LEGISLATIVE COUNCIL

Tuesday 20 November 2007

The PRESIDENT (Hon. R.K. Sneath) took the chair at 14:20 and read prayers.

PAPERS

The following papers were laid on the table:

By the Minister for Police (Hon. P. Holloway)—

Reports, 2006-07—
- Adelaide Festival Corporation
- Art Gallery Board of South Australia
- Australian Energy Market Commission
- Final Budget Outcome
- JamFactory Contemporary Craft and Design Inc
- Promotion and Grievance Appeals Tribunal
- SA Metropolitan Fire Service Superannuation Scheme
- South Australian Museum Board
- State Emergency Management Committee
- The State Opera of South Australia

Regulation under the following Act—Harbors and Navigation Act 1993—Mooring Prohibition

By the Minister for Emergency Services (Hon. C. Zollo)—

Reports, 2005-06—
- Julia Farr
- South Australian Apiary Industry Fund
- South Australian Cattle Industry Fund
- South Australian Citrus Industry Development Board
- South Australian Deer Industry Fund
- South Australian Pig Industry Fund
- South Australian Sheep Industry Fund

Reports, 2006-07—
- Adelaide Convention Centre
- Adelaide Entertainment Centre
- Child Death and Serious Injury Review Committee
- Department for Families and Communities
- Education Adelaide
- Gaming Machines Act 1992
- Guardian for Children and Young People
- Problem Gambling Family Protection Orders Act 2004
- South Australian Tourism Commission
- Supported Residential Facilities Advisory Committee
- The Council for the Care of Children

Club One (SA) Ltd.—Financial Report, 2006-07

Variation of Approved Licensing Agreement (Second Amendment Agreement)—between the Minister for Gambling and SkyCity Adelaide Pty. Ltd

By the Minister for Environment and Conservation (Hon. G.E. Gago)—

Reports, 2006-07—
- Native Vegetation Council
- South Australian National Parks and Wildlife Council

Regulations under the following Acts—
- Liquor Licensing Act 1997—Dry Zones—
  - Beachport—Short Term
  - Glenelg—Short Term

ENVIRONMENT, RESOURCES AND DEVELOPMENT COMMITTEE

The Hon. R.P. WORTLEY (14:23): I bring up the 61st report of the committee on coastal development.

Report received.

SELECT COMMITTEE ON SA WATER

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (14:23): I seek leave to move a motion without notice concerning the Select Committee on SA Water.

Leave granted.

The Hon. P. HOLLOWAY: I move:

That the members of the Legislative Council appointed to the committee under the Parliamentary Committees Act 1991 have permission to meet during the sitting of the council this day.

Motion carried.

MOTORCYCLE GANGS

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (14:24): I lay on the table a copy of a ministerial statement relating to dismantling bikie gangs made earlier today in another place by my colleague the Premier.

BUDGET OUTCOME

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (14:24): I lay on the table a copy of a ministerial statement relating to the 2006-07 final budget outcome made earlier today in another place by my colleague the Treasurer.

QUESTION TIME

MOTORCYCLE GANGS

The Hon. D.W. RIDGWAY (Leader of the Opposition) (14:25): I seek leave to make a brief explanation before asking the Minister for Police a question about bikie gangs.

Leave granted.

The Hon. D.W. RIDGWAY: On 23 June this year the minister was quoted in the *Sunday Mail* as saying:

It's a well-known fact that guns and other weapons are key instruments of violence in bikie gang culture. That's why the government is fast-tracking a number of amendments to the Firearms Act.

The article then went on to talk about a number of other potential amendments. I have had some discussions with a number of senior SAPOL officials, who have indicated that the amendments to the Firearms Act that the minister spoke about on 23 June were as a result of an urgent request by senior police; in fact, senior police say that the changes are virtually the only way to counter the bikies' current tactics. They said, 'Time and time again we have put them before the court and they have been acquitted because of the way the existing legislation is framed.'

Today I have a triple-head press release from the Premier, the minister and the Attorney-General (and I suspect it is also in the ministerial statement tabled by the minister here today and made by the Premier) entitled 'Disrupting and dismantling bikie gangs', but unfortunately there is no mention of the amendments to the Firearms Act. In fact, I am advised that cabinet actually threw out those amendments last week. My questions are:

1. Why has the government done a backflip on its commitment to fast-track the amendments to the Firearms Act?

2. Which month next year will the South Australian public see the promised amendments come into place?

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (14:26): There are a lot of inaccuracies there. First, cabinet did not throw out the amendments to the act. Some minor

tweaking is needed in the current firearms bill, and that will shortly go back to cabinet again. That tweaking really has nothing to do with the key part of this bill dealing with bikies—that is, the section on firearms prohibition orders. However, in some of the changes there is a need to address issues in relation to mental illness, and there has to be a little more consultation—which the honourable member is always telling us we should do more of. In fact, he was just telling us that yesterday.

The legislation has been given a high priority by the government and it has been drafted. As I have said, it just needs some minor tweaking and I expect it will be finalised very soon. Along with the major pieces of legislation announced by the Premier today that will be introduced into the house, I will send to members copies of the changes to the Firearms Act so that they can be debated in 2008, along with the changes that have been announced today by the Premier.

The government does give a high priority to changes to the Firearms Act. We could have introduced them this week, but they would not be debated or passed by parliament. So, it is far better that we do the minor tweaking—

The Hon. D.W. Ridgway interjecting:

The Hon. P. HOLLOWAY: You did not listen, did you? In fact, there has been major consultation. A number of the firearms groups have already made comments and, by and large, they have been supportive, because I think that responsible firearms' owners within this state understand that it is in their interest to ensure that those committing criminal acts, and those who have the potential to misuse firearms, do not have them. Generally, legitimate users of firearms are very supportive of the direction in which the government is moving.

As I said, some minor tweaking is to be done in relation to one part, and I will circulate those amendments to members during the coming recess. I am sure that they will be ready to be debated here early in 2008, along with the other very important changes announced by the Premier today.

JAMES NASH HOUSE

The Hon. J.M.A. LENSINK (14:31): I seek leave to make an explanation before asking the Minister for Health and Substance Abuse a question about catering at James Nash House.

Leave granted.

The Hon. J.M.A. LENSINK: I have been contacted by a constituent who advises me that nursing staff working at James Nash House will no longer be provided with milk. If staff wish to take their own milk to work, they must produce a receipt—not to obtain a refund but to prove that they purchased the milk privately. I understand that this was a verbal directive, and it has been confirmed with catering staff at Glenside that this is the policy. I understand that nursing staff at the facility do 12-hour shifts, from seven until seven, and that for operational and security reasons—that is, in case of emergency—they are not allowed to exit the facility during their shift. My questions are:

1. Is it the government's policy that specialised staff, who are authorised to administer schedule 8 drugs and drugs of dependence, cannot be trusted with milk?

2. Will this new policy be extended to other sectors of the Public Service and, indeed, to other staff at James Nash House, such as psychiatrists, OTs or the rest of the Public Service?

3. Is this part of the government's genius recruitment strategy to attract and retain people into our deplorably under-resourced forensic mental health sector?

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (14:33): I thank the honourable member for her most important question—breathtaking really. I am not aware of any such practice or policy. I have to say that not much leaves me speechless, but this does.

However, not to let the side down, I am more than happy to investigate these allegations. We know very well that members opposite have, on more than one occasion, come into this chamber with inaccurate information and ill-founded allegations. As I said, I am more than happy to investigate whether or not this is so and investigate the matter thoroughly.

The role of our clinical staff, as well as our support staff, in Mental Health Services, and our health services for that matter, is vital to the care and protection afforded to those in our community

who require such services. Clearly, it is in our interest to ensure that we look after our staff well. As I said, I am more than happy to investigate the allegations that the honourable member has made.

The PRESIDENT: It sounds like the cow has jumped over the moon again.

MENTAL HEALTH BEDS

The Hon. S.G. WADE (14:35): I seek leave to make a brief explanation before asking the Minister for Mental Health and Substance Abuse a question about forensic mental health beds.

Leave granted.

The Hon. S.G. WADE: In October 2006, the government announced the new prisons project. The proposal included an 87 per cent increase in the capacity of the men's prison. There was no change announced in the capacity of the forensic mental health service. As a result, the number of forensic mental health beds will go from one bed per 10 prisoners to one bed per 19 prisoners. In July 2007 the government announced a new forensic mental health facility. The 40-bed facility will replace the current 40 beds. There was no change in the number of beds in the forensic mental health service.

In October this year the government announced that it would increase the scope for expansion of the new men's prison, with new cells, which would take capacity up to 940, and provision for doubling up, which would allow for a capacity of up to 1,128. There was no change in the number of forensic mental health beds, not even the capacity to expand this number of beds. The number of forensic mental health beds per prisoner could go from one bed per 10 prisoners to one bed per 23 prisoners; the ratio could go as high as one bed per 28 prisoners. On Thursday last week the minister's response to the Public Advocate's concern about the lack of capacity in the forensic mental health service was to accuse the Public Advocate of being ungrateful that the government is upgrading the beds. My questions to the minister are:

1. Is not the quality of the beds of little use to prisoners if we are already short of beds, and the government wants to make beds up to three times as hard to gain access to?

2. Why did the government announce a new forensic mental health facility, without increasing the capacity, in line with the previous decision of the government to expand the prison capacity?

3. Why did the government not take the opportunity to provide capacity for expansion of the forensic mental health facility when it provided for expansion of the capacity of the prison in October?

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (14:37): I thank the honourable member for his important questions. Indeed, this government is extremely proud of its reform agenda for the whole of our mental health system throughout South Australia, from the acute forensic services right down to support packages from our NGO sector. We have a complete reform agenda to rebuild and restructure our mental health system and services throughout the state. It is the first such significant reform of the state's mental health services, I believe you could pretty well say, on record, Mr President, and it is something about which this government is extremely proud.

Not only do we have a plan and a vision for the reform of our mental health system: we also have committed resources to do that. We have already committed $107.9 million to rebuild and restructure our mental health system. Those people sitting opposite me should hang their heads in absolute shame in terms of the state of absolute neglect in which they left our mental health system and services. One of the planks—

Members interjecting:

The PRESIDENT: Order!

The Hon. G.E. GAGO: And so they should squirm. Thank you, Mr President, for your protection. One plank of our reform agenda is the rebuilding of our forensic mental health facility. Given the rebuilding of our prison system, there was an opportunity to be part of a PPP arrangement to join in with that project. There was a window of opportunity for us to rebuild a state-of-the-art forensic mental health service. As I have said before in this chamber, in terms of its model of care, it will be managed quite separately to the present system. The design will be contemporary in terms of forensic mental health facilities.

It will be of international standard. The current facilities in this state are somewhat outmoded as they were built around a custodial prison-type model of care. The new facility will be built on a recovery style, state-of-the-art model of care. The proposed $39.8 million, 40-bed forensic mental health facility will be managed and operated as a mental health facility providing recovery-oriented mental health care. It will consolidate all of our forensic services in one place and will be built and operated according to the forensic services standards of the National Mental Health Strategy, as well as supporting South Australia's Strategic Plan.

Currently, there are 30 forensic mental health beds at James Nash House, and we are building 40 beds in the proposed new development; 10 of those beds are currently at the Glenside site for people who have committed crimes but who are not guilty because of mental illness—these beds will be moved. We will also have 40 new beds at Glenside for people who need secure care, and that needs to be drawn to people's attention. The new redevelopment for the Glenside site proposes a new hospital to be built and, as part of that facility, there will be an additional 40 new beds to provide secure care.

In terms of meeting our state's needs, we will continue to monitor that in accordance with the demand on services. The new forensic mental health facility will be built in a way that will be quite easy to expand and develop according to future needs. We are very proud to be providing a world-class model of recovery for forensic mental health clients.

MENTAL HEALTH BEDS

The Hon. S.G. WADE (14:42): I have a supplementary question. I refer to the minister's comments in her response where she South Australia id that the government would be monitoring demand in the context of capacity and it would be easy to increase the capacity if the need arose.

The PRESIDENT: The Hon. Mr Wade wanted to ask a supplementary question; not make a statement.

The Hon. S.G. WADE: How can the government responsibly say that it is providing for future capacity growth when it has announced a change to the PPP process to allow for capacity growth and no such provision was made for the forensic mental health facility?

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (14:43): I have already said there will be 40 beds built in a new forensic mental health facility. There will be 40 new additional secure beds provided at the Glenside site. The new forensic mental health facility will be able to be expanded easily; it will be designed in a way that will allow it to expand to meet our needs. We will monitor that demand accordingly. It will be a new, state-of-the-art facility that will provide a high degree of efficiencies.

Currently, we have a 30-bed forensic mental health facility and a 10-bed forensic mental health facility. The new facility will consolidate those. There will be efficiencies there and it will be a far better, more efficient and more effective model of care. We will be watching to see how it works. It will be providing a better quality of care. We assume that it will produce better and quicker recovery outcomes. This is what we hope for. As I said, we will need to monitor this and develop and expand our services accordingly.

MENTAL HEALTH BEDS

The Hon. SANDRA KANCK (14:44): I have a supplementary question. With 40 extra beds, where is the government going to get the extra medical and nursing staff that will be required?

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (14:44): As I have outlined in this chamber previously, we have an extensive attraction and recruitment program; we continue with that. We have been successful fairly recently in recruiting some overseas nurses; we continue with that. I cannot believe that any member in this chamber would suggest that we do not build a new state-of-the-art recovery facility because recruitment is challenging. Is that what the opposition would do if it was in government? Would the opposition say, 'Oh, well, it's tough recruiting. This is really hard work, so we won't bother building it in the first place.' That is an outrageous position.

MENTAL HEALTH BEDS

The Hon. J.M.A. LENSINK (14:45): As a supplementary question, does the minister have any indication of how many of the existing staff will go to Murray Bridge?

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (14:45): I thank the honourable member for her supplementary question. Currently we are in discussions with staff and clinicians. We are working through the incentives in terms of what could be required to attract staff members. We are looking at transport issues and incentives for relocation. The facility will not be built for a long time yet. We have a long way to go. Mount Barker is one of our most rapidly expanding residential areas in all South Australia. There is a great deal of potential out there. We will continue with discussions and negotiations.

MENTAL HEALTH BEDS

The Hon. SANDRA KANCK (14:46): As a further supplementary question, what incentives is the minister offering to medical and nursing staff to make that long journey to and from Murray Bridge each day?

Members interjecting:

The PRESIDENT: Order! We are starting to get supplementary questions out of supplementary questions now. They should arise from the original answer.

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (14:46): As I said, currently we are in negotiations. It is important for the government to understand the interests and concerns that individuals may have, and we have set up a process to work through that. We will then respond when that process has been completed. I remind members that Murray Bridge is approximately a 50-minute drive.

Many workers in South Australia commute that distance each day. It is outrageous to suggest that it is some sort of remote location—quite clearly it is not. The quality of the road to Murray Bridge is excellent, as my colleague behind me has stated. We are consulting with the Minister for Transport to look at public transport needs to cater for the new facilities there, and we will continue those discussions and negotiations.

OPEN SPACE AND PLACES FOR PEOPLE GRANTS

The Hon. R.P. WORTLEY (14:48): I seek leave to make a brief explanation before asking the Minister for Urban Development and Planning a question about the Open Spaces and Places for People Grant Program.

Leave granted.

The Hon. R.P. WORTLEY: The state is currently experiencing an increase in demand for new housing developments, and there is pressure on metropolitan areas to rehabilitate under-used land. This pressure to develop means that the state government and local councils have a critical role in ensuring that open space is retained for recreation and other community uses. Will the minister advise what the state government is doing to ensure that South Australians can continue to enjoy access to open spaces within their communities?

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (14:48): I thank the honourable member for his question, and I am very pleased to inform him that the Rann government has been actively using the Planning and Development Fund under the Development Act to encourage the implementation of its Open Space Program across this state. This fund allows the government to adopt a statewide overview to address strategically open and public space issues in an objective manner through the Open Space and Places for People Grant Program, involving local government.

The Planning and Development Fund is used to provide effective investment in significant projects throughout the state. Money paid into the fund helps to finance the purchase, development and management of open space and the provision of grants to local councils for conservation and recreation on public land. Councils throughout the state are invited to apply for grant funding on an ongoing basis.

The applications are assessed by the Public Space Advisory Committee against funding criteria, planning strategy objectives and the State Strategic Plan. If it is found that they measure up to these criteria, the applications are submitted for ministerial approval.

I am pleased to inform the chamber that I have recently approved eight new grants as part of the open space program, and these grants total $1.557 million. These eight new grants seek to foster a range of open space and civic enhancement projects from the Mid North to the South-East of the state and, complemented by funding from local councils, the latest round of grants will finance the development of public parks, walkways, barbecue areas and other facilities throughout the state.

The newest grants include $746,997 for stages 2 and 3 of the City of Onkaparinga's Moana Foreshore Coast Park. The City of Onkaparinga Council is to provide $1.145 million alongside the government's contribution for the $1.89 million project. Joint funding from the Rann government and the local council will provide a family gathering area to the north of the Moana Surf Life Saving Club, upgrade the club car park and build a 500 metre long path long the foreshore. The Moana foreshore project is also part of a state government initiative to develop the 70 kilometre long Linear Park along the Adelaide metropolitan coastline.

Also included in the latest round of grants is $514,868 for the Clare and Gilbert Valley Council's Hutt River Linear Park. This grant is being matched by the Clare and Gilbert Valley Council to fund the $1.3 million project. This joint funding will allow two open space areas in the central business district of Clare—the Lions Park and the APEX Park—to be upgraded to include playground equipment, barbecue facilities, seating and shelter. Cycle and pedestrian trails linking the two parks as well as a footbridge over a nearby tributary to the Hutt River will also be constructed with funding from this open space grant.

