the pressure not to raise these issues publicly, and I want to refer to some statements in a speech I made in 1989. The other issue is the pre-1989 election bank manipulation and Cabinet's involvement in that. The Premier stated yesterday:

The former Treasurer had no involvement in this—referring to Tim Marcus Clark's appointment. Not true! The former Treasurer did have involvement, and that is clearly identified by the Royal Commissioner. He states on page 37:

It is clear—

Members interjecting:

Mr OLSEN: And at last the former Premier comes into the Chamber.

The SPEAKER: Order! The member for Kavel will resume his seat. Anticipating this sort of response, I have referred to *Erskine May* and I refer all members to page 391 of the twenty-first edition of that publication. If members continue in this way they will see that they are subject to the discipline of the House. The member for Kavel.

Mr OLSEN: On page 37 of the Royal Commissioner's report it states:

It is clear the appointment of the directors of the bank, including its Chief Executive Officer as director, is a critical power of the Government.

We all know the situation, and my advice is quite the contrary: prior to Mr Clark's taking up his position as managing director, the Premier was briefed by another banking institution on the track record of Mr Tim Marcus Clark—

The Hon. J.C. Bannon interjecting:

Mr OLSEN: It is true and you know full well it is true. He was advised and given access to a file. Of course, I understand that Mr Clark was formerly employed by the CBA; then it was taken over by Westpac and he was employed by that bank for some time. Despite the briefing and advice not to take on Mr Clark—

Mr D.S. Baker: And the warning.

Mr OLSEN:—and the warning, and the access to the file, the Premier ignored the warnings, as is this man's wont. Got a problem? Close the door! Wait for the problem to go away! The sad fact is that the problem has developed to such a magnitude that my children and their children will pay a very dear price for your incompetence as Premier of South Australia—absolute incompetence—and for the way in which you cheated your way into Government in 1989.

The Hon. T.H. HEMMINGS: I rise on a point of order, Mr Speaker.

The SPEAKER: Order! I assume that the point of order is in relation to the term 'you'.

The Hon. T.H. HEMMINGS: 'You' and 'your', Sir.

The SPEAKER: Once again I remind the member for Kavel that it is against the Standing Orders to use the terms 'you' and 'your'. Let me point out to all members that, if all remarks were directed to the Chair as Standing Orders provide for, I think the tendency to use those terms may be removed.

Mr OLSEN: I apologise for transgressing in that way, Mr Speaker.

The Hon. T.H. Hemmings interjecting:

Mr OLSEN: The member for Napier can leave the Chamber whenever he wants and stay out permanently, Mr Speaker. Given the level of his contribution to this Chamber, none of us would miss him. He can stay out for the vote—that would be even more interesting—exercising his conscience on behalf of all South Australians.

In March 1989, following the raising of the State Bank issue in Parliament and a series of questions asked in Parliament, and drawing some criticism from the Adelaide business community and also from those involved in the State Bank, I was asked to front up to the State Bank's strategy planning group meeting at Wirrina, where all the managers—

An honourable member interjecting:

Mr OLSEN: You bet I fronted up, and I will read you some of the extracts of what I had to say—

The SPEAKER: Order! Once again I remind members to direct their remarks through the Chair.

Mr OLSEN: At this conference were all senior management levels of the State Bank—this is 1989—and they were planning their next five-year strategy. Given the involvement of raising this issue in Parliament, I thought it appropriate on behalf of my Party to explain why we were proceeding on the course that we were. I commenced my speech by saying:

In the 10 weeks since this invitation, and more particularly in recent weeks, the State Bank has become the focus of some parliamentary debate, which does impinge upon its charter. There have been some suggestions, however, that this amounted to State Bank bashing. I hope today that we can have some free and frank discussions about this.

I also referred to the Campbell committee of inquiry, whose recommendations led to financial market deregulation. I had something to say about the future role of State Banks, and I went on to say:

My Party will continue to hold the view that the bank should act like a private sector bank. This means that, in funding the reasonable requirements of South Australia and South Australians, the bank should exercise due caution with lending risks and not expose itself to unreasonable risk. Care also needs to be taken to ensure the bank is not seen to be an arm of Government which can be twisted, or that it is prone to decisions which fit a particular Government's political philosophy, or that it is willing to fund pet Government projects which private banks would not lend to, or fund other projects which other banks would not because of the high risk nature of the investment and where to invest is foolhardy. This is the road to a VEDC or WA Inc.

Of course, we have Return and a whole range of issues after that. Further, I stated:

With Equiticorp the bank has gone not only offshore but into an entrepreneurial high risk area of lending to an organisation which it has been suggested did not have audited accounts. I do not believe the bank has or will ever have a capital base sufficient to allow it to act on an international basis like other major national private banks.

This is what I said in March 1989, and I went on to say:

Yet, there are concerns in business and other public circles that the State Bank was trying to get too big and that in doing so all of its heart will not remain in South Australia.

I also said:

I want to touch on some other aspects of the Equiticorp issue raised in Parliament. The issue of commercial confidentiality has been raised and not for the first time.

I made reference yesterday to the fact that the standard excuse by Premier Bannon to answering questions was, 'It was commercially confidential, we cannot tell you that.' He used that excuse to avoid answering, to evade scrutiny, much to the cost of the taxpayers of South Australia. I listed them all. There was the ASER project, ETSA leasing deals, the investment in the Timber Corporation, and certain aspects of the operations of the State Government Financing Authority—all put on the agenda under the guise of being commercially confidential: 'We can't tell you—the Opposition or the public—what we are doing with your money.' We will see where it has led us. They have been able to hide and disguise it until it has caught up with them. Now we have a 475 page report that has damned a man's reputation politically in South Australia. I went on to say:

But, generally I am concerned that commercial confidentiality is becoming too convenient an excuse, used simply to evade public accountability.

In the particular circumstances of Equiticorp it is my view that once that body went into receivership the onus of the bank's duty transferred to the people of South Australia who guarantee the bank's operations and that duty overrides the duty to a client in receivership. Just as public companies must report to the Stock Exchange unusual activities likely to have an influence on share prices and on investment, so must the State Bank report promptly and publicly when similar circumstances arise.

It should have reported promptly and publicly to this Parliament and to the people of South Australia—its shareholders. I went on to say:

The form of your reporting of bad debts also raises questions about the extent to which doubtful debts are recoverable

Then I went on to say:

For example, last financial year the group wrote off bad debts of more than \$6.8 million and reported recoveries of only \$97 000, whereas I am informed that it is usual private banking practice to recover about 50 per cent of bad debts. Another question which arises is whether your reporting of bad debts also includes any interest on loans which are not repaid. I would be pleased to be enlightened on these matters.

I was not, and we could not rely on the member for Ross Smith to enlighten the Parliament on any of these matters. In due course, with massive debts and this financial tragedy on all of our shoulders, the truth is now coming out. Looking back on that speech and what was said in 1989 and what has happened since—

The Hon. M.I. Rann interjecting:

Mr OLSEN: The Minister of Tourism might like to accept the challenge of the telephone polling on Channels 7 and 10 tonight. When asking the public of South

Australia would they like to go to the polls, 80 per cent of people phoning Channel 7 said that they wanted to go to the polls.

Members interjecting:

The SPEAKER: Order!

Mr OLSEN: And on Channel 10 some 75 per cent said that they want to go to the polls. If you want a challenge, go to the polls now; go to the people of South Australia.

Members interjecting:

The SPEAKER: Order! The member for Goyder is out of order. This carry-on is quite unacceptable. The House will come to order.

Mr OLSEN: Thank you, Mr Speaker.

The Hon. M.D. Rann interjecting:

The SPEAKER: The Minister is out of order.

Mr OLSEN: My speech to the conference goes on:

Any Premier is answerable to the people through the Parliament for the actions of all Government agencies. The State Bank does not have an annual general meeting where you can be seen to be publicly accountable [like most public companies] so you must be answerable particularly to all those little investors, and the taxpayers who currently provide \$600 million of your capital.

What happened as a result of that speech? It made page 1 of the *Advertiser*. I took the theme from the State Bank commercials. Members might remember—'The only bank with its heart in South Australia.' I said to the conference:

It is all very well to have your heart in South Australia, but if you are leaving an arm and a leg interstate and overseas it is no good to us.

The bank took great umbrage. In fact, Mr Tim Marcus Clark wrote me a letter, and I should like to recount to the House his letter to me on that occasion. The letter from Tim Marcus Clark after that speech to the conference begins by thanking me for agreeing to come to the conference. It continues:

When we invited you to address our seminar we did not specify that the discussion should be confidential and we are at fault for that.

He wanted the confidentiality to continue. The letter goes on:

However, I would have thought that in view of what has gone on over the past few weeks—

that is, the questions we were asking in Parliament—

you would have considered this an excellent opportunity for bridge building. This was effectively done on Friday and destroyed on Saturday. At the State Bank we work very hard at being apolitical and eventually the time will come when the current Government loses an election and the Liberal Party becomes the elected Government. May I suggest to you that continuing your present campaign and attitude to State Bank, as is being expressed in the media and Parliament, is hardly a recipe with which to produce the sort of trusting, committed and enthusiastic State Bank management which any State Government, as the elected representative of the real owners of the bank, should reasonably expect.

Members interjecting:

The SPEAKER: Order! I apologise to the member for Kavel, but it is very hard to defend him from his own side.

Mr OLSEN: The letter goes on:

This is of particular concern to me because I know that personally you are a great supporter of our activities and what we are doing for South Australia. However, I suspect that you are regularly induced to have a go at State Bank by the other trading banks in town who are certainly affected by our competitive edge and by political pressures on you to take an opportunistic approach in seizing upon anything which might prove useful in attacking the Government.

He also says:

I acknowledge your democratic right, indeed your duty as Leader, to question the Government, but I do ask that in any attack on the current Labor Government in your vigorous pursuit of the Treasury benches you do insist on a more responsible approach on these matters likely to affect the extreme high regard that South Australians have for their bank and the complete confidence that they have in its security—a reputation the bank richly deserves. Your own focus as Leader should be long term and one important strategic consideration should be Liberal Party/State Bank relations and its effects opening a positive contribution to the South Australian community that we seek to serve.

I wrote back fairly quickly to Mr Tim Marcus Clark, and amongst other things I said:

As you rightly point out, I have been an advocate of the merged bank and I have praised its successes, but members of Parliament also have a responsibility to ensure that the bank is fully and effectively accountable for all of its actions. This can only enhance the success of the bank, not detract from it. I believe you acknowledged this public responsibility of parliamentarians when you called to advise me...

He was referring to his then appointment as manager of the Toyota General Motors group. The letter continues:

I am frankly concerned and disappointed that you should suggest in your letter that our questions were motivated by inducements from other trading banks to have a go at the State Bank and by pressures to take an opportunistic approach. I believe that any fair and objective examination of our questions and statements about the State Bank will demonstrate that they were responsibly based and aimed at ensuring the owners of the bank were informed about the bank's activities.

I place some store on my credibility and when I leave politics I intend to do so with my credibility intact and not vulnerable to any suggestion that I have been pressured into doing things in which I do not believe. It is the Opposition's duty to hold the Government and all of its agencies accountable to people through Parliament. This is a duty which we will continue to uphold responsibly and without fear or favour.

There was another letter into which I will not go because of the time. Mr Speaker, when you look at the events leading up to 1989 and the pressure that was applied during that period, you can see the motivation of this Government, desperate to hang on to government and desperate to try to get a change in direction. What we had during 1989 was a Government that really did effectively interfere with the proceedings of the bank for base political motives and objectives and for which all members of this Government are accountable and responsible because some of the decisions to which I am not going to refer were Cabinet decisions, not sole decisions as they are trying to make them out now: shift it all on to the former disgraced Premier, shift it all on to him, and leave this illegitimate front bench—even more illegitimate with the two Independent Labor members sitting on it—masquerading as Ministers in this State

until they are dumped at the next State election. What did they do?

An honourable member interjecting:

Mr OLSEN: I already have. If you had listened to the earlier part of my speech, I explained how the whole front bench and your Government are illegitimate. You have no endorsement from the people of South Australia.

The DEPUTY SPEAKER: Order! The member for Walsh has a point of order.

The Hon. J.P. TRAINER: Mr Deputy Speaker, the honourable member is apparently not able to adopt the House of Assembly practice of not referring to members opposite as 'you' but directing all remarks through the occupant of the Chair.

The DEPUTY SPEAKER: Order! I uphold the point of order and I ask the member for Kavel to address members properly.

