



**Supply Bill
7 April 2009**

Mrs PENFOLD (Flinders): South Australia now carries the second worst budget deficit in the nation, with only New South Wales being in a more unenviable position. By the end of eight years in power and with a GST income bonanza, the Rann Labor government will have saved nothing and provided little for the long-term future of our children but debt. So, the cycle goes around again.

In 1993, when the Liberal government took office, the state could not pay, from the income it received, all the interest on the debts left by the Labor government. In my view, we were technically bankrupt. The new Liberal government was forced to appraise all state assets, and chose to lease electricity assets. These assets were badly run down because profits from the business had not been reinvested in power infrastructure and maintenance. Instead, profits were put into general revenue, which is exactly what is happening now with the government's monopoly, SA Water.

The Liberal government of the day had no money to upgrade power assets, whereas the new owners immediately injected multimillions of dollars into upgrading them. The lease also enabled wind energy companies to enter into what had been a closed government monopoly electricity market. This helped our state to lead Australia in renewable energy. The Rann government's Mid-Year Budget Review reveals that it again has a major expenditure problem, and, once again, has been living above the state's means.

Despite the economic downturn all over the world, this state should have been in clover, well buffered because state revenues actually went up more than \$180 million in the months since the June budget. However, when Labor should have been cutting costs, its expenditure continued to spiral up even faster to an astronomical \$453 million more, and it was not, unfortunately, for projects with a return on investment and long-term jobs. Only city projects featured in this state government's application to the federal Infrastructure Australia funding.

The western half of South Australia, including Eyre Peninsula has a lack of physical infrastructure without which this huge region will not fulfil its potential to assist South Australia to meet its economic, social and environmental goals. Eighty per cent of the mineral exploration in South Australia in 2006-07 was undertaken in the Gawler Craton mineralisation which underlies much of the area. However, mining royalties last financial year in South Australia were only \$165 million, a fraction of the \$3.6 billion in Queensland and the \$3.4 billion received in Western Australia.

The Gawler Craton contains world-class minerals now recognised and in strong demand by countries around the world but unable to be developed until the necessary infrastructure is put in place. The Eyre Regional Development Board Annual Report 2007-08 stated that expenditure by companies on mineral exploration in South Australia during 2006-07 was \$188.9 million, with \$152.2 million expended within the geological province of the Gawler Craton alone.

The priorities to develop the significant potential of this very underdeveloped region are: a power ring main; a 20 metre deep water port near Port Neill; the upgrade of the Port of Thevenard; the upgrade and extension of 680 kilometres of narrow gauge railway and connection to the Australian rail system; desalination plants at Ceduna, Streaky Bay, Elliston, Port Lincoln and Port Augusta; the construction of the Wirulla to Glendambo Road will also provide the route for the power and water (and eventually a rail connection) for the northern mining developments to Eyre Peninsula ports capable of taking Cape Bulker size ships for exports; the upgrade of the Port Lincoln airport (which is the busiest airport outside of Adelaide, but unable to take jets) and also the upgrade of the Ceduna airport.

The western half of the state of South Australia has very little development with few jobs and very few people. The rich resources that could alleviate these problems remain largely untapped. There is massive unemployment, particularly in the Aboriginal populations, leading to poor education and health outcomes.

Despite an enormous amount of mineral exploration, very few mines are coming into production. Companies ready to start to export are working in isolation with one another and, unless pulled together by an organisation—such as Infrastructure Australia or the state government—with the clout and knowledge to do so, companies will continue to struggle on, taking many years (if ever) to become profitable, particularly now that we have had the economic downturn. They could be employing lots of people and paying large royalties to the state.

Adelaide—our capital city—is 600 to 700 kilometres away. The region has been predominantly for sheep and grain farming, fishing, aquaculture and some tourism, until aeromagnetic surveys and other modern technologies showed what the Gawler Craton mineralisation contained.

There are proponents already willing and able to undertake the construction of the ring main, a 400 megawatt wind farm, the hot rocks, solar/gas power supplies, desalination plants and numerous mines. However, without essential power, water, export ports and road or rail transport infrastructure, it will be a long time before these projects will be able to progress. Billions of dollars of export income and thousands of jobs will continue to be forfeited if this infrastructure is not put in place.

A power ring main is required to stabilise South Australia's power supply and enable the input of more than 400 megawatts of wind energy and significant megawatts of hot rock power into the grid. This significant green energy source will enable off-takes, particularly by northern mining companies, including BHP's Roxby Downs expansion, which will require 400 megawatts of power alone, as well as processing and desalination plants.

Currently, the very old 132 kV line without a return that services the Eyre Peninsula cannot even take all the power from the 70 megawatt Mount Millar Wind Farm and the Cathedral Rock Wind Farm on Eyre Peninsula in case it collapses and takes out Adelaide's power. The existing power supply from the Flinders coal-fired power station at Port Augusta is no longer acceptable technology, and the possible introduction of a carbon tax will make this power source unviable in the future.

Infrastructure in Port Lincoln is under pressure just coping with grain trucks and the expansion of the city. It is increasingly obvious that a modern multi-use port on the east coast of Eyre Peninsula, north of Port Lincoln and south of Port Neill, is needed to provide for the future imports and exports of Eyre Peninsula and the west of South Australia, arising from the commercialisation of the extensive and varied Gawler Craton mineralisation that covers the region. The current mining debate highlights just how inadequate the present road, rail, port and even the air infrastructure is for the future development of the region and also for the social, economic and environmental advancement of our state.

Port Bonython at the top of Spencer Gulf near Whyalla is poorly located in an area that is very environmentally vulnerable. The Whyalla port is fully utilised by OneSteel, which is refusing access to other companies and requires barging. Private enterprise could build a new port on a greenfield site in conjunction with an extended and upgraded railway, improved road network and possibly slurry pipelines to provide for minerals and grain exports and any imports as required. Value adding before exporting our commodities should be undertaken where possible, and the inclusion of an iron ore pellet plant incorporated in the initial port plans is a must; however, state government support is required.

The Port Lincoln airport is the busiest regional airport in South Australia, with 150,000 passengers annually. It is owned and operated by the District Council of Lower Eyre Peninsula and has a district population of 4,402. The City of Port Lincoln, with a population of 14,500, is the closest major city to the airport, approximately 15 kilometres.

Council has indicated that it has a broad strategy to enable the airport to be extended and is planning to upgrade most of the airside facilities, including the taxiway, apron and lighting this financial year. It has also set aside funding for concept plans for a terminal upgrade and has recently finalised a business plan for the airport to plan for future operations and development. However, the benefits of a jet service is something the small district council will have to consider carefully, because the capital expenditure and recurring maintenance costs on a new upgraded terminal and associated security requirements is significant. Again, help from the state government is probably a necessity.

If the Port of Thevenard is not upgraded then the new port south of Port Neill would become the only major port to service the whole of Eyre Peninsula and an area west of the Western Australian border. Minerals from the north and west would need to be transported a considerable distance for export. Thevenard currently handles a greater tonnage of product than Port Lincoln, namely, grain, salt and gypsum. Additional exports, however, are now in the process of development, including Minotaur's kaolin deposit near Streaky Bay; Iluka Resources have indicated massive deposits of high-grade mineral sands; and Adelaide Resources have mineral sands, uranium and ore deposits. Existing exports of grain, salt and gypsum would also be under threat without an upgrade to cater for larger ships.

A new railway line or an upgraded standard gauge line needs to be redirected along a new section approximately 30 kilometres from Ungarra to a new port to take all freight, including grain and minerals. Water continues to be one of the biggest issues throughout the nation and no less so than on Eyre Peninsula. Access to SA Water pipes must be enabled for desalinated water to be utilised throughout the region. Quantities of potable water are needed urgently to enable mineral sands to be processed locally. Presently, they are to be shipped to Western Australia, I understand, for processing due to the lack of water available in the region. Kaolin also needs about three gigalitres of water.

The Wirrulla-Glendambo Road should be the responsibility of state and federal governments to fund. It is becoming increasingly busy with traffic from the many outback mining activities and hundreds of tourists. Tragically, there have already been deaths on this road and it is increasingly impacting on the local community who are called to assist when there is trouble. The wear and tear on this road is significant as it was not built for the volume of traffic that is utilising the transport corridor.

The current global financial crisis has become a convenient ruse for the Labor government's mismanagement and incompetence in their disastrous mishandling of the state's economy. The Premier and the Treasurer have again landed South Australia in a financial pickle. This, perhaps, should have been expected given the honourable members' history in virtually bankrupting the state when previously in office and in charge of the state finances.

The government has spent much of the windfall revenues on unbudgeted items. It has not paid off the debt or put money away—quite the contrary, in fact, with unfunded superannuation and WorkCover debts both now back in the very dark red. A symbol of eight years at the helm will be the non-functioning mini wind turbine atop a state administration centre that the government no longer owns; trams that do not suit our climate; and traffic jams on North Terrace, making an important connecting road into a negotiating nightmare for traffic. Taxis and motorists are avoiding the road wherever possible. It is hardly an endorsement for a government dealing with 21st Century traffic in an expanding city.

The expenses blow-outs are driving this state's liabilities to a level which may well jeopardise South Australia's hard-won AAA credit rating, a fact already acknowledged by our Treasurer. Returns on the government's invested assets under management—that is, Funds SA, WorkCover and the Motor Accident Commission—were all negative in 2007-08. This should have sent serious warnings to the government that its financial management was not up to the task.

In 2007-08, Funds SA incorporated Motor Accident Commission funds under management, as well as a couple of other funds, which masked their total losses. Since 30 June 2008, notwithstanding revenue into and out of the funds, Funds SA investments have fallen by \$3.7 billion while WorkCover's investments have fallen \$314 million, together making a loss of \$4 billion. This has all happened at a time when revenue has actually increased.

The Auditor-General's Report for 2007-08 Part C, page 54, stated that the net financial liabilities to revenue ratio is not, however, declining towards that of other AAA rated states as required by fiscal strategy. However, despite the increase in revenues the Treasurer, on 14 October 2008, as recorded in Hansard, blithely blamed 'the crashing of revenue' for the worsening state's financial liabilities to revenue ratio.