The remaining grants in this round comprise $124,750 for the City of Playford's Virginia Open Space redevelopment; $50,000 for the City of Charles Sturt Henley South Coast Park design plan; $45,000 for the Wattle Range Council's The Domain Adventure Centre; $33,000 for the City of Burnside's open space strategy; $25,000 for the Regional Council of Goyder's Burra Creek Reserve concept plan; and $17,500 for the Tatiara District Council's Keith township upgrade.

The latest grants take the total value of projects funded by the Rann government from the Open Space and Places for People initiatives to more than $31 million. The Rann government remains committed to providing South Australian communities with more open space and better civic spaces to ensure that everyone can continue to enjoy access to a high standard of recreational facilities.

The major aim of these grants is to revitalise existing public spaces as well as create new open areas that will become important focuses for the social, cultural and economic life of our communities. At the same time, the government hopes these grants foster a culture within our local councils of strategic urban design that incorporates public space. I commend this program to all members and look forward to the work on these grants being completed and made available for the benefit of the public.

WATER INFRASTRUCTURE

The Hon. D.G.E. HOOD (14:53): I seek leave to make a brief explanation before asking the Minister for Environment and Conservation, representing the Minister for Water Security, a question on SA Water.

Leave granted.

The Hon. D.G.E. HOOD: Some 90 per cent of all revenue from SA Water is directed to general revenue rather than to improving water infrastructure. The latest—and, indeed, the previous—Auditor-General's Report and investigations on water pricing by the Essential Services Commission of South Australia reveal significant discomfort about such high dividends being taken for South Australian water and not being used to invest in water infrastructure. How can dividends of some 90 per cent from SA Water be justified in the wake of increasingly failing water infrastructure in South Australia?

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (14:53): I thank the honourable member for his question. I am happy to refer it to the appropriate minister in another place and bring back a response.

POLICE DRUG DETECTION DOGS

The Hon. R.I. LUCAS (14:54): I seek leave to make a brief explanation before asking the Minister for Police a question on the subject of the sad plight of Molly, Jay and Hooch.

Leave granted.

The Hon. R.I. LUCAS: Mr President, you obviously remember that Molly, Jay and Hooch are three specially trained detection dogs that were trained in June, July and August last year. They are part of the Dog Operations Unit, and they are passive alert detection dogs that are trained to detect cannabis, cocaine, heroin, amphetamines and ecstasy. The original intention of police was that they be used in open areas such as Hindley Street, monitoring nightclubs or hotels or any events where police might suspect drug activity.

These labradors operate in much the same manner as customs dogs at airports, that is, they sit next to the person when there is detection and, in addition to these entertainment venues I have mentioned, it was intended that they be used on public transport and at sporting venues as well.

Police confirmed last year that these dogs could not do the job for which they had been specifically trained until the Minister for Police introduced urgent legislation in the parliament to change the law. Last year the minister on that occasion said that as soon as he received a submission he would give it rapid consideration. In March of this year, when I asked the question again, he said, 'I would hope we would introduce the legislation in the next session, which is not all that many weeks away'. That was in March this year. We are now in probably the final sitting week of 2007, and legislation has not been introduced, which means it cannot now be introduced until, at the earliest, February, which means that its passage probably will not be until March, April or May next year. My questions to the Minister for Police are as follows:

1. Is it incompetence or laziness that has meant he has not introduced this legislation into the parliament as he promised many months ago?

2. When will he finally get off his backside and introduce this critical legislation into the parliament so that these dogs, which have been specifically trained to do this task, can actually get on with the job and do what they have been trained for?

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (14:56): These dogs are getting on with what they have been trained for. They have been very successful in terms of the activities they have undertaken. Certainly changes are needed to legislation to enable them to be deployed in other areas, but they have been very successful. For example, at the Big Day Out earlier this year (and soon coming up again next year), the police provided a highly visible presence and used a variety of strategies and resources to ensure the safety of those who attended the event, including bag searches at the entrance gates. The dog operations unit provides support to operational police through the deployment of highly trained dog teams.

This government has introduced an unprecedented amount of law and order legislation—it is coming fast. Just today the Premier announced legislation relating to outlaw motorcycle gangs. Before this government came to office I can recall just shortly before the election in 2001 that three people were shot by bikie gangs in the street. What did the previous government do about outlaw motorcycle gangs? What did it do about DNA? This government now leads the country in relation to DNA laws.

Serious organised crime legislation that will be introduced today has received the priority of this government because that is where the priority has to be. Legislation in relation to PAD dogs forms part of the busy legislative timetable in the Attorney's office, and the drafting people are looking at that. We have an enormous amount of legislation to deal with in relation to organised crime. We introduced the DNA legislation and we will have the firearms legislation to be considered. We need to introduce the pawnbrokers and second-hand dealers legislation to give effect to some necessary changes to ensure that we get a better handle on property crime, particularly with the rising prices of scrap metals. So there is a huge legislative list before this government. I know that the PAD dogs measure is on the list being considered through the Attorney's office.

Next year we will debate a massive amount of legislation. I look forward to the support of the opposition for all government legislation. For example, the serious organised crime legislation aimed at outlaw motorcycle gangs will be controversial, but it is necessary if we are to address this

issue. This has taken a long time in drafting. Police resources and the Attorney's officers have spent a significant amount of time drafting this legislation, as they have a series of other amendments to other acts that will be introduced in this parliament.

While it will be useful to amend the legislation in relation to the PAD dogs, there are a number of other very pressing law and order issues that this government will give priority to. I am sure that legislation will come up in 2008, but in the meantime I can assure the honourable member that those passive alert detection (PAD) dogs will be used very effectively as part of the police dog unit to address—

The Hon. R.I. Lucas interjecting:

The Hon. P. HOLLOWAY: It is what they have told me. I have been down and seen it.

The Hon. R.I. Lucas interjecting:

The Hon. P. HOLLOWAY: I have spoken to the dog operations unit and I have actually seen what it does. These dogs are being effectively used. As I said, in accord with the government's massive list of legislative priorities in law and order, this legislation will be given the appropriate priority.

POLICE DRUG DETECTION DOGS

The Hon. R.I. LUCAS (15:01): When the minister met with the dog operation squad, was he told by the police that they require changes in the legislation for these dogs to do all the tasks for which they have been trained?

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (15:01): When I first spoke to the Police Commissioner in relation to this matter, it was indicated by him that we needed to look into the legislation.

The Hon. R.I. Lucas interjecting:

The Hon. P. HOLLOWAY: When I first spoke to him the answer was not yes. When I first spoke to him the answer was that they would need to investigate it and, in fact, the consideration of that matter took a long time. If the honourable member goes back and re-reads the answers to the questions, he will see that the police themselves were, in the early days, investigating whether in fact legislative change was needed and, if so, what form it would take. That is when I first spoke to the Commissioner.

Following that work by the police it was determined that yes—after they had examined the matter fully—it would be useful to have the legislation changed, and it will be. As I said, it is going on a list. There is a whole lot of other legislation that needs changing. Perhaps if we spent a little less time on the enormous amount of private members business in this place we might be able to make more progress with some of the massive amount of government legislation we have to deal with.

Members interjecting:

The PRESIDENT: Order!

STATE EMERGENCY SERVICE

The Hon. B.V. FINNIGAN (15:02): I seek leave to make a brief explanation before asking the Minister for Emergency Services—

Members interjecting:

The PRESIDENT: Order!

The Hon. B.V. FINNIGAN: —a question regarding our State Emergency Service.

Leave granted.

The Hon. B.V. FINNIGAN: I note that last week was SES week, culminating in a parade on Saturday. Will the minister provide some details of what has been done to acknowledge and recognise the work of our SES volunteers and staff during this very special week?

Members interjecting:

The PRESIDENT: Order! I think some of the most important people in the state are volunteers and I would like to hear what the minister has to say.

The Hon. CARMEL ZOLLO (Minister for Emergency Services, Minister for Correctional Services, Minister for Road Safety, Minister Assisting the Minister for Multicultural Affairs) (15:03): Hear, hear, Mr President! I thank the honourable member for his very important question. I was pleased that this year, operationally, it was a quieter week for our volunteers during SES week, unlike the past two years. I hope that it allowed our volunteers more of an opportunity to enjoy the week set aside to recognise their contribution to our community safety.

SES week is an annual event and was held from 11 to 18 November 2007. On Saturday 17 November 2007, I represented the Premier (Hon. Mike Rann MP) and joined his Excellency the Governor, SES volunteers, their families, SES staff and other dignitaries at the annual parade. The parade is a wonderful way for us all to join with volunteers and to recognise the work of the SES in this state. The past year has been a very busy one for the SES, with almost 74,000 hours of volunteer service given to protecting and responding to our community in times of need.

Not only did our SES volunteers help out here but 126 volunteers also responded to the New South Wales floods earlier this year, and I have previously advised members of the willingness with which they responded.

Families and employers play a very large part in supporting the SES and many family members were at the parade to show their support. The annual Keith Lane award is also announced as part of the celebrations of the parade, and this award is presented to a volunteer for outstanding achievement within the SES. Keith Lane joined the SES in 1972 and was a unit manager at the then Mitcham unit who believed strongly in helping people and developing SES volunteers. The outstanding field of nominations for the award this year meant that the judges had difficulty in separating two worthy nominees, so the award was presented to both Peter Larvin, the unit manager of the Western Adelaide unit, and Stuart Lambert, unit manager of the Barmera unit.

Both award recipients demonstrate Keith Lane's commitment to the development and support of our SES volunteers. Peter is an exceptional and enthusiastic member who serves as a role model for other volunteers. He also played a key role in the rescue of a man who fell into a drain near Keswick Barracks earlier this year. Stuart has 30 years' service with the SES and is strongly committed to volunteer welfare. He is a founding member of the South Australian SES Volunteers Association, an association committed to supporting our SES volunteers, and I commend it on the work it is doing. Our sincere thanks and congratulations to both Peter and Stuart.

Other presentations to SES volunteers for exceptional service were made to Keith Smith of the Western Adelaide unit, Tricia Goodrich of State Headquarters unit, Merise Adamson of the Prospect SES unit, and Daisy. Daisy was the first SES rescue dog and she retired from active search duties at the start of this year, although she still continues her volunteering duties in a public relations capacity. Daisy joined the SES when she was only 2½, and she has just celebrated her 13th birthday. Special mention must also go to Daisy's handler, John Dyett, and to the other SES search dogs: Lily, a black labrador; Jack, the border collie; Astra, a German shepherd; and Sophie, a golden retriever. Congratulations to all for their efforts in the past year.

As I have done on previous occasions, I encourage members to promote the SES in their local communities as a rewarding volunteering opportunity, working with others who are committed to community preparedness and safety. On behalf of all members in this place, I commend and thank our SES members for their commitment to protecting our community. They are ordinary people doing extraordinary things.

MANOCK, DR C.

The Hon. A. BRESSINGTON (15:09): I seek leave to make a brief explanation before asking the Minister for Police, representing the Attorney-General, a question about forensic pathologists.

Leave granted.

The Hon. A. BRESSINGTON: I am aware that two books have been published setting out in detail faulty evidence given by Dr Manock in a series of South Australian cases. The first, *A State of Injustice*, deals with around a dozen cases over some 25 years. The second, *Losing Their Grip: the case of Henry Keogh*, deals more specifically with the Keogh case, but it also corrects a number of errors made by the Attorney-General in his parliamentary statements.

It is appropriate to advise the council that a report was commissioned by the Inquiry into Paediatric Forensic Pathology in Toronto (which was chaired by the Hon. Justice Goudge) in relation to what has become known as 'the baby deaths in South Australia'. The report, which concerns the deaths of three infants where the cause of death was misdiagnosed by Dr Colin Manock, has been published by the inquiry and can be found on the website at http://www.goudgeinquiry.ca/policy_research/pdf/MOLES_SANGHA.pdf.

As can be seen from that website, similar concerns have arisen in Canada with regard to Dr Charles Smith. The government of Ontario brought together a panel of five eminent international experts to examine some of Dr Smith's cases and, upon finding that a number of them contained serious errors, then established this judicial commission to investigate the causes of such errors and to provide advice about the way in which they could be avoided in the future. My questions are:

1. Will the Attorney-General take steps to examine the correct credentials in South Australia of forensic pathologist, Dr Colin Manock?

2. Will he make the findings of that inquiry known to the parliament of South Australia?

3. Will he urge the South Australian government to establish a panel of international experts to examine cases handled by a forensic pathologist in South Australia, namely, Dr Colin Manock; if so, when?

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (15:10): I am aware that there have been a number of investigations into cases handled by Dr Manock. If I recall correctly, they began when Trevor Griffin was attorney-general. I know that these issues, including the case of Henry Keogh and others, have been investigated or re-investigated. I will refer the questions to the Attorney-General and bring back a reply.

RACING INDUSTRY

The Hon. T.J. STEPHENS (15:11): I seek leave to make a brief explanation before asking the Leader of the Government, representing the Minister for Sport, Recreation and Racing, a question about the racing industry.

Leave granted.

The Hon. T.J. STEPHENS: Since the release of the Bentley report into South Australian racing, minister Wright has made several threats to the racing industry based on the notion that, if it did not accept and comply with the report's proposals, racing would miss out on lucrative cuts to wagering tax of somewhere in the vicinity of $7 million annually.

Following the release of the Bentley report, the minister has adopted what has been described at times as a heavy-handed approach, giving the racing industry 30 days to respond to the recommendations made in the report. From then on, the minister's theme has essentially been, 'Do what you're told, or there will be no money.'

On Saturday, an article in *The Advertiser* stated that the minister told the SAJC that a board member, Mr David Rasheed, was putting the tax cuts at risk by his suggestion that he wished to remain on the SAJC board while taking up a role on the new controlling authority for racing. Minister Wright had previously called for an independent board, but Mr Rasheed stated that he wanted to remain on the jockey club board until both the sale of Cheltenham and the redevelopment of Victoria Park were finalised, as he had had an integral role in both processes.

In the meantime, there has been very little detail from the minister about the proposed tax cuts he has boasted about for an industry that desperately needs the money. The silence has been deafening about when this money will be forthcoming. My questions are:

1. Does the minister think that these kinds of threats are helpful to the industry, given that he refuses to provide any real detail on the proposed tax cuts?

2. Will he confirm that the government can still afford to provide the cuts to wagering taxes he has boasted of?

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (15:13): I know that the honourable member is a very keen supporter of the racing industry. Like him, we all want to see the

industry within the state progress, and I note today that the SAJC has announced the successful tenderer for the Cheltenham land.

The Hon. D.W. Ridgway: Who is it?

The Hon. P. HOLLOWAY: I think it is Urban Pacific. I trust that the price it pays to the SAJC will enable the industry to move forward from the complex issue that has been around for a long time. I know that my colleague the member for Lee (Hon. Michael Wright) is a very keen supporter of the industry. I think that he has been outspoken in trying to get the industry to speak with one voice and to move forward. I will refer the question to him to see whether he has anything further to add.

I am sure that he and members of the government are all aware of the importance of the racing industry. We are aware that it is going through difficult times. It does need to restructure, and it is doing so now in relation to Cheltenham. The government is keen to see the industry move forward.

MENTAL HEALTH RESPONSE SERVICES

The Hon. I.K. HUNTER (14:53): I seek leave to make a brief explanation before asking the Minister for Mental Health and Substance Abuse a question about response services for mental health emergencies.

Leave granted.

The Hon. I.K. HUNTER: People with mental illnesses can be seen to be some of the most vulnerable people in our community. When there is a mental health emergency in the community, the responsiveness of services can be critical to providing the right support for mental health consumers, families and carers. Will the minister inform the council of any recent initiative to improve response services for mental health emergencies in South Australia?

The Hon. G.E. GAGO (Minister for Environment and Conservation, Minister for Mental Health and Substance Abuse, Minister Assisting the Minister for Health) (15:29): I thank the honourable member for his most important question and for his ongoing and very active interest in these important policy areas. I am pleased to inform the council that South Australia will lead the nation when an improved response service for mental health emergency commences next month. These service improvements came about after a pilot project was introduced to test different types of service models. The new service will consist of a centralised call centre within the SA Ambulance Service Emergency Operation Centre, and will coordinate the emergency response previously overseen by four separate metropolitan sites.

The changes will help free up important clinical resources across metropolitan Adelaide, such as nurses and other mental health workers, and enable them to focus on their clinical work and operations, particularly their preventative work out in the field. It will get them off the phone and out helping people. These improvements are funded by the state government's $2 million injection for emergency mental health services. This model has many benefits for ambulance and mental health services and, importantly, for mental health consumers and carers and, of course, their families.

Callers to 000, who are seeking mental health advice or assistance, will be given prioritised treatment over the telephone and, where appropriate, will be transferred to the new call centre. The 24-hour-a-day, seven-day-a-week model is backed by dedicated community teams to provide a rapid response when necessary. This will provide a more rapid response to mental health emergencies, as well as allowing ambulance workers and police to concentrate on their call services, hoping to reduce the number of unnecessary callouts and involvement of those other support services.

Additional benefits to callers include the direct links by the call centre to ambulance or police if there is a serious medical risk or the need for support in violent situations. In the past three weeks, clinicians appointed to the new service have been taking part in a comprehensive training course to equip them with the necessary skills to provide this world-class service. Each vehicle used by the rapid response teams will be fitted with a state-of-the-art GPS navigational system, and this ensures that the location of the teams is known by the call centre at all times, so that in the case of emergency assistance it can be directed to the exact location by the closest team.