Mr OLSEN: In deference to the former dumped Speaker, I go on to say that the first we heard about the secret deal under which the Government—

Members interjecting:

The DEPUTY SPEAKER: Order! The member for Walsh.

The Hon. J.P. TRAINER: I rise on a point of order, Mr Deputy Speaker. I believe that the honourable member has reflected on me and used language that verges on being unparliamentary. I request that he retract those words.

The DEPUTY SPEAKER: Order! I request the member for Kavel to withdraw the words.

Mr BRINDAL: On a point of order, Sir, within the past hour the Speaker has ruled that a member of this House can be referred to by a former title. I heard the member for Kavel say 'the former Speaker'.

The DEPUTY SPEAKER: There is no point of order. The honourable member will take his seat.

Members interjecting:

The DEPUTY SPEAKER: Order! The member for Walsh indicated that he took offence at the words used. I have asked the member for Kavel to withdraw those words.

Mr S.J. BAKER: On a point of order, Mr Speaker, can the House be informed of what words were actually used?

The DEPUTY SPEAKER: I believe the member for Walsh is referring to the words 'the ex dumped Speaker'.

An honourable member: He didn't say that.

The DEPUTY SPEAKER: Nonetheless, I have made a request of the member for Kavel. The member for Kavel.

Mr OLSEN: Thank you, Mr Deputy Speaker. We first heard about the secret deal under the Government subsidised bank to the tune of \$2 million to keep home loan interest rates down until after the election. That decision alone probably influenced thousands of votes, given that the bank held almost half of South Australia's home mortgages. Further evidence confirms that the Government raided virtually all the group's profits from the 1988-89 financial year. At this time, the Bannon Government was desperate for revenue to justify its tax cuts of August 1989. That election year budget announced land tax, payroll tax and stamp duty cuts worth \$55 million. But there was a problem; the

Government, having made this commitment, did not have something to balance the other side of the ledger.

We all know that Cabinet made the decision to have these tax cuts of \$55 million. It was a collective decision of the Government and all Ministers sitting around the Cabinet table. They cannot walk away and excuse their actions. To that extent, they are all culpable for the events that have occurred since. It is now clear where much of the revenue came from to allow the budget figures to be juggled. Effectively, the increased contribution from the bank boosted SAFA's surplus, some of which was withheld from the 1989-90 budget to fund the tax cuts. More than half (\$30 million) came from the Government taking virtually all the bank's profit and putting it through SAFA and directing it into the 1989-90 budget. Previously, the Government had taken about 65 per cent of the profit. In 1988-89, this would have amounted to \$58 million, but the Government took \$88 million in 1988-89.

When the legislation to create the new State Bank was before Parliament in 1983, I fought then as Leader to ensure that the bank could not be used by the Government to milk profits for short-term political gain at the expense of the long-term viability of the bank. I moved amendments to limit the Government's take to 50 per cent. The former Premier opposed those amendments and refused to accept them. It is becoming increasingly obvious why he did not want to have that limit applied to him. The evidence is becoming more and more clear that, far from the Government having a hands-off approach to the affairs of the State Bank, the bank was manipulated to the Government's own political ends.

The tabling of the royal commission report in this Parliament yesterday was a sad day for the Westminster system, for South Australian politics and for South Australians because they will have to pay for this debt for years to come. We have saddled future generations and investment opportunities and challenges in this State with the shackles of a \$3 billion debt. This Government, and more particularly the former Premier, cannot be excused for leaving that legacy for South Australians. He was incompetent and derelict in his duty. He failed to act when he should have acted. He was given plenty of warning by his own advisers, by this Parliament and by many others, as the Royal Commissioner identifies, but he did absolutely nothing. To that extent, he had his hand on the massive debt with which we are now saddled.

No politician starts their political career wanting to end up like this. We all take on a political career with high ideals, wanting to achieve, but history will show that the member for Ross Smith has failed South Australia dismally, something for which he should never be forgiven, because the member for Ross Smith ignored the warnings, did not take advice and did not act. To that extent, as I have said, he is culpable—and not only for his inaction. Something that I will never forgive him for as a person—and I did have some regard for him at one time—was the way he acted and the decisions he took in 1989 to cheat and fraud his way over the finishing line. The present Premier claims—and we have had this put on the desk—that that matter did not go before the Cabinet of the day. The simple fact is that this whole scenario of the tax cuts and the syphoning off of the profits had only one objective: success at all costs at the 1989 State

election. What this Government needs to do and should do and what South Australians want it to do is to resign. Let the judge of the Government's actions over the past five years be not me or the Speaker but the electors of South Australia.

Members interjecting:

The SPEAKER: Order! The Minister.

The Hon. FRANK BLEVINS (Deputy Premier): I move:

That the time for moving the adjournment of the House be extended beyond 10 p.m.

Motion carried.

The Hon. J.C. BANNON (Ross Smith): I hope the member for Kavel feels better after that address.

Members interjecting:

The SPEAKER: Order!

The Hon. J.C. BANNON: He certainly got rid of a lot of bile in this place during that speech, bile that built up over the period in which he was Opposition Leader in this State and which climaxed in the end result of 1989.

Members interjecting:

The SPEAKER: Order! The member for Ross Smith will resume his seat. I have said several times that this is a very strong and emotive debate. I have protected speakers on both sides of the House from members of the other side during the debate, and I will continue to do so. The member for Ross Smith will get the same protection as every member on the other side from the Leader down has had. I ask everyone to respect that. The member for Ross Smith.

The Hon. J.C. BANNON: I have some sympathy for the member for Kavel for the unfortunate turn that his career has taken which has him sitting in his present place in this Chamber in 1992, but I think we should be spared that kind of contribution to a debate of this nature. That personal vilification and attack might make the member for Kavel feel a bit better, but it does him no credit whatsoever and neither, I suggest, has it any relevance whatsoever to the motion before the House. While I think there is good reason to reject and resent the personal nature of the honourable member's contribution, at least by making that contribution he has exposed the hollowness of his Leader and his Party in moving a motion of no confidence in the Government.

In supporting his remarks, he quoted from the commission, and the things the Commissioner has said. He has canvassed it and put his own gloss and interpretation on it. It is all about my role as Premier and Treasurer in this period: it is not about the current Premier and his role; and it is not about the Ministers who sit on the bench with him. He tries to defame the two new Ministers, who have an absolutely legitimate right to be members of a Government. Indeed, I would hope that in due course, quite shortly, the confidence of this Chamber in those Ministers will be expressed.

The way in which the member for Kavel has been speaking has nothing whatsoever to do with the motion of no confidence moved by his Leader. The problem is that the member for Kavel is being honest. This was the speech and the debate that members opposite hoped to have on the Government and its fate. But the target has gone. I have resigned; I have taken the responsibility; and

I am prepared to accept it and respond to some of the points that are made. But the Opposition, year after year, bleated about me as a one-man band, said that I was the symbol of the Government, that all the sins were at my door, and that I was the one who had to resign, and constantly personalised the debate every single time there was talk of collective responsibility or someone else being involved, or whenever pamphlets attacking the Government and its record were distributed.

It was all personalised, and that suited them fine, until the day I resigned—until the day I took responsibility and stepped down and a new Premier was installed—and suddenly it all changed. It changed completely. It was not really the member for Ross Smith; it was not really that individual, the Premier, whom we had been talking about for so long: it was all of them—the new Premier and his team. It was collective responsibility—'We demand the rights of collective responsibility.' What a hypocritical farce! That is what this motion is—a hypocritical, opportunist farce.

There are all sorts of ways in which one could debate this very important report of the royal commission. There are all sorts of ways in which we can examine the issues raised but, in the context of the motion of no confidence in the Government moved by the Leader of the Opposition, there is no relevance whatsoever. So, at least the member for Navel is being honest. This is what the report is about, and he directed all his remarks to it. At least that is so. But I do not intend to trade insults with the honourable member. We had our time of confrontation over the years, and I do not carry the same sorts of resentments as does the Leader, although I have good reasons to do so on a number of scores, as he well knows. There is one point I would like to pick up; he referred to me as 'greedy for power'—

Dr ARMITAGE: I rise on a point of order, Mr Speaker.

The Hon. J.C. BANNON:—and he made a great deal of this.

The SPEAKER: Order! There is a point of order. The member for Ross Smith will resume his seat. The member for Adelaide.

Dr ARMITAGE: The member for Kavel's speech was continually interrupted by members opposite taking points of order about his not addressing people by their parliamentary electorate, and I ask you, Mr Speaker, to rule on that.

The SPEAKER: Order! I understand what the member for Adelaide is saying. In that context, 'he' was probably not out of context. That is different from using the name of the member. The general reference of 'he' is allowed.

Members interjecting:

The SPEAKER: Order! The member for Ross Smith.

The Hon. J.C. BANNON: The member for Navel made much of my being greedy for power. That is a fine insult, and it is bandied around very often in political terms. But it is real gall that it falls from the lips of the member for Navel. It is extraordinary. This is the individual who, having been disappointed in his aspirations to take power in South Australia in 1989, in 1990 vacated his seat, to which he had been elected for a four year term by the electors of Custance; he simply vacated his seat without so much as a farewell, and jumped into the Senate to take advantage of a vacancy

that had been created there for someone else—his Party Secretary. He pushed him aside and said, 'I want that; I will never be Premier of South Australia. Get me out of this place. Get me somewhere else.' He was flattered into thinking that he might be a Minister in a forthcoming Liberal Federal Government and that he would make a big splash in Canberra. He went into the Senate and, by doing so, he created a costly by-election here—which, of course, fortunately allowed the new member for Custance to grace the Chamber with his distinguished presence—but without so much as a by your leave.

The Hon. JENNIFER CASHMORE: I rise on a point of order, Mr Speaker.

The Hon. J.C. BANNON: Protection is on the way.

The SPEAKER: Order! The member for Ross Smith will resume his seat. The member for Coles.

The Hon. JENNIFER CASHMORE: I ask you, Mr Speaker, to rule on relevance. I see no relevance whatsoever, in the member for Ross Smith's remarks, to the debate and the motion before the House.

Members interjecting:

The SPEAKER: Order! I did explain earlier to the House that I can keep the debate exactly to the points of the list, if the House wishes, or we can allow some liberty, as has been allowed to most speakers—and I point out that most of the speakers have been from the Opposition side. It is up to the House. If members keep taking points of order on relevance, I will certainly bring members back exactly to the terms of the motion. It is the general practice to allow some looseness in the debate, and it is my intention to do so but, if it is the pleasure of the House to do otherwise, members should inform the Chair.

Mr Hamilton: You can dish it out, but—

The SPEAKER: Order!

The Hon. J.C. BANNON: I am sure that the last person the member for Navel would expect protection from would be the member for Coles. Perhaps some rapprochement is on the way and the change is about to happen. Just to conclude this point—and I said that I would not trade insults with the member for Kavel—I resent very much his use of that term. Disappointed in the Senate, not being offered the shadow ministry and the possibilities that he thought might open, opportunistically he takes a chance to come back into this Chamber to be the Leader of the Opposition again, because he believes that power, as Leader of the Opposition, would be within his grasp to become Premier.

That is what the member for Navel did. There he was on the front page of every paper, there he was being hailed as the incoming Leader, the man to save South Australia, and what happened? He was disappointed because someone else got in before him. Of course, in his doing so, yet another by-election was created, yet another vacancy and replacement was necessary in the Senate. He talks about power and greed for power. I can imagine a number of members opposite from whom we could actually hear that, but surely not the member for Navel. That is all the time I am wish to spend on him.

As far as the motion is concerned, the Leader of the Opposition has attempted to embrace the whole of the Government in the most artificial and outrageous way. There are some issues to which I can respond. I do not intend to make some sort of refutation or rebuttal of the

Commissioner's report. I have made my comments on what I think about it broadly, but the judgment has been made by him, and there it must stand. I do believe that a number of issues have been raised where it has been alleged that the House was misled—by the Government, apparently, in the course of this motion but, of course, specifically it refers to questions asked and information given in large part by me. I should like to deal with those as I heard them or as I understand them to have been offered. There are a number, so I will try to move through them fairly quickly.

Members interjecting:

The SPEAKER: Order!