From 2002-03 to 2007-08 the Premier and Treasurer incompetently underestimated revenue collection each year, collecting a massive \$3.7 billion more than expected. The Auditor-General noted that these unbudgeted receipts masked unbudgeted increases in expenses. Compared with other states the severity of South Australian taxes is confirmed by the Commonwealth Grants Commission. South Australia has been the highest taxing state in each year under the Rann Labor government. The last year of the previous state Liberal government (2001-02) was the last year when South Australia was not the highest taxing state.

The 1993 Liberal government took over a bankrupted state and managed to keep South Australia competitive on a national field. However, under this Labor government, South Australia taxes more heavily on land, stamp duty, gambling, insurance, heavy vehicles and motor vehicle registrations and transfers than any other state.

Land tax revenue, one of the many taxes on business, increased a massive 265 per cent under the Rann Labor government's seven years in power. Payroll tax, which is a tax on employment, is higher in South Australia than other states. These taxes are a significant disincentive to doing business in this state and account for businesses moving their head offices interstate.

It is significant to remind this government that 94 per cent of business undertaken in this state is by small businesses. Small businesses are the major state employers. They provide jobs, keep people employed and keep our state vibrant, yet this government is hell-bent on making life as difficult as possible for small business owners.

Further fracturing its credibility, this state government has reneged on its promise to abolish agreed state taxes in exchange for GST revenue. It will continue to levy two taxes on business transfers for an extra three years to lever an extra \$142 million from long-suffering businesses. Authorisation for this from the Rudd Labor government demonstrates the latter's lack of concern for the viability of business and, therefore, the jobs of South Australians. It makes a joke of the Premier's statement of being unashamedly pro business—which I read in *The Australian* on the weekend.

This massive increase in various commonwealth grants has hidden the debacle in the handling of the state's finances but, even so, South Australia will still receive more GST revenue over the forward estimates than the Treasurer had budgeted for when he was elected in 2006-07.

Water, as I stated, is a universal and crippling topic in this state, and Labor's financial mismanagement is highlighted in the story of SA Water. Total dividends and payments to the state government from SA Water are budgeted to be \$273 million in 2008-09. Since 2002-03, the government has stripped \$2 billion from SA Water customers. Little of this has been made available for infrastructure spending and certainly not on the Eyre Peninsula where it is badly needed and incursions from the sea are, as I understand it, getting into some of our southern basins.

However, according to the Treasurer, these record SA Water contributions are not enough even to fund the proposed desalination plant for the city which was an initiative of the Liberal opposition as a practical response to our city's water crisis.

The Auditor-General has highlighted repeatedly that the Rann government is treating SA Water as a cash cow. The state's own water utility is being starved of money to carry out capital projects even though the state is going through a drought and has water restrictions. The Auditor-General's Report 2005-06, Part B, Volume IV, page 1232 states that SA Water will have to increase its borrowings to maintain or increase its capital expenditure. In other words, the corporation is borrowing money to pass on to the state to make the state's finances look better than they are while being unable to fund necessary capital works or even to maintain existing infrastructure. Again, this was emphasised in this year's report as follows:

In four of the last five years net cash generated from operating activities was sufficient to cover the net cash used in investing activities...but insufficient to pay the level of dividend and return of capital required by the Department of Treasury and Finance. To meet its payment obligations to government and finance its capital works programs the Corporation's net increase in borrowings has risen significantly in 2007 and 2008.

When it comes to state debt the statement 'You ain't seen nothing yet' covers Labor's approach. The government has previously announced that the prison PPP will be delayed by up to three years. The honourable Treasurer's 'rack 'em, pack 'em and stack 'em' policy must have to be revised. Perhaps the government will legislate for prisoners to be accommodated in overcrowded, under-resourced prisons by sleeping in shifts: 'rack 'em, pack 'em, stack 'em and triple shift 'em' every eight hours.

Then there is the enormous unbudgeted increase in public sector numbers, which have risen by an additional 14,842 from 2001-02 to 2007-08. Contrary to Labor claims that these are in health, education and policing, only 4,414 are nurses, doctors, teachers or police officers.

Supply Bill 30 May 2008

Mrs PENFOLD (Flinders): I rise to support the appropriation from the Consolidated Account for the financial year ended 30 June 2009 of \$2,300 million to provide for the first three months' expenditure of the 2008-09 financial year until the budget receives assent, despite disagreeing with what much of the expenditure will be used for by this government.

While this government is spending millions of dollars expensively retrofitting solar panels and wind turbines to government buildings and schools to provide power that they already have, in the electorate of Flinders (which covers an area of 55,000 square kilometres, the size of Tasmania) communities with similar expenditure to supply power would be able to create long-term wealth and jobs where they do not now exist. Schools, hospitals and businesses can be retained, ensuring the survival of small communities that are under threat.

The multiplier effect, in economic development and jobs, of government infrastructure expenditure put in the right place is at least six times but, on Labor's gimmicks, it is none. In fact, these are depreciating assets that continue to cost the taxpayer in depreciation and replacement cost. However, I do not think that this government has any understanding at all of the multiplier concept, or if it does, the government does not care that it is wasting millions of dollars of taxpayers' money.

Water is of the greatest importance to the constituents of South Australia at the present time because of the droughts across the nation and the threats posed by global warming. Yet, this government is continuing to allow its monopoly provider, SA Water, to procrastinate. Money is being spent on mini hydro-turbines on reservoir pipelines to produce a minuscule amount of power. There is \$46 million being spent to fit out SA Water's new headquarters, which they do not even own. Numerous more executives are being employed at salaries of over \$100,000 per year. Thousands more taxpayers' dollars are being spent trying to stop people using the product—water—that it has a monopoly to supply to the people of South Australia.

In my own electorate the privately-funded solar-powered mechanical vapour compression desalination plant proposed for Ceduna more than two years ago has been lost, and people are still having to replace thousands of kilometres of pipelines, water softeners, water heaters and electric jugs because of the foul water being provided by the government through SA Water. Instead of desalinated water being provided where it is badly needed by private enterprise for about a dollar per kilolitre, a pipeline was built by SA Water to bring 1.4 gigalitres of water from the ailing River Murray at a total cost of \$48.6 million.

The new technology that was to be used for the desalination plant in Ceduna has been taken to Queensland for two commercial projects in that state, and the owner has advised me that he does not expect to be back. Meanwhile, mining is happening in my electorate. If we are to do any value adding we will need large quantities of good water. One of these is at Ceduna where Iluka is developing a very large high quality mineral sands deposit, which we should be processing before it leaves our shores.

There is a large, world-class, high quality deposit of kaolin near Streaky Bay which is suitable for use in paper making and which will be developed in the next few years but, again, it needs to be processed before it is sent overseas. Processing requires copious amounts of high quality water. Instead more community water consultation is taking place.

It is that waste of money by this government and SA Water about which I want to talk because, while payroll, property, gambling, insurance, motor vehicle and other taxes are increasing and causing grief to many people, nothing will hold us back as a state as much as the need for expenditure on infrastructure, particularly for water. It is one of the biggest expenditure items of the new federal government with a huge \$12.9 billion being announced by minister Penny Wong yesterday to be spent over the next decade. It frightens me that this Labor government and SA Water will have a major influence on how our share of that money and our taxes will be spent to provide South Australia with the infrastructure it needs to enable us to thrive into the future, particularly in regional areas.

A strategic objective of SA Water is to 'plan, develop, operate and maintain our infrastructure to consistently meet the needs of our customers and owner'. Unfortunately, the emphasis has been on the needs of the owner at the expense of the customers. Given the government's control of SA Water this is not surprising. However, it ignores the fact that \$7 billion in assets held by SA Water belong to the community—and the community should come first.

If the government as the ultimate controller of SA Water decided to reduce the dividends paid into general revenue and that water would be provided at the lowest cost as needed, based on reasonable expectations of increased demand, the cost of these consultations could be avoided. The community is currently being questioned about what it wants with virtually no information on the cost of the alternatives. The cost to the community exists, whether incurred by individuals, SA Water, the government directly or the government and councils as subsidies. The cost of emotional and political decisions, not based on either logic or need, are enormous.

The present requirement for new houses to have water tanks is one of the most irrational decisions, as the amount of water saved of the average 270 kilolitres normally consumed by households is miniscule. In my view, the cost to produce water of high quality and quantity where it is needed should be the only issue. The costs would include placing a value on externalities, for example, environmental costs and possible benefits, such as removing an existing environmental problem. If one asks the public to make decisions on what it wants with virtually no information on the cost it is equivalent to asking a jury for its decision without a court case examining all the issues. One gets an emotional, not a rational, response.

Juries are well supported because they are seen to make good decisions, but this is dependent on the quality of information provided and tested. This information is not being provided. Why are the most important decisions not on the table for discussion and community view? For instance, why are we not debating the justification for permanent rationing of water? It cannot be denied that 'permanent conservation measures' are a form of rationing. Why is water targeted and nothing else? Is there something unique about water that attracts this special attention?

I think we should look first at the nature of water. It is inexhaustible. It covers 70 per cent of the earth's surface. Unlike most commodities it is totally recyclable when used. It is probably the cheapest commodity we consume. Desalinating water costs about \$1 to \$1.20 per tonne. What else costs so little to produce? If desalinated using renewable energy—wind or solar—it would probably have the lowest ecological footprint of any substance used by humans. It is the cheapest commodity to distribute right into the houses of the consumer, using existing pipeline infrastructure, with no mess—completely safe and ready to use: 10 out of 10 for convenience. What other high quality product can be continuously distributed to virtually every household and business in the state for under \$2 a tonne?

It is a necessity for life, similar to food but vastly cheaper to provide. It provides many other benefits: hygiene with dishwashing, showers and toilets, the pleasure of long, hot showers and the mental health benefits of beautiful plants and gardens. It can be used to grow and keep alive in droughts crops, vines and fruit trees, providing food, trees and beautiful gardens which reduce CO2 accumulation. Through its use employment is provided for thousands of people in the state in both regional and city areas and in some of the most pleasant fields such as viticulture and landscaping.