The new service is the result of collaboration between SA Ambulance Service, Central Northern Adelaide Health Service, and Southern Adelaide Health Service. I would like to take this

opportunity to thank all those involved in developing this improved service. We know that people with a mental illness are, as my colleague the Hon. Ian Hunter said, some of the most vulnerable people living in our communities. These changes to our existing services aim to provide a faster and more consistent response to treatment and care at all times of the day, every day.

SEARCY BAY

The Hon. M. PARNELL (15:20): I seek leave to make a brief explanation before asking the Minister for Urban Development and Planning a question about housing development at Searcy Bay.

Leave granted.

The Hon. M. PARNELL: A number of months ago the Friends of Scale Bay made a request for government intervention to avoid the inevitable approval of a clifftop house at Searcy Bay. I also wrote to the minister about that. Notwithstanding requests and advice from a range of government agencies and conservation groups, the Streaky Bay District Council's development assessment panel chose to ignore that advice and gave approval to allow the house to be built in a most prominent and environmentally critical location.

I understand that the location currently proposed for this house has a healthy representation of established coastal native plants which would need to be bulldozed if the house was to be built in its preferred location. I understand that these species were detailed for the assessment development panel in a submission made by the natural resources management board, which submission was ultimately rejected.

The reason for much of the environmental concern around this housing was the proximity of osprey nests (the osprey is classified as rare) and white-bellied sea eagles (classified as vulnerable). My questions to the minister are:

1. What steps will the government now take to ensure the best environmental outcome in the present case?

2. What steps are being put in place to prevent, in the future, this type of situation where development assessment panels can ignore the expert advice from government agencies?

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (15:21): The honourable member has asked me this, or similar questions about this matter, on previous occasions and he would know that there was an issue at the time related to a potential conflict of interest with one of the members of the panel. I addressed that by writing to the chief executive officer of the Streaky Bay council. I believe that matter has been addressed and, on the advice that I have been provided, I do not believe there were any grounds for me to query the particular decision made by a properly constituted council development assessment panel.

In relation to the future, obviously we do need to improve planning for our coastal regions. I know the honourable member is a member of the Environment, Resources and Development Committee which, I understand, will shortly be completing a report on the subject of coastal planning. I am sure, as a member of that committee, the honourable member will be well aware of some of the measures already under way.

Planning SA has been working collaboratively with the Eyre Peninsula Local Government Association to develop a coastal development strategy to address the increasing pressures for development on Eyre Peninsula's coastline. The Eyre Peninsula Local Government Association recently agreed to implement a new coastal policy approach based on standard modules. These modules are currently being translated via development plan amendments by the associated Eyre Peninsula councils with support from Planning SA. Indeed, I know that Ceduna and Whyalla are already moving rapidly to commence these development plan amendments.

Recently, Planning SA staff met with the chief executive of the Streaky Bay council to negotiate the commencement of a general and coastal development plan amendment as a high priority. This development plan amendment will incorporate better development plan modules and the policies developed through the coastal strategy so that they will become part of that development plan amendment. After all, to get back to the question asked by the honourable member, the members of the development panel are required to uphold the development plan. If the development plan does not properly protect the coastal region then, clearly, that is what needs to be changed.

Planning SA will assist that council with the documentation to ensure that the DPA is progressed in a timely manner. However, members should note that any new policy will not be retrospective but there is a substantial policy dealing with the protection of environmental and scenic quality of the coastline within the existing development plan; it just needs further strengthening. As I indicated when the honourable member last asked a question on this subject, I have acted to change the development plans for out-of-council areas.

What we need to do and what we will do is ensure that the Streaky Bay council makes adequate progress through the implementation of a new planning policy framework; and, indeed, we will ensure also that this applies to the other remaining councils, other than Ceduna and Whyalla, which are already advanced in completing this work. Of course, it is not just Eyre Peninsula about which we need to be concerned: the Yorke Peninsula land-use framework has also been considered for final approval, and that framework will provide a strategic planning framework for that region, including coastal areas.

As a result of the sea-change phenomenon, there is growing pressure on all our coastal areas. As I say, strategies are in place for dealing with that on the Eyre Peninsula which are well advanced in a number of council areas. In fairness to the District Council of Streaky Bay, obviously it is a relatively small council and does not have the resources of some of the larger councils. In my discussions with it, that council certainly indicated to me that, through its development plans, its intention is to adopt the strategy to which it agreed.

Obviously, as a small council it needs support, and that is why I have indicated that Planning SA resources will be available to progress its development plan amendment in a timely manner. Similarly, we need to look at all the other coastal areas around the state. Indeed, there are some other issues, too, about which I will be making some announcements shortly, which we need to implement to protect our delicate coastal areas.

AUDITOR-GENERAL'S REPORT

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (15:26): I move:

That standing orders be so far suspended as to enable the report of the Auditor-General 2006-07 to be referred to a committee of the whole for consideration of the report.

Motion carried.

In committee.

The Hon. P. HOLLOWAY: Mr Chairman, for the convenience of the committee, it may be better that if members have questions of my portfolio we deal with those first and then sequentially through my colleagues the Hon. Carmel Zollo and the Hon. Gail Gago. That might make these proceedings move more quickly.

The Hon. D.W. RIDGWAY: I refer to page 903 of the report, which states:

Opportunities for improvement have been identified in the areas of completion of new digital camera procedures, accounting treatment applied to some of the costs for collecting expiation revenue and follow-up of invalid notices.

Will the minister please explain how a notice is invalid, and indicate what additional accounting treatment needs to be applied in relation to the costs involved in collecting expiation revenue?

The Hon. P. HOLLOWAY: Audit testing identified one week where 'I' notices, which are licence disqualification notices, and other invalid notices were not adequately reviewed per the ENS Invalid Notices Report. It was noted on the report that this was due to the training of new staff. However, it is important that 'I' notices are followed up in a timely fashion so that relevant information is passed on to the Department for Transport, Energy and Infrastructure in an efficient manner so they can be aware of impending licence cancellations.

Audit discussions with the ENB staff reveal that since this time 'I' notices where the corresponding manual traffic infringement notice has been fully completed are now not made initially invalid, to allow data transfer regarding licence cancellations to go through to Transport SA. Any issues then relative to the 'I' notices are subsequently identified and corrective action taken. Where other invalid notices are not followed up in the week of the report, these notices will recur on future reports until the matter can be finalised.

I think that is the issue referred to by the honourable member. The South Australia Police advise that changes have been made to the receipt of 'I' notices which should lead to more efficient uploading to the Department for Transport and Energy Infrastructure systems.

The Hon. D.W. RIDGWAY: Point 2 raised by the Auditor-General was the accounting treatment applied to some costs of collecting expiation revenue. Would the minister please offer some clarification?

The Hon. P. HOLLOWAY: My advice is that the audit noted that an issue was raised in 2004-05 in relation to deducting commission amounts from the total expiation fees from two perspectives: (a) the accounting treatment was incorrect and (b) the amount transferred to the Department of Treasury and Finance was incorrect, that is, legal compliance under the Expiation of Offences Act 1996. SAPOL responded that it would alter its practices and seek additional funding from the Department of Treasury and Finance to cover its collection costs. So, SAPOL has initiated processes with respect to dishonoured cheques so that costs are not debited against expiation revenue.

The Hon. D.W. RIDGWAY: My next question to the Minister for Police refers to Volume 3, page 920, under the heading 'Remuneration of Employees'. Here the 2006-07 Auditor-General's Report lists various remuneration brackets and notes the number of employees earning within these brackets for the previous two financial years.

I note that there is a pattern within the top five brackets of remuneration where, for example, in 2007 there is one employee in the bracket $220,000 to $229,000 where there was not one in the preceding financial year. There are a number of questions on this table, and I see that there is a note from the Auditor-General to say that the top band of $570,000 to $579,000 includes remuneration for a person who retired during 2006-07 and includes associated leave entitlements. Will the minister state whether any one employee received a pay rise from a lower remuneration bracket in the 2005-06 financial period to the 2006-07 financial period and, if so, what is the position of that employee?

I will explain it again. If you look at the 2005-06 line you will see, for example, that there is an employee whereas there is not one for this particular year. Also, for example, on the $260,000 to $269,000 line in 2006 there was one employee, in 2007 there is not, yet there is one in the next bracket ($300,000 to $309,000) but not for 2006. Is that just an example of police officers and senior officers' salaries going up?

The Hon. P. HOLLOWAY: Police officers get the standard EB increase each year, so from time to time you will get transference from one band to the next. There is some distortion within the table because you get people like the former deputy commissioner, who retired during 2006-07, who received associated leave entitlements. The former deputy commissioner had been in SAPOL for over 40 years, and such people could have a fair amount of accumulated leave. We have had questions on this before.

The $100,000 band was set following a recommendation of the Economic and Finance Committee, of which I was a member at the time way back in 1993, and it has not been indexed since that time. You can see the effect if you look at the table on page 920 and how at the lower end there has been a significant increase in the number of employees. Originally the $100,000 cut off was meant to be highly representative of the number of executives in the department.

If one looks at the SAPOL staff with remuneration greater than $100,000, for 2006-07 there are 13 executive positions and 427 in senior management—for a total of 440, of whom 434 are police and the other six are non-police, compared with the 251 last year. The number of executives is 13, compared with 12 last year. At the other levels there has been a movement up in salaries of employees and there are a number of reasons for that.

If one looks at the number of employees whose remuneration exceeded $100,000 for 2006-07, it consisted of adding the following components to produce a final figure: superannuation co-contribution, base salary penalties, overtime, leave loading, clause 14 allowance (which is for single station operators), and other allowances including Comcen loading, long service leave payments, lump sum payments and motor vehicle payments. All could apply.

An assessment of the list of 440 employees identified supports the conclusion that the increase is predominantly driven by wage increases under the South Australian police enterprise agreement, the EB of 2004. The last wage salary increase pursuant to this enterprise bargain came into effect from 30 June 2005, with a 3.5 per cent increase for all salaries. The increase in base salaries contributed to a flow on increase in the amounts paid as overtime penalties and

allowances, so as well as the 3.5 per cent of base salary it can flow on into some of the 11 other categories I have mentioned.

In previous years the total number of employees in this category consisted primarily of senior officers and executives. The large increases in each of the past two financial years is not reflective of any significant increase in the numbers of senior officers and executives. Predominantly the large increases comprise middle management—Police Act positions such as senior sergeant and sergeant, where base salaries have been incrementally increased pursuant to enterprise agreements. Where this total package may have been just below the $100,000 mark last year, that number, with the 3.5 per cent EB increase that came into effect on 30 June 2005, has pushed many during that year over the $100,000 mark, hence the significant increase from 130 to 267 within that band.

The Hon. D.W. RIDGWAY: If we look at the bottom two bands, I understand that the $570,000 to $579,000 remuneration on was for the retiring deputy commissioner. In the previous year there was an individual on the $370,000-$379,000 band: what was that particular person's band for? I am assuming that the next band is likely to be the Commissioner himself, at $300,000-$309,000.

The Hon. P. HOLLOWAY: I believe that is correct and that the Commissioner is the top of that band, other than the exception, which is identified in the text as being the Deputy Commissioner, who retired. So, I assume in 2006 it was some other person who had retired, a senior officer. We can check that. I am just trying to think whether there was a senior officer who retired. We can confirm that, but I suspect that that is what it is.

The Hon. D.W. RIDGWAY: My question is for the Minister for Police, and I refer to page 921, Volume III, 'consultancies paid/payable'. I notice that in this past financial year SAPOL engaged a consultant for services and supply which totalled $78,000. Can the minister provide details of that consultancy?

The Hon. P. HOLLOWAY: I will take that one on notice.

The Hon. D.W. RIDGWAY: Mr Acting Chairman, it was my intention to use 10 minutes of this 20 minutes and then throw it open to other members.

The ACTING CHAIRMAN: You have already used 14 minutes.

The Hon. D.W. RIDGWAY: I will ask this last question then. I have other questions I can come back to. My question refers to page 903, Volume III, 'Licensing and Registration of Firearms'. In the report the Auditor-General identifies opportunities for improvements in SAPOL's licensing and registration system for firearms. Pertinent to the question I asked earlier today relating to that: does the minister intend to improve these systems as part of an overhaul and amendments to the Firearms Act?

The Hon. P. HOLLOWAY: Ultimately we will need improved computer systems. As part of the budget there is some money for computer systems for secondhand dealers and pawnbrokers. In relation to firearms, one of the things future budgets will need to look at is improving the computer systems because clearly that will enable us to maintain better licensing. If I recall my conversations with the Commissioner correctly, there are issues about whether we have national lists as well, and I think that is something that probably needs to be discussed at a police ministers' conference about whether this register should go national.

That is what has happened with DNA, where we have now gone to a national database, and that has been largely funded by the commonwealth. Obviously we would appreciate it if the commonwealth would fund part of this. It is one of the issues, in fact, that is on the agenda for the minister's council later this week in New Zealand; although, of course, the commonwealth will not be there because it is in caretaker mode, but the Commissioner will be representing South Australia.

So, that is really where we need to go in the longer term. In relation to the short-term issues raised by the Auditor-General, there are several matters. One is to maintain follow-up of the expired licences. As of 1 July 2007, there were 62,177 current firearms licences in South Australia, and about 200 people do not renew their firearms licence on time each month. In addition to reducing the number of expired licences, the firearms section strives to ensure that the number of expired licences does not increase above the residual amount.

So a benchmark for the reduction in the number of outstanding expired licences by 25 per cent, to 536 outstanding licences, has been set for the 2007-08 financial year.

In relation to the dealer return register, a standard operating procedure has been written to ensure that the dealer return register is maintained and kept up to date. In terms of the timely review of outstanding purchase permit reports (an administrative check procedure to determine whether licence holders who have obtained permits to acquire firearms actually go ahead with a purchase), the issues identified by audit are now being treated as a whole of branch responsibility. The ensuing workload has not been spread throughout all sections of the firearms branch, and procedures have been put in place to ensure that the report is now completed in a timely fashion.

However, and as I said, one of the issues we will have to address at a national level is whether or not we should move to a national register and whether the federal government will assist with the establishment of such a register.

The Hon. M. PARNELL: My question is to the minister in his capacity as the minister representing the Treasurer, and relates to Part B, Volume IV, page 1203, and the section covering the South Australian Superannuation Board. Page 1203 contains a list of the seven separate investment options available through Funds SA—namely, high growth, growth, balanced, moderate, conservative, capital defensive, and cash. My question is: when will we see an ethical or socially responsible investment option added to that list?

The Hon. P. HOLLOWAY: I think, as the Acting Treasurer, I signed off on an answer to that question for the member some time back. However, I will see if there is anything further to add to that by referring the question to the Treasurer and bringing back a reply.

The ACTING CHAIRMAN (Hon. R.P. Wortley): The time having expired, I call the Minister for Emergency Services, Minister for Correctional Services, Minister for Road Safety, and Minister Assisting the Minister for Multicultural Affairs.

The Hon. S.G. WADE: I refer to Part A, page 3, of the Auditor-General's Report in respect of public-private partnerships, as follows:

> A significant consideration before a PPP procurement is initiated is whether the government is satisfied that a PPP provides a net benefit to the public compared to conventional public sector procurement.

Can the minister explain what processes the government has in place in relation to the new prisons project in fulfilment of that assessment of net benefit?

The Hon. CARMEL ZOLLO: As one would expect, we have governance arrangements in place. We have a chief executive steering committee, which is chaired by the Under Treasurer and which provides project governance and oversight. We have to prove value for money compared with the public sector comparator. Within the government agency, the project is managed by a dedicated project team, with DCS being the lead department.

The Hon. S.G. WADE: Considering that the government has already decided to retain custodial services within government, will the public sector comparator, to which the minister refers, exclude the operational efficiencies of the one provider (the public sector comparator, for example) providing custodial and non-custodial services? If it does not do so, it provides an unfair advantage to the public sector in terms of the public sector comparator.

The Hon. CARMEL ZOLLO: A range of functions are associated with the operation of the prison. The government has resolved that custodial services will be delivered by public sector employees, but other services will be identified and subject to the value for money test. The government will go through a rigorous assessment process to assess all proposals, and value for money will be the principal consideration in all these things. I stress that there will be a rigorous assessment process.

The Hon. S.G. WADE: My query is not so much in terms of the government's incremental breach of its no privatisation guarantee. That is a moral issue the government has to deal with. My issue is more to do with the construction of the public sector comparator. As I understand it, the government said that custodial services will not be provided by the private sector. Presumably, the private sector comparator allows for custodial officers in a situation where they could provide oversight of a prisoner within the public sector model that will not be available to a private sector operator.

If you like, they will have to cope with DCS officers and, in addition, they will have to provide their own officers. It seems to me that there is an inherent injustice or disadvantage to the private sector in bidding against the public sector comparator. That is the issue I seek to address.

The Hon. CARMEL ZOLLO: First of all, I will clarify the situation in relation to the comparator. For all operations based on a good practice model there is no advantage for anyone, as custodial services will not be subject to a value for money test. Other services may be privately provided if they can present value for money; that is, they are cheaper and better than the comparator. We do not agree that there is an inherent disadvantage. This is the approach that the government has decided it will take. Again, all proposals submitted for assessment to the DPP will be assessed on equal terms, allowing, as I said, for the custodial services to remain with the government. The consortia will have to prove that it can deliver value for money, as just mentioned.