The Hon. J.C. BANNON: Yes, well, the number was a moveable feast: it began with 12, it became 16, and I am not quite sure how many there are. But trying to pick it up from the contributions that have been made by members, there have been occasions, indeed, in 1990—two occasions in December that have been specifically referred to in that year—in which I made supporting comments about the bank and confidence in it. The fact is that in both those cases we were dealing in a particularly sensitive commercial environment and, as members opposite well know—indeed, by the member who asked the question—the idea was somehow or other to get me on the record in the way they have in order to use it. I had that impossible dilemma of attempting to protect the stability of a financial institution—all our money and the home owners and everybody else who did business with the State Bank—and at the same time provide the House with the information it wanted.

So, confronted with a bald question of the type asked by the member for Hanson—he should have known better, and he smiles now, because he knows very well what he was doing and why he was doing it—I had to make that decision about the question of confidence. It was a black and white question. It had to have a black and white answer. If I said I had no confidence or if I shared with the House any doubts or concerns one might have over this broad issue, that would have been extremely damaging at that time. If the point had been reached where in fact I had no confidence in the bank board being able to do anything, and members were going to be asked for their resignation, that is quite another matter, and that would be appropriate information to put before the House in that context. But that was not the situation at that time.

Indeed, as both the Royal Commissioner and I have explained, I actually addressed the bank board later than that on the need to stick to its post and get its act together. At that stage, as is quite apparent, the full size of the catastrophe was not known, whatever members opposite say. I had no choice, and the correct position was that I had to express public confidence in that board, and so I did. These words of mine are never quoted:

They are doing their best in the difficult circumstances to ensure that the bank remains active and successful . . . the difficult circumstances are those shared by all banks and financial institutions.

The member for Kavel claims great prophecy. They are fairly prophetic remarks in relation to what has happened to other banks and institutions. Indeed, my answer put it in that context, which I believe, far from misleading the House, made very clear to the House that there were

problems and issues to be addressed, and at this point I had confidence in the board to address them, as indeed I did. We had no other choice until what happened in the next year.

Then I am accused of misleading the House over the extent of the State Bank's non-accrual loans by providing a figure to the House of Assembly on 4 April, talking about loans becoming non-accrual over the next three to five years, and there were two conflicting figures. The reason there were two different figures was that they were on different bases. The non-accruals referred to in the \$2.5 billion cannot be equated with the non-performing, renegotiated and doubtful debts that were provided in the State Bank Group's report. To put those together and claim I was misleading is an absolute furphy. (Some of what I will be going through is fairly tedious and technical, but it is necessary to get it on the record, because these are specific issues that have been raised.)

The departure of the former Managing Director of Beneficial Finance, Mr Baker, has been referred to. The key point here, surely, is that I provided to the House the information which had been published and which was the statement of the board in relation to Mr Baker's departure, and that what they had told me was what had been agreed between them. There is nothing misleading in terms of putting that before the House. Indeed, if I had gone further and begun to speculate about allegations that had been made, particularly relating to fraudulent or criminal activities, not only would I have very unfairly jeopardised someone in saying these things under privilege and allowing them to be published in the paper but also that could have been prejudicial to any possible criminal investigations and procedure.

The Hon. Jennifer Cashmore interjecting:

The Hon. J.C. BANNON: I was not misleading the House: I was putting the material appropriately before the House. In relation to the bank's profit projection, again this refers to certain figures used in my statement to the House of Assembly on 12 February. In each case (the particular one referred to is the profit that the State Bank reported it was going to achieve in September 1990) they were the figures the bank gave. The purpose of my statement was to show how unreal, in the event, those predictions were and the extent to which we were not in receipt of proper information or an understanding of the situation. They were the written figures supplied to me by the bank.

Mr BRINDAL: On a point of order, Mr Speaker.

The Hon. J.C. BANNON: That is what I put before the House.

The SPEAKER: Order! The member for Ross Smith will resume his seat. The member for Hayward.

Mr BRINDAL: I understand that one of the most serious allegations that can be made in this Chamber is to accuse a member of misleading the House. I do not believe there can be any excuse for misleading the House, and I ask you to rule whether or not it is relevant for the member for Ross Smith to seek to qualify an allegation of misleading.

Members interjecting:

The SPEAKER: Order!

Mr Brindal interjecting:

The SPEAKER: Order! The member for Hayward is out of order. It is an interesting question. I believe that any member has the right to respond to any allegation made against him in this House. The basis of that response is totally up to the member concerned. I am not aware of any Standing Order, pre-condition or Erskine May situation where one cannot respond in this way. There is no point of order. The member for Ross Smith.

The Hon. J.C. BANNON: The accusations have been made. The Government has been indicted over these matters. It is my duty to respond to them. I must be doing fairly well if the honourable member feels the need to rise from his seat to stop me. Let me repeat: I did not mislead the House. That was the figure provided, and the fact that Treasury was looking at alternative scenarios and there was concern does not in any way derogate from that truth.

In relation to the exposure to Equiticorp, much was made of this by the header of the Opposition. It is true that the Royal Commissioner refers to a letter from Mr Marcus Clark on the matter of Equiticorp. He says:

In a letter of 24 January 1989, marked private and confidential, Mr Clark briefed the Treasurer in detail on his personal involvement with Equiticorp.

That was the issue I was concerned about primarily—the conflict of interest question. He continued (and this is the key):

He attached to this letter the board paper of 23 January dealing with the Equiticorp exposure, including the assertion that the bank's loss should be restricted to \$12.8 million.

In other words, it was not, as the Leader of the Opposition suggests, there on the face of a letter from Mr Clark. Certain information was contained apparently in a paper attached, of which I am not aware, but it was explored in evidence in the commission. Again, I would argue that in no way was I misleading the House on that occasion.

I refer now to information available to the Government on the performance of Beneficial Finance. I am told by the Leader that I was misleading the House when I answered the following question in relation to the procedures of the board:

Will the Treasurer assure the House that all major loans and financial dealings of Beneficial Finance have been approved by the board of Beneficial?

In other words, 'Have the appropriate procedures of approval been gone through?' My response to that question was:

The procedures under which Beneficial Finance operates and the relationship of Beneficial Finance and its board are not matters for my purview and direction.

End of story. They were not. That was the question asked, and I explained that it was not an area to which I was privy or involved in. I told the House that. There was no question of misleading there. The issues of how Beneficial was performing and things of that kind were not raised in that question. That is what I responded to. Let me talk about—

The Hon. Dean Brown interjecting:

The Hon. J.C. BANNON: Yes. The honourable member has referred to my dealings with Beneficial, and I am raising the matter. Let me now deal with this question of Government interference in the commercial operations of the bank. Again, I do not intend to canvass

the royal commission report on this in detail: I will simply relate it to some of the matters that have been raised in terms of the House. It is true that the Royal Commissioner identified the position that I consistently took in the matter of housing interest rates. I covered this issue in some considerable detail before the commission. For a start, the State Bank Act makes special reference to housing. It makes special reference to housing because, at the time of the amalgamation—the merger of the banks—considerable concern was expressed in the community and by members on this side of the House in particular that in some way the merged bank with its totally free commercial charter might ignore that very important core business in which the two banks had served the State so well. In order to guard against that, a special reference was placed in the Act.

That was one area that at all times I felt, without compromising the broader commercial operations of the bank, I had a right to speak out on and, indeed, I did; and, more importantly, I spoke out publicly on that matter on a number of occasions. It is true that the election periods that the member for Kavel talks about have been highlighted, as they might be in the course of the royal commission's report.

There were many other occasions on which the question of interest rates was raised. They were particularly sensitive ones, but I would say that a fair look at what was done in each of those cases is the cause for no shame; indeed, to the contrary, I am proud that I took action in all those instances to try to protect homeowners in South Australia. I might say that, in protecting homeowners in South Australia with loans with the State Bank, the largest lender of housing finance in this State, I was also affecting in a positive way the cost of loans to other borrowers in this State, because we consistently had competitive rates in this State through the presence of the State Bank. For years the State Bank—

Members interjecting:

The SPEAKER: Order!

The Hon. J.C. BANNON: For years the State Bank had an edge in that area. For years it had produced packages which made the other banks competitive and that was in the interests not only of the Government but of the people and the community of South Australia. It may be, in fact I certainly hope it was, that that translated into some form of political credit for the Government because, if a Government is representing the community's aspirations, so it should get credit and gain and I am not in any way backward about that.

My views were on the record publicly on all those occasions about the issue of housing interest rates. It is staggering that an Opposition, which on many occasions called for action in this area and demanded that we intervene and said that we could not shelter behind the commercial independence of the bank, is outraged when something is eventually done about it.

As to 1985—there is some confusion, incidentally, about the way that issue was reported—we advertised indeed, because we provided a subsidy to building society borrowers in this State, a subsidy which we announced and which was a perfectly sound piece of Government policy. Indeed, I think the then Leader of the Opposition tried to match that and raised it by making another

promise to the people before that election, so that there was no question that it was seen as the proper thing to do and it did not affect the State Bank at all.

In relation to 1987, it is often forgotten that causing the bank to pause on that occasion and think again resulted in a reduction at the end of the day outside any election context. Was that wrong? Of course it was not. Finally, we come to 1989, and the evidence here, I suggest, has to be read in great detail before appropriate conclusions can be drawn.

At this stage let me state the principle I enunciated at all times. If the State Bank of South Australia—its heart was in South Australia and it had this major housing portfolio—was going to be raising interest rates at any time, at election times or other times, it should be doing it only in concert with general commercial pressures on the general market rates.

In other words, if the other banks were putting their rates up then so indeed the State Bank would have some right or authority to do so, but it would be betraying its charter and its home owner base if it simply acted unilaterally. At times that might cause some commercial pain to the bank. Incidentally, there is no way anyone could say that the home loan portfolio of the State Bank caused the State Bank problem. For goodness sake, if that is all you are talking about we had an extremely profitable core bank doing its job and there was no commercial damage caused by that.

If the State Bank was going to move unilaterally at any time, it could have dire effects upon it and its standing in the community. Members will recall that in 1985 home owners with loans from the State Bank were standing outside the bank with placards raised complaining about the policies. Was I to sit back and say nothing? Surely I had some responsibility—and I did—to publicly protect the institution. In 1989 I secured the same agreement from the bank, which was that it should not be moving out of kilter with the majors. When arrangements were entered into at the Federal level, which meant that home owners with the private banks here in this State were not going to be subjected to interest rate increases for some months to come, because they were getting a special subsidy assistance by means of those arrangements—announced by the Federal Government—was it not reasonable that State Bank home owners should get some sort of equivalent level playing field?

The Commissioner rejects that and says that is not a level playing field, but the point is that there was an advantage enjoyed by the State Bank. It had been taken away. An advantage had been given to private home owner lenders and I think it was the State Bank's responsibility to do something about it. It was prepared to do something about it, and so it should have been, but it quite reasonably said, 'Surely we could have some sort of arrangement similar to that which took place at the Federal level.'

That is the point at which I bowed out of all proceedings and considerations: Treasury, SAFA and the bank were to go away and discuss those matters and determine the most appropriate way in which it should be done. The member for Kavel, who makes so much of this, refers to the Commissioner's saying that this was a surreptitious arrangement—surreptitious, I would argue,

only in so far as it was not publicly announced. I agree and concede—

Members interjecting:

The SPEAKER: Order! The Deputy Leader is out of order.

The Hon. J.C. BANNON: I concede that it should have been, just as we did in 1985. Unfortunately, at the time I stopped dealing with it, the means and the manner in which it should be done were not known. There was even documentation suggesting that there would be some repayment in time of any subsidy arrangement that needed to be made with SAFA. For all those reasons, and for the reasons that the bank was very concerned indeed about being seen to be a mendicant or something of that kind, I wrongly—and, I concede, wrongly—did not make a great deal out of it. I wish I had.

I think we would have had another two members sitting on this side of the House as a consequence. We lost the seat of Newland by 43 votes. The member for Newland should be grateful indeed that we did not announce and publicise that policy. However, I concede the legitimate criticism that could be made of that. I argue strongly that there was no misleading.

As to Remm, there is no question that there was a general community desire that that project should take place. There was a general community concern that, with a number of projects not getting off the ground, it was necessary for Remm to do so. It was clearly important for the Government, as with any major project, to see whether there were ways and means in which that project could be facilitated so there was no criticism that in South Australia you could not get anything done—which the Opposition was complaining about.

The Opposition was pointing to Queensland and saying one could go to Premier Bjelke-Petersen's office and everything would be put before you—all barriers were broken down (you probably had to have a paper bag as well). The Opposition thought it was great stuff, that this was the way it was done. The pressure here was on to ensure that proper procedures were carried out. Although there was ample examination of them and they were examined in the context of what was available in the other States and here, no concessions were given. It is true that there were some financial underpinnings but, consistently—

Mr Ingerson interjecting:

The SPEAKER: The Deputy Leader is out of order interjecting.