With all these benefits, why is the cheapest, most convenient, most ecological commodity, which is critical for hygiene and horticulture and which provides a lot of pleasure with our culture of gardens, targeted for permanent restrictions? If the aim is to reduce the average footprint, why is water chosen? Why not put restrictions on the type and amount of food produced? In the United States of America food production consumes about 17 per cent of all energy and we assume it is the same in Australia. We could have SA Food—a monopoly that would ration food, help government finances, reduce the cost of obesity and reduce the cost of medical facilities in the future. Food is available in unlimited quantities; why not the other essential—potable water?

We could require all private city vehicles to be purely electric in 20 years and increase wind power to provide extra energy and eliminate four-wheel drives and large private motor vehicles that not only pollute but also consume a non-renewable resource. We could eliminate where possible the use of bricks, concrete and steel. Cement for concrete produces 5 per cent of greenhouse gases worldwide—about twice that of air travel. Why not require all houses to be built of plantation timber, with no CO2 and sequestration combined? All of the above would be vastly more effective at reducing the individual footprints but lack one attribute: they are not controlled by a government monopoly.

The obvious conclusion on why we have consultations and do not get information on costs is that it is the best way to achieve what the government wants, namely, to avoid rational decisions if they do not suit their plans. I am concerned that it is more of a process of exhausting people with inappropriate ideas than one of gaining local knowledge and ideas with consequent benefits. Instances of the government making irrational decisions include imposing the requirement for water tanks on new houses when it is of so little value, it is so costly and it adversely impacts on home buyers who can least afford it.

Waterproofing Adelaide estimates the cost at \$5.40 per kilolitre. Why is the government subsidising tanks in existing houses? Is it to get the emotional kudos without having to reduce transfers of profits to the government or increase water rates to finance new infrastructure? Why put the \$48.6 million pipeline from Iron Knob to Kimba, supplying either the Murray or desalinated water, while preventing a much cheaper alternative at Ceduna? That pipeline has annual costs of \$2.9 million, in interest at only 6 per cent, \$700,000 annually straight line depreciation, operating costs of, say, \$300,000 and a water cost if desalinated of, say, \$1.7 million (that is at \$1.2 per kilolitre) at a total cost of \$5.6 million annually for 1.4 gigalitres of water, or about \$4 per kilolitre.

How can this be justified when Ceduna was offered desalinated water? Unlike the pipeline, this was almost completely greenhouse and pollution free, as it would have used solar energy and the saline water was to go into the existing Cheetham salt pans. Compare this with the Whyalla desalination plant planned for BHP using mainly coal or gas for energy, pumping the saline water into the reverse estuary in Upper Spencer Gulf, plus the substantial extra pumping costs using the same energy source.

The only logical reason is that SA Water is owned and managed as a government monopoly and the government and SA Water are determined to maintain that monopoly, no matter what it costs the community. This monopoly currently pays 96.5 per cent of its profits into state revenue. It pays twice as much to the government as it has expended on capital items over the past five years. What is the opportunity cost of the pipeline decision? What would over \$50 million have done elsewhere, if expended usefully? What is the cost of this stupidity of incurring a greater cost for the supply of a basic commodity such as water, when it could have been supplied much more cheaply as and where it is needed by private enterprise?

Further, the compound effect of this annual loss of about \$4 million, when compounded over the life of the pipeline of about 70 years with interest on the cumulative losses (\$1.16 per kl—the highest rate versus \$4 cost), plus losses of water that are not chargeable over that time, adds up to billions of dollars that have to be paid by future generations, and this is only one project.

Water tanks are probably more costly although disguised and diffused in subsidies, new building costs and over many households. It is a hard-headed and deliberate program of maintaining the monopoly of SA Water—and monopolies, by their nature, will do everything possible to prevent competition. This imperative of SA Water is reinforced by the government, which is determined to maintain the income it generates and not have it white-anted by competition. Forcing change on monopolies can be done only by introducing competition or by legislation. For this reason, they are not allowed to exist in private enterprise and there are massive penalties to prevent it. A monopoly owned by a government has even more monopolistic power in practice and is much better able to prevent competition.

The question for all communities is how to break this monopoly. SA Water could own and operate the pipelines, another government entity could own state water resources and private enterprise could be allowed to bid against that entity for the supply of water. It is complex, but the critical need is to avoid politically motivated decisions. The cost of not having water or providing it in the wrong way is too great. We are not a third world country. We may be the driest state in the driest continent, but should that make us the most miserable with such a basic commodity as water? People have just as much right to have the pleasure derived from a large garden, using a normal shower head and having a good shower and even having fountains, spas and pools.

It is the community's right to have adequate water supplied at the cheapest cost. This can be done. The method depends on the circumstances. Modern technology enables unlimited supplies of water to be provided by desalination at a cost that is expected to be as low as \$1, possibly less (1,000 litres or a tonne). Using wind power means insignificant greenhouse gas being produced. Saline water can either be put back into high energy sea areas, or mixed with low salinity sewage discharges to bring them up to sea water salinity levels, or made into salt.

There are apparently well over 7,000 such desalination plants around the world. Stormwater collection and similar methods may be economical in special circumstances, but rarely. They normally require costly collection facilities, large storage and a duplicated supply system, which can be very expensive. Additional costs may be offset by environmental benefits and justify this alternative. Pricing can be on the basis of normal consumption of existing cheaper supplies being at current prices (which only covers basic distribution and administrative costs). Any consumption above that would be at the desalination cost plus other costs; perhaps up to \$2 per kilolitre in total. That is cheap. What other high quality commodity can be delivered to your door for \$2 a tonne every day of the year?

At present, we pay an average cost of over \$1.50 per kilolitre for the first 250 kilolitres when fixed supply charges and River Murray levies are included. Why deprive those who want additional water for an extra 50¢ a kilolitre? If someone wants an extra 50 tonnes it will cost, say, \$2 per week. Our market system for all other commodities matches supply with demand through prices. This cannot happen with water in South Australia due to the monopoly of SA Water's limiting outside access to its pipeline systems. I support the Supply Bill, with reluctance.

Supply Bill 27 March 2007

Mrs PENFOLD (Flinders): I support the appropriation from the consolidated account for the financial year ending 30 June 2008 of \$2 000 million to provide for the first three months' expenditure of the 2007-08 financial year until the budget receives assent. However, I point out to the taxpayers of South Australia that the Rann state Labor government will go down in history as a government of missed opportunity and broken promises, providing media gimmicks and expensive, depreciating, non-income earning liabilities, instead of providing the much needed infrastructure assets that would provide long term jobs and income and billions of dollars in multipliers from the mining, manufacturing and tourism industries stimulated by such activity. The Labor coalition state government conveniently forgets that the previous (Labor) government technically bankrupted the state.

When the Liberal government assumed office in December 1993, the state's income did not even meet the interest payments on the \$11.6 billion of state debt. Any business in that position would have been declared bankrupt unless it could very quickly liquefy some assets. It is an indication of Labor's ineptitude and absolute lack of financial management that continues with the current Labor government, a government that contains many of the same players who put the state in that mess, including the Premier. One has only to look at the WorkCover debacle to realise that nothing has changed and the state is again going down the tube under this Labor government. The former (Liberal) government paid off the WorkCover debt, bringing it down to under \$100 million, only to see it heading up again towards a billion in the few short years under Labor.

The Liberal government set about returning South Australia to a viable financial position. It is a wonderful success story set amid straitened circumstances, when every cent that was spent had to be factored into the debt that existed. Despite the funding handicaps, infrastructure began to improve. At the time, Kangaroo Island was in my electorate. School maintenance was so limited under Labor that a set of steps at one school were not used because they were considered dangerous. At Kimba, a classroom was so affected by white ants that it had been closed for years. There were limited options for the Liberal government to reduce the \$11.6 billion in debt. One of the most significant was the long term lease of ETSA. Standard and Poor's noted the Liberals' incredible success in reducing what was a crippling debt holding back the progress of our wonderful state.

Labor opposed this economic strategy. Labor ministers still hope that, by propounding their opposition to this Liberal initiative, attention will be turned away from their own economic failure to capitalise on the very much improved financial position that they inherited from our Liberal government. However, the sound financial management under the Liberals meant that, when the Labor coalition government again gained power, it had a state that was financially viable, with the debt reduced to only \$3.2 billion in 2001, and the federal government's GST paying taxpayers' funds directly into the state's coffers. This brought immeasurable opportunities to invest in infrastructure along with other community necessities, specifically health and education.

One of the Labor coalition's early decisions was to cut funds for outback road maintenance, reducing the number of teams and therefore the work they were able to undertake to keep isolated roads in a useable condition. Shortly after this reduction, a Swiss couple and their child were killed in a vehicle roll over on a corrugated road in the north of our state. Corrugations on dirt roads are something that even the majority of Australian drivers never encounter, let alone

tourists. It is not widely understood that corrugations can be fatal, as in this instance, by causing vehicles to roll or leave the road, or both. As a writer in *The Advertiser* letter columns put it:

Many roads are in a shocking state of disrepair and something needs to be done urgently if we are to act on lowering the road toll and begin being taken seriously as a state that promotes tourism.

The Labor coalition is squandering its opportunity to continue the Liberals' work of building state infrastructure. I am proud that two of the longest unsealed rural arterial roads in the state, the Kimba-Cleve and Lock-Elliston, were sealed because of the decision by the Liberal Minister for Transport, the Hon. Diana Laidlaw, to support them. Many people often stated that they had not expected to see these roads sealed in their lifetime. When I first broached the sealing of the roads, I was told by some that it was impossible, but it was done, as were numerous local roads of economic and tourism importance that could not have been sealed by the small regional councils. But that is the Liberal way. Both categories of local roads of economic or tourism importance have been scrapped under the Labor policy of population based funding that requires road funding to be spent only on the criteria of where the most people live.

Members should contrast the Liberal record with that of Labor's folly over the 12 kilometres of dirt road connecting Lucky Bay to the Lincoln Highway. Lucky Bay is the docking point on Eyre Peninsula of the Wallaroo-Lucky Bay ferry, which carried 20 000 people and nearly 800 vehicles in its first three months of operation, saving tonnes of greenhouse gases as well as significant wear and tear on the 300 kilometres saved on the road trip between Cowell and Adelaide. Other benefits include reducing freight costs and enabling regional people to access health, education, business and cultural activities in their capital city, Adelaide.