The Hon. S.G. WADE: Perhaps I am misunderstanding how the government anticipates the prison will operate. If the government thinks that there is no benefit to the public sector in having an integrated custodial and non-custodial service, is the government then intending that, when a private sector service is provided—for example, psychology, medical, and so forth—the custodial care of the prisoner at that time will be provided by the private sector? Otherwise, the private sector model must be more expensive, because they would have to wear the cost of custodial care when they are also providing a non-custodial service.

The Hon. CARMEL ZOLLO: Quite simply, the provision for custodial services will be excluded from the public sector comparator and the value for money test.

The Hon. R.D. LAWSON: I wish to ask the minister a question from information contained on page 263: the program schedule of expenses and income for 2007. It shows that in 2007 the income from prison labour was $1.9 million in general terms, but in the previous year it was slightly over $2 million. Can the minister explain why it is that the income from prison labour this year covered by the report is less than that for the previous year, and what are the factors that led to that decrease?

The Hon. CARMEL ZOLLO: I am advised that there is a relatively small decrease in revenue from the prison labour. Prison Industries undertakes work on behalf of businesses and customers in the private sector and is subject to general fluctuations in the business cycle. In the past 12 months there have been some fluctuations in agriculture and horticulture on prison farms due to the drought conditions.

The Hon. R.D. LAWSON: Will the minister assure the committee that that decrease (slight as it may be) is not as a result of any policy adopted by the government in relation to labour?

The Hon. CARMEL ZOLLO: I can assure the honourable member that there have been no changes in policy.

The Hon. S.G. WADE: I refer to Part A, page 3 of the Auditor-General's Report, the section dealing with Public Private Partnerships. It states:

> In 2006-07, expenses for these initiatives were limited to the costs of PPP consultants.

My questions to the minister are:

1. What consultants were engaged in relation to the new prisons project?

2. What was the cost of the consultants?

3. What was the role of the consultants?

The Hon. CARMEL ZOLLO: We will take that on notice and provide the detail to the honourable member at another time.

The Hon. S.G. WADE: I refer to Part B, Volume I, page 258 of the Auditor-General's Report. The report highlights the number of privately provided service contracts renewed by this government. I ask the minister whether any of these contracts will be impacted upon by the new prisons project.

The Hon. CARMEL ZOLLO: It is still to be determined, but there may well be some impact in relation to the prisoner movement contract. That contract is due to expire on 30 June 2008, and the new prison project will not come on-line until 2011 so, again, that is still to be determined. We do not anticipate any impact on the home detention monitoring or the management of the Mount Gambier prison at this time.

The Hon. S.G. WADE: Will the minister confirm that the reason why the prisoner movement contract was extended for only 12 months was in consideration of the new prison project?

The Hon. CARMEL ZOLLO: My advice is that it was extended for only a year because of the requirements of the Free Trade Agreement with the United States.

The Hon. S.G. WADE: I would like the minister's confirmation in terms of the scope of these contracts. I presume the home detention monitoring contract is limited exclusively to the electronic infrastructure and that there is no oversight role in terms of the monitoring role.

The Hon. CARMEL ZOLLO: That is correct.

The Hon. S.G. WADE: Page 5 of Part A of the report notes the governance risk management requirements and enabling legislation of SAFECOM. With regard to SAFECOM, have anticipated delegations, policies and procedures been approved and implemented as recommended by the Auditor-General?

The Hon. CARMEL ZOLLO: Did the honourable member make reference to page 1017?

The Hon. S.G. WADE: Yes; pages 5 and 1017.

The Hon. CARMEL ZOLLO: I understand that the SAFECOM instrument of delegation for payroll was approved at SAFECOM'S September board meeting, which updated previous delegations from the Emergency Services Administrative Unit (ESAU) to SAFECOM. SAFECOM policies and procedures for time sheets and leave management are currently being prepared. The bona fide report policy was approved by SAFECOM at its June 2007 meeting. Training has been provided to all managers in the CFS, SES and SAFECOM. It should be noted that the existing MFS system is still being utilised and was not the subject of audit comment.

A signatory list to support the checking and authorisation of transactions is currently being prepared. Output reports from the KRIS payroll system have been expanded to include specific reports identifying all required transaction cheques for each pay run. The financial delegation's policy has been updated to clarify the separation of procurement and expenditure authority. This change was approved at the September SAFECOM board meeting. Expansion of the delegation's authority to include a signatures list for use by accounts payable is approaching completion and will be implemented in 2007.

SAFECOM purchasing procedures were commented on by the Auditor-General relating to the requirement of certification that goods have been received prior to approving invoices for payment. SAFECOM's purchasing procedures have been modified to include the requirement for a 'goods received' note or other appropriate certification of goods received.

The Hon. S.G. WADE: I understand that, since the period on which the Auditor-General was reporting, the minister announced that Mr David Place would be taking on further roles, including a role called the Commissioner for Fire and Emergencies. What is the nature of that position? Is it a statutory position? Is it created under section 67 of the constitution, or some other basis?

The Hon. CARMEL ZOLLO: I advise the honourable member that it is a working title approved by crown law to supply the leadership, governance and policy direction to the sector.

The Hon. S.G. WADE: If he was to take any legal or administrative actions, Mr Place would undertake that in the name of either a CEO of SAFECOM or as Chair of the SAFECOM board?

The Hon. CARMEL ZOLLO: That is correct.

The Hon. S.G. WADE: Having made those changes to the administrative arrangements and considering they fall after the reporting period, will those changes to the administrative arrangements necessitate further changes to the delegations, policies and procedures?

The Hon. CARMEL ZOLLO: My advice is that the chief executive delegations will remain the same.

The Hon. J.M.A. LENSINK: In relation to DEH, which is referred to in the volume listed as Part B, Volume II, on pages 358 and 359 the Auditor-General's Report states that the department does not have a methodology in place to ensure that all administered crown land has been recorded in the balance sheet, and it also states that the Auditor-General was unable to form an opinion on the values of property and so forth. Will the minister comment on where any amending progress is at and whether these remarks have any relationship to the comments in the financial budget outcome that was tabled just today that the DEH increase in net worth was a $254 million

reduction in the fixed assets of DEH due to a change in valuation methodology? Are those two related, and what is the valuation of crown land?

The Hon. G.E. GAGO: The audit qualification for the property, plant and equipment component of DEH's administered items schedule relates to DEH's inability to reliably identify all crown land and determine an appropriate value for these assets. Crown lands are comprised of 14,000 unallotted parcels of crown land, 5,494 perpetual leases relating to leased crown land, and leases and licences relating to infrastructure on, and access to, crown land.

The department has indicated to the Auditor-General that it anticipated being able to address the qualification issue progressively over a number of years. It is worth noting that the necessary verification and valuation of these tenures is extremely labour intensive and requires, obviously, significant resources and time to complete. In addition, an ongoing procedural framework will need to be developed and implemented to ensure that future transfers of ownership between agencies are accurately recorded within the LOTS (Land Ownership Tenure System). When all crown land can be identified, ambiguity will still exist as to whether the Crown and by default DEH or another department controls the respective parcels of crown land.

The control aspect is a fundamental accounting test for inclusion as an asset of the reporting entity. The department recently initiated a project that will progressively address the identification issue for the crown lands data over a number of years. The project will involve verification and correction of crown land information stored in lots and the development of a conversion program to bring the data into the department's tenement and billing system (TABS), documentation of accounting business rules for recognition and valuation of the land and also modification of the TAB system to meet the business and audit requirements of crown land.

In respect of the second part of the question in relation to the reduction of asset values, I report that this relates to the DEH entity rather than the crown lands qualification in the administered entities. In December 2006, the department identified a possible error in the revalued assets values reported in the 2005-06 financial statements. A review was undertaken that confirmed the error and identified a number of other less significant issues.

The majority of the errors related to the process of updating the asset data for the data dictionary re-evaluation undertaken in June 2006. The errors were caused by a combination of human error and a complex process requiring significant manual intervention and calculations. The summary of actions recommended as an outcome of the review included a plan to correct the data and implement improvements to the procedure systems and controls, including additional reconciliation tools and appropriate action to ensure that the staff have acquired levels of skills to accurately maintain the assets register.

The methodology for correction of data was documented and reviewed by the Auditor-General's team, and the data corrections were completed prior to the preparation of the 2006-07 financial statements. The 2005-06 asset values were restated in the 2006-07 financial statements and the corrected data was reviewed as part of the 2006-07 year and audit. No major issues were identified and as a result of these corrections the revaluation increment of $365 million originally stated in DEH's 2005-06 financial statements has been reduced by $220 million.

The Hon. J.M.A. LENSINK: On page 374 of the same document is a table at the bottom that refers to employee benefits, expenses and other costs. On my rough calculation the long service leave has increased from 2006-07 by some 31.7 per cent. Will the minister advise as to whether there has been an unusual take up of those benefits or whether it is due to some other factor?

The Hon. G.E. GAGO: I have been advised that the increase is as a result of remuneration increases through enterprise bargaining agreements and through the reclassification of officers, hence over time the liability has increased. There is no compulsion to take long service leave.

The Hon. J.M.A. LENSINK: I refer to page 375, the item 'supplies and services'; where the second to last item is 'heritage advisers', which I think is an increase from 2006-07 of some 25 per cent. Will the minister advise whether that is the result of an increase in the number of heritage advisers employed and where those people are employed, if that is the case?

The Hon. G.E. GAGO: We employ advisers to assist local councils, which has been a deliberate strategy under our heritage directions initiative established several years ago. Supplementation is received over roughly a four-year period.

The Hon. M. PARNELL: My question is to the minister in her capacity as representing the Minister for Water Security. I refer to the Auditor-General's Report part C, pages 7 and 8. Page 7 is a reference to public-private partnerships and the Auditor-General's statement is that the policy is that the government needs to be satisfied that the PPP provides a net benefit to the public, compared with general public sector procurement. On page 8 there is a note that two government announcements—the desalinisation plant and the doubling of the water storage capacity in the Mount Lofty Ranges—will be built to guarantee South Australia's long-term water security. These represent an investment of more than $2.5 billion, which is an investment greatly exceeding the entire proposed capital investment program for 2007-08.

My question of the minister is whether the government is proposing any component of public/private partnership funding for the Adelaide desalination plant, and if so what assessment process will be put in place to ensure that any PPP provides a net benefit to the public.

The Hon. G.E. GAGO: These questions address matters that are, in fact, not part of my portfolio responsibilities but those of minister Maywald.

The Hon. M. PARNELL: Will you take the question on notice and bring back a reply? I asked you in your capacity representing that minister.

The Hon. G.E. GAGO: I am happy to do that.

The Hon. J.M.A. LENSINK: The Auditor-General's Report highlights some significant financial issues with the department, and I quote from Volume V, page 1594, where it refers to 'a structural budgetary deficit and requirements to meet savings' and states that this impacts on the department's current and future planning. Can the minister advise what action is being taken to address that, and can she expand on some of those issues that are impacting on planning for the department?

The Hon. G.E. GAGO: Following an unfavourable budget outcome for the 2004-05 financial year, the department undertook a detailed analysis of its budgetary position and identified the existence of a structural budget deficit of about $5 million. The deficit refers to the gap between the historical internal budget and approved budget advised by the Department of Treasury and Finance. While the elements that constitute the structural deficit are difficult to trace, it is likely that a component of this may be linked back to the time of the department's inception in 2002, following the transfer of functions and funds from other departments; that is, the funds transferred may have been insufficient to meet the cost of the functions and programs vested with the newly formed department.

Notwithstanding, the department has since implemented successful measures to manage this deficit as part of the overall budgetary control, and it is pertinent to note that it has achieved a balanced net operating budget result, in both 2005-06 and 2006-07 financial years. It is also relevant to note that the department's progress in enhancing its overall financial management is progressing, with the implementation of improved internal controls. While it acknowledges some of the weaknesses identified by the Auditor-General in his recent report, the department has clear and robust strategies in place to manage its finances effectively, consistent with the principles of the Treasurer's financial management framework.

It is also pertinent to note that the membership of the department's financial committee includes a senior representative from Treasury, following the reconstitution of the committee in 2005. The revelation of a structural budget deficit followed detailed and complex financial reconciliations and identified the need for the department to take proactive measures to mitigate the impact of this deficit on its operations and still enable it to achieve its approved budget targets of 2005-06 and 2006-07 financial years, and those going forward.

This planned improvement has already been witnessed during 2006-07. The department recorded a favourable result of $2.9 million in its net result, when compared with the approved revised budget, and a $3.5 million improvement, GFS basis measured. The department has implemented stringent controls following the 2004-05 financial year in order to effectively manage its budget position and has reported satisfactory budget outcomes over the last two financial years. The chief executive has complied with the Treasurer's budget model and has successfully managed the department's budget position consistent with the demands of the revised chief executive accountability.

The Hon. C.V. SCHAEFER: Page 1594 states:

Limitations were apparent in DWLBC's system which records outstanding water levies and penalties. As a result, interest had not been applied to outstanding water levies and penalties as required by the Natural Resources Management Act 2004.

Later on it says, as I recall, that legal advice was sought as to how much of that was to be paid. Can the minister tell us what action has been taken to collect those levies and penalties, or otherwise?

The Hon. G.E. GAGO: I seek clarification: is that the Natural Resource Management Fund?

The Hon. C.V. SCHAEFER: No. Sorry, I think I have meshed two of my questions. My question relates to the non-collection of levies and penalties, which is dot point 3 under 'Specific Control Matters', page 1594, Volume V.

The Hon. G.E. GAGO: I have been advised that WILMA does not have the system capability to calculate overuse penalties when allocations are reduced. Pursuant to section 132 of the NRM Act 2004, the minister has issued a notice of restriction on the taking of water from the River Murray prescribed watercourse to 60 per cent of licensees taking allocation for 2006-07.

Consequently, penalties for 2006-07 were manually calculated outside of the system, and this manual calculation of penalties increases the risk of errors. The department implemented sufficient processes and checklists to ensure that there were adequate internal controls over the calculation of penalties, but potential future systems for accounts receivable would assist in rectifying this problem, going forward, and avoid the requirement for manual calculation.

The Hon. M. PARNELL: Going back to the answer the minister gave the Hon. Michelle Lensink in relation to the structural budget deficit of $5 million, the Auditor-General notes that the department identified a number of proposed one-off measures and a combination of expenditure-saving and cost recovery initiatives. The minister referred, in general terms, to some internal ways of saving money, and my specific question is: are there any particular programs that have been cut? If so, what are those programs?

The Hon. G.E. GAGO: I have been advised that (and to the best of my knowledge) no programs have been cut. The department has looked at applying and adapting additional efficiencies and cost savings. It has also had regard to how we conduct our business and improved efficiencies there, while still maintaining high service and delivery standards.

The Hon. J.M.A. LENSINK: In relation to the same issue, the underlying deficit (and I note that the Auditor-General identifies that part of the difficulty in establishing a working budget is because the 2006-07 budget was delivered late in September), can the minister advise what appropriations were provided to the department in order to assist? Can she also advise what appropriations over and above that amount were provided in that financial year for expansion programs to meet EBs and so forth?

The Hon. G.E. GAGO: I have been advised that the department has received standard increases for enterprise bargaining and other indexation appropriations such as CPI. No other specific additional appropriations have been received.

The Hon. D.W. RIDGWAY: I thank the Leader of the Government in this place for the opportunity to read a couple of questions on notice. The first question is to the Minister for Police. In Volume III, page 921, under Public-Private Partnership Leases, it states that expenses for the public-private partnership lease increased from $594,000 in the 2005-06 financial year to $3,027,000 in the 2006-07 financial year. Obviously, and as we all know, this relates to the development of new police stations under PPPs. My question is: will the minister outline all the contractual details—such as the costs, terms, annual payments and handover details—for all police stations built under public-private partnerships?

My second question is again to the Minister for Police. Under Accounts Payable on page 903, Volume III of the Auditor-General's Report, the minister states the need for SAPOL's management to ensure that authorisation of expenditure is independently checked. Can the minister advise the committee on what basis that authorisation of expenditure within SAPOL is being independently checked?

I also have a couple of questions for the minister in his capacity as Minister for Mineral Resources Development. Volume III, page 825 of the most recent Auditor-General's Report states, under Unauthorised Payments—Expenditure, that the review of paper-based controls implemented by PIRSA over accounts payable, amongst other things, did not provide assurance that all

purchasing transactions were authorised. On the same page the report goes on to state that PIRSA's reliance on high level detective controls, rather than preventative controls over transaction processing, exposes the department to a number of financial risks. The department has responded that it will not proceed to implement an automated approval system, and the Auditor-General has identified a potential risk of invalid expenditure processing. My questions are:

1. What is the estimated cost to the department over the 2006-07 financial year of unauthorised transactions?

2. Does the minister intend enforcing any preventative controls in the foreseeable future; if so, when will they occur and what will they be?

3. Will he ensure that there is no opportunity for informed and trusted employees with access to certain information to process invalid and unauthorised payments?

In relation to the collection of royalties (Volume III, pages 826 to 827, Petroleum Revenue), my questions are again to the Minister for Mineral Resources Development. On page 826 of Volume III of the most recent Auditor-General's Report, it states that in September 2005 the department initiated an external review of royalty payments made by Santos Ltd. The review identified a number of uncertainties regarding how producers calculated royalties payable to the state in accordance with the Petroleum Act 2000.

An outcome of the review was a significant repayment of royalty moneys to Santos. The review identified a number of recommendations to improve the process which, according to the 2007 audit of PIRSA, are yet to be fully implemented. Over two years on from those recommendations being made, my questions to the minister are:

1. Why have the recommendations of the external review still not been fully implemented?

2. Will the minister guarantee that all royalties payable by producers for the 2006-07 financial year were calculated correctly?