The Hon. J.C. BANNON: There is no way I would have condoned, nor would anyone have condoned, an exposure that was not commercial in those sorts of projects. It was on the basis of those assurances of commerciality that it went ahead and all the evidence in the royal commission indicates that at each point that was raised.

Those other matters of so-called interference, such as superannuation schemes and compulsory unionism, are perfectly explicable in the terms in which the Commissioner described them. Most importantly, and most fundamentally, they did not affect the State Bank in terms of the catastrophic losses that it made, and had nothing to do whatsoever with them. Therefore, they are irrelevant in terms of the general hands-off policy that this House endorsed and supported.

Other issues have been raised. I think that reference has been made to payment of dividends. I think it was the member for Victoria who raised this matter, as indeed well he might, because he was the one who was urging a 15 per cent rate of return for the Government. We never demanded that sort of thing, but the member for Victoria suggested that that is what we should have been getting. In fact, the General Manager of the State Bank said so as well. But, as far as the dividend policy was concerned, the Act required the board to make its recommendation and the board and Treasury sorted those things out by mutual agreement. The Commissioner makes no specific key finding that the State Bank Act was breached. He refers to certain issues which have technical validity and I will not tire the House with exploring that at this time.

Another matter raised, I think by the member for Victoria, was public disclosure of executive remuneration, where I said I was not prepared to do other than refer the honourable member's question to the board of the State Bank. That was not inconsistent with an approach that was made and nothing the Opposition says can determine that. In relation to concessions for the Remm project, I have already mentioned that particular issue.

There are a series of points. I am not sure where that puts the so-called 16 or however many allegations that have been made in terms of misleading. If there are other matters that require further elucidation or comment, I am certainly happy to deal with them. I believe that in all cases it will not be found that I have in fact either breached the confidence of this House or misled it. It is certainly true that on occasions—and the most notable occasion was in relation to off balance sheet companies—I put wrong information before the House because that was the information with which I was supplied. Surely any member, not just a Minister, has a right to expect responsible officers to provide him with appropriate information—information that is true, correct and honest. Simply to excuse those officers from that responsibility, which is the impact of what the Opposition suggests, is not appropriate at all and certainly not consistent with the principles of misleading the House and of parliamentary responsibility. I corrected that particular matter as soon as it was drawn to my attention. It is symptomatic—

Members interjecting:

The Hon. J.C. BANNON: That has been used time and again.

Members interjecting:

The SPEAKER: Order!

The Hon. J.C. BANNON: I have been accused of misleading the House. The honourable member interjects when I am attempting to explain. I am using the example—

The Hon. Dean Brown interjecting:

The SPEAKER: Order! The Leader is out of order.

The Hon. J.C. BANNON: No, the Opposition did not use that example, because it supports my case.

Mr Ingerson interjecting:

The Hon. J.C. BANNON: They did not use—

The SPEAKER: Order! The member for Ross Smith will resume his seat. I am sick of the Deputy Leader's interjecting, and I am warning him on his action. I have been calling him to order all day. This is the last time. The member for Ross Smith.

The Hon. J.C. BANNON: They did not use the example because it indicated that on those occasions where I had inadvertently misled the House, using information that had been wrongly supplied to me, I corrected the record. Of course, they did not mention that, because that destroyed their whole case about some deliberate cover-up or misleading of Parliament.

I would like to turn to a number of instances in which the Commissioner deals with the nature of information supplied to me, because that really does have a bearing on not only what was put before this House but what influenced the Government—myself, that is, in my deliberations in relation to the State Bank. Let me just instance a few of them.

Dealing with the year 1986 to 1987 (chapter 6 of the report) the introduction states:

The bank continued to provide the Government with a litany of information largely of its own choosing but with a general desire to have significant strategic moves approved by the Government.

There are, however, in the body of that chapter several instances of misleading or withholding information. At page 123, the report deals with the bank's relationship with the Reserve Bank and two issues are canvassed: the Reserve Bank's desire to establish links with the bank's external auditors on prudential issues and the large exposure undertaken by the bank in respect of Equiticorp. On the first issue, the Commissioner finds that the Government was not informed of the bank's strongly resisting the Reserve Bank's desire to have direct access to its external auditors. The Commissioner notes that the bank stressed its independence of the Reserve Bank because it was a State Bank. But he went on to say—and this is crucial:

But that is not what the owner wanted nor expected ...

Nor, I would add, Mr Speaker, what the owner understood to be the situation as far as the Reserve Bank was concerned. The Commissioner asked why an issue such as that was not referred to the owner for instruction or advice if it were of sufficient moment to the bank's management. He goes on to say:

It is impossible not to view with deep suspicion the attitude of bank management, and of Mr Clark himself, on this issue.

The whole Reserve Bank tale is a very sorry one indeed and it reflects very badly on the bank board, the bank management and on the Reserve Bank itself. It is staggering that as late as August of 1990, when an officer from my Treasury went across to check with the Reserve Bank on what sort of procedures it had in place, he had an affable discussion about it and came back with a recommendation saying that we ought to enter into a more formal relationship but was satisfied that our understanding was that the Reserve Bank was operating in all instances as if such a formal relationship applied and was not told of these reservations that the Reserve Bank had. If only he had been. If only we had been told months or years before. But, no, there was a nice cosy bank-to-bank relationship to which no outsiders—whether it be the Federal Treasurer and Government or the State Treasurer or Treasury—were admitted. That shows a very great deficiency and I think there is good reason, as the Commissioner does, to complain about that very much. That was an area where we were getting wrong information.

Let us turn to the year 1987-88 (chapter 7). At page 129, the Commissioner notes that the banks' attitude to the Government continued to be reflected in the ready provision of information and willing response, but gives a number of specific instances where information was not communicated. The bank's policy for its general provision for doubtful debts was revised. That was not known to Treasury. The Commissioner notes that Treasury's concerns about the bank would have been further reinforced if it had been.

There is no record of the 1988-93 strategic plan being sent to or received by the Government. It reflected a disregard of Mr Prowse's concerns, but he did not get it. Why the document was not provided to Treasury is not explained. The Commissioner states:

... one is left with the uneasy suspicion that Mr Clark and some of his senior managers may have realised the plan would not have been well received by Treasury.

It goes on to deal with Equiticorp again and talk about the Government's being left in blissful ignorance. If these matters had been brought to our attention something may have happened, but they were not. Then, in the period July 1988 to June 1989—

Members interjecting:

The Hon. J.C. BANNON: I am dealing with references in the Commissioner's report. We had plenty of them from the other side, but we have not heard these Mr Speaker. The introduction notes the reaction of the bank to what it calls 'gathering storm clouds'. The Commissioner goes on to state:

No doubt those in the bank believed what they are saying in most respects ...

Members interjecting:

The Hon. J.C. BANNON: Well, we will know more about that when the Auditor-General reports, I suspect.

But, there were signs that the bank, rather than giving the Government realistic and sometimes bad news, preferred to present the picture in the same rose tinted colour it had used up to then.

Then, in the body of the chapter, the Commissioner makes a number of references, for example, to a cost over-run for the State Bank centre which was not conveyed to the Treasurer despite earlier quite explicit interest in the project. That results in a major stricture from the Commissioner.

In May 1989, at a meeting, Mr Clark did not inform the Treasurer of fundamental flaws that had been revealed in the bank's lending procedures. His statements are at best unjustified and misleading and at worst deceptive. Mr Barrett, the Chairman, who was present, did nothing to correct or qualify that report. The commission notes that the bank was now embarking on a process of disinformation by omission, a policy of keeping bad news to itself so far as it could and offering reassurances in the face of apparently adverse situations. It says of the bank's response to the speech made by the member for Coles that it was deliberately evasive, if not in some respects deliberately untrue by omission. That is correct. All I can say from my point of view is that the member for Coles having made that speech and made some substantive points, despite the environment and atmosphere in which it was done, despite the member for Coles failing to reveal the basis on which she had prepared it, which, if she had, might have enabled us to

pursue that more vigorously with the person who prepared the research material—

The Hon. Jennifer Cashmore interjecting:

The SPEAKER: Order!

The Hon. J.C. BANNON: If I had known that and could have gone to that leading businessman and said, 'I am concerned about this, I should like to know more; what can you provide?', I am sure we would have been greatly helped. But no, the member for Coles wanted to take all the political credit for herself—

The Hon. Jennifer Cashmore interjecting:

The SPEAKER: Order! The member for Coles is out of order.

The Hon. J.C. BANNON: The member for Coles wanted to take all the political credit for her apparent research and put it into the political arena and have it treated politically. Having said all that, I still demanded that the bank respond to that speech in detail. I demanded that it simply not gloss over it but give me a response. The Commissioner finds, in the light of the evidence and the documents he has looked at, that the response was totally inadequate and misleading. However, we did not know that. That was the information that the bank supplied and it was, as the Commissioner says, consciously and deliberately reassuring. We were not to know that, because we did not understand what was happening in the bank at that time.

Page 236 of the report deals with the fact that the Reserve Bank's concerns were not passed on to the Government. I have already referred to that on an earlier occasion. Page 240 indicates that Mr Clark did not tell Treasury of his concerns about certain lending transactions. It notes that non-accrual figures were highly suspect and probably a deliberate understatement of the true position. Dealing with provisioning levels, the Equiticorp provisioning was positively misleading. Similarly, at page 247, provisioning issues were not communicated at the 28 August meeting. Mr Simmons and Mr Bakewell did not tell the real picture to the Government or to the Treasurer of their concerns about the bank's performance. These are in the report, and these are matters that the Opposition in selectively quoting have chosen not to put into the record.

The Commissioner says that the bank became progressively less than frank with the Government about its performance and that there is little doubt that this attitude was largely directed by the Managing Director. So we go on. Towards the end of the 1989 financial year the bank embarked upon a process of misleading the Government about the true state of its affairs, largely by omission but in some instances deliberate omission in the face of explicit questioning. It is one thing to be accused of not asking enough questions, but when one asks questions and information comes back from responsible appointed officers, prepared by people on massive salaries with high professional reputations, is one to dismiss them as lies? Of course not. Everyone has a right to rely on them unless the contrary is proved, and the contrary had not been proved at that time.

So we go into the 1989-90 period in chapter 9. At page 267 it says that many of the bank's assertions were in important respects no longer sensible or trustworthy. At pages 267 and 268 it says that the bank appears to have become increasingly selective in its presentation of

information to the Government, and it had more to say about what it claimed to be good news, but was more reticent with bad news. That is dealt with by the Commissioner. Mr Simmons' communication style is described as so oblique as to disguise the message. Indeed it did; that is certainly true. In terms of the strategic plan, the Commissioner says that one is left with the uneasy feeling that Mr Clark and some of his managers were fearful of Treasury exposure of their ambitious but ill-framed and unrealistic plans.

The report says that the new Chairman, Mr Simmons, neither privately nor at the six-weekly meetings dissociated himself with the board from Mr Clark's assertions and he did not do so until July 1990. That was the first occasion on which in my presence, sitting at a briefing meeting, there was on the part of the Chairman some open concern about what Mr Clark was saying. Before that it was accepted. Pages 267 to 304 deal generally with the bank's attitude at the time of the dividend deferral proposal and the point is made that the bank was not realistically confronting its problems, nor frankly conveying to Treasury all of the evidence suggesting them. So this picture builds and builds and builds.

It is all very well to note, and indeed one can see, this process of misinformation developing as questions were asked and as probing increased. I fear that if indeed such probing had occurred earlier, as the Commissioner suggested it might, we would have been confronted with the same misinformation. Of course, that we cannot tell; that is another aspect of hindsight that we cannot go into. The fact is that there is a litany of misinformation, wrong information and omission, all of which—except with the benefit of hindsight, except by putting documents together that were received separately, except with a massive division in the Treasury aimed to supervise the bank which I would argue would have been contrary to the Act and to Parliament's intentions—put us in that difficult if not impossible position.

One can go through the period into 1990 with the reassurances that were given. 'Dissembling' is one of the words used in relation to the way in which matters were put up. The fact is that I was not presented with a disaster or worst case scenario; I was presented with manageable problems, problems shared by other banks, problems that may result in time, depending on the time of the year, in loss, but none of them contemplate the appalling fate that met the bank in the end.