In 2006, Franklin Harbor District Council applied for \$900 000 of federal funding under the Auslink Strategic Regional Roads Program, to be matched with \$900 000 from the state government and a \$135 000 contribution from council. The major factor in council's application being unsuccessful was the failure of the Rann Labor government to confirm its matching funding in writing. So, a \$900 000 gift to the state was lost. We are now moving into winter with, hopefully, a significant rainfall. However, this unsealed road remains potentially dangerous. This example is typical of Labor's missed opportunities.

John Spoehr, Executive Director of the Australian Institute for Social Research, told a conference that infrastructure spending tended to make economies more productive. He said that the golden rule in relation to it is that those countries that have strong investment in infrastructure are generally more productive than those that have a less than average spend on infrastructure. Hopefully, this Labor state government will hear, understand and act on Mr Spoehr's advice. Every aspect of infrastructure has been run down by Labor water, power, rail and ports, as well as roads. It was a daunting task that the Liberals faced while bringing the state back into the black and now we have to watch Labor again squander the gains made.

We have been working on renewable sources of energy and desalination for more than 13 years, starting before my election to parliament. In part, through the work I was doing with private companies, we now have two wind farms on Eyre Peninsula one at Mount Miller and the other at Cathedral Rocks. In fact, the whole of the wind farm industry traces back to the early support I gave to Babcock and Brown, who started on Eyre Peninsula but transferred to Lake Bonney when I was the only member of parliament of any party in either house to support it. When they wanted someone to launch the Lake Bonney project at the Millicent Town Hall I was the politician invited all the way from Port Lincoln to attend.

This state government is handicapping the potential of wind energy by its lack of support for the necessary powerlines to link turbines into the grid. We could have many more wind farms pumping power into the state and national grid reducing greenhouse gas emissions improving the environment but the infrastructure must be upgraded to cope with the extra power. What is more important to South Australian taxpayers: a \$30 million kilometre of extra tramline that will reduce traffic in the city of Adelaide to a snail's pace or 1 000 megawatts of wind energy on Eyre Peninsula providing a substantial reduction in carbon dioxide emissions that will have a positive impact on the climate of this state and, therefore, the whole of the nation?

Wind farms work well in conjunction with desalination plants. Nowhere is Labor failing more disgracefully than in relation to the issue of water in this state. Private desalination companies have battled to date, unsuccessfully to build plants in regional areas in South Australia. Had this government given just a little support then I suggest that at least Eyre Peninsula's water shortages would be a thing of the past. The high levels of chlorination (from which the health

risks are unknown) and the calcium blocked pipes and water softeners costing farmers and householders millions of dollars would be only a bad dream if private enterprise desalination plants had been or were being facilitated. Instead, Labor squandered funds on a feasibility study for a desalination plant at Tod Reservoir.

Labor's water minister made the breathtakingly stupid decision to extend the pipeline from Iron Knob to Kimba at a cost of \$48.5 million to deliver a paltry 1.4 gigalitres of water into the Eyre Peninsula system from the ailing River Murray. I wonder how the constituents, irrigators and small businesses in the electorate of the Minister for the River Murray feel about the decision to further draw on this already stressed resource. At full capacity the pipes, supposedly, will deliver 2.4 gigalitres if a desalination plant is built at Whyalla some time in the future after 2012 if ever.

The cost of \$48.5 million is estimated to be \$9 billion over a 75 year lifetime of the pipeline, given an interest rate of 6 per cent. What appalling incompetence which led to our current water minister saying that we must drain lakes (irrespective of the ecological and/or environmental consequences) because South Australia's water allocation from the River Murray is all but used up. What a lost opportunity cost when this \$9 billion could have provided recurrent funding for the disabled, health, education or even urgently required infrastructure. This is only one of the many opportunities missed by this union run government, which has become known for its lack of vision, impractical decisions, cronyism, hypocrisy and contradictory statements and actions.

Labor strenuously opposed the introduction of the goods and services tax, yet it is the billions of dollars pouring into this state in revenue which provides this Labor government with the means to lift the whole of this state. Instead, GST revenue is being squandered and opportunities again lost. I was amused to read a report in today's *Advertiser* that the Treasurer is hinting at a spending spree. He reportedly signalled that there would be funding in the June budget for infrastructure related to the Olympic Dam mine expansion. The hypocrisy of Labor has to be experienced to be believed. The Premier strenuously opposed the building of a repository for radioactive waste the total for South Australia amounting to about the size of an average room in a house because, supposedly, it was too dangerous to contemplate. Yet the Premier is falling over himself to promote an expansion of uranium mining, even getting into the position of national President of the Labor Party where he hopes to change Labor's farcical and contradictory three mines uranium policy, touting the wonderful example of Roxby Downs mine that in an earlier time he called a 'mirage in the desert' and tried to prevent; I understand he even wrote a book on the subject.

Hopefully, the Premier and the Treasurer will also realise that ore from mines has to be carted by road, or preferably rail, and exported through ports. Despite the flood of revenue from the GST, this Labor government still demands that the federal government pick up the tab for most major projects. One could hope the Treasurer's sudden interest in infrastructure will include rail and something of value. However, since Labor took office two sections of the Eyre Peninsula rail line have been closed. The federal government invested \$10 million towards maintenance and the state government put in a measly \$2 million, then the state government said that if farmers wanted rail to cart grain to ports for export they would have to come up with the extra. So, once again, farmers were hit for what is a government responsibility and for which farmers paid in freight rates to state and federal governments in the past when the Eyre Peninsula line was one of the few profitable lines in the country. Imagine the outcry if people living in the suburbs of Adelaide were told that if they wanted a bus system they themselves would have to pay for it.

Eyre Peninsula is on the verge of a mining boom as private companies undertake feasibility studies prior to starting mining. It would be better for the environment and it would reduce wear and tear on the roads if ore could be transported by rail. The Eyre Peninsula rail highlights the lack of vision and forward planning by the government. Some of the proposed mines contain iron ore which could be railed to Whyalla for processing and shipment. I have been unsuccessful in pointing out the advantages in joining the stand alone Eyre Peninsula rail division to the national network through Whyalla. It would have been a much better use of the \$48.5 million that was spent on the pipeline along the same corridor, perhaps combined with the equivalent money currently being spent to fit out SA Water's new offices in Adelaide. Investing \$100 million would bring about a return on investment instead of a long term cost over 75 years of about \$20 billion.

Then there are the broken promises, and one of the most brazen of these is Labor's population based funding policy. I mistakenly believed that all state governments governed for the whole of the state and its residents, because that is what a Liberal government does. However, that is not so. It depends on how many people live in a particular area. For instance, it does not depend on the fact that each person needs to get to a shop to buy food and a city to access health and education facilities but, rather, that the closer people live together, the easier the government should make it to buy

food and access health and education facilities, in addition to providing so called numerous free events for their entertainment. That is the stark way in which Labor's population based funding works.

This is very apparent in health services in country areas. During the term of a previous state Labor government, the Premier was made aware of the unpopularity of and loss of votes in closing country hospitals. Population based funding takes care of that. His government simply cuts the funding and services to rural and regional hospitals on the basis that the population is not there or the skills are unavailable. The latter has a lot to do with the short term contracts that discourage government employees to plan their lives in the country. A vindictive person might hope that the Premier and his ministers could be relocated somewhere in the vast country areas of South Australia and have to suffer because of the reduction in health and other services that they are engineering.

**SUPPLY BILL (SA Water)
10 May 2006**

Mrs PENFOLD (Flinders): As people living in the driest state in the driest nation in the world, I implore South Australians to wake up. Their future development depends on a good quality water supply for all, and our future is being stolen by an incompetent government that is using water as a cash cow and not reinvesting in our future, as it should be. We have the biggest 'Yes Minister' fiasco where no one minister is responsible, and our most valuable resource is at the whim of everyone and no-one. Until last week I could not understand why I could never pin anyone down. Then 'The transparency statement: water and waste water prices in metropolitan and regional Adelaide 2006-07', was tabled in parliament and I understood a major part of the problem for the first time. It is summed up in what is called in the report 'the institutional framework'. It is certainly not a business framework. The document states:

The 1994 COAG strategic framework requires separation of the roles of water resource management, standard setting and regulatory enforcement, and service provision. This separation principle is met through the following institutional arrangements. The Minister for Administrative Services, who is responsible for SA Water providing water and waste water services, brings to cabinet matters relating to water and waste water price setting, including the price setting methodology. The Minister for Environment and Conservation and the Minister for River Murray are responsible for water resource management policy. The Treasurer is responsible for budget deliberations and financial performance monitoring relating to SA Water's functions. The Treasurer, as the minister responsible for ESCOSA, refers water and waste water pricing decisions to ESCOSA. ESCOSA is an independent statutory authority.

I will attempt to explain for members; that is, it is one organisation representing all Australian governments—six states and two territories and one federal government—plus four separate state ministers and all their departments and cabinet plus one independent statutory authority. In addition, there are three public/private service maintenance contracts managed by SA Water. It is a very complex monolith. This organisation is expensive, cumbersome and risk adverse, and could not possibly behave like a business. It is no wonder that the decision making is difficult and slow and not working in the best interests of the state.

There are also the new natural resource management boards and levy—which I have not attempted to put into this water equation—to be considered at some stage. Taxpayers' money should not be wasted by any government, and it is of particular concern that this is happening with the funding that is being paid into SA Water; and not being used by this Labor government for the provision of water and sewerage as the taxpayers believe it is. This is the same problem that was inflicted on ETSA when it was a government controlled but corporatised instrumentality. The funding was siphoned into Labor government coffers to pay State Bank debts and not used to build the businesses, as taxpayers assumed it was. It resulted in the lease of ETSA, which was so run down that it would have cost more money than the government had available to build it up again. However, when it was leased—not sold, as this government would have us believe—this problem was shifted to the private sector to help pay state Labor government debt.