I refer to page 826, Volume III, Masterpiece Fixed Asset to General Ledger Reconciliation. The Auditor-General states that certain reconciliations were not performed for the period following November 2006. My question to the Minister for Mineral Resources Development is: will he guarantee that all financial statements of the department throughout this period were not materially misstated?

I refer to Volume III, page 827, Mining Review, where it states that approximately $64 million of the $78.5 million in royalties received by the department is collected by BHP Billiton Olympic Dam Corporation. The Roxby Downs (Indenture Ratification) Act provides that, on the minister's request, BHP must submit to an external audit report with respect to royalty returns. The report also states that quarterly audited royalty returns have not been requested since September 1998. As a result, the department relies on an historical analysis check. The Auditor-General states that this data provides limited assurance that the mining royalties collected in accordance with the act are correct. My questions are:

1. Why has the minister not requested that BHP submit to an external audit during his time as minister, given that it has not happened since 1998?

2. Can he guarantee that all mining royalties have been collected since 1998?

3. How does the minister propose to ensure a more transparent and verifiable process for calculating royalties under the review of the indenture act?

4. Can he guarantee that, with the minerals mining boom we are about to experience in this state, all royalties will be collected under a more transparent and verifiable process?

The Hon. P. HOLLOWAY: I will take those questions on notice.

The ACTING PRESIDENT (Hon. B.V. Finnigan): That concludes the examination of the Auditor-General's Report.

SANTOS LIMITED (DEED OF UNDERTAKING) BILL

Adjourned debate on second reading.

(Continued from 15 November 2007. Page 1342.)

The Hon. D.W. RIDGWAY (Leader of the Opposition) (16:43): I rise on behalf of the opposition as the first speaker on this very important and history-making legislation for South Australia. I indicate that the opposition intends to support the bill, and I know that at least one other member of my team will speak.

The lifting of the cap provides an opportunity for Santos, a well-known and well-respected South Australian company, to relieve itself of the burden of a cap of 15 per cent on the ownership of its shares. However, this exposes Santos to a number of risks, and I look forward to discussing those later in my contribution.

This is a very important piece of legislation for the economic future of South Australia. As we know, we are experiencing a minerals exploration boom. Of course, for the last 40 years, we have had a wonderful time with the resource-rich area of the Cooper Basin, and Santos has played a significant role in the development of that asset for South Australia and Australia.

The most significant facet of the bill is the repeal of the Santos Limited (Regulation of Shareholdings) Act 1989, removing the current 15 per cent of total voting shares which any one person can lawfully have in the company.

I think that I should discuss a little bit of the history of that, although I am sure that my colleague the Hon. Rob Lucas—who, of course, all members will know is a former treasurer—will discuss in a little more detail some of the more interesting financial details of the impact this may have on the state. The regulations to the shareholdings bill were introduced in 1989 by minister Hudson of the Corcoran Labor government, and it ensured that gas sources and electricity could be provided at prices that were comparable to those of other Australian industrial markets.

I will mention further on in my contribution the potential takeover by the Bond Corporation and the impact that that had on Santos shareholdings. However, it is interesting that back then this was introduced by minister Hudson of the Corcoran Labor government. In his second reading explanation he discussed the possibilities of increased prices and of exposing South Australian consumers to increased gas and electricity prices. That is one concern that a number of members of the Liberal Party and I have. Notwithstanding the fact that we will see the benefits to the state, we are concerned that this may be an opportunity or a mechanism by which gas prices will increase in South Australia and, therefore, for consumers, and particularly families in South Australia who may be exposed to increased gas prices at their house. Of course, as we know, a significant amount of electricity is generated in this state from gas, so that could also have an impact on electricity prices.

Back in those days, the Cooper Basin supplied a large proportion of South Australia's primary requirements. And it still does today; although, with the new SEAGas pipeline coming from Victoria, we are less isolated. It is interesting to note that, while Santos is still the major player, there are a number of smaller players now in the Cooper Basin producing both crude oil and gas from areas where Santos had not taken up the opportunity to bring them into production. It was during the time of the former Liberal government when the Hon. Wayne Matthew was minister that they were freed up for other companies to explore and then bring into production.

Santos, the operating company in the Cooper Basin, was responsible for almost half the sales of the energy supplies in the Cooper Basin at the time of the bill. Maintenance of its financial strength and stability was fundamental to the development of operations within the Cooper Basin. As you will recall, Mr Acting President, that was a couple of decades ago. Certainly, it was important to secure Santos's future. The bill was treated with such urgency at the time that the then premier brought forth the opening of parliament by a week, and for the first time in the history of the parliament the House of Assembly was made to sit on a Friday. Certainly, the bill was not afforded the scrutiny it deserved, being forced through the House of Assembly in a single day.

It is interesting that it was seen at the time to be a particularly important piece of legislation, and I guess all members present then were happy to support it. I have looked at the deed of undertaking that is associated with this bill today, and I will explore it a little later in my contribution. We know that the bill prevented a hostile takeover of the company by the Bond Corporation, which, in September 1978, acquired a large interest in Santos. The deal involving the Bond Corporation was structured in such a way through its holdings in certain companies that Mr Alan Bond had personal control of 37.5 per cent shareholding in Santos.

The Bond Corporation was having significant financial difficulties at the time and, with the intention of obtaining 51 per cent, Mr Bond hoped to consolidate Santos's accounts into those of his failing corporation. It was expected that, if Mr Bond gained control of Santos, he would use that

control to rectify problems that had arisen from substantial borrowings he had made to buy the initial 37.5 per cent shareholding. Due to the magnitude of the bill, it was met with a level of uncertainty.

At the time, the Hon. Dean Brown asked valid questions about the bill. For example, he questioned why the government had given approval for a wholly owned overseas company to purchase 37.5 per cent of Santos in the years prior to 1975 with no action ever taken to disinvest that company. The bill was not passed without valid arguments being made; however, the bill was successful in reaching its intent in securing the stable future development of South Australia's energy resources and to prevent gas prices from rising in such a manner that both existing and future industrial development would have been put at risk.

Again, that brings me back to the point that nearly 30 years ago that was a potential risk for South Australia. I would like to ask the minister and his advisers—and I assume that he will have some advisers here in the committee stage of this bill, and I will put on notice that I have a strong view that the price of gas will be volatile, and more so with the removal of this cap—to provide some comment and give some guarantee that gas prices, industrial activity and the future development of South Australia and the mums and dads in this state will not be put at risk as far as excessive increases are concerned.

Santos is now Australia's largest gas producer, supplying gas to all mainland Australian states and territories. As I mentioned earlier, the SEAGas pipeline that was completed during the first term of the Rann government, of course, was one of the very important initiatives undertaken by the Olsen government. And, of course, we saw, as always, the current Premier and ministers taking credit for this visionary decision, which, of course, we all know was not their decision at all. I guess that is just the luck of the draw when governments change. Those in the driver's seat at the time tend to take credit for a whole range of things that they did not initiate.

Santos has by far the largest Australian exploration portfolio by area of any company and it is pursuing new venture opportunities with a focus on Asia and other parts of the world. It plans to boost production in the Cooper Basin oil and gas fields through a project that will see it drill at least 1,000 wells over the next five years. It is the financial feasibility of projects like this which evidence the success of the original act. The act has served its purpose in ensuring the financial stability of Santos but now the company needs to be free (and I think the community sees that it needs to be free) of that restriction to achieve its full potential—and that is certainly not possible under the constraints of a 15 per cent shareholding cap.

In about 1989 Santos was one of the top 10 companies on the ASX but it now only makes the top 50. Santos has indicated that it sees the 15 per cent cap as having had an impact on its ability to maintain its place in the top performing companies in Australia. Santos see this as an opportunity to free itself of that because it believes that its growth has been relatively stunted in a growing and buoyant marketplace. No other company has the same shareholder restriction and, as Liberals, it is certainly our opinion that this constraint should not be placed on Santos.

Similarly, as with the previous act, the introduction of this bill is not without a certain level of risk. In lifting the cap and making Santos free to grow, acquire and revalue, this government also exposes the company to all the risks associated with free enterprise. There is the possibility of Santos being savaged and all operations not linked with the Cooper Basin repositioned in another corporate headquarters by an acquiring company. This could amount to a significant loss to our state. I know that the deed of arrangement (which has been fully explored in the other chamber) does indicate a number of penalties, including a penalty of at least $100 million if Santos is to leave South Australia. It states:

> The Company undertakes that, unless otherwise approved by the Premier, the Company's South Australian Cooper Basin (SACB) assets, head office and operational headquarters will remain in South Australia for the term, including without limitation direct management and key supporting functions for the SACB assets identified in clause 4.1(b) for so long as those functions are carried out.

It continues:

> As at the date of this Deed of Undertaking, the direct management and key supporting functions for the SACB assets include:
>
> (1) executive general management;
>
> (2) geosciences expertise and development;
>
> (3) engineering;
>
> (4) oil and gas exploitation;

(5) maintenance;

(6) operations planning; and

(7) Moomba carbon storage,

and all other key supporting functions with respect of the SACB assets including finance, accounting, legal, procurement, IT, human resources and gas marketing.

The deed continues:

The Company also undertakes that, unless otherwise approved by the Premier, for the duration of the Term, the Santos roles based in the Adelaide office as at the date of this Deed of Undertaking associated with the functions set out below will remain located in and cannot be transferred out of South Australia nor replaced or replicated in another State:

(1) onshore South Australian and offshore Australian exploration;

(2) South West Queensland Cooper Basin operations;

(3) Australian gas marketing commercialisation;

(4) Australian IT services;

(5) Australian accounting services;

(6) Australian human resource services; and

(7) Australian procurement and logistics operations,

provided that nothing in this Deed requires Santos to increase the number of personnel in those roles referred to above or transfer roles that are currently outside of South Australia into South Australia or precludes Santos from developing new roles outside of South Australia to support projects or developments outside of the state.

One can see that there are two clauses in the deed which do state 'unless authorised by the Premier'—which in itself is interesting: that the Premier is the authorising person. I will ask the minister to provide some information to us about why it is not ministerial or cabinet approval and why it is the Premier. It seems a little strange, because in other legislation I have read, it requires the minister to be the one authorising. If there is to be any change to the deed it would be, presumably, a cabinet decision and the minister would be making that decision, not the Premier. I was interested to read the social responsibility and community benefits, as follows:

The Company will, as part of its Social Responsibility and Community Benefits Program, continue to meet its existing long-term pledges to sponsor or donate to the following South Australian organisations:

(1) the remainder of the Company's investment in South Australian education and research through its original $25 million 10 year commitment to the Australian School of Petroleum at the University of Adelaide; and

(2) the remainder of the Company's investment in South Australian youth health through the Company's 15 year (to 2014) commitment of $25,000 per year to the Santos Stadium at Thebarton.

They are ongoing commitments, and the community thanks Santos for those longstanding commitments. The deed then states:

Notwithstanding clause 4.3(c), the company covenants that, with a view to providing certainty that its significant support to the state will continue for at least the term, it will, as part of its Social Responsibility and Community Benefits Program:

(1) within 12 months of the commencement date pay $5 million to the Royal Institution of Australia based in Adelaide [and I will come back to that in a little more detail];

(2) during the period of 10 years following the commencement date, pay at least $10 million into a Santos Indigenous Fund to support indigenous employment, training and education initiatives...

(3) during the period of 10 years following the commencement date, pay a further aggregate amount of at least $10 million towards education initiatives ($2.5 million payable after the first, but on or before the second anniversary of the commencement date) in South Australia (in addition to the payments under clause 4.3(d)(1) which will include initiatives which support the development of Adelaide as a university city as may be further developed in discussion with the Premier; and

(4) during the period of 10 years following the commencement date, pay a further aggregate amount of at least $35 million to organisations or projects in South Australia which the company can reasonably demonstrate have mutual benefits for both Santos and the state. For the avoidance of doubt, it is acknowledged that money expended by the company in satisfaction of its pledges specified in clause 4.3(d) post the commencement date will be counted in determining whether the company has fulfilled its undertaking under this clause 4.3(e)(4).

It is interesting, because we all know that the Royal Institution of Australia was one of the Premier's recent announcements.

This deed also talks about developing Adelaide as a university city. It does seem to me and to other members of the opposition that this whole deed is full of holes. I am sure that the legal people at Santos are happy that they have been able to negotiate this document. However, it appears to be almost a bit of bribery. We have a Premier saying, 'Well, we are happy to agree to it. I am happy to agree to it. I am the Premier and I will make the decision as to whether you can break the deed of arrangement. Provided you support the majority of my pet projects within the state, you will have my support.' I do hope the minister takes the opportunity to respond to that. I am sure he will. It does seem to us a little unusual, if you like, that the Premier's pet projects are those that get mentioned in this deed of arrangement.

A recent takeover of Rio by BHP involved tens of billions of dollars. If a company decided that Santos was worth taking over at some time in the next three or four years, and if it was forced to, you would see the repayment of some of these commitments to be almost insignificant. It seems as though this deed of arrangement really does not provide a lot of security for South Australia. In fact, as I explained before, the biggest risk for South Australians is a potential increase in gas prices.

However, the alternative future of Santos is one of positive and profound economic implications which on balance, I guess, does make this bill worthwhile. However, I will explore for a moment several possible scenarios: Santos could be taken over by a larger player or merge with a similar size company; or it could use its increased capital-raising ability that the cap's removal would give in a take over to a smaller company. Analysts have stated that however the removal of the cap plays out, Santos's substantial contingent reserves (which are three times larger than its booked reserve base) would always remain an attractive takeover target.

Santos has stated that its objective is to become a leading international oil and gas company based in Adelaide, and that the removal of the cap will enable the company to use its shares to fund acquisition and development projects to a degree that has not been possible in the past. The former Liberal government did initiate a review of the cap but resolved not to introduce a formal proposal into the parliament. It believed at the time, I am told, that the Labor opposition would have put a lot of energy into broadcasting only the risks associated with the removal of the cap, which brings me to another point. The Premier made a ministerial statement on 16 October 2007 (the Hon. Paul Holloway read that same statement in this place, I assume, later that day), and I was a little annoyed with this sentence:

> I call upon all members of parliament—the opposition and members of the upper house—to put aside any temptation they may have to play games with the repealing of the cap and to put South Australia first.

I do not think at any time that the then Rann opposition ever put South Australia first. In fact, with respect to all the key economic initiatives in this state—the Roxby Downs mine, the long-term leasing of ETSA, and the introduction of the GST (three of the most significant financial benefits this state has seen)—the then Rann opposition played games at every opportunity.

Given that this is a much more responsible opposition and one that will not play games with the economic future of South Australia, I think it is a bit of a cheap shot for the Premier (someone who has led a party that has played games at every opportunity) to stand up in parliament and make a statement asking others not to play games when he knows full well that we are very unlikely to play games. We will always put the future of South Australia first. Mr Conlon used this criticism of the then Liberal government at the time: he said that it was intimidated by the then opposition. Again, with respect to important economic factors, it would not have been about intimidation: the Labor Party would have played simple gutter politics and games that would not have given the government at the time confidence that South Australia's future would have been put first.

I am certain that there would have been other arguments leading to the decision that was made. Had the Liberal government felt it to be appropriate at the time I am sure the cap would have been lifted, although I am also told that it was in the lead-up to the election and that it would have been much better to have done it following the election. Suffice it to say that South Australia's economic environment and Santos' financial position have certainly changed significantly since that point, and the decisions made in this bill cannot really be compared with decisions that may have been made some five or six years ago.

In assessing the risks of this bill it is important to make something clear. The Labor government in 1979 made the right decision in introducing the bill, and the government of the day will unfortunately take credit for the benefits that this bill has amounted to. Likewise, this government will be sure to take the credit for any positive impacts of the bill we debate today.

However, as I have pointed out before, this government must also bear the weight of any undesirable results from this bill, and I reiterate my concerns about the price of gas.

Amongst other things, the Deed of Arrangement guarantees that effectively 90 per cent of Santos' roles and some 90 per cent of its staff will stay here in South Australia. I guess It is somewhat of a concern with the Cooper Basin, which we know has reached a mature phase. I expect that, unless the carbon sequestration project that Santos is keen to see get off the ground takes place (and that will involve the significant investment of many hundreds of millions–if not billions–of dollars to make that workable); if that does not get off the ground and does not become a reality, and as the Cooper Basin assets go beyond their mature phase into a declining phase, we will then see a reduction in the number of employees in South Australia.

Again, while the Deed of Arrangement talks about maintaining the Cooper Basin assets and employees, I am sure that, in spite of the commitment to maintaining 90 per cent of the employees (which is roughly 1,700), if they do not need 1,700 those numbers will decline. So, again, the Deed of Arrangement is somewhat of a hollow document in the public spin that the Premier has indulged himself in by talking about maintaining and keeping jobs in South Australia. There is a distinct possibility that, as the Cooper Basin supplies diminish, the number of people employed will inevitably go down.

The deed itself raises a number of uncertainties, but I am certain there is a tremendous amount of goodwill with Santos. It has operated in South Australia for a long time and has significant investments, both here and overseas. There is certainly nothing to suggest that Santos is more likely to be acquired than to use this bill to become a take-over opportunist. I trust that Santos will undertake to serve the best interests of its shareholders and hope that its undertakings include major operations and economic benefits to this state. With those words, I urge support for the bill.

The Hon. R.I. LUCAS (17:11): I rise to support the second reading of the legislation. I do not intend to repeat the very comprehensive summary that the Hon. Mr Ridgway has given in relation to the legislation. It was interesting in part to go back to some of the original debates on the legislation in 1979. I remember at the time being an employee of the Liberal Party, and it is my recollection that during the debate on the Santos legislation the former Liberal President of the Legislative Council, the Hon. Frank Potter, passed away.