Stopping at this point, it may be interpreted that I am now washing my hands of responsibility for the problem. No, I am simply setting the record straight. I am defining my responsibility a little more closely than Opposition members would like to see it defined. There is responsibility and there is blame—blame that I accept. There are a number of things to which the Commissioner points of which I should have been aware and I must accept responsibility for not being aware of them. There were occasions on which I should have been more probing, and I have to accept responsibility for not being so probing. But, in the context and taken into account with those balancing quotations and findings of the commission and looking at it in terms of the commission's summary of conclusions, the dire

accusations levelled at me by members opposite are totally outrageous and unsupported.

However, I do accept that responsibility and I have accepted it. I have resigned from the position of Premier and Treasurer in pursuance of that responsibility to this House and to the South Australian community. A new Premier is in place, the Government is reconstituted, and I believe that the sort of exercise that the Opposition is undertaking through this no-confidence motion is totally out of court in those circumstances. Members opposite know what their requirement was: my scalp. They know that is how you, Mr Speaker, expressed yourself in terms of how you wished to be satisfied. It is on the record and those words cannot be twisted maliciously, as they have been by the Leader of the Opposition. It was quite clear. The fact is that they have my scalp, because I have resigned and I have accepted that responsibility. It has been hurtful. It is a very bad way in which to end a period of office. The member for Navel may take great satisfaction from that. My disappointment at this sort of ending probably matches his at the beginning of his second time around in this place.

They are the facts and I have accepted them. Whether I like it or not, that was my responsibility to this House, to you, Mr Speaker, and to the Chamber over which you preside. Having done that, that is the end of the matter. There is nothing in this report that expands or extends that responsibility to those sitting on the front bench in this place. This motion should be rejected totally and out of hand.

Members interjecting:

The SPEAKER: Order! The member for Mount Gambier.

The Hon. H. ALLISON (Mount Gambler): Members will realise that this is far from the end of the matter, as the former Premier claims. This is the royal commission that South Australia had to have, although the former Premier was dragged like a bride to that altar. The Premier and the former Premier are, at worst, pleading innocence and, at best, pleading qualified responsibility. The simple fact is that the royal commission report clearly indicates that the Government under both the former Premier and the present Premier are culpable and incapable of getting away from the fact that, collectively, they were derelict in their responsibility.

As the member for Navel said, the impact of this State Bank fiasco, far from being at an end, will be felt for years to come by members of the House, by taxpayers and by their children as a millstone around their neck. In politics, Mr Speaker, as you well know, we make our own bed and, having done that, we lie in it. This Government collectively is defending the indefensible. The Commissioner's report is scathing. The former Treasurer as part of Cabinet is a key target of some of the most trenchant criticism seen in decades. The Premier, the former Premier and the Government are shown as indecisive and prevaricating when action was needed and as interferers when it suited their and the ALP's political purposes.

The Premier acknowledged the expression 'greed for power'—and greed for power was certainly there. Members of the House will surely appreciate and understand the member for Kavel's brilliant and

withering attack on the Government this evening because he of all people should have been Premier in 1985. However, the clearly demonstrated connivance and the scheming meant that he was bilked of power through the Government's demonstrated duplicity in freezing interest rates; in fact, this Judas-like former Premier and the Judas-like Government thrice betrayed the Liberal Party in 1985, 1987 and 1989 by the freezing of interest rates.

The member for Victoria clearly demonstrated how this House was misled not once but repeatedly, but the Government by its actions also misled the people of South Australia, which is much less forgivable than misleading the House. To the member for Briggs who put the reputation of a number of individuals and organisations up for judgment, I simply say: if others misjudged the State Bank's performance, the Opposition assessed—and critically assessed—the State Bank most accurately. If the Premier objects to the manner in which the member for Coles and others on this side obtained, collated and used information, we simply point out that we obtained that information from the Government's own papers: State Bank and SAFA half yearly and annual reports.

There is something exceedingly strange in the fact that the Government with all the might of its departments was unable to assess and analyse the true situation in South Australia when the Opposition with its limited resources was able to do so and to arrive at what the Royal Commissioner has clearly shown to be the correct conclusion in the manner in which it questioned the Government week after week, month after month, year after year on the activities of the State Bank. It is also significant that the replies to the member for Kavel, the member for Victoria, the member for Coles and others were repeatedly heralded by the catch cry 'Information denied on the ground of commercial confidentiality'. That became virtually the Premier's and the Government's sole defence before the Opposition's barrage of questions.

This no-confidence motion is essentially about no confidence in the Government. The Premier said that the attack this evening was essentially an attack on him. How wrong he is and how he has misread the import of the various contributions from this side this evening. He referred to the Remm activities. I remind him that Treasury officer Prowse's memo, which is quoted somewhere in the royal commission report, clearly said that the Remm project had to proceed. The Commissioner used the expression 'if it was commercially viable'. After the word 'commercially' I think he used a euphemism, a soft expression, quite indeterminate. There was also the matter of the completion guarantee which played into the hands of unions, led to excessive costs and was virtually a licence to print overtime and WorkCover compensation for the employees on the Remm project.

I turn now to Government activities or in activities, and they are both just as important in respect of this issue.

The Government did not carry out an inquiry into the State Bank until it was far too late. The Government ridiculed the Opposition time and again when questioned about the State Bank and misled Parliament time and again in its replies—16 times the member for Victoria claimed. Year after year the Government raided the bank's profits—profits that were not even there, I might add. The Government asked for home loan interest rates

to be frozen in 1985, 1987 and 1989—an act of duplicity three times over. The Premier gave false reassurances on BC non-accrual loan problems, which were in excess of \$400 million. That was really the substantial beginning of the problem. The Government itself repeatedly acted to save its political future and not to save South Australia's economic future. Its hypocrisy has cost the South Australian taxpayer at least \$3 150 million.

Under the Westminster system, the Government must be seen as collectively responsible. It is collectively guilty in the matter of the State Bank failure. The Government failed to act in the face of increasing evidence regarding BC, Pegasus, the East End Market, the State Bank, Remm and a multiplicity of other problems. The Government was panic stricken; it was frozen into the 'look, no hands' position as it misconduct affairs of the State. It rode the South Australian economy into the ground. As I said, the Government has been guilty of prevarication and ineptitude. The Government failed to reveal the extent and its own knowledge of the State Bank's problems. The Government repeatedly understated the size of the financial catastrophe regarding Beneficial Finance, the State Bank and other matters. The problems increased from \$100 million to \$1 000 million to \$3 000 million; yet, the Government claimed profitability for the bank even when a substantial loss was obvious.

The Government approved the appointment of the Chief Executive Officer of the State Bank despite the Premier's denials. The Government behaved in cavalier fashion with State taxpayers' funds, failing to take action to rein in State Bank operations when the taxpayer had to guarantee any losses incurred. These are not my observations; they are simply observations taken from page after page, chapter after chapter of the Royal Commissioner's report. There were seeds of fallibility in the Government's policy of allowing the bank to determine the appropriate course for it to follow in its commercial operations.

The Government asked no questions when the bank's growth was double its planned expansion rate in 1988, far in excess of the expansion of major banks in Australia and, as the member for Coles said earlier, the State Bank's assets increased seven-fold in a short period. The Government failed to question the bank's rationale or the bank's planning or whether quality was being sacrificed for quantity of business achieved. The Government made it possible that people were rewarded for achieving quantity of business when the quality was simply not there and debts were accruing. The Government failed to question whether Hong Kong and other overseas operations (London, for example) would benefit from the State's taxpayers—and so it goes on.

I have not one page but six, seven, eight or nine pages of closely detailed information gleaned from page after page of the report of the Royal Commission into the State Bank. I have to defer to other speakers who have equally important contributions to make, but in conclusion I say that Treasury, the Government and the Premier interfered so little when interference was needed and it interfered when it feared the worst and knew so much. As the Commissioner said, the ultimate responsibility for the relationship between the Treasury

and the bank rested with the Treasurer and his Government.

The strategy was set by him. The hands-on, self-preservation mode came into operation only at pre-election times, and how Cabinet can deny responsibility for such a huge debt accumulated by an organisation which it owns and oversees on behalf of the people of South Australia I ask the people of South Australia themselves to judge when they are called to vote for or against this Government at the next election. Meanwhile, I am quite sure that every member of the public will recognise that the Government and the bank lost sight of the bank's statutory charter and of their respective statutory obligations. The bank was encouraged in the course that it took. The approach was clearly inappropriate; the Opposition knew that, but the Government ignored all warnings. The Government cannot now exculpate itself; it has failed the people of South Australia.

Mr QUIRKE (Playford): In this House, I should like to correct a couple of things that have been said about recent events on which memory seems to be very clouded. In particular, the last speaker mentioned that the royal commission had to be dragged out of this Government heading. I remember an afternoon newspaper heading which was wrong, wrong, wrong. In fact, in some of the file films of that day, 12 February 1990, that are still shown on television, that banner decorated every part of the afternoon *News* where it was sold in South Australia; the Government was castigated for calling a royal commission. The afternoon newspaper made clear that the decision that that was the way to proceed, which was announced in here on that day, during Question Time—on the first sitting day and within 15 minutes of our coming into this Chamber—was greeted in rather harsh and derogatory terms, but we have forgotten all that. The reality now is that we are being told that the royal commission had to be dragged out of the Government: it did not. This Government agreed to that royal commission.

Mr Matthew interjecting:

Mr QUIRKE: I will get to you in a moment.

The SPEAKER: Order! The member for Bright is out of order. The member for Playford.

Mr QUIRKE: That allegation is incorrect; it is not in any sense factual. If we want to start talking in here about twisting things, that is one of the first things that I can say that is definitely wrong. I will provide another example. The member for Kavel—and I think the member for Ross Smith made a number of comments about his contribution tonight—made another comment which is historically incorrect. In his contribution tonight, he made the statement that in 1987—and he made this statement many times—the then Premier was President of the Australian Labor Party. We must have had two Presidents, because he was not. In fact, he was not elected to that position for almost another 12 months.

So, it is very good to make contributions in here, and I commend the member for Kavel. I did not like the message very much; I thought it was excessively personal and in many respects it was an example of someone who, unfortunately, for probably no reasons of his own, has failed three times—twice at our hands and once at the

hands of some of his friends on the other side of the Chamber. But at the end of the day, he had better get his facts right, because he was wrong. So, it is good to come in here and make allegations about members on the Government side getting it wrong, about the former Premier getting it wrong. Allegedly, he has made statements that were not true, but there was a clear cut one tonight: the former Premier was not President of the Australian Labor Party at any time in 1987.

In all instances such as this, there will always be a brigade of people who come along and say, 'I told you so'. I am a former school teacher, and I have heard it many times before. A number of members in here make the comment, 'I told you so.'

Mr Venning interjecting:

The SPEAKER: Order! The member for Custance is out of order.

Mr QUIRKE: I remember a number of questions that touched on issues involving the State Bank, and I will have something to say about those in a moment. The member opposite who interjected a moment ago is a person who in this House has warned us about everything from sliced bread all the way down. If members opposite—usually the member for Bright—get up and say, 'I told you so' every time something goes wrong, it will not do very much for this debate today or in the future.

One of the things that I hoped would come out of this debate today is the Opposition's alternatives for the future. What would it have done in these circumstances? How would it have handled the delicate problems of administering a bank and, on the other hand, dealing with the very real problems that emerge? I might add that, by the time the next reports come down—and in particular the Auditor-General's report—and by the time most members opposite have finished saying, 'I told you so', most if not all the damage would have been done.

Many of those members opposite who told us what was wrong, the I-told-you-soes of this Chamber, have a number of connections in the State Bank and in other arms of the bureaucracy. I suspect that quite a number of them were fed some high grade information, and they used politically in this Chamber only the snippets that would help them. The old school tie is one of the first things that a new member in this Chamber gets to see at firsthand. What you learn where that is concerned is that a number of people are connected to Adelaide's establishment in these organisations who do not leak one or two documents to members of the Opposition: they give them by the bucket and truck load. Some members opposite used that information at the time instead of constructively informing the Government what was going on: it was used in here for the same cheap political advantage that is evident every day on all the other issues.

The composition of the board of the State Bank was largely a product of the Liberal Party not of the Labor Party. The people who are associated with that bank were those who were supporting members opposite rather than those on this side of the House. A number of issues need to be raised here today, one being that we need to ensure that this situation never happens again. The crisis and failure of communication that obviously took place in the middle to late 1980s between the bank, the Treasury and

the Government is something that we can never allow to happen again.