A similar running down and gutting cannot continue to be allowed to happen to water businesses and assets, as water is the basis of our state's economic survival and our children's future. The 1996 United Water 15 year operations and maintenance contract for the management of Adelaide's water and sewerage systems has been working well, but it is drawing to an end with only four to five years to go. The Labor government is such a master of misinformation that many South Australians believe that SA Water was sold. In reality, only parts of it were contracted—some to United Water. United Water has been able to run a successful business and, through export facilitation, grow the water industry related exports for South Australia.

The cost of infrastructure and lack of availability of water in South Australia is holding back business development across the state, particularly in the regions. It is also affecting ordinary people through huge augmentation fees and higher charges to cover services that traditionally have been paid out of government revenue, while SA Water is making \$196 million in profits in the last

year alone. It is not sensible or fair that those people who did not get in early now have to pay for water services, particularly when they are often some of the most remotely located and/or first home buyers.

I was most interested to hear Mr Stephen Griffiths (who represents Yorke Peninsula) during his maiden speech say in the case of Stansbury, for the development of 50 allotments the augmentation price per allotment was set at \$10 900. That is on top of SA Water's connection fee. These charges, and others, are causing developers to delay or withdraw altogether from projects across the state. Is it any wonder that we have a housing shortage across regional South Australia that is reaching a critical level? It is one of the reasons that we cannot attract staff to the regions, not only for private enterprise but also government health, education and police positions. Where there is housing it is often old and substandard compared with what these people can obtain elsewhere.

There is a ripple effect that this government does not or will not understand. This is cost shifting directly to ordinary people from government. However, it is not the only way in which costs that should belong to SA Water are being shifted. Recently, at a local government conference in Adelaide, I was amazed to hear about a deal where the government is allocating a pitiful \$4 million per year (subject to CPI) for 30 years to local governments to alleviate stormwater problems. This will be added to councils' contributions to fund the works and, as I understand it, it is not allowed to be used for the purchase of any land that may be needed or projects under a certain size.

The report that investigated stormwater identified the need for \$160 million worth of projects, and noted that much of the existing infrastructure was built just after the Second World War, making it about 60 years old. Many of these projects will involve the capture of stormwater and reuse, and in the long term will save millions of dollars worth of infrastructure and future water requirements for SA Water. In my view, they should be the responsibility of SA Water. It should have economies of scale and be able to prioritise the work needed across the state. I can envisage that only large, wealthy councils will be able to afford to apply for this funding.

A similar problem is occurring with the small sewerage systems, called STEDs, that are built and managed by councils. In the cities, SA Water manages sewerage. In country regions the councils, and therefore the ratepayers, are responsible. At the current rate of construction, these systems are 30 years behind, and many of those already installed are getting old and need replacement. The demand on council resources to fund the renewal of infrastructure will escalate over the next 10 to 15 years, as a large proportion of the stormwater and STEDs infrastructure is either in relatively poor condition or is totally inadequate.

Because I have been so concerned about this issue and the negative effects on jobs, the environment and the welfare of the people of our state, I spent some time putting together a submission to the National Competition Council, with a request for it to investigate the business practices of SA Water and the state government of South Australia. The council's response advised that it has referred my submission on to the National Water Commission which, under the Intergovernmental Agreement on the National Water Initiative of June 2004, 'has responsibility for managing the implementation of agreed water reforms'. I suspect that the issues relating to the Murray River will be dealt with first and, in the meantime, a disaster for our state is unfolding with the negative impact on our future caused by SA Water. We cannot afford to wait a moment longer to get changes made.

SA Water is corporatised and should be behaving like a normal private company, but that is not possible because of the institutional framework which, in my view, must be changed as quickly as possible. Currently, SA Water, as an arm of the government of the state of South Australia, is failing to deliver the water and sewerage services as required by legislation and its charter. A major cause of this dilemma is the pressure from the Treasurer and the government to extract as much money as possible from this monopoly for other purposes. Last year, the net profit after income for the year ended 30 June 2005 was \$196 million, with a dividend then paid to the state government of \$155 million, that is, 78.8 per cent. According to the Auditor-General's Report, this will increase to 95 per cent in 2005-06, leaving SA Water unable to fund the programs it may in fact want to deliver.

I believe SA Water and the government of the state of South Australia are breaching the competition provisions of the commonwealth Trade Practices Act by restricting competition through the use of their monopoly position to prevent new entrants, except on the terms they set. Adequate supplies of potable water at minimum cost and the safe disposal of effluent are two of the major issues of our time. However, they are not currently being dealt with in an optimum manner in South Australia. I understand that a similar problem has been dealt with in New South Wales and a similar solution may be applicable to South Australia.

I contend that SA Water exists as a government monopoly being used to raise revenue for the state government and is not fulfilling its charter. This negatively impacts on private companies wishing to enter the water industry in South Australia. Companies looking to supply communities that SA Water does not service, or where SA Water service is inadequate because of flow, quality and the cost of those services, are being excluded from entering the market. This monopoly impacts negatively on businesses, individuals and whole communities that receive overpriced and often inadequate water supplies and sewerage services.

The SA Water Statement of Cash Flow on page 68 of the annual report states that the dividend of \$165.1 million and tax equivalent payments of \$82.6 million flow from SA Water to the state government from receipts collected from customers of \$632.2 million. That equates to 39.1 per cent, which means that, for every dollar of SA Water revenue taken from the state's population, the government is taking 39¢ into general revenue. That only leaves 61 per cent to operate its core business, that is, to supply water and sewerage services to the people of South Australia.

The 2005 Auditor-General's Report, under 'New Financial Ownership Framework', states that there will be a dividend payout ratio of 95 per cent based on the after-tax profit of SA Water. Also of concern is the mention of a revised community service obligation agreement (CSO), which I suspect means even less will be provided by SA Water for regions outside Adelaide. That creates a round robin situation. While the CSO is paid to SA Water, apparently out of dividends paid to the government from SA Water, this is later clawed back to the extent of the tax and the dividend, and returns to the government. This will be exacerbated if dividends are increased to 95 per cent of profits.

SA Water operations and costs are not transparent, and it will not disclose the cost of supply of water (on Eyre Peninsula, anyway) on the ground of 'commercial in confidence'. Therefore, scrutiny and assessment, and the potential for competitive delivery of cheaper water by private enterprise, are prevented. This also prevents any assessment of the application of the CSO to this area.

SA Water has decreased its expenditure on infrastructure from \$174 million to \$105 million over the last two years, just when the claimed need for more water has increased and water-saving legislation is in place, with penalties. It is the South Australian government's policy to reduce water consumption in South Australia by 20 per cent, and that is reflected in expenditure. That would not be the policy of any commercial operation which would seek to satisfy demand and increase the production of water, not decrease it. SA Water practice, despite its charter stating that 'All operations of the corporation are commercial operations', fails dismally as a commercial business.

The state government, in May 2005, announced an extension of the Morgan-Whyalla River Murray pipeline from Iron Knob to Kimba, a distance of 90 kilometres at a cost of \$48.5 million. That was not all new money: \$25 million of that amount was from a failed commitment to put a desalination plant at the Todd Reservoir. The extended pipeline had an initial 1.4 gegalitres, and even the proposed increase to 2.3 gegalitres at some future time will not bring sufficient additional water to remove existing restrictions on Eyre Peninsula. Since the advent of the Eyre Peninsula Catchment Water Management Board, SA Water was given an overdraw allowance of 5 per cent from the Uley basin on Eyre Peninsula in 2004-05 and has requested more water for 2005-06. SA Water has undertaken to 'repay' this water at some time in the future. The pipeline water comes from the River Murray which, according to extensive and repeated publicity, is already over-utilised. Water distribution will have to be reversed at an additional cost. Currently, it runs south from Port Lincoln and north to Kimba.

The alternative of a privately financed and operated desalination plant at Ceduna, using the existing reticulation system, which could supply ample water to western Eyre Peninsula, was not canvassed as a permanent solution. We now have mines up there that will require 10 gegalitres or more. The government did announce a possible desalination plant that might be built near Whyalla for BHP Billiton at some time in the future. In my opinion, the cost of supply from the Murray pumped to Whyalla and the new pipeline would be considerably greater, when all costs of operating and financing are taken into account, than a commercial desalination plant at Ceduna. If the desalination plant was in Ceduna instead of the possible BHP Billiton facility in Whyalla, a better result would be achieved without the pipeline being necessary. Is this a government-dictated policy based on an agenda outside SA Water's charter? Once built, the fixed costs are effectively permanent, as the scrap value would be minimal.

The government is requiring water tanks on every new house. This is again cost shifting to ordinary people and a high cost, ineffective solution to future water shortages in a Mediterranean climate where it rains when your tank is full and is dry when your tank is empty. The water could be readily supplied by desalination at a considerably lower cost. Waterproofing Adelaide states that tank water costs \$5.40 per kilolitre versus indicative pricing on desalination of possibly less than \$2 per kilolitre. The combination of SA Water not investing in new and unlimited water resources using wind power or allowing private enterprise to supply, combined with government policy, is distorting the market and preventing the introduction of lower-cost solutions.

The tanks are effectively a tax on new home owners, with SA Water policy being closely aligned to government policy. SA Water takes water from underground resources without charge or consideration, while other potential commercial businesses are denied access to the same resources even if they were prepared to pay an access fee. SA Water is effectively acting as a government monopoly, supported by the state government as a community service, yet selects where it will operate and the terms and conditions of operation. This is illustrated by the water supply west of Ceduna provided by the community and Ceduna council, with some grant funding for the original infrastructure, but there were no concessions for the purchase of bulk water.

There is also the situation at Port Kenny and Venus Bay where the community and the Elliston council are expected to pay for new water supplies. The Labor government and SA Water treat customers differently depending on where they live which, because of SA Water's monopoly position, it gets away with. Ceduna, in particular, has had to put up with burst water pipes and poor quality water that would not have been allowed to persist in metropolitan Adelaide. The new marina development in Ceduna has, I believe, attracted around \$2 million in SA Water augmentation fees, despite no houses yet built and no additional water being supplied to the area, with the existing water supply being of very poor quality.

The state government has accepted financial windfalls from sewer charges due to rising property values and the amalgamation of property values without any recompense to customers or changes to pricing. I agree with Mr Baddams, who stated in his letter to me:

My properties are assessed on total value, including adjoining land. This makes no logical sense at all. How does the extent and value of my land have any effect on the sewerage system connected to my house?