It is interesting in light of the government's manoeuvrings on the replacement of the Hon. Mr Nick Xenophon in the Legislative Council to recollect that the Liberal Party had I think five days to find a replacement to put into the Legislative Council. Because of the critical nature of the impending vote the government had indicated that it could not or would not (or both) delay the legislation to allow the Liberal Party a more normal period of time to appoint a replacement.

Our processes are such that normally a vote of our state council, with over 200 people, takes four to six weeks–and that is a pretty quick one; sometimes it is six to eight weeks. So, to have a replacement done within a week was an extraordinary set of circumstances.

The Hon. J.S.L. Dawkins interjecting:

The Hon. R.I. LUCAS: No; that is when the Hon. Trevor Griffin came into the Legislative Council, and Trevor is recorded as having voted with the majority of Liberal members at that time.

During that debate three Liberal members of the Legislative Council felt so strongly about the issue that they exercised the prerogative they had as Liberal members of parliament to follow their own free vote on the issue and voted to support the initiative of the then Labor government to enable the passage of the legislation.

It is interesting to go back to those debates and look at the set of circumstances that the parliament and parties at that time went through to make sure nobody missed a vote on a critical piece of legislation. I think we can contrast that with what has occurred in recent weeks in relation to the replacement for the Hon. Mr Xenophon but also the highly charged and highly controversial nature of the original legislation. Certainly, it was extraordinarily controversial at the time.

Those members old enough to remember the period of Mr Bond, Santos and the related issues would know that it was highly charged and controversial and, certainly within the Liberal Party, respected members of the Liberal Party like the Hon. Don Laidlaw (the Hon. Diana Laidlaw's father) and other Liberal Legislative Councillors felt very passionately and strongly about the issue. When one reads the debate one sees that it was quite a vigorous one, with Liberal members

having a go at each other in the chamber on the issue of the Santos legislation—quite unlike anything that goes on these days, with quite a united, happy and harmonious team.

The Hon. Mr Ridgway has traced the history of the legislation and looked at its main provisions. There are only a couple of issues I want to address in the second reading. One relates to a little bit of the writing of history from a particular perspective in the period of the former government. As a minister for those eight years, and for the last four years state treasurer, I can provide one perspective on the debates. I note that the *Independent Weekly* has quoted a former Liberal minister of minerals and energy as maintaining that the former government had decided not to go ahead because of the impending election.

I am not sure whether that is a fair or accurate quote of the former minister but, as someone who was actively engaged at that time, that is certainly not the position that I or other senior members of the former government adopted. Certainly, there was an awareness of the potential position that the then Labor opposition might adopt on the issue, but the major factor that influenced my decision was the fact that for some time I have been sympathetic to the view that the cap should be lifted, and I am pleased to support this legislation.

The major issue at the time, without going into all the gory detail (and there are leaked copies of former documents that substantiate a number of things I can indicate when the former government addressed this issue), was the power Santos as a company had over the future economic development of the state. It comes back to the point the Hon. Mr Ridgway made, namely, the need to have an alternative form of gas supply, then known as the SEAGas pipeline (although I do not know what it is strictly known as now) from Victoria to give an alternative source of gas supply to Adelaide and South Australia.

Santos had tremendous power over South Australia because it was the only source of gas and, if there were problems with Santos and if Santos was not developing gas at a fast enough speed or was having problems supplying the metropolitan area, the state's economic development was largely captive to the decisions and performance of Santos as a company. It was a critical decision of the former government whereby for the state's economic development we needed to have an alternative gas supply to introduce some degree of competition.

I can recall during one of the cabinet debates at the time saying that this decision the former Liberal government took was as important a decision to the state's future economic development as any decision it had taken or would likely take during its period in government. That is a big call, but it is a view I supported at the time and still do. Not many appreciate the significance of the decision taken and, to give credit where it is due, the incoming government saw the sense of what the former government had done and continued on with the proposition. In particular, the Hon. Mr Conlon sought to claim credit for the introduction of the policy.

The Hon. P. Holloway interjecting:

The Hon. R.I. LUCAS: That is right. Decisions were taken but, inevitably, if the Liberal government had been re-elected it, too, would have had to look at the two competing pipeline deals as was the case at the time. The Hon. Mr Conlon likes to delude himself that only he had the wherewithal to see that you could not have two pipelines and you needed to negotiate some sensible development which meant that we could have competition in terms of gas supply. There is no doubt that critical decisions were taken by the former government and, to the credit of the new government, it followed that through and some decisions evolved.

At around that time, in about 2000, the view I and some others took was that, until we had that position (because we had made the decision that we were going out to tender) and we were confident of competition in gas supply, it was not an appropriate time to take the decision that is now being contemplated. Now is an appropriate time because that decision is well and truly implemented. We have competition to the degree that Santos is not the monopoly supplier of gas to Adelaide, so the set of circumstances that exist now have materially moved on from the set of circumstances that existed when the former Liberal government was elected in 1993 and when it had the second or third look at it in around 2000.

The view seems to have been accepted generally that the former government looked at it only once, but certainly there were initial considerations on a number of occasions prior to that, and certainly in the early days conflicting messages were coming from Santos in terms of the view from management and the board. In the early days it was not always clear that management's view and the view of some board members were completely in sync, to understate the point I am making. I am talking about the early stages of the former Liberal government back in the 1990s, and as it got

to the period of 2000-01 public statements were made by the Santos company in relation to its wishes and intentions.

The Hon. P. Holloway interjecting:

The Hon. R.I. LUCAS: There were issues. There was the Kowalick report. This government seems to use Mr Kowalick for almost everything, and the former government certainly used his skills in a number of issues as well. This was one of the things that he had to look at for the former government.

There were a range of issues: competition issues and the issues that I talked about in terms of economic development. As I said, whilst they would not have been part of the formal papers that were presented to the cabinet—and in recent times I have had an opportunity to again look at leaked copies of those particular documents to see indeed what propositions were put at that particular time—there were a range of issues that were considered by the government. If former minister Mathew is being fairly quoted in the *Independent Weekly* it may be his view that the major consideration was an impending election.

I can certainly say, as the treasurer at the time and as someone with at least a modest input in terms of the decisions that the former government was taking on this issue and related issues, that that was not the pre-eminent issue for me and, indeed, some other key people. I have spoken with some of those other key people in recent weeks and it was not the key issue for them. I did want to place that on the record because I would not want it to become accepted folklore that the only reason that key people in the former government decided not to proceed with something was on the basis of an impending state election. For the reasons I have outlined, I do not agree with that particular proposition at all.

The Hon. Mr Ridgway has outlined a number of questions which he intends to pursue in the committee stage, and I will not repeat those. I think they are important questions and I hope the government will respond to the questions from the Hon. Mr Ridgway during the committee stage of the debate.

The final point I would make is that there has been—certainly in some parliamentary discussion and, I think, in some of the media discussion—a general acceptance from many that, as soon as this legislation goes through and there is this 12-month transition period, Santos will be automatically taken over. I would have to say that there is obviously some prospect that that may well be the case. I think those of us who introduced the legislation and those who support it will have to bear that in mind.

I think there is at least some prospect of an alternative future—I guess Santos, as a company, and the government would prefer this—that Santos is actually going to have a 12-month period where its backside is protected in terms of not being able to be taken over and it has a 12-month running start, if I can put it that way, in terms of trying to build by acquisition and growth. Certainly, if one follows the financial pages—they are not always 100 per cent accurate but where there is smoke there is fire—it would indicate that there are a number of companies, not just in Australia but internationally, that are being speculated as potential takeover targets for Santos: for Santos to grow.

Certainly, looking at the business pages, one of the most commonly speculated takeover companies that might be interested in taking over Santos is a large Australian energy-based company, without mentioning a name but, with the recent changes in its financial performance which led to significant changes in terms of its manager, the change of a chief executive officer and a number of other changes like that, there was a very significant downward spiral in its share price, so that its prospects of being able in the short term to take over Santos are significantly reduced. So, there will be a lot of speculation about the future of Santos.

As I said, if we support this legislation we have to accept that there is a reasonable prospect that Santos might be taken over, and with all the deeds and undertakings that have been signed, up to a limit of $100 million in certain circumstances—and looking at the estimates done in the *Financial Review*—the market capitalisation of any potential bid for Santos is in a number of billions of dollars. So, then the potential cost of a few tens of millions of dollars, up to a maximum of $100 million, is unlikely to be a significant deterrent in terms of a company wanting to take it over, wanting to take significant employment out of the state and wanting to take its head office interstate or internationally.

I think we ought not be deluded by what the government has sought to do. We ought to recognise it for what it is. It is the best endeavours of the government to (a) get something; and (b)

to be able to say, 'We have tried to get something out of this to ensure that'—in the Premier's words—'there was a win-win for the state of South Australia.' I am sure that people like my colleague the Hon. Mr Lawson, who are paid a lot of money for a day's work, could drive the proverbial truck through the undertakings that have been given. I do not think it would require too much time from eminent lawyers, working for companies that want to take over Santos, to work their way around or through or over or under the various undertakings that have been given. With that, I indicate my support for the second reading.

The Hon. R.D. LAWSON (17:29): If the restrictions on the shareholding of Santos related to an ordinary public listed company, in my view there would be no justification at all for the establishment of such restrictions or for their continuance. However, to my mind, the justification for this legislation is valid in that it imposes a cap on the shareholdings in Santos because the company is, in fact, a South Australian utility, and not only a utility but also an enterprise upon which much of the economic prosperity of South Australia depended at an earlier stage.

Santos became the gas supplier to South Australia and the source of power for the Torrens Island Power Station. The South Australian government had a very significant economic interest, through the Pipelines Authority of South Australia (PASA), in the establishment of an asset—being the pipeline from Adelaide to Moomba. Santos wanted to develop a liquids project after it developed the gas project, and this involved a substantial capital investment at Moomba as well as a pipeline to Port Bonython, the establishment of that port itself, and the benefits the state derives from the exports from that port.

So Santos, originally the South Australian and Northern Territory Oil Search, became a major cog in South Australia's economic development. That justified the establishment of the cap, which was designed to ensure that the enterprise could continue and would not become part of a wider corporate play. I supported the imposition of the cap, and I supported its maintenance for a certain period of time; however, the time for the removal of the cap has now well passed. The company wants it, and there is no public interest in maintaining it.

One point I would like to make is that the Premier, in his public statements on this bill, has grossly exaggerated the effect of the undertaking he has extracted from Santos—in particular, the impression he has sought to create in the public mind that employment in Santos is guaranteed and that the maintenance of the head office of the company in South Australia is guaranteed, even were the ownership of the company to change in the future.

Saying that the head office stays here creates in the public mind the idea that this is where the corporate head office is; that is, the place where the major strategic policies of the company are set down and from where all the executives operate. However, in the fine print this undertaking does not say the head office, meaning the corporate head office; it says the South Australian Cooper Basin Assets head office. This is a significant qualification on what the head office encompasses.

It relates to the South Australian part of the Cooper Basin, and it is a matter of public record that the South Australian part of the Cooper Basin has been very thoroughly worked and developed by Santos over the years and most of the productive parts of the basin are now located outside of South Australia and in Queensland. No doubt the production plant is in Moomba—that is a central facility which is in South Australia—but the South Australian Cooper Basin Assets head office is by no means the place where decisions in relation to the company's future developments take place.

The Premier has also sought to suggest that employment in Santos and its head office will remain at something like the levels that currently exist—for example, the deed refers to the fact that there are 1,700 jobs in South Australia, a figure that has been mentioned by the Premier in his public utterances. However, those jobs are not guaranteed; the deed of undertaking merely mentions that number as descriptive of the current situation without giving any assurance that those levels will be maintained. The functions of the South Australian Cooper Basin Assets head office may well continue in the future, but there is no guarantee that the workforce performing those functions will not be reduced. Indeed, the undertaking itself only continues (to quote the deed) 'as long as those functions are carried out.'

No-one should forget, for example, that News Corporation, a company which once had its domicile and head office in South Australia, moved its domicile to Delaware. We are grateful that Mr Rupert Murdoch comes to South Australia annually for a meeting, but there is no doubt that the real domicile and head office of News Corporation is now offshore—and the same thing could well happen to Santos. Even under current ownership and management it need not necessarily stay

here, and, clearly, if there is a change in the majority ownership of Santos it is likely that there will be such changes for taxation or other commercial reasons. I do not in any way deny the right of Santos to do that, whoever are the owners, but I do not believe it is appropriate for the Premier to try to schmooze the South Australian population (as he has done) by suggesting that this undertaking contains measures that it does not, in fact, contain.

I also query the fact that, under the deed, the Premier himself is given sole power to relieve the company of certain obligations. Santos has, for example, been a generous charitable contributor to the South Australian community and it will continue to be so—indeed, it agrees to so continue in the deed. However, there is always the possibility that a company will tailor its charitable donations to causes favoured by the Premier, who has the power to relieve the company of its obligations in certain circumstances. This suspicion arises from the fact that we see the initial donations of Santos, under the deed of undertaking, to charities that the Premier has, by his actions, indicated are favourite causes of his—for example, the notion of Adelaide being a university city. He is not the only one who supports that cause—I do and so do many of us. However, it is intriguing that it is one of the donations Santos has made.

Of course, the other donation is to the Royal Institution, which is a project in which the Premier has taken great personal interest. It is intriguing that Santos should suddenly become a major benefactor of the Royal Institution to be established here. With those comments, I indicate support for the second reading and hope that the bill has a rapid passage.

The Hon. P. HOLLOWAY (Minister for Police, Minister for Mineral Resources Development, Minister for Urban Development and Planning) (17:38): I thank honourable members for their contribution to the debate and their indication of support. I will make a couple of comments in relation to those contributions.

First, I think that it is worth pointing out for the benefit of the Hon. David Ridgway that, as has happened with electricity pricing, there have been significant changes in gas pricing over the last decade and a half, and it has come about through national competition policy reform. Indeed, those of us who debated the electricity bill last week would be well aware that there will be reforms to the gas act into the future that reflect that position.

What I think is most important in relation to gas prices is that the Santos shareholding legislation has very limited impact, if any, on gas pricing. Indeed, one of the submissions from Origin Energy to the inquiry conducted by the government in relation to this legislation (and I think that the opposition has a copy of this) was from Tony Wood, the Executive General Manager Corporate Communications and Government Relations. The conclusion was:

> Origin considers that there are sufficient actual and potential competition at play to ensure that lifting the cap would be highly unlikely to lead to excessive concentration and consequent high gas prices in the South Australian gas market. Retaining a cap in this environment is likely to impede normal commercial activity and prevent the market from reaching an efficient outcome.

I guess what we can say in relation to gas prices, as with all hydrocarbon prices, is that obviously there are upward pressures simply because the amount of hydrocarbon in the world is in decline. If one were to make a prediction about where future gas prices will be, one would be pretty safe in predicting that they would be likely to go up rather than down. What we would argue is that they really have very little to do with the ownership of Santos.

In any case, the resources we have within the Cooper Basin are, of course, declining, which brings me to the second point about why it is appropriate that we deal with this legislation now and why it may not have been appropriate some years ago. I will comment on the contribution made by the Hon. Rob Lucas with respect to the position in 2001.

I remember that, just after the election in 2001, as the minister responsible for the shareholding act I was presented with a sealed document marked 'confidential': it was the Kowalick report. At that stage, the SEAGas pipeline was a concept, and I think that the Hon. Rob Lucas outlined the history fairly accurately. There were a couple of pipelines, and this government, through minister Conlon, was able to get the two proponents together, and we had a larger pipeline.

Of course, that pipeline was first used on New Year's Day (and I am not sure whether it was in 2003, 2004 or 2005) when the Moomba plant went down. We were very fortunate that the SEAGas pipeline was ready for operation and ready to go on the very day that the plant went down. We had enough difficulties as it was, but they would have been much more severe had the gas pipeline from the Otway Basin not been available.

That was really the turning point in relation to this debate. As I said, the Hon. Rob Lucas put the opposition's position as to why it did not act in 2001 on the Kowalick report. I understand that, because it was certainly my view when we first came into government. However, there is no doubt that the presence of the SEAGas pipeline changed competition, and it certainly changed the situation.

Nevertheless, we should accept that the Cooper Basin gas is a declining resource. As each year goes by, the relevance of the Cooper Basin in South Australia will decline, even though some very useful oil exploration is going on there at the moment. The old Santos holding, PELs 4 and 5, or 5 and 6, whatever they were, have been broken up, and a number of smaller explorers are successfully looking for oil and gas within the basin.

Given that the gas was first exploited more than 40 years ago, we must recognise that it is a declining resource, even though Santos may well be looking to use the Cooper Basin to store CO_2 for geosequestration. I know that is one of the important roles Santos sees it can play in the future in South Australia; hopefully, under these changes, it may well come about.

I think it is important to put on the record the importance of the Cooper Basin now to Santos. The basin now accounts for only 23 per cent of all Santos production and only 17 per cent of its reserves. Put another way, it means that 70 per cent of Santos production, and 83 per cent of its reserves, lie outside the Cooper Basin. If one considers the contributions we have just heard, particularly that of the Hon. Robert Lawson, one needs to recognise that Santos always had the potential to restructure its assets so that the current legislation could have been avoided.

Of course, the cost to them would have been not only the goodwill and their customers but also significant legal costs in restructuring and rewriting all of their contracts. But, given the 17 per cent of the reserves and 23 per cent of production of the Cooper Basin, that, after all, is the only thing under the current legislation that really ties Santos to South Australia. There is nothing in the current act that provides head office jobs or keeps the head office here. All that the current legislation does—and I think this tended to be overlooked in the whole debate—is provide that ownership cannot exceed 15 per cent, and it only applies in relation to Santos or one of its subsidiaries operating within the Cooper Basin.