I should like to make some other remarks, but I know that I have only a few minutes left as other members wish to make a contribution. It is appropriate to refer to the bank that we had in the late 1980s. It was, in many respects, a bank that was managed by people who thought that they were above this institution. They have demonstrated so clearly that they believed they could feed whatever information they thought was appropriate to Government. I believe there was a degree of negligence, almost bordering on criminality, in those determinations by those people who had their hands on the wheel in the State Bank at that time. It is very sad that some of those people were paid 12 times or more what a member of this institution was paid at that time. I believe one of the reasons for their view on this establishment and the Government was their belief that they were above politicians and above Governments and that they could feed whatever information they wanted to the relevant authorities. Unfortunately, the results were tragic for South Australia. If I had more time in this contribution, I would go into that in far greater detail.

I believe that, when we proceed from here today, whatever the result of the vote, we need to make sure that we take a very close look at all the reports that come down, particularly the Auditor-General's report, because a tragedy such as this can never happen again in South Australia. I believe that all members will need to address their mind to that when they get over pointing out who stepped in the dog dirt out there on the footpath. Much of the vilification that has gone on here towards the former Premier is very sad. The reality is that it has been directed by a number of people who not only could not have handled the situation any better but, I believe, would have handled it much worse.

I also say to members of the Liberal Party, who have been displaying a cocky attitude in the Chamber, in the corridors, in the refreshment room and in all the other places, thinking that they have it all sewn up for the next election, that they are in for a fight; there is still plenty of fight left in members on this side. Slowly the people of this State are realising what are the real agendas. I must give credit to members of the Liberal Party; they are much sharper than their Victorian counterparts—leastwise, they were until a couple of days ago. They are keeping quiet about their agendas. As soon as Mr Kennett was elected, he hopped straight into it. The reality is that the Opposition's motion is well wide of the mark, and I urge the House to reject it.

Mr BECKER (Hanson): I will correct one point made by the member for Playford. In Estimates Committee A, the Attorney-General said, 'The Government had no choice', meaning that the Government had no choice in relation to setting up the royal commission. It was not the Government that set up the royal commission on its own initiative: it was set up through the Opposition's work and determination, the member for Victoria being the one who campaigned for it. The people of South Australia are very grateful, I believe, that the member for Victoria insisted on it.

This is a very sad day for South Australia. It is a sad day for those who remember the role of the Savings

Bank of South Australia and what it did for the people of South Australia for the more than 100 years it was in existence. It was hijacked by this Labor Party in 1983 when the merger legislation went before the Parliament and the super dynamic State Bank of South Australia emerged. The tragedy is that, in the limited time available for debate, we cannot do justice to the whole of the Royal Commissioner's report. On page 390, the Royal Commissioner said:

It seems likely that the Treasurer's attitude was influenced at least in part by the selective quality of the information that was conveyed to him with the clear tendency on the part of the bank and Mr Clark in particular to suppress or disguise bad news.

He continues on page 391:

It is impossible to speak of the role of the bank and its board of directors without speaking of the influence that Mr Clark exerted, both on the board and on the management.

That gives some idea of the difficulty the Royal Commissioner had in coming to terms with and reporting on exactly what occurred in relation to communication between the bank management and the Government. It is a sad day, because the Government did not closely monitor the role of the super dynamic bank that it had hijacked from the people of South Australia.

On 13 August 1990 I was in Sydney as part of the delegation for Adelaide's bid for the right to represent Australia to stage the 1998 Commonwealth Games, and on that day Mr Marcus Clark called me aside with the Premier and said that, no matter what the decision in relation to that bid, he was going to resign from the committee and get back to monitoring his role within the State Bank. The reason he gave the Premier and me was that I and my colleagues had been asking too many questions and we had been destabilising the bank. Mr Marcus Clark was a very loyal, dedicated and devoted banker, as he believed. His role was to obtain profits for the bank which were to go to Treasury. They were unreal profit projections. They were heading, under Marcus Clark's incentive, to try to make a profit somewhere in the vicinity of \$200 million. The bank was on track to make those profits, but it took so many risks and gambles, it was unbelievable.

The bank's representatives went around the world chasing deposits. It was the Australian bank with the highest ratio of interest bearing deposits. It borrowed money from every tax haven it could get hold of. Nobody is to know whether we were using drug money, oil baron money or illegal funds from tax havens in some spurious countries. What was done to the bank was a shame. I was informed by a friend of mine who worked for Beneficial Finance that the company had \$476 million of non-performing loans as at 31 July; he contacted me and said, 'For goodness sake, warn the Premier as Treasurer that Beneficial Finance is insolvent.' It was technically insolvent as at 30 June 1990, and he asked me to inform the Premier that the board of Beneficial had not made sufficient provision for those non-performing loans. It had to provide about \$190 million.

It is normal banking and financial management practice to write off 40 per cent of non-performing loans in the first year, 30 per cent in the second year and 30 per cent in the next year. I informed the Premier and, with the concurrence of the then Leader of the Opposition, I asked him whether somebody from Treasury should go into

Beneficial and onto the board of the bank and monitor the situation very closely, pulling up the organisation, because the demands for capital for Beneficial Finance would be so great that the State Bank would find itself in severe difficulty. Some months later I asked the Premier in the House why he did not take the warning seriously. He said he felt it was like the rest of the rumours circulating the city, or something to that effect. It was unfair.

The former Premier advised the House tonight that, in answer to questions that I had put to him, he felt it was fair and reasonable to misinform the Parliament and not to fully answer my questions because he felt he was being tripped or trapped. That was not the case. Nobody has been more loyal to this State and to the bank than I have been. You do not spend 20 years in the banking industry and then want to see your competitors go down the way this bank went down. We were warning and trying to help the Government to be aware of the problems associated with the bank.

The Royal Commissioner has quite rightly pointed out the difficulties between the management, the Government and Mr Marcus Clark. There is so much statistical information available on banking to Treasury officials and to Governments that they could easily have monitored the situation and seen that the dramatic growth of this bank meant it was heading for problems, particularly when it was establishing agencies throughout the world, including branches in the Cayman Islands. When we asked questions about that branch, we were informed that it was a post office box number. That was the type of operation that the bank went into. Anyone could have realised what was going on.

I well remember asking questions in 1985 about the operation of the bank; I remember asking questions in 1987 about the bank and being asked to go along with a deputation to the executive of the bank. I remember that, on 5 December 1988, several of us from the Liberal Party met with the executive. We were briefed about the role of the bank and were asked whether we would like to ask any questions. The then Leader of the Opposition (the member for Navel) said, 'Becker, don't you dare ask that question.' I said, 'I am going to ask it. I want to know what Marcus Clark did and why the State Bank lent Equiticorp somewhere in the vicinity of \$50 million?'

Discussion ensued, I asked the question and Marcus Clark said, 'It was very simple. When the proposition was put to the board, I withdrew my chair and the board made the decision whether to lend to Equiticorp—I thought it was \$50 million—to enable that company to buy 5 per cent of the shares in BHP. It related to John Elliott and the late Holmes a Court as to who would get control of BHP.' I laughed; I thought this was ridiculous. Marcus Clark said, 'Why are you laughing?' I said, 'Look, Tim, if someone on the executive put a proposition to the board that you were a director of the company and the board refused that application, it would have been a vote of no confidence in you.'

Members can imagine that he was not happy, but that was the influence he had over the board, and I was never convinced that the board in that decision was correct. We find that the *Advertiser* of 1 August 1991 reported:

Mr Clark held 300 000 shares in the now defunct merchant bank Equiticorp in November 1984 when he attended a bank board subcommittee that approved the loan.

The loan involved some \$200 million. I understand that the \$50 million to which I was referring was never repaid, even though the shares were sold at a substantial loss. Equiticorp transferred into the State Bank a loan portfolio to the value of the security which eventually went to Beneficial Finance, but that loan portfolio was absolutely useless.

These are the sorts of transactions that we need to look at. Now we go into the next stage, where the Royal Commissioner and the Auditor-General will, I hope, be looking thoroughly at these types of transactions and what happens. What annoys me is that I have had 10 Questions on Notice outstanding for over 18 months. The former Premier and the current Premier will not answer these questions, which relate to transactions dealing with Beneficial Finance, its staff, their lurks and perks and also the transaction whereby I believe the Government bailed out the Bank of New Zealand to the tune of \$100 million.

There was a move by the Bank of New Zealand to liquidate Remm Corporation, and this Government paid \$100 million to stop that occurring. The Bank of New Zealand walked away with 100 cents in the dollar, and the chances that we will ever get any money out of Return Corporation are quite remote. We could be left with very few cents indeed.

The length and distance to which this Government went to protect the so-called confidentiality of various transactions in the State Bank is absolutely unforgivable. I cannot accept the explanation that the former Premier, the member for Ross Smith, has given tonight in answer to my questions. I cannot accept that the Government will not answer my questions on the Notice Paper. If the Government has any courage and any public decency, it will now answer those questions.

What has happened is a sad day for South Australia. It is sad that we should have a royal commission report in manner that it has. This has been a disaster for the bank and the State. It destabilises the State, and there is now no confidence in South Australia. We are not only in a recession—we are a very depressed State. There will be no investment in South Australia, and there will be no opportunity for further growth or expansion until there is a change of Government. I appeal to you, Mr Speaker, and to all members to support this motion because, until we have a change in Government and a restoration of faith in the future of South Australia, we have a bleak future indeed.

Mr HOLLOWAY (Mitchell): When I came into the Chamber this evening I had just been watching the *7.30 Report*, which was asking members of the public their reaction to the royal commission. One gentleman said, 'All the fuss really is for the benefit of the media. What we should be doing is getting on with solving the problems.' That member of the public showed a great deal of wisdom. What we have been dealing with in this royal commission report is history. We are dealing with a period covering the merger creating the State Bank up until the end of 1990—in other words, nearly two years

ago. We are dealing with a period that ended nearly two years ago.

What we have had from members opposite is a total obsession with the past. In fact, they have almost become junkies hooked on the State Bank, and what they badly need is some methadone treatment to get them off it. They have been obsessed with the bank. Every time we have had an Address in Reply debate, an Appropriation or Supply Bill debate or a no-confidence motion, we have had 23 speeches from members opposite all about the State Bank. The number of words spoken on it by members opposite in this place must go into the millions.

Members interjecting:

Mr HOLLOWAY: Well, there are 23 members over there, actually.

Members interjecting:

Mr HOLLOWAY: Apparently members opposite do not know how many of them are on that side. That is their problem. I would like to express my disappointment at the royal commission, not so much about its findings but about what it has not said. I would have thought that for the \$30 million that has been spent we could expect much more. I have just been looking at the report of the royal commission in Western Australia. It actually came up with concrete suggestions about what ought to be done to deal with the problems of our financial institutions, about Government owned enterprises, their relationship with the Government and how they should be dealt with. There are no such recommendations in this royal commission report.

Certainly, it is worth quoting one sentence from the concluding comments of the Royal Commissioner as follows:

In the course of the commission's hearings, it was necessary part of the current inquiry on the first term of reference to assign from time to time to remind witnesses and counsel that it is not blame or apportion responsibility for the disaster that overtook the bank.

Really, that sums up what our attitude should be towards the spurious motion that is before us tonight, which has nothing to do with assigning blame. They are the Commissioner's words, and he has made it quite clear. My disappointment with the royal commission report also goes on to many of the questions that we need to have answered if we are to deal with this problem in the future.

The member for Hanson covered some of those, but what we really need to know involves questions such as when the money was lost and how long ago the loans loans, which are now euphemistically termed 'non-were undertaken. It is my suspicion that some State Bank strong suspicion that, whatever action had been taken to performing loans', were made years ago. I have the address the problems of the bank, had it been during 1990, it would have been far too late to stop the vast majority of loans. That is what we really need to know. I suspect and hope that when the Auditor-General's report comes out on this matter we may get some of the answers that we really need to have.

It is also worth mentioning that in the main text of the Commissioner's report he refers to some of the matters that need to be addressed in his second term of reference. For example, at page 368 he states:

However, it may be a matter for the commission's second term of reference to address the problem (if there be one) of the extent to which a State Bank should be exposed to inquiry and publicity beyond that to which an independent banking entity is ordinarily subject.

That is a very pertinent question and one with which we certainly need to deal. Can any State institution survive the sort of scrutiny that has been given to the State Bank? That really needs to be addressed. Unfortunately, that will have to wait for later report. The Commissioner also notes:

Nevertheless, the difficulty in making a full ministerial response to questions in Parliament, without causing a loss of confidence in the bank, perhaps unjustifiably, presented a dilemma that inevitably attends such a State-owned institution, a matter inviting more attention under the commission's second term of reference.