At present, SA Water, despite its charter, does not attempt to supply all South Australians with water or sewerage systems.

Time expired.

SUPPLY BILL 13 April 2005

Adjourned debate on second reading.

Mrs PENFOLD (Flinders): I rise to support the Supply Bill to enable \$1.7 billion to be appropriated to use for the benefit of all the people of the state. However, I am concerned that the Labor government is proceeding to rewrite history and to do what it has always done: that is, to wreck private enterprise and to put taxpayers' money into paying people to be more dependent rather than facilitating their independence. Every question time, our former Liberal government is blamed by Labor members for not spending money on whatever program is under discussion when it was they (not us) who left the state technically bankrupt, unable to pay the interest on the state's debt from income, leaving superannuation unfunded and WorkCover overcommitted, with rundown power, water, rail and road infrastructure. It is they (not us) who have been the government for the last three years and who have raised taxes breaking the promise that they gave before the election.

I think the Treasurer's response when challenged was that he had changed his mind. Recently, in answer to one of my questions, a minister stated that Labor governments never break promises. So, I suppose the fact that the Ceduna school has not been built, hospitals do not have acute care, the disabled have not received the money they were promised from the Moving On program, the desalination plant for Eyre Peninsula—which was 'written in blood' according to one minister—are all changes of mind. Perhaps the government needs mental health funding more than it realises.

This Labor government actually has significant money to spend, a whole \$5 billion more over four years than the \$33 billion that was estimated by our government before the last election. They should thank the former Liberal government for selling ETSA so that some of the debt could be paid out and making the power infrastructure requirements the responsibility of the new owners. They should thank the current federal government for replacing the very inequitable sales tax with the GST and a promise from the states to remove other taxes and for keeping the interest rates and inflation low enabling a property boom that has provided a land tax and stamp duty bonanza.

This money belongs to the taxpayer and should be used carefully to ensure that as many people as possible are independent and can look after themselves. People who are in control of their own destiny are happier people who use the health system and many other services less. However, instead of funds going into projects and programs that will provide jobs in the long-term, what do we see but promises of self-opening bridges that will totally disrupt traffic, tunnels and overpasses to help people save 11 minutes on trips to and from the city, and trams to replace existing ones—city projects costing multimillions of dollars that I would argue are not needed until development of the rest of the state has been facilitated.

We are called a citystate, and never more so than under this government. South Australia is currently disabled when it comes to development, progress, innovation and securing our future. The state can be compared with an able-bodied person sitting in a wheelchair and barely using their body, just letting their body waste away when all that is necessary for good health is to get up and move the right muscles to get back in shape. The state's muscles are roads, railways, power lines, pipelines, the air terminal and ports.

The state's feet and hands are the bigger towns backed up by the smaller towns. I argue that the Eyre Peninsula could be the state's right arm, but this government has a tourniquet around it at the shoulder.

South Australia currently enjoys a strong income base greater than any that members of the house have experienced or can recall. The state should be vibrating with enthusiasm and action, but it is not. Instead, we are languishing under a Labor government that wipes off rural South Australia as just a milch cow to further Labor's agendas.

A large proportion of state revenue comes from rural and regional South Australia. It is, therefore, fundamental that rural and regional South Australia be treated in a manner that encourages an increase in state revenue. When the state's rural and regional sections are doing well, the whole of the state prospers. Nowhere is Labor's callous disregard for our non-metropolitan population more evident than its adoption of population-based funding. This takes no account of distance, scarcity of services or the cost of travel, just to mention a few of the problems with so-called population-based funding.

A child living in our remote country regions is accorded a similar level of funding as a child living in the city of Adelaide, where the member for Port Adelaide, state Treasurer the Hon. Kevin Foley, lives. One child has a major expense to access health facilities and medical treatment; has limited education opportunities; is virtually denied access to state museums, art galleries and libraries by reason of distance and cost; has little or no exposure to anything outside their own community; and is often restricted by a lack of access to technology that is a common part of life elsewhere. The other child has the best of health facilities and medical treatment on tap; has access to every possible educational and vocational opportunity; can visit all the state museums, libraries and art galleries that are located close by; is exposed to a variety of life situations and experiences, including international visitors; and has the latest technology options laid on.

According to Labor policy, funding is parcelled out to each child at a similar level. That is what population-based funding is all about. However, I understand that a country area school is provided with less funding than a city R to 12 (reception to year 12) school, but I have yet to work out what the difference is. Waiting lists for hospitals, shortages of beds for the frail aged and those who need care, reductions in health services in the country, including fewer visits by specialists and a winding down of acute care services are all symptomatic of the Rann government's lack of concern for rural and regional South Australia. This is in spite of record levels of revenue, especially from the goods and services tax, which Labor opposed.

Labor's disregard for country children and its arrogant disregard for social justice are nowhere more evident than in the case of Ceduna Area School. The Ceduna community worked together to plan the future of its school. The \$5 million first stage of the redevelopment, including \$1 million from the federal government, was budgeted for by the former Liberal state government. The tender process had begun, and the start date for the project was September 2002. When the Labor state government took office in April 2002 it demonstrated its partisanship by stopping the tender process, reducing the allocated amount to \$3.9 million (still including \$1 million of federal funding) and delaying the start to November 2003. It is now April 2005, and Ceduna is still waiting.

The latest news is that the tender process has again been abandoned and restarted. In the introduction of a previous speech I made on this subject in September 2003 I said:

I bring to the attention of the house a situation that displays this government's denial of education equality for those not living in Labor electorates, its contempt for social justice, its arrogant disregard for our indigenous people and its neglect of isolated communities.

The government is awash with funds, unlike the former Liberal state government, which had to carefully examine every cent that was spent while bringing the state back from Labor's bankruptcy.

Transport is another area where Labor policy of population-based funding is similar to the thinking of the Mad Hatter in Alice in Wonderland. Funding to provide the so-called free bus transport for the people of the state to the recent Sky Show was not free, as the minister stated. It was paid for by taxpayers. And it was not for the people of the state, because most of the people of the state do not have access to this transport option to attend the 'free' partly taxpayer-funded Sky Show. However, funding for the legally blind to enable them to have subsidised taxis is refused by the same government. There is something very wrong with its priorities.

Rural South Australia accounts for billions of dollars of income to the state. The produce has to be transported over roads and rail, yet funding for both road and rail is diminishing. The Eyre Peninsula rail system urgently needs upgrading. Funding is—or should be—accessible through the money obtained from the sale of SA Railways, which is supposedly to be used for rail upgrades. Labor is

keen to make political mileage regarding the need to cut greenhouse gases. However, Labor is extremely loath to undertake projects that do just that.

Rail is an important component of our transport system, one which, when used to advantage, makes a profit. The Eyre Peninsula division of the former SAR was one which turned a profit in a number of years. When road and rail are appropriately integrated, the energy savings—and, therefore, the lowering of greenhouse emissions—are enormous. While the government can find millions of dollars to extend the tramway from Victoria Square to North Terrace, it cannot find a similar amount to spend on the state's country rail network. Then there are the millions of dollars that prop up the metropolitan public transport system. Labor has no understanding of the necessity for a good road network outside urban areas. One of the Rann government's first acts was to cut the number of Outback road gangs maintaining the roads in the remote areas of the state. Corrugations on dirt roads can be lethal. However, adequate maintenance reduces or removes the danger.

The Eyre Peninsula Local Government Association comprises nine district councils and three city councils, making a total of 12 local government bodies. I quote excerpts from a letter from the EPLGA executive officer, Vance Thomas, supporting the federal government's Roads to Recovery Program, as follows:

Member councils have responsibility for close to 30 per cent of South Australia's incorporated land mass. The 12 councils maintain a network of local roads that would reach around Australia via Highway One and still leave a fair stretch of bumpy, dusty road left over.

Eyre Peninsula's local road network is 13 798 kilometres, 93 per cent unsealed. That represents 18.6 per cent of South Australia's roads being maintained by 4.6 per cent of the state's population.

Removing the three city councils (one of which is held by Labor) from the statistics makes the situation even worse. The letter further states:

The nine district councils maintain 12 956 kilometres of road (17.5 per cent of the state's total, 97 per cent unsealed) with a total population of 19 372 people or just 1.3 per cent of the state's total.

It does not take Einstein to figure out that the application of Labor's policy of population-based funding is a negative for rural and regional South Australia. Population-based funding is a cunning ploy to drain revenue from the productive areas of the state while denying constituents equality of justice and services. The Liberal government's program to seal all rural arterial roads would have been completed ahead of time and ahead of budget. The Liberals then began a program to seal rural roads of economic significance. This program was emasculated under Labor, which does not understand the link between infrastructure, productivity and state income, nor the link with safety for those people who have to use the roads and have no taxi, bus or train options.

Despite the legacy of bankruptcy that the former Liberal government inherited from Labor due to Labor's mismanagement of the State Bank, the Liberal government was able to increase and diversify business in the state. Those gains have been steadily eroded under Labor. One only has to look at the list of businesses that have closed or downsized, moved interstate or overseas, or gone into some form of receivership to appreciate the negative effects that Labor decisions have on business. Business is the engine that drives the state's economy. It is business in all its varying circumstances—large and small, primary and secondary, value-adding and entrepreneurial—that provides the revenue or income for the state. Businesses must be profitable, competitive and serving their clientele well in order to prosper and, where appropriate, grow.

One would suppose that everyone knows that it is axiomatic that private business must be profitable or it ceases to exist. However, 'everyone' obviously does not include Labor politicians, who act on a preconceived notion without reference to fact and who ignore the effects their decisions are having on private enterprise.

Much has been said about land tax. The issue is one of many examples that highlight Labor's lack of business acumen. The substantial increases in land tax have been the reason for a number of people opting out of private enterprise. Simple remedies could have been implemented quickly and easily by the government which, instead, chose to ignore the issues. A quick look at the rental housing market amply illustrates the point. People owned rental properties to provide an income. When costs became so excessive that the income (that is, the profit) disappeared, people sold their rental properties and went out of the market. Those whom this affects most are the ones seeking rental accommodation. That important but basic fact seems to go unrecognised by the government. Labor ministers and members speak at length about housing, especially for the homeless and the needy, but have little or no idea about the variety of ways in which the necessary housing can and, indeed, must be provided.