As the Cooper Basin continues to decline in any case, the hold that we would have had over Santos would have also declined. That is why I think it is important that we recognise the job that the Premier, the officers in the Department of Trade and Economic Development within PIRSA, and others in government have done to negotiate an agreement where we can, through the memorandum we have before us, provide significant ongoing benefits to the state. As I said, the significance of the Cooper Basin to Santos and the state is in decline, and that will continue to remove our hold over Santos.

That brings me to some comments made by the Hon. Rob Lawson about qualifications to the deed and the like. In addition to the head offices of the Cooper Basin entity and the operational headquarters, under 4.2 the deed of undertaking also ties in other Santos roles, including the onshore South Australian and offshore Australian exploration, South West Queensland Cooper Basin Operations, Australian Gas Marketing and Commercialisation, Australian IT Services, Australian Accounting Services, Australian Human Resource Services, and Australian Procurement and Logistics Operations. Again, I remind people that if we just leave the act in place it really does not tie Santos to do anything in the state. It simply states that not more than 15 per cent of its share holding can be held by more than one owner.

The fact that we now have a deed that brings in these conditions to the head office is an achievement that I think ought to be recognised. It also needs to be understood that, in relation to the value that we will get out of this deed of undertaking from Santos, there were alternatives. The Hon. Robert Lawson referred to the case of News Limited. The fact that we have been able to negotiate this agreement, I think, reflects significant credit on the Premier in being able to achieve such an undertaking.

The Hon. Robert Lawson seemed to suggest that the speed of undertaking that we have achieved is not very much, because we saw how News Limited could move offshore. In relation to Santos, the point is that that could happen under the current legislation quite easily if it had restructured its assets so that 73 per cent of production and 80 per cent of reserves that lay outside the Cooper Basin were in some other vehicle. I think those points need to be put on the record in relation to this debate.

I trust that that answers all the points. Again I thank all members for their contributions. The time has come in relation to this legislation. Things have changed over the past 30 years. We do

have alternative gas supplies. The Cooper Basin is a declining resource, and we now have a deed of undertaking which ensures that, should a takeover of Santos occur, there are significant protections for the state that do not lie under the current legislation. I think that you must put all of those things together. It is now time for this legislation to be passed. It is time for the old shareholding restriction to be removed, notwithstanding the fact that I think it has served the state very well, particularly back in the late 1970s when there was a real threat to the state of Alan Bond taking over and plundering the resources of the state.

Bill read a second time.

In committee.

Clause 1.

The Hon. D.W. RIDGWAY: I did ask a couple of questions, in particular, about the impact that this change will have on gas prices. While the minister may well have made some attempt to refer to that, I would like him to repeat it if I was out of the chamber. I would like some information from either the minister or the adviser on the likely impact on gas prices as a result of this.

The Hon. P. HOLLOWAY: I indicated previously that hydrocarbons in the world are drying up, and prices will increase on all hydrocarbons whether they are gas or oil. Obviously, you are not saying anything particularly challenging when you say that. My point earlier was that, really, the shareholding of Santos is likely to have very limited effect, if any, on gas prices. I indicated earlier that there have been changes to the gas pricing regime (as there have been for electricity) during the 1990s and beyond.

We discussed the electricity bill last week relating to distribution and setting up prices and charges, and obviously gas will follow. There have been various competition agreements. We still do have control of gas prices for small customers, as I understand it, under the Gas Act. There is nothing in the Santos shareholding bill which in any way impacts directly on gas. I did read out earlier a paragraph from the correspondence the government received from Origin Energy in relation to the review of the Santos legislation. That paragraph states:

> [Origin Energy] considers there is sufficient action or potential competition at play to ensure that lifting the cap would be highly unlikely to lead to excessive concentration and consequent high gas prices in the South Australian gas market. Retaining a cap in this environment is likely to impede normal commercial activity and prevent the market from reaching a sufficient outcome.

The other point I made is that the Cooper Basin resources are in decline. Probably the Cooper Basin will still be significant to this state for at least another decade. Hopefully we will get some new discoveries from some of the smaller oil producers, such as Stuart and Beech. Indeed, I think that Innamincka Energy made that very useful oil discovery the other day. Some of the smaller explorers in the Cooper Basin are discovering some very worthwhile additions to oil and gas. However, in terms of the major gas fields that have supplied this state for 30 or 40 years, the Cooper Basin is unlikely to continue on in any case. Already significant portions of our gas are coming from Victoria, so that will determine the price. Eventually, we might get a national gas grid. Our gas in the next decade or so might come from the north-west shelf, the Timor Sea, Papua New Guinea or coal seam methane resources in Queensland.

Hopefully, we might discover some in the Officer Basin or the Arkaringa Basin where exploration is happening. Wherever it comes from—and certainly if it is outside this state—it is likely to be at a higher price than current gas. Even if we had a situation like we had 15 years ago, where that gas from the Cooper Basin was controlled much more rigorously pre-competition policy than it is now (and because it is supplying so much less of our gas needs), the impact on price would be less significant. As I say, the pressure on gas all around the country and all around the world is likely to be upwards rather than downwards. All the evidence is that changing the Santos shareholding cap will have little impact on price. Other factors will determine price.

The Hon. D.W. RIDGWAY: I am not sure whether the minister or his adviser can answer this question, but given that a significant amount of the state's electricity is produced from gas, are they supply contracts with Santos or is Santos, if you like, a first stage supplier of gas and then it is on sold to other companies, and what impact is that likely to have on electricity?

The Hon. P. HOLLOWAY: One reason to build the SEA Gas pipeline was to supply Pelican Point. Certainly that has contracts with the suppliers of SEA Gas. Already there is a competitive electricity market. Of course, when Moomba went down on that New Year's Day several years ago, SEA Gas supplied the entire demand of the state. We were very fortunate that

we were able to negotiate some agreements with Victoria, and a whole lot of gas sharing had to go on. We survived that month or two until the Moomba plant was back in operation.

Not only do we have some competition to keep prices down but also we have some security of supply that we did not have with the original Moomba price. Even from the Cooper Basin, I think a significant proportion of our gas comes across the border now from the Queensland part of the basin. Increasingly we are becoming a national gas market. At the end of the day the Cooper Basin assets are all that this act links to and are increasingly unimportant in relation to both security and price.

The Hon. D.W. RIDGWAY: Earlier today I asked a question in relation to something in the Auditor-General's Report about Santos overpaying royalties. I noticed in its deed of arrangement that Santos has a self-regulatory approach to its commitment to complying with that deed of arrangement. What checks and balances are in place that will guarantee that the community is not short-changed as a result of this deed of arrangement?

The Hon. P. HOLLOWAY: The deed of arrangement at 4.4 is reporting on the deed of undertaking as a whole. In relation to the Auditor-General's petroleum revenue about which the honourable member asked earlier, I can provide some of the answer now. In response to overpayment of the total royalties on petroleum by Santos in 2005, PIRSA employed an outside independent auditor (Deloitte) to provide advice on its processes for royalty collections in 2005. Deloitte made a number of recommendations for process improvements in relation to the collection of Petroleum Act revenues.

It was the Auditor-General's view that some of these recommendations had yet to be fully implemented. Audit recommended that, in addition, the department review, agree and document that all producers' assumptions are in accordance with the Petroleum Act 2000 and that they validate all royalty returns against documented assumptions. PIRSA has accepted these recommendations.

PIRSA contends that data routinely available to the Petroleum and Geothermal Group (that is part of PIRSA Minerals) and the group's existing capabilities to probe and validate compliance by exception enable the state to reduce the risk that royalty payments may be incorrect to as low as is reasonably practicable. That routine review of all royalty payments provides a basis to assess the need for further data on a case by case basis. Nonetheless, PIRSA has offered to bolster management processes to make the review of royalties payable pursuant to the Petroleum Act more open to scrutiny and transparent to stakeholders.

In addition to probing for compliance by exception, the Petroleum and Geothermal Group has now also implemented a schedule of routine site audits of all royalty payers, and all royalty payers will be asked to have their independent auditors provide additional assurance in relation to key assumptions and their application to royalty calculations. This approach bolsters existing processes that already minimise the risk that royalty payments may be incorrect to as low as is reasonably practicable without excessive cost.

The Petroleum and Geothermal Group has also established an internal multi-disciplinary standing committee, to be known as the Revenue Review and Audit Committee. This committee will have the explicit ongoing responsibility to plan, implement and document the actions necessary to administer, compliance probe and field audit revenues paid pursuant to the Petroleum Act. This committee will manage, monitor and document the progress of all follow-up actions in relation to the Deloitte 2005, Deloitte 2007 and Auditor-General's 2006-07 reviews.

Deloitte was subsequently requested to provide follow-up advice in respect of the Petroleum and Geothermal Group's progress towards compliance with the initial Deloitte report. By the attached 'Royalty Follow-up; Status Report October 2007', Deloitte concluded that two of the outstanding issues had now been completed and that the remaining two issues were on track to be completed within the time frames agreed with the Auditor-General.

The honourable member also asked questions about minerals today, and I will provide a written report in relation to minerals. It is not relevant to this debate, but suffice is it to say that the principal payer of royalties under the Mining Act is, of course, the Olympic Dam operations and, obviously, with the indenture now under review, greater transparency and some of the issues the Auditor-General raised in relation to royalties will be addressed as part of those indenture negotiations, but that is outside the scope of this.

The Hon. D.W. RIDGWAY: I thank the minister for the answer to a question that was somewhat irrelevant. I am interested to look at the audit process. As we know, with the

commitment from Santos with regard to 90 per cent of its operations, we are talking about 1,700 employees. Will the minister explain how we can be certain that it is complying with this deed of arrangement, and what process is put in place to ensure that it receives adequate audit checking?

The Hon. P. HOLLOWAY: Again, I make the point that under the current act all that happens is that shareholdings are limited to no more than 15 per cent. The head office is not mentioned and there is virtually no constraint at all. As I indicated in my second reading response, if Santos wished to restructure its holdings so that the 77 per cent of production and 83 per cent of reserves that lie outside the Cooper Basin were in that restructured group, we would have no hold on it at all.

However, the key parts of the deed of undertaking are the compliance section; 4.4 is reporting; and 4.4(b) on page 7 provides that in the event of a threatened or traditional break of this deed of undertaking the state is entitled without limiting its other rights to seek an injunction or audit the specific performance to restrain or compel the relevant act or omission. Paragraph (e) provides that, in the event of a breach or threatened breach of an undertaking provided by the company in clause 4.1 or 4.2, the Premier may, by notice in writing delivered to the registered office of the company within 20 days of becoming aware of the breach, require to company to (1) rectify that breach or withdraw the threatened breach; or (2) provide a cure plan as set out in a deed poll of the state in a form to the reasonable satisfaction of the state to mitigate the effects of that breach or threatened breach within 60 days of the company receiving the notice. They are the relevant parts of that.

The Hon. D.W. RIDGWAY: In the deed it talks about the Premier being the person or the individual without whose approval Santos–or the company that may at some point in the future own Santos–cannot vary the deed. I asked in my second reading contribution why it is the Premier, not the cabinet, not the parliament and not the minister. I would have thought that, given that this is a significant economic decision for the parliament to make, it should have been involved in that decision or that, at the very least, a report be tabled in the parliament as to why the decision was made to change the deed of arrangement. I would like some clarity on why it is the Premier, not the minister, not the cabinet and not the parliament.

The Hon. P. HOLLOWAY: The first point to make is that the deed of undertaking is given force by weight of the fact that it is attached to this legislation. That was one of the recommendations in the review of this legislation: that, as well as negotiating significant benefits to the state with the removal of the share cap, there should be some legally binding agreement. As to why it is the Premier, obviously, the Premier is the signatory to the agreement, and I would be very surprised if the Premier did not discuss with the cabinet any changes in relation to the deed.

I do not think it would have been impossible to have had it. If you are starting to specify conditions that parliament would need to address, then the chances of getting any negotiated agreement with Santos would have been very slim indeed. That would be my estimation of it.

The Hon. D.W. RIDGWAY: Is the minister indicating that it is possible under the deed of arrangement for the Premier in isolation, even though he says the risk is somewhat small, to change the arrangements without having to refer it to cabinet or to report to the parliament?

The Hon. P. HOLLOWAY: The whole point about allowing any variation is if there is some significant upside to the change. You would expect to vary this deed only if there was some very unusual situation or, in the event of a takeover, some additional benefits were to be provided to the state, which conceivably could happen. In any case it applies for 10 years.

The Hon. D.W. Ridgway interjecting:

The Hon. P. HOLLOWAY: That is unlikely, but it is a possibility.

The Hon. D.W. RIDGWAY: To clarify, it is possible that the premier of the day, whoever that may be, could alter the deed of arrangement. It is an agreement between the Premier and Santos and not between South Australians and Santos.

The Hon. P. HOLLOWAY: The Premier is the head of the government of the state of South Australia, which is why it is in his name. I am sure there are plenty of other examples where the Premier signs on behalf of the state and it is reported back to the government for discussion. The Premier, and the Prime Minister in a national capacity, signs on behalf of the state. I do not think there is anything unusual about the Premier signing an undertaking on behalf of the state.

The Hon. R.D. LAWSON: The Premier issued a public statement on 24 October, as follows:

> These commitments will be supported by a $100 million legally enforceable compensation mechanism, should there be a significant reduction in corporate presence.

That is not a correct statement, is it?

The Hon. P. HOLLOWAY: To correct what I said previously, the Premier is not really a signatory: Santos has signed this as a deed of undertaking to the Premier. It was incorrect to say that the Premier was a signatory. The Premier is the head of government and there are a number of similar sorts of operations one could find that would operate in a similar way. I can only repeat the point I made in my second reading response that, at present under the act, the only limitation imposed on Santos is that one corporation cannot hold more than 15 per cent of the shares.

There is nothing in the current act that talks about head offices, benefits to the state or anything like that. Negotiated here is what Santos has agreed in return for lifting the cap, even though in theory it could have found ways around it, even though it would have been costly in terms of legal fees and so on. It could have restructured its assets outside the Cooper Basin in some other entity. But Santos is a good corporate citizen and has behaved honourably.

The Hon. R.I. Lucas: That's not the question.

The Hon. P. HOLLOWAY: I am not sure what is the question.

The Hon. R.D. LAWSON: Will $100 million be paid if there is a significant reduction in corporate presence, as stated by the Premier in his press statement?

The Hon. P. HOLLOWAY: The undertaking is that if Santos breaches the agreement, as we have indicated in answer to the previous question, a penalty is applied and it is set out—

The Hon. R.D. Lawson: I draw the minister's attention to clause 5(g).

The Hon. P. HOLLOWAY: If the company breaks the agreement in its first year it must pay the state a full $100 million under the deed. Regardless of taping down the break fee to $50 million at year 5, the deed does not terminate until Santos pays at least $100 million to the state. In the event of a break, the state will always receive at least $100 million. That is the design of this memorandum.

The Hon. R.D. LAWSON: Unless it is varied or unless the event occurs later in the period. It is not $100 million in all circumstances, as the Premier suggested.

The Hon. P. HOLLOWAY: My advice is that the deed does not get extinguished unless $100 million is paid. In terms of variation, the only reason you have a variation clause to something is if there is a significant upside for the state and if that becomes an option.

The Hon. R.D. LAWSON: Santos representatives themselves acknowledged the error in the Premier's statement, and it is a pity the government is not prepared to be as honest as the company.

The Hon. P. Holloway: What are the errors you are suggesting?

The Hon. R.D. LAWSON: That you get $100 million in the event of any significant reduction in the corporate presence in all circumstances.

The Hon. P. HOLLOWAY: Under clause 3 of the deed of undertaking, 3.2(a)(3) refers to termination as follows:

> an aggregate amount of at least $100 million is paid as deed expenditure.

So, the deed of undertaking will terminate automatically when any of the following circumstances apply: (1) a period of 10 years has elapsed; (2) the parliament imposes or authorises the imposition of a new share cap, etc.; or (3) an aggregate amount of at least $100 million is paid as deed expenditure.

If you are talking about the jobs in relation to what is here in the Cooper Basin, I can only repeat the points I made earlier. The Cooper Basin is in decline. It is now just 23 per cent of Santos's operations and 17 per cent of its reserves, but that will almost certainly decline, as far as Santos are concerned, over the next decade. That is the background against which this whole decision has been taken.

The Hon. R.D. LAWSON: Is it not the case that deed of expenditure includes payments made pursuant to the charitable agreements, some of which the company was going to pay in any event, as it acknowledged? So, the deed of expenditure does not include payment to the government of South Australia of $100 million.

The Hon. P. HOLLOWAY: It would do in the first year. I will repeat what I said: if the company breaks the agreement within the first year they must pay to the state a full $100 million under the deed, and then there is a tapering down. Regardless of the tapering down of the break fee to $50 million at year 5, the deed does not terminate: Santos pays at least $100 million to the state. That would, of course, include payments it had made under that scheme.

I know the Hon. Robert Lawson is trying to negate the achievement of the Premier in relation to what has been negotiated here, but I think we should recognise that under this deed of undertaking Santos has to contribute significantly more than has been the case in the past. We should recognise that Santos has been not just a responsible corporate citizen but has played a significant role in its support of some key institutions, such as the symphony orchestra, the petroleum school at the university and a number of other community activities. That is something for which Santos should be commended.

Under the deed of undertaking Santos have agreed to extend those significant community contributions that the company has made. They are already significant but they will be even more significant as a result of this deed of undertaking, and that is surely a good thing.