So, there is still much to be done. There are still many important questions that we need to answer before we can fully learn the lessons from the State Bank situation.

The other thing that needs to be said about the royal commission is the context in which it happened. The commission examined witnesses in this State in relation to the State Bank. The Commissioner did not consider the national or international context in which the State Bank problems occurred. Of course, it is not just in this State, let alone in this country, where we have had problems with banks: it has been a world-wide problem that has flowed on from the change in global financial markets that happened at the beginning of the 1980s. In the United States, for example, Savings and Loans lost close to \$1 trillion, a massive loss.

Banks in Japan have lost massively. There has been a property boom followed by a bust in that country that has caused its banks all sorts of problems. The United Kingdom has also seen all of its major commercial banks make big losses in recent years. So, it has been throughout the whole world.

The problems of the State Bank needed to be addressed in that context. Of course, there is no comment in the Royal Commissioner's report about that context or about the impact of deregulation, but it is quite clear that these problems were experienced by hundreds of banks throughout the world over the past two or three years. That shows that there is more to this phenomenon than problems specifically related to this one institution in this State.

That really raises the question: what would members opposite have done? Certainly, members opposite asked a few questions based on dinner table gossip about problems at the bank. But, so what? It did not take any particular foresight during 1990, when banks were collapsing throughout the world and when there was a property bust, to predict that banks would have problems and that there would be a few problem loans around. It was not particularly difficult to discover that every bank in the world had an increasing number of bad loans on its books. So what? The question was the dimension of the problem. That is something about which no-one had shown foresight.

However, more importantly, what was not suggested was what we should do about it. It is one thing to know that we have a property bust and there will be problems with loans that were made some years down the track,

but what do we do with a loan that is a legal contract that has gone bad? How can one cope with it? If we looked at all the speeches of members opposite over the past few years, I do not think we would find one suggestion—I have certainly never seen one—about what changes need to be made to deal with the problems of our financial institutions.

What this Government has done over the past two years since the State Bank needed the bail-out—and members should recall that it was two years ago that this happened—is implement a large number of measures. Those measures are on-going. As the Premier announced in his statement yesterday, a public corporations Bill will be introduced next week that will further complement the series of measures to improve the disclosure, accounting provisions and public accountability of these major corporations. However, it is those sorts of suggestions that have not come from members opposite. With all this great foresight they are supposed to have had, I think that if one looked back over the past few years one would not find any constructive suggestions they have made.

I do not have much time left, so I would like to raise one point. We had the member for Navel talking about the interest rate situation. He accused the former Premier of fraud. I would have thought that if ever there were a fraud at an election campaign it would be that which we have recently seen perpetrated by Mr Kennett in Victoria. There is a real fraud. Mr Kennett went to an election giving assurances to public servants that he broke almost the day he won the election. That is what I would have thought was fraud.

I know that other members wish to speak in this debate, but I want to conclude by saying that we should reject this motion. Opposition members desperately want an election, but it is they who are wallowing in the past. They are preoccupied with the State Bank, and have produced no solutions as to how the problems might be dealt with. There is something profoundly absurd about an Opposition which has suggested that Government should act as though it has absolute power, but at the same time it has fought on all occasions to deny that Government the very power to act in such a situation. Such has been the case with the State Bank. I reject the motion.

The Hon. B.C. EASTICK (Light): I certainly support the motion. The Commissioner, the Hon. Samuel Jacobs, QC, is a very highly respected person in the State of South Australia. He has enjoyed that position of respect both inside and outside the legal profession for very many years. He is a person who showed throughout the period of the commission that he was alert, that he was going to give everybody a fair hearing, and that he would make a decision on the facts as they were demonstrated. I believe that those who look rationally at the document presented here yesterday afternoon agree that he achieved that particular result.

It is also a fact that the Commissioner used terms which give expression to the dilemma that beset him in listening to all the evidence. He used terms which properly demonstrated and identified the culpability of individuals and of organisations—corporate groups—in respect of their dealings with the State Bank. I would suggest that it is not without some reason that the very

last word in his report, at page 393, is 'tragedy'. After describing those who had been involved he finishes with the statement:

All these players played a part in the ultimate tragedy.

We have had a number of tragedies directed to our attention here today, and extending from yesterday. One of the great tragedies is the former Premier, the member for Ross Smith. The tragedy is that he shows no contrition. He shows no remorse whatsoever.

Members interjecting:

The Hon. B.C. EASTICK: Rubbish! If the member for Walsh is of the view that the utterances by the former Premier, the disgraced Premier, the member for Ross Smith, were remorseful he should think again. He should have a look at his portrayal on the *7.30 Report* tonight. He stated, 'I was wronged. The words were too harsh. I was not responsible for half the things that have been said about me.' The tragedy is that those who are with him on the other side have demonstrated by their comments today that they know no better than does the member for Ross Smith.

The Premier talked, talked and talked and said nothing. The Minister of Business and Regional Development showed that he had lost nothing in being the great fabricator of the Labor Party. The member for Mitchell, who has just resumed his seat, indicated that he had learnt nothing by addressing himself to the report. The member for Ross Smith stated that he really was not criticised; nothing in the report really criticised him. He then gave one or two examples of where it might have been a bit of a dig.

I refer members to page 89, which states:

... whatever the attitude of the bank, the rationale for the Treasurer's intervention is clear. It is not and cannot be suggested on the evidence that he gave any direction or made any explicit request, but it is an irresistible conclusion that the Treasurer temporarily forsook his 'hands-off' role and his perception of a commercially independent bank. Contrary to his expressed desire on other occasions that the bank's decision-making should recognise the advantage to the State of profit-oriented decisions, he was willing and anxious on this occasion to sacrifice that advantage in the short term for the political advantage of his Government.

It is corruption and fraud; the lowest of the low actions that anyone could take to buy their way into office; it is demonstrated very aptly in that statement alone, and there are other references throughout the report where the same thrust is present.

What do we have in this motion? It states that this House no longer has any confidence in the Labor Government. We have demonstrated that and people in the streets are demonstrating it in their comments.

The motion then refers to 'repeatedly misleading this House'. The number of occasions without question runs into hundreds.

It then refers to 'encouraging the bank to undertake high risk'. He did. Then 'breaching the State Bank Act.' There are pages that identify where the provisions of the Act were not followed and where action was taken that was to the detriment of South Australia. Then we have 'its failure to act on repeated warnings'. Every dog in the street was barking out the dangers into which the Government was leading South Australia. I have already referred to 'manipulating the home loan interest rates'.

I want to finish with a saying that I believe is apt to this situation. It is that the stupid neither forgive nor forget; the naive forgive and forget—members opposite have suggested that they want to forgive and forget and think no more of the events—but the wise (and I believe them to be the people of South Australia) forgive but do not forget. I believe that the first occasion on which they get the opportunity through the ballot box they will indicate that they are not prepared to forget an abandonment of the rights of every person in this State and the tragedy which has been perpetrated on generations to come.

Mr BLACKER (Flinders): I support the motion. I do so, because it is of the utmost seriousness, probably the most serious motion that has come before this House in the almost 20 years that I have been a member. It is the only time that I can recall having a no-confidence motion extended through to midnight. I think that indicates the gravity of the situation that we are now debating. This is a sorry day for South Australia. The report from Mr Jacobs will be sorry reading for many people. The social consequences of what has happened will be with us for decades, and this and the next generation will be left to pick up the pieces.

I wish to give an indication of the gravity of the situation. The \$3.15 billion that seems to have been lost with the State Bank through lack of appropriate oversight and monitoring is astronomical. It is three times the value of the Parliament House in Canberra. If we divide that figure by the number of rural establishments in South Australia, it is \$219 000 each. To localise it in my own area, if we apply that to each of the 1 800 farms on Eyre Peninsula, it is \$1.6 million for each farm. That is the magnitude of the situation.

Time does not allow me to go through some of the things that I would like to say. We are in serious trouble and we must look to the royal commission with respect to that situation. The motion is:

That this House no longer has any confidence in the Labor Government because the evidence given to the State Bank Royal Commission and the report of the Commissioner on his first term of reference has established the guilt of the Government collectively, in...

It then goes on to list the Commissioner's findings. I do not think that anyone today has seriously looked at the wording of that motion. What it says is that to vote for this motion is a vote of acceptance and recognition of the Royal Commissioner's report; but to vote against this motion is a no-confidence motion in Mr Jacobs. Government members must consider this motion very carefully. We have heard them one by one say that they will oppose the motion, but I do not believe they have understood the gravity of the situation when in fact they are moving a no-confidence motion in Mr Jacobs. That is the way that this motion must be reported, because that is the way it is and that is the way this House will be voting.

The wording is quite clear. It refers to the Royal Commissioner and it accepts the words of the royal commission. It is a clear case of those in favour recognising and accepting the royal commission. Those who vote against are saying that they have no confidence in the royal commission. I do not believe that

Government members have recognised what they are doing in just saying that they are opposed to it.

We have heard spirited speeches by many members about this matter. On the one hand, I commend many of the speeches that have been made on this side of the House. They have been well researched, presented and documented from the royal commission report. On the other hand, the Government has come in with a spirited defence. I refer particularly to the member for Ross Smith. I can perhaps understand his position. Nevertheless, that is not the way it is. The royal commission was set up to examine this matter, there were literally hundreds of witnesses and tens of thousands of pages, all to be the independent umpires in this event. The Royal Commissioner brought down his report and we are now saying whether we accept or reject that report. This motion says that we accept the findings of the royal commission. I support the motion.

Mr BRINDAL (Hayward): In a few minutes my Leader will close this debate and do so with words more eloquent than mine. However, I commend all speakers on this side of the House, particularly the member for Hinders who made one of the most compelling points that I have heard in this debate thus far. The issues to me and to members on this side of the House are very clear, and they can be summed up in the arguments about Mr Hartley and the Premier. Mr Hartley said, and it has been repeated by members opposite, 'I know that my message has got through.' It clearly depends whether this House regards a Minister of the Crown as an errand boy or as a partner in the exercise of Executive Government. As a head of department he confided in his Minister and on occasion he asked his Minister to intercede. He also sat with his Minister and the Premier at meetings at which State Bank matters were discussed and he obviously was party to that. Is this Premier now an errand boy or was he part of Executive Government? That is what lies at the heart of the motion put forward by my Leader.

Clearly, members opposite, in saying what they have said in belittling the Premier, must accept the proposition put forward by the Leader of the Opposition that he was indeed an amalgam of the three wise monkeys, with perhaps a touch of the Cooper's monkey put in as well, and we all know the damage that the cold did to that particular brass animal. We see here a classic case of a Premier with a personality crisis. In the course of one speech he was three things: first, Thomas, who continues to doubt until he can put his hands in the wounds; then Pilate washing his hands to absolve himself from guilt; and, finally, Brutus turned Peter, for he, too, denied his master three times. This time, in keeping with the dignity of the House, it was the crowing of the member for Napier rather than an ordinary cock.

The member for Coles was accused of seizing on a rumour which was then presented as a statement of fact, and finally she was berated and virtually accused of being culpable for the State Bank disaster by not peddling rumours in this House. The member for Napier basically condemned the Government from his own mouth. He said that he had been telling the Premier for years to get out of the State Bank, that the State Bank was crook, get out, go somewhere else, go to the Co-op. He said it not once, but repeatedly. Indeed, he said that

the Premier acted against the advice of his Minister; the Premier overruled him. The member for Ross Smith has so many knives in his back that he must indeed feel like an echidna with quills. This Government has been more interested in the corporate box than in corporate responsibility. Other speakers have made points more eloquently than I.

This Government must go. The calcimine kid opposite cannot excuse himself any longer. The Leader has said he was responsible. This Government was so greedy that it was not content just to milk the cow; in the end it had to butcher it. Now, when South Australians are asking why there is no milk, the Premier has the audacity to stand up and say, 'Don't blame us'.

The proposition before this House is clear. All that my Leader is asking is that this Government go to the people. All that the member for Coles and other speakers have said is that the people have a perfect right to decide this matter. If any member of this House truly represents their electorate, that member should support this proposition and send the Government to the polls. It has no right to govern; it has abdicated its responsibility; it is a Government of frauds, cheats and crooks—and the sooner this Government goes the better for all South Australians. I commend my Leader's motion to the House.