Small businesses are particularly hard hit, and it is pertinent to remember that small business is the employment engine of the state and the nation. The land tax reforms announced by the government were too little and too late. As reported in an article in *The Advertiser* on 9 February 2004:

The government is returning nothing like the total additional land tax it has collected in the past three years, yet this year the government is giving back only \$20.6 million in financial relief and banking the remaining \$246.4 million. Meanwhile, land tax income swells the state coffers.

As has already been mentioned, the state is in receipt of unprecedented amounts of cash. However, Labor's lack of vision, coupled with inaction, is once again depriving the state of this exceptional opportunity. Our state should be vibrating with action and enthusiasm. It is not. More than anything else, that points to the inadequacy and failure of the current state government to drive the state forward, to give hope to the people and to develop the unique advantages that would make South Australia known across the world.

SUPPLY BILL 4 May 2004

Mrs PENFOLD (Flinders): The third Labor budget is being considered, yet the first and second budgets have not yet been fully delivered on, nor have original promises been kept. The Labor government said: there will be no new or increased taxes; we will keep the acute care hospitals and increase spending on health; we will increase spending on schools; we will deliver the schools promised under the Liberal government; we will reduce electricity prices; we will build new police stations; we will look after the environment; and we will support small businesses and increase the number of jobs.

Let us examine the 'no new or increased taxes' promise. What about the introduction of the Save the River Murray levy? It is ironic that the people living along the river who use the water direct from the river do not have South Australian water meters and do not pay the levy, yet it is paid by the people of Eyre Peninsula who do not use the water. These people have survived for years on inadequate and often very poor quality water and have paid for the privilege. Many of them have also personally paid for water tanks, dams and, in many cases, innovative reuse systems. These people are also paying up to a \$5 500 additional augmentation fee per new block if they live in certain towns in the state, such as Coffin Bay, Streaky Bay or Tumbly Bay. What about the impending natural resource management (NRM) levy, which will replace what is currently called the Eyre Peninsula Catchment Water Management Levy in my electorate and goes under various other names in other locations? How much is this levy going to increase to cover the running costs of the amalgamated soil boards, animal and plant boards, water boards and natural resource management groups and fund their essential projects? Then, of course, there are the increased land taxes, stamp duties and licences, etc.

The Labor government promised it would keep the acute care hospitals and increase spending on health. However, across regional South Australia, hospitals are being starved of funds to the extent that they cannot balance their budgets without reducing services and not replacing staff. It is not so much that the health professionals will not go to the country: it is more to do with the fact that the money is not there to pay them, or that the contracts provided are short term and insecure, which discourages professionals who know they might have to shift after six months. Many of the 10 hospitals on Eyre Peninsula can no longer provide obstetrics services or even minor surgery. What modern young family will go to live where basic health services are no longer provided?

'We will increase spending on schools and we will deliver the schools promised under the Liberal government,' said the new Labor government. In 1978, the then Labor government put a large number of so-called temporary asbestos contaminated classrooms at Ceduna: \$5 million was budgeted by the state and federal Liberal governments to remove these antiquated and unhygienic buildings and provide a new school for these remote disadvantaged students. In this government's first budget, this funding was promptly cut to \$3.9 million, including the \$1 million from the federal Liberal government. But here we are in the year 2004 and this school's reduced upgrading has still not begun, yet I understand that more than \$6 million is being spent for the 70 students who now attend Sturt Street Community Central City School, where the children have come from other existing nearby perfectly adequate schools.

The remote Elliston school had a classroom burnt down, and the seemingly compassionate Labor minister promised that a new one would be built. In fact it was going to be a special trial site for a new concept, but what have they got to date? Two of the same asbestos filled demac classrooms that we are trying to get rid of from Ceduna, and promises. Elliston did not need to have an asbestos register before, but they do now. Thanks, minister! Last year I was delighted that

25 young people from my electorate received scholarships to become school teachers, and when only 11 gained scholarships this year I had it investigated, fearing discrimination. That may be the case; I do not know. However, I do know that the Labor government has reduced the available number of scholarships by 17. Why do this when we need teachers to come to the country, and some country kids and their parents cannot afford the cost of further educating their children in the city without help? I know because I was a bonded teacher who received an opportunity to have a tertiary education because of a similar scheme.

The Labor government promised, 'We will reduce electricity prices.' Even the original electricity subsidy for pensioners and self-funded retirees promised by the Liberal government was dropped. I believe that this was done in order to ensure that the price increases forced by competition policy were blamed on the former Liberal government. However, \$64 million has recently been given to the big businesses that provide gas via the pipeline to Adelaide to ensure that the gas price for city people does not go up under the Labor government as the same competition policy starts to affect the gas prices. Other people already pay about double for their bottled gas, but guess where most of these people live?

The new Labor government said, 'We will build new police stations.' Public-private partnerships were the big announcement in the last budget, with a court and a police station proposed for Port Lincoln, among a number of others, but where are they? I guess we will see them promised again in this budget, or will the unions put the pressure on to delay them for yet another year?

Now that the Labor government has reaped the benefits of an unexpected GST payment and windfall land tax payments, perhaps the AAA rating will be received and the Labor government will be able to give into the union and PPPs will not be seen as necessary. Even the proposed PPP for the proposed police stations has been set up to fail by being packaged together for savings supposedly produced by the scale. However, this huge PPP will not take into account all the individual requirements of the different locations, nor allow the local builders to put in a tailor-made tender that will be more appropriate, much cheaper and better built because of local knowledge and pride, but probably not built with union labour that has the fee to the Labor Party built in.

The Labor government said, 'We will look after the environment.' The major environmental issue in my electorate is the drawing down of the underground water on which the region has come to rely. If this is not stopped, the sea water will start seeping in and what is already poor quality water will become too salty to use at all. Then a region which is producing \$1 billion of income will not have potable water. However, the last budget was supposed to have promised to provide a \$32 million desalination plant to save the underground water resource on Eyre Peninsula. The minister stated on ABC radio that he would write it in blood. Where is it, minister? No tender has been advertised yet of which I am aware.

Then there is the need to remove 21 ponies from the huge Coffin Bay National Park to save the environment, but nothing is being done about the introduced koalas that are ruining the environment for the native species on Kangaroo Island. What a farce!

The Labor government said that it would support small business and increase jobs. The Premier has great hopes for the fishing and aquaculture industries in helping the state to triple its exports. However, the proposed Marine Innovation South Australia (MISA) project at Port Lincoln, which could bring hundreds of jobs and put South Australia on the world map as a centre of excellence for temperate marine education, research, innovation and development, seems to have disappeared off the Labor government's radar. Most of this work is still being done in Tasmania, despite its centers being in coldwater locations.

The proposed Lukin development for fishing infrastructure and housing has run into native vegetation issues, despite its being in a location designated as deferred development for the rapidly growing city of Port Lincoln—the location of the biggest fishing fleet and the region from which 65 per cent of the state's seafood exports are sourced.

Similar stories of regional development and jobs being constrained by a government being held to ransom by a dark green element within it can be found all around the state. How can the environment, health and education be looked after if there are not profitable businesses paying taxes and employing people so that there are funds to do so?

All we are being given are projects the main purpose of which is populist publicity. One of these projects was the announcement of \$1.25 million for solar panels on some buildings and, yesterday, on 25 state schools. In isolation, this may seem a good project, but let us look at the bigger picture. These buildings and schools already have plentiful and

much cheaper power available 24 hours a day and, for the same \$1.25 million, a desalination plant at Port Kenny and Venus Bay could save the lives of those who live there, or those of visitors, who currently are drinking water that is sometimes less than palatable. Such a sum would also enable the further development of jobs in these two small towns, which jobs would help to keep the very small local school that is currently under threat of closure.

Despite a huge increase in stamp duty income from the price rise in properties, there is a 30-year waiting list for septic tank effluent disposal schemes for small communities. This is of particular concern for coastal and riverside communities. The government has decreased the amount being provided to this necessary service to help keep our environment clean, despite owners and local governments assisting with what in most towns is expected to be provided by the government.

The \$6 million spent on STED schemes instead of the Sturt Street school would triple the amount that I understand was to be spent this year for STED schemes in the whole of South Australia. Where is the real need, Premier Rann, and where is the return on our investment as taxpayers? A recent letter from the Premier stated: *"I encourage businesses and industries to look to the future by developing their own plans for growth, taking on the challenges and seizing the opportunities. The government will attempt to support those that have positive plans for growth with strong facilitation, the development of skills and education, and target investment in infrastructure that lowers the cost of doing business and improves export competitiveness"*.

Fine words, Premier! We are not a city state, Mr Premier. About a third of the people live in the country—and they are a very profitable one-third, too. As already mentioned, those living on Eyre Peninsula produce about \$1 billion of export income. They could triple that—and more—but they need help for water, power and housing infrastructure in particular, but they are not receiving it from your government.

I believe that Eyre Peninsula is indicative of what is happening around the state. The people and businesses cannot take on the challenges and seize the opportunities because their plans are being thwarted at every turn by departments under the control of a government which has no idea of what it is to run a successful business and which has lost touch with ordinary working people.

As stated in a recent article by Senator Mitch Fifield, 'The Labor Party is increasingly returning tertiary educated union officials and political staff as parliamentarians.' They 'swapped the cloth cap and the shop floor for the mortar board and the ergonomic chair some time ago.' The Labor state government does not comprise practical, hands-on people. It left the state with \$9 billion in debts in 1993, and I fear that history is doomed to repeat itself. This government is again pulling down the state and its people so that we will no longer be able to afford the good things we all want, and then a Liberal government will be brought in once again to clean up the mess.

Standard & Poor's is waiting to see the state moving ahead with jobs, exports and tourism before giving us a AAA rating. It will not give it to us just on money in the bank.

SUPPLY BILL **26 May 2003**

Mrs PENFOLD (Flinders): My colleagues may have the notion that the parliament runs the state. However, that is certainly not the view of how it should be, according to the Public Service Association, if the General Secretary, Jan McMahon, is to be believed. In her published instruction to the current government she said:

Engage the public sector, treat it as an equal, an important partner and have a real go at once again making South Australia a national leader.