The Hon. R.D. LAWSON: My point is that the Premier has overstated the effect of the deed in many respects, including the suggestion that there are guarantees of employment and that there are guarantees in relation to a head office, which most people would understand as being a corporate head office. There is also an error in the statement made publicly by the Premier that these commitments will be supported by a $100 million legally enforceable compensation mechanism should there be a significant reduction in corporate presence; whereas, the fact is that certainly later in the term of this deed there is no $100 million legally enforceable compensation mechanism in respect of a significant reduction in corporate presence.

The Hon. P. HOLLOWAY: The honourable member can make what points he likes, but I think that what has been achieved here, and I think most South Australians will—

An honourable member interjecting:

The Hon. P. HOLLOWAY: I put the question back to the QC then: what protection exists under the current act as far as the head office or any community contributions (if I can call them that) exist? The answer is that there are none whatsoever. I am sure the honourable member would agree with me. Secondly, does he accept that (like the example he gave earlier of News Limited) there are ways that Santos could, if it wished, have got around the current act?

The Hon. R.D. LAWSON: Clearly, that is not the question I am posing—that is not the point I am making. Rather than simply saying that we are in a better position now than we were before, my point is about honesty and integrity in describing correctly the effect of legal documents.

The Hon. P. HOLLOWAY: I do not think I can add anything more productive to what I have already said.

The Hon. R.I. LUCAS: I support the comments that my colleague the Hon. Mr Lawson has made, with a much more substantive legal basis than I or the Hon. Mr Holloway has. In relation to this deed that we are being asked to approve as a parliament, 4.2(a) refers to the protections in relation to 90 per cent of this company's South Australian-based workforce, which currently equates to approximately 1,700 jobs. I ask the minister how the government itself has established the total number of jobs, or is that an estimate that has been provided by Santos? Secondly, in relation to that, 'public sector' obviously refers to full-time equivalent positions. Are we talking about full-time equivalent positions here or is the minister unaware of the basis upon which the 1,700 has been calculated?

The Hon. P. HOLLOWAY: Santos obviously provided the information in relation to the number of jobs, but it probably publishes these things in annual reports and all sorts of things anyway. I do not think there is any particular company secret about it. In relation to full-time equivalents, I think these are FTEs—we would perhaps have to check, but that was my recollection. The other point I make relates to the reporting (4.4(1), page 5 of the Deed of Undertaking):

The company undertakes that at least once every 12 months during the term it will provide a report to the Premier confirming and certifying Santos's compliance with all the terms of this deed, including, without limitation, providing workforce numbers, rolls and employment status at the time of the report and full audited details of payments made under clause 4.3.

The Hon. R.I. LUCAS: I think, and I believe the minister would acknowledge, that in this whole debate we need to understand the basis upon which the calculation has been done and the guarantee or undertaking that has been given. If the minister's understanding is correct that it is full-time equivalent jobs, then that is the agreed basis for understanding. I believe the minister's adviser is involved with the Department of Trade and Economic Development, and all the activities of that department are based on discussions of full-time equivalent jobs; otherwise (and as we have with the shared services initiative in the public sector) we can have 4,000 positions but only 2,500 full-time equivalents, or something. There are significant differences in some companies and sectors between total positions and full-time equivalent positions. I accept that the minister believes it is full-time equivalents, but I seek an undertaking from him to confirm that that is the case.

The second aspect relates to the undertaking the company has given in terms of approximately 90 per cent of the company's South Australian-based workforce, which currently equates to about 1,700 jobs. What is the government's understanding of the company's position, in terms of its description of jobs in relation to the employment of outsourced contractors? As Minister for Mineral Resources Development, the honourable member would be aware that the mining and resource companies are very much into the employment of outsourced contractors in a whole variety of areas these days—and increasingly so. Do the 1,700 jobs described here include estimates of contracted employees working for Santos in some way?

The Hon. P. HOLLOWAY: I am advised that it does include some contractors. However, in relation to the Cooper Basin and the fact that it happens to be in South Australia (which, after all, is the only hold we have over Santos), and given the investment there, obviously there will have to be employment there for as long as the Cooper Basin continues to produce gas. There will have to be employment by Santos within that area anyway so, in relation to those sorts of contractors (the drillers and all the others out in the field), what we most need to happen is to ensure that Santos (or whoever else operates in the Cooper Basin) continues to explore, and that we continue to make it attractive. At the end of the day, that is what we need to do to ensure that those people are working out there; however, as long as the Cooper Basin continues to produce gas it will have those sorts of people working there.

The Hon. R.I. LUCAS: The minister is obviously aware that some of those 1,700 jobs are outsourced contractors. Has the company provided him with information as to how many of these jobs are estimated to be outsourced contractors?

The Hon. R.I. LUCAS: I am advised that most are full-time equivalent jobs, but obviously there are some in specialist areas. Certainly, and from my visits to the Cooper Basin, it is obvious that there are a number of specialists working either on an ongoing or periodical contract basis with Santos; these are experts in particular fields. However, I am advised that most of the jobs are Santos's own full-time equivalents who would, I guess, be working at the processing plant itself at Moomba.

The Hon. R.I. LUCAS: Has the Premier entered into an agreement with Santos that sets a time each year for when this report must be provided? The deed does not seem to indicate that (although I may not have read it correctly), but there may be other supporting documents. Is there a set date upon which the company is required to report on its employment numbers and other requirements?

The Hon. P. HOLLOWAY: The company has undertaken to report at least once every 12 months during the term, so one would expect that. Of course, the deed will take place when the act is assented to, but there is a 12-month period where the cap remains in place. That is really the beginning; when the bill passes this council today and it is assented to, that is when—

The Hon. R.I. Lucas: But there is no set period every year? The company could report in October one year—

The Hon. P. HOLLOWAY: It is within 12 months, so the period will begin when the act is assented to and then within 12 months of that date it will have to report. One would expect that it would be towards the end of the term.

The Hon. R.I. LUCAS: But there is no requirement. Without wanting to delay it unnecessarily, all I want to confirm is that there is no set date in each 12 month period on which it has to be reported; that it is an issue of choice for the company.

The Hon. P. HOLLOWAY: Mr Chairman, I draw your attention to the state of the committee.

A quorum having been formed:

The Hon. P. HOLLOWAY: I move:

That the sitting of the council be extended beyond 6.30pm.

Motion carried.

The Hon. R.I. LUCAS: The question I asked sought to confirm that Santos can report at any time within the 12 months; that is, there is no requirement in this document, or anywhere else, that states that Santos must report as of such-and-such a date in the 12-month period.

The Hon. P. HOLLOWAY: The important thing is that Santos will have to report during the first 12-month period. So, before the cap is lifted, it will have to report during that time and at least every 12 months thereafter. The honourable member is correct that it does not say that it must report every 12 months on a specific day; it states once every 12 months. Again, I point out that the commencement of the deed relies on when the bill is assented to. However, there is no specific date.

The Hon. R.D. LAWSON: My question is: has the government obtained any advice on the effect of clause 4.4(2)(f) of the deed, which provide:

If the company fails to comply with a notice issued in relation to a material breach, resulting in a loss to South Australia of not less than $5 million...

In particular, how is 'loss' to the state of South Australia defined? The point I make is that there can be a breach of this deed without the state of South Australia (that is, the party to this arrangement) not suffering itself any loss at all.

The Hon. P. HOLLOWAY: This clause is designed in case Santos does not meet those undertakings in relation to the payments to the various community contributions, if I can call them that, and that is where this clause would come into effect. In relation to the point made by the Hon. Rob Lucas, I refer to clause 4.4(b), which provides:

In the event of a threat or actual breach of this deed of undertaking, the state is entitled, without limiting its other rights, to seek an injunction or order for specific performance to restrain or compel the relevant act or admission.

I suggest that, in relation to the employment or the reporting, it gives the state some back-up powers in relation to ensuring that it gets this information. I would not want to suggest that Santos would not comply with it, but obviously this deed of undertaking must apply with respect to any future takeover or other event. These clauses give us extra powers in relation to ensuring that we get the sort of information we need to assess whether or not there is a breach.

The Hon. R.D. LAWSON: The minister glibly brushed aside my question by making an entirely false statement. I referred to clause 4.4(2)(f), which provides that certain amounts are payable if the state of South Australia suffers loss. The particular events of the state of South Australia suffering loss are not the nonpayment or underpayment of any of the social responsibility or community benefits under clause 4.3, as the minister suggested. It specifically mentions clause 4(1), which relates to the maintenance in South Australia of the Cooper Basin head office, and 4(2), which is the maintenance in South Australia of certain functions undertaken by the company. The clause provides that if notice is given that there is a breach and the breach relates to the fact that the company has not maintained its South Australian Cooper Basin assets head office, or has not maintained certain functions at that office, what loss will the state government of South Australia suffer in consequence of those breeches? Unless the state of South Australia can show that it suffers a loss it can recover no compensation.

The Hon. P. HOLLOWAY: In relation to clauses 4(1) and 4(2), which relate to employment, obviously the state has a number of ways of measuring Santos's contribution. One of the most obvious is payroll tax. Through that we have pretty good access to Santos's contribution in relation to employment.

The Hon. R.D. LAWSON: But there is no undertaking that 1,700, or any other number of employees, will be maintained in South Australia. The undertaking is not about the number of people employed; it is about the functions which are to be performed.

The Hon. P. HOLLOWAY: That is in clauses 4(1) and 4(2), isn't it?

The Hon. R.D. LAWSON: Yes.

The Hon. P. HOLLOWAY: Those functions do relate to jobs.

The Hon. J.S.L. Dawkins interjecting:

The Hon. P. HOLLOWAY: Again I make the point that the current legislation has no protection at all; so, if we do not pass this, we simply go back to just a simple limit on the shareholding cap. Obviously, what has been negotiated here gives the state significantly more comfort than what existed under the present act, which, as I said, is simply a restriction on shareholding.

This provides for an undertaking by Santos to provide significant benefits to the state, or face compensation, or face the payment of losses up to $100 million. If you read on, clause 4(4)(f) provides that 'the company will pay to the state by way of compensation such amounts as the state shall certify as its loss, which certificate is conclusive in the absence of manifest error provided that, before issuing the certificate, the Premier must discuss and consult with the chief executive officer or the chairman of the company and have regard to their views regarding the state's loss'.

Again I make the point that the state has various ways of assessing these things, and not just in relation to payroll tax. I know through my other portfolios that in the Petroleum Act there is a lot of significant information available in relation to Santos's activities in the state, and I am sure that there are also other departments in possession of it. I can only make the point that I believe the state has a number of ways that it can assess or detect whether Santos, or some subsequent owner of Santos, were to not comply with the spirit of the letter of this particular deed.

The Hon. R.D. LAWSON: The minister has, I suggest, a gullible appreciation of what is involved in obtaining a loss which you seek to certify against a company like Santos. I want to move on to clause G(5) which provides that, where the earliest compensable event occurs after the fifth anniversary of the commencement date, $50 million is paid. That is a capped amount—$50 million. If that says that it is $50 million after five years, it is not correct to say, as the Premier did, that the commitments are supported by a $100 million legally enforceable compensation mechanism.

The Hon. P. HOLLOWAY: My advice is that the deed does not terminate until either the 10 years have past and Santos has met its obligations or $100 million has been paid. The termination payments are compensation to South Australians for the losses incurred by the breaching or breaking of this agreement. As each year of the terms of the deed is completed, the loss to the state is reduced; therefore, the amount of compensation a company would be owe to the state would be equally reduced.

Each year of the agreement Santos will provide South Australia with significant amounts of community funds totalling $60 million, including $5 million to the Royal Institution in the first 12 months, and during the 10-year term of the deed it will pay $10 million towards the Santos Indigenous fund, a further $10 million towards education initiatives, and an aggregate amount of at least $35 million to organisations or projects of demonstrable benefit to Santos and South Australians.

In the life of the agreement, Santos will provide at least $60 million to the South Australian community through these various payments. That will come during the course of the agreement. The reduction, therefore, in the compensation that will be paid obviously reduces as time lapses and as these benefits from Santos to the community accrue.

The Hon. R.I. LUCAS: When we were looking through the points that the Hon. Mr Lawson raised in 4(2)(f), where it refers to clauses 4(1) and 4(1), why did the government not include 4(2)(a), which is the warranties? In response to the question of how you actually determine the loss, the minister referred to payroll tax and jobs. The only clear reference to that is in clause 4(2)(a). Why didn't the government include 4(2)(a) in the drafting of the subsection to which the Hon. Mr Lawson has referred?

The Hon. P. HOLLOWAY: This was all drafted. Obviously crown law was involved in the drafting of this document. My advice really is that clause 4.2(a) is simply a statement of warranties. It is clauses 4.1 and 4.2 that define the corporate presence, and essentially that is what we are dealing with in terms of compliance and reporting. In clause 4.4(f) we are dealing with that corporate presence. Clause 4.2(a) provides:

> The company acknowledges and warrants that the roles covered by clauses 4.1 and 4.2 represent...

That is just a definitional clause.

The Hon. R.I. LUCAS: The points the Hon. Mr Lawson is making are well founded, and the government would do well to at least consider them. My understanding is that the amounts of the compensation in paragraph (g)—the $50 million through to $100 million about which you are talking—must be established by losses under the definition outlined in paragraph (f). As I understand it, the point the Hon. Mr Lawson is making is that they are all predicated on the basis of clauses 4.1 and 4.2, which refer to the head office and the roles of Santos.

The question the Hon. Mr Lawson is asking is: how do you establish a greater than $5 million loss in relation to the undertakings from clauses 4.1 and 4.2? As I understand it, if you want to claim $100 million, $70 million, or whatever the number happens to be, you must have established and then certified the extent of that loss under paragraph (f) as it relates to clauses 4.1 and 4.2. Those clauses do not refer to the number of jobs specifically; they talk about general roles and the head office.

Is it correct that the numbers to which the minister refers in terms of the potential compensation of $50 million to $100 million based on losses are the losses referred to in paragraph (f) which are therefore, going back, based on breaches of clauses 4.1 and 4.2?

The Hon. P. HOLLOWAY: Clause 4.2(a) is just a definitional clause, and clauses 4.1 and 4.2 define the roles that are required to be here. I am advised that the government quantifies the contribution that jobs make to the economy all the time. It is just standard practice for DTED, as it was for its previous incarnations as other departments. As I understand it, that is what it does all the time. It looks at the contributions companies make to the economy in relation to jobs, and that is really what is being spelt out here.

The Hon. R.I. LUCAS: Obviously, we will not convince the minister to concede that there is an error or a problem in relation to this. However, the minister is giving an assurance to the parliament that he has had legal advice that this collection of clauses will allow the state and its lawyers in certain circumstances to indicate that there have been losses of $50 million to $100 million, or whatever it is, and be able to ensure that, in those circumstances, Santos must pay the compensation of $50 million or $100 million.

The Hon. P. HOLLOWAY: The state government received a legal sign-off on the deed of undertaking by both crown law and independent legal advisers, Corrs Chambers Westgarth. The Crown Solicitor has advised that the deed represents a good outcome for the state and there are no escape clauses in the final version of the deed. Corrs Chambers Westgarth has also advised that the executed deed is valid and enforceable.

Of course, as a final step, the passage of this bill will guarantee that the deed will have the full force and effect of the law. That is the advice on which we are operating. As I say, if we had done nothing, then within the next decade the Cooper Basin's contribution to Santos would become less and less. There is absolutely nothing in the current legislation which gives any protection to Santos other than in terms of its being taken over.

The Hon. R.I. LUCAS: I have not seen the exact nature of the Corrs Chambers Westgarth sign-off, but if it says 'valid and enforceable', in essence that means next to nothing. Of course it is enforceable. If, as the Hon. Mr Lawson has highlighted through his questions, it is not possible to calculate the extent of the loss of $5 million or more, as a state you will not be able to collect ultimately in a court of law or wherever else the compensation up to $100 million from Santos.

It is entirely possible for lawyers to say that this is valid and enforceable, and there is no disagreement with that but, in the end, the circumstances of the drafting of the deed of undertaking might be such that for all practical purposes you will never be able to get the money that is at least notionally indicated you might be able to get in the deed.

The Hon. P. HOLLOWAY: The final point I make is that, of course, the act that is before us has section 4, ratification, which provides:

> The deed will have full force and effect and will be binding and enforceable by virtue of the enactment of this act and without any other legal requirement or step in order to create a valid and binding instrument, and despite the operation or effect of any other law.

As I said, it has been drafted by crown law. Again, I make the point that it is far better than what we have at the present, whereby there are no guarantees whatsoever under the current act.

The Hon. R.D. LAWSON: I agree with the perceptive comments of my colleague the Hon. Rob Lucas. Of course it is possible for it to enforce this deed, but what does that mean? What do you get when you do enforce it? That depends upon the nature of the covenants within the deed. We are pointing out that these covenants are not as strong as they look; and, in any event, the Premier has been overstating them.

In any event, there is no guarantee (and there does not even purport to be when you read the deed) of the number of jobs that will be maintained in South Australia or the amount of payroll tax that will be paid, or the amount of any payments to be paid to the state. I strongly suspect that the state would never be able to establish, to the degree required, the loss that the state government suffers in consequence of most of these breaches.

Clause passed.

Remaining clauses (2 to 7) and title passed.

Bill reported without amendment.

Bill read a third time and passed.

ELECTRICITY (FEED-IN SCHEME—RESIDENTIAL SOLAR SYSTEMS) AMENDMENT BILL

The House of Assembly disagreed to the amendments made by the Legislative Council.

At 18:55 the council adjourned until Wednesday 21 November 2007 at 11:00.