The Hon. DEAN BROWN (Leader of the Opposition): In closing this debate, I take members back to the content of the motion. This motion proposes a vote of no confidence in the Government on six grounds. I would like quickly to run through those six grounds and cover the points put forward by the Liberal Party and the lack of defence by the Government during this lengthy debate. The first and most compelling ground is the fact that this Parliament has been misled on 16 separate occasions. The only defence that came from the Government was principally from the member for Ross Smith and a little bit from the present Premier.

The member for Ross Smith covered only four of the 16 cases in which this Parliament has been misled; he did not touch on the others. Let me touch on the defence of the member for Ross Smith on those four cases. The first he defended as misleading the Parliament for the purpose of protecting the bank, and he said that was justifiable. He has little regard for the procedures of Parliament. There is no tradition of Parliament enabling one to mislead this Parliament for certain causes or effects, yet that was his only justification when it came to the statements that he made in this Parliament on 4 and 13 December 1990. Regarding the second case upon which he touched, he claimed that I quoted him as saying a non-accrual loan at one point and at others non-performing, renegotiated and doubtful loans. He tried to create the impression that these were two different things and, therefore, the two amounts were quite different: \$2 500 million in one case and \$3 400 million in another. I point out to the member for Ross Smith who, I know, knows little or nothing about finance—and that is obvious from the royal commission report—that non-accrual loans are, in fact, non-performing, renegotiated or doubtful loans; they are identical. So, his defence on that ground is without basis.

Regarding the third area upon which the member for Ross Smith touched in trying to defend himself against

accusations of misleading this Parliament, he said it was justifiable to partially mislead Parliament but that he had not misled Parliament. How one can be partially pregnant or partially mislead Parliament I am not sure. It is a black and white issue: either you have misled this Parliament or you have not. The honourable member could put forward no justification for saying that he had not misled this Parliament. He did it quite deliberately, and he persisted with that throughout today.

The fourth matter in which he tried to defend himself was one that I had not even raised. I looked at all 16 examples and it was not included.

Members interjecting:

The Hon. DEAN BROWN: That is 17. I find it rather interesting that he produced another case where he tried to defend himself for misleading this Parliament. He said he was given wrong information. That is another case that I and the member for Victoria did not even raise in this Parliament today. This afternoon I gave the Speaker detailed documentation of 16 black and white cases, but this Government has not been able to defend itself against them. It stands condemned without doubt of misleading this Parliament on at least 16 occasions. However, the important thing concerns not only the member for Ross Smith. He is now a political has-been.

An honourable member: Quite irrelevant.

The Hon. DEAN BROWN: Totally irrelevant. He has been found guilty and condemned by the royal commission. However, the important thing is that for more than two years the present Premier knew that the member for Ross Smith was deliberately misleading this Parliament. The present Premier is just as guilty as the member for Ross Smith because he sat there in compliance and allowed the member for Ross Smith, the then Premier, to deliberately mislead this Parliament. He did not take either of the two obvious courses of action: he failed to resign from Cabinet or to insist that the then Premier tell the truth to this Parliament and to the public of South Australia. By omission he is just as guilty as the member for Ross Smith.

On the second matter, the present Premier failed to insist that the Government have an independent review of the State Bank after he was warned in 1988, in 1989 and again in 1990. He was persistently warned by the Director-General of his own Government department. Any Minister worth his salt would have insisted within the confines of the Cabinet room that there had to be some sort of an independent investigation. By that omission, the present Premier carries the entire stigma of the State Bank debacle in exactly the same way as the member for Ross Smith.

I come to the second point of this motion, and that is that this Government deliberately encouraged the bank to undertake high risk development projects knowing full well that it was putting taxpayers' money at risk. This was not the then Premier's policy; this was Government policy. That is why this entire frontbench stands guilty. It was a deliberate policy. It was known by all Ministers, and they persisted with that policy, with the Remm project and the East End Market development; therefore, they all stand condemned on that issue alone. The royal commission condemned them, the public will condemn them and this Parliament should also condemn them. I come to the third point of this motion, Mr Deputy

Speaker, and that is the breaching of the State Bank Act not on one occasion but on numerous occasions.

The DEPUTY SPEAKER: Order! Will the honourable Leader resume his seat.

The Hon. J.P. TRAINER: I rise on a point of order, Mr Deputy Speaker. Previously, when points of order have been taken in this Chamber, the Chair has ruled that members when making speeches direct them to the Chair and not turn around to face their colleagues or the cameras. I ask you, Sir, to rule in the same way as has been ruled with the Premier.

The DEPUTY SPEAKER: Order! I ask the Leader to address the Chair.

The Hon. DEAN BROWN: I had just addressed my remarks to you, Mr Deputy Speaker, and I will continue to do so. I point out that the State Bank Act and the SAFA Act were persistently and consistently breached by the Government with the full knowledge of all the Ministers, because it was Government policy in formulating the budget that they should rip excessive, unfounded and phoney profits out of the State Bank to support their failing budgetary position. Those budgets were passed by the entire Cabinet—not just by the Premier but by the entire Labor Government and Cabinet.

I turn now to the fourth point, which contains the use of the State Bank as a cash cow. The same argument applies. I use that phrase 'cash cow' because it is the very phrase used by the Royal Commissioner when he found this Government guilty.

It was Government policy. Again, it was not just the policy of the then Premier and Treasurer: it was the Government that took the budgetary decisions, and all 13 Ministers must bear the full responsibility.

I come to the fifth point, that is, the failure of the Government to act on repeated warnings about the operations and performance of the State Bank which exposed taxpayers to huge losses, even though the Government and the taxpayers were the ultimate guarantors to the bank. That subject has not even been touched on this evening in its defence by the Government, the one exception being that it tried to claim that the Reserve Bank had failed in its duties. The royal commission report is quite clear that the Government failed to set up a communication process between the Reserve Bank and the Premier and Treasurer. So, it was the Government that was condemned by the Royal Commissioner, not the Reserve Bank. Both the present and the former Premier get no credit whatsoever for trying to whitewash their hands and to put the blame onto the Reserve Bank. Members should just refer to the royal commission report, which quite clearly condemns the Government. In that very final summation, which virtually every speaker opposite quoted today, it even said that the communication between the Reserve Bank and the Government broke down, and the Government must bear the responsibility for that.

I come to the final point of the six points for which we are moving this motion of no confidence. The Government politically manipulated and manoeuvred interest rates prior to three elections. No defence whatsoever has been put forward from the Government benches today as to why that was done. The only thing members opposite could do is for the member for Ross Smith to claim that he wished he had made it public. He

said he 'wished "we" had made it public'. We would like to know who he was referring to when he said 'we', because until now he has said that he was the only one who knew about it, but this morning on radio he persistently talked about 'we', using the plural. In other words, the other Ministers, we find now, did know about it. By his own words, this entire Cabinet now stands condemned.

I come to the other point of the motion, that is, the collective responsibility of this Government and this Cabinet. We put forward a fundamental argument right at the beginning of this debate that on issues such as this the entire Cabinet must take the responsibility. After all, it was policy of the entire Government, and not one member opposite from the Government benches even attempted to cover themselves or to refute the argument that we had put forward. So, they themselves, by their omissions today, must stand by that collective responsibility of Cabinet. No argument whatsoever has been put forward to show that all the Cabinet members should not stand condemned by the royal commission. If members opposite try to vote against this motion today, they will be, in effect, passing a vote of no confidence in the Royal Commissioner himself and in his findings. There can be no doubt about that whatsoever, and it will be interpreted as that by all South Australians.

The Arnold Government has lost its credibility. The Arnold Government has lost the confidence of South Australians; it is now a lame duck Government. It is destroying the economy of this State. It has lost the confidence of investors. This State will suffer and will continue to suffer until there is a new Government, a new direction, a new purpose and a new hope for South Australia. By passing this motion tonight, we can give South Australia that new start, that new hope and that new confidence. I urge all members to support the motion.

The House divided on the motion:

Ayes (23)—H. Allison, M.H. Armitage, P.B. Arnold, D.S. Baker, S.J. Baker, H. Becker, P.D. Blacker, M.K. Brindal, D.C. Brown (teller), J.L. Cashmore, B.C. Eastick, S.G. Evans, G.M. Gunn, G.A. Ingerson, D.C. Kotz, I.P. Lewis, W.A. Matthew, E.J. Meier, J.W. Olsen, J.K.G. Oswald, R.B. Such, I.H. Venning, D.C. Wotton.

Noes (23)—L.M.F. Arnold (teller), M.J. Atkinson, J.C. Bannon, F.T. Blevins, G.J. Crafter, M.R. De Laine, M.J. Evans, D.M. Ferguson, R.J. Gregory, T.R. Groom, K.C. Hamilton, T.H. Hemmings, V.S. Heron, P. Holloway, D.J. Hopgood, C.F. Hutchison, J.H.C. Klunder, S.M. Lenehan, C.D.T. McKee, M.K. Mayes, J.A. Quirke, M.D. Rann, J.P. Trainer.

The SPEAKER: There are 23 Ayes and 23 Noes. As the votes are equal, it is necessary for me to give a casting vote. Before I do so, I would like to give my reasons for that vote. I apologise to the House for the length of my statement, but members will realise that my vote is significant both to the State and for me personally. I can fully understand and sympathise with the anger that the first report of the Royal Commissioner has generated. Many South Australians feel they have been let down; they are hurt, and they are seeking some outlet for their anger and rage. I have listened to the

debate from both sides of the House, and I have read the findings of the report. I have no doubt that blame is to be laid at the foot of the former Treasurer, as clearly explained in the report and in this debate.

[Midnight]

All members would be well aware that I have made strong public statements in the past in reference to the future of the former Premier and Treasurer. Indeed, I am on record prior to his resignation as stating that he should 'give consideration to his future'.

Several references have been made in the debate to the collective responsibility of Government. I have referred to the House of Commons' practice, but it is a bit light on in detail. Therefore, like the Leader of the Opposition, I have referred to the House of Representatives' practice insofar as it explains the conventions inherited from Westminster. Paraphrasing from pages 86 to 89 of the second edition, I quote:

Aspects of ministerial responsibility. Ministerial responsibility takes two forms—collective Cabinet responsibility (or Cabinet solidarity) and individual ministerial responsibility. Both concepts are governed by conventions inherited from Westminster and both are central to the working of responsible Government.

Collective Cabinet responsibility. Cabinet is collectively responsible to the people, through the Parliament, for determining and implementing policies for national Government. Broadly, it is required by convention that all Ministers must be prepared to accept collective responsibility for, and defend publicly, the policies and actions of the Government or else resign. Most importantly, the convention also requires that the loss of a vote on a no-confidence motion in the House or on a major issue is expected to lead to the resignation of the whole Government.

Individual ministerial responsibility. During this century there has been a change in the perceptions of both Ministers and informed commentators as to what is required by the convention of individual ministerial responsibility.

The 1976 report of the Royal Commission on Australian Government Administration reflects the current position, as follows:

It is through Ministers that the whole of the administration—departments, statutory bodies and agencies of one kind and another—is responsible to the Parliament and thus, ultimately, to the people.

In recent times the vitality of some of the traditional conceptions of ministerial responsibility has been called into question, and there is little evidence that a Minister's responsibility is now seen as requiring him to bear the blame for all the faults and shortcomings of his Public Service subordinates, regardless of his own involvement, or to tender his resignation in every case where fault is found.

Resignation is still a valid sanction where Ministers have been indiscreet or arbitrary in exercising powers.

The responsibility of Ministers individually to Parliament is not mere fiction. An individual can be disciplined whereas the whole cannot.

When responsibility for a serious matter can be clearly attached to a particular Minister personally, it is of fundamental importance to the effective operation of responsible Government that he or she adhere to the convention of individual responsibility.

I believe that the then Treasurer has accepted responsibility and has resigned from that office as is demanded under the Westminster system. If the member for Ross Smith had not taken this action, I would have had no alternative, on the basis of the royal commission report, than to have voted for his dismissal as Treasurer as I had promised. However, I do not accept that a case has been made out against the Government as a whole and I therefore give my casting vote for the Noes.

Motion thus negatived.

Honourable members: Shame, shame!

The SPEAKER: Order! Members have gone through this 'shame' exercise previously. I have warned before and I warn again: it is not acceptable. It is certainly against the traditions and custom of all Houses.

ADJOURNMENT

At 12.40 a.m. the House adjourned until Thursday 19 November at 10.30 a.m.