It is perhaps understandable that Ms McMahon was apparently unaware of the gains made by a Liberal state government, given her political bias. Figures from the latter months of the Liberal government show that South Australia's exports reached a record \$8.4 billion to July 2001, which is a 33 per cent increase, compared with the national average of 22 per cent. South Australia's exports of food products surged to more than \$2 billion. Figures showed a 40 per cent increase in food exports overseas, 20 per cent up on interstate, and a 9 per cent drop on imported food. Royalty

payments for South Australian mining and petroleum products reached a record \$106.5 million in 2000-01, up 39 per cent from the previous year. South Australia's world-class Olympic Dam operation is now the world's biggest underground mine, and plans to expand. South Australia's credit rating improved handsomely.

In other areas, South Australia's economy was the fastest growing in the nation. Retail growth outstripped the national average, and unemployment was lower than the national average. South Australia had the highest ratio of health care workers in the whole of Australia, and our retention rate for secondary students was ahead of the national average. Anyone who doubts that the state is worse off under the Labor government and increasing union domination should speak to the people. My office is constantly dealing with problems and complaints arising from the government's management—or 'mismanagement' is a more accurate word to use. Ms McMahon said:

Let's grasp the opportunity 2003 has presented and together make it the turning point for a better future.

If she means more of what we have already experienced under Labor, then 'better' does not describe the future for our state—although I suspect it may for unions, as they make their bid to gain back membership with the help of their union allies in the parliament, whose party takes a cut of each union due.

Funding for roads has been cut. The Liberal strategy to seal all unsealed rural arterial roads by 2004 was ahead of schedule, and a strategy to seal roads of economic significance was being implemented. That has been abandoned by Labor in its haste to get the funding back to where its voters live. Elliston-Lock was one of the rural arterial roads being constructed. Unfortunately, the government changed, with just 19 kilometres to be completed. This major highway, which is to connect the east and west coasts of Eyre Peninsula, has been a casualty of Labor bias. First the Minister for Transport advised that \$1.2 million had been allocated to seal 10 kilometres this year. Then the distance—and, of course, finance—was reduced to 4.5 kilometres.

The council was advised that the seal for 10 kilometres would be delayed to May 2003, so that the plant could continue in 2003-04 to seal the remaining 9 kilometres. That was sound economic management to cut down on time spent in shifting plant from one job to another. That also has apparently all gone out the window, because the Elliston District Council has been advised that the plant will relocate, do 4.5 kilometres of the road, then disappear again. In case there is any doubt about the minister's broken commitment, I quote from a letter written by the Hon. Michael Wright, Minister for Transport, on 22 August 2002, as follows:

I have been advised by SA Transport that the sealing of the Elliston to Lock road will continue in the 2002-03 financial year. A further \$1.2 million has been committed to the project, which will complete 10 kilometres of reconstruction. The project will be completed in the 2003-04 financial year.

As Elliston council's Chief Executive Officer, David Hitchcock, picturesquely said, 'Notwithstanding the issues of not completing the 10 kilometres as advised, it appears there is more flip-flopping going on than a dying carp on the banks of the depleted River Murray.' Will the minister try to wriggle out of his responsibility by passing the blame onto the Department of Transport, or perhaps to the Minister for Tourism?

Last year, the Minister for Tourism announced with great fanfare that this road would now be called the Sylvia Birdseye Highway. It is a good metaphor of the whole attitude of this government that it is more concerned about media perception and appearance than it is about reality. Only a Labor government could so proudly announce a gravel highway.

Then there is the sideways manoeuvring of funds allocated to specific projects. Let us now talk about education and the Ceduna Area School. The Liberal government budgeted \$5 million towards the first stage of the school's redevelopment. Without notice and without publicity, this was cut to \$3.9 million by the present government, thus jeopardising \$1 million of federal government money under the 2002 capital funding program. This \$1 million had already been received by the state government for the project. Twenty-five other school projects were similarly listed.

The federal Minister for Education took the unprecedented step of advising his department to withhold the further 2002 capital funding program payments until the state government provided an adequate explanation for the delays to school projects for which it had accepted funding.

The completion date for Ceduna Area School was also blown out from September 2003 to September 2005. Once again, Labor has further disadvantaged the already disadvantaged. This is a school that was constructed back in the 1970s by a former Labor government from temporary demac classrooms.

It was interesting to note that \$2.26 million was allocated to a school in Norwood, which happens to be in a Labor marginal seat. I doubt very much that its needs are as great as those of Ceduna Area School. However, Labor governments are far better than Liberal governments in recognising where their best interests lie.

Then there is health. The government made much of its support for health, even though it cut \$24 million from the amount it promised for extra hospital beds. The capital works program was cut by 9 per cent, and city hospital funding increased 7.1 per cent at the expense of country hospitals. Country hospitals received only 2.4 per cent, which was less than inflation. Was this a demonstration of the government's promise to consult with rural and remote communities, like its promise for country areas to share appropriately in traineeships and skills development that saw the wind-up of FarmBiz and the cutting of shearer and wool handling courses, even though students had paid for their courses?

The government's claim of a black hole left by the former government was also proved false, because the last Liberal budget had a \$22 million surplus for the non-commercial sector. This was also highlighted by Labor's partner, Jan McMahon, who called for the Treasurer (Hon. Kevin Foley) to use the surplus to expand the public sector.

The government has had a windfall of hundreds of millions of dollars in stamp duty from the real estate market. In its 12 months in office, the Labor government has managed to change WorkCover's situation from sound to virtually facing bankruptcy. It is ironic that Premier Mike Rann and his minions are considering the sale of WorkCover Corporation assets to fund future operations. These are the same people who were loud in their public opposition to the sale of assets to reduce the State Bank debt, and who opposed the privatisation of enterprise to shift commercial risk from the public to the private sector.

The WorkCover situation is more serious than simply a sale of assets to prop up its operations. The unfunded liability has climbed from \$22 million at June 2000 to \$384 million at March 2003. This is only one of a number of issues that threaten to escalate into another State Bank crisis.

It is a worry rather than a consolation that Premier Rann was a minister under John Bannon. There are two options when income does not meet expenditure. One is to cut spending and associated services, particularly in country regions—and that is the approach of Labor. The other is to increase real income—and that is Liberal's approach. It is clearly demonstrated by Liberal support for aquaculture and the necessary research entailed in ensuring that development is sustained and environmentally acceptable.

The Labor approach was clearly demonstrated last year in its 20 per cent cut to the South Australian Research and Development Unit. Aquaculture has the potential to produce the essential protein needed by the undernourished people in other countries, thus getting them out of the cycle where periodic starvation is a fact of life. The industry has generated millions of dollars of export revenue for the state, with the potential to increase exponentially.

The government's grandstanding on the environment is similarly unimpressive. Among those we have lost is our environmental health officer, whose territory extended to the Western Australia border, around the top of Spencer Gulf to Jamestown. Remote indigenous communities will probably be the ones to suffer most from this particular withdrawal of support.

I understand that the Water Catchment Management Officer is going, so the work being done on water conservation and the reclamation of salt-affected dry land will be seriously disadvantaged. The work being done (mainly by farmers) on Eyre Peninsula to reverse salinisation has been acclaimed across Australia, and has brought many interstate visitors to see for themselves what they can copy.

SUPPLY BILL
27 May 2002

Mrs PENFOLD (Flinders): The Supply Bill 2002 asks that the sum of \$2 600 million be appropriated from the Consolidated Account for the Public Service of the state for the financial year ending 30 June 2003. Today, Flinders electorate, with just 3 per cent of the state's population, contributes more than \$1 billion to the state's revenue: \$934 million from fishing and farming and aquaculture industries and another \$137 million from tourism. New ventures are starting or are in advanced planning stages. Population is increasing or stable. Services have been maintained or increased and the general mood is one of hope, wellbeing and excitement.

I ask that the new Labor government acknowledge the considerable contribution of the people of Eyre Peninsula towards this \$2.6 billion of funding and, in doing so, that the government and its agencies continue to support the electorate of Flinders to assist them to develop the potential of this wonderful region of the state that has barely been tapped. The roads in the country region of the Eyre Peninsula are only 5 per cent sealed. The Liberal government put in place a program to seal all the unsealed rural arterial roads by 2004. That program was ahead of schedule.

This was a particularly welcome program in my electorate, which had the two longest unsealed rural arterial roads in the state: Kimba-Cleve and Lock-Elliston. Kimba-Cleve is now sealed. At the end of this financial year, Lock-Elliston will have just over 15 kilometres of unsealed road. Funds for this were planned for the 2002-03 budget. It will be a measure of the Labor government's recognition of the value of rural and regional South Australia if the necessary funds are included in that 2002-03 budget, and that planning must be done now for the next budget.

Highways have been widened to improve safety and traffic flow. Truck drivers said that it was fortunate that sections of the highways cambered towards the centre as large vehicles were within centimetres of collision when passing. Passing lanes have added to road safety. Passing lanes for Eyre Peninsula were on the agenda, and the Labor government needs to honour the commitment to upgrade road safety. With the imminent completion of the rural arterial roads sealing program, the Liberal government implemented a program to assist local government councils to seal rural roads of economic importance.

Metropolitan residents have little understanding of the hazardous conditions of dirt roads when heavy vehicles compete with cars in dust, which obscures vision and potholes that threaten to damage vehicles, or of winter conditions when mud and water present a different set of dangers. School buses find these conditions extremely hazardous, even life threatening. Rural and regional South Australia have helped to bring the state to boom times that have lifted the quality of life of every person in the state. Roads in the country are a lifeline in a way that is totally different from those in urban areas.

I challenge the Labor government to continue the sealing of rural roads for the safety of those using them, not only as a matter of social justice but also in recognition of the economic importance of rural and regional South Australia. I also ask that, on the same basis, the government supports airlines to connect people quickly and safely to their capital and all the benefits and services that are found therein. A subsidy for buses in the city and taxis for frail and disabled are taken for granted.

However, a hard line is being taken towards a subsidy for an airline to once again service the small towns of central Eyre Peninsula. If city people had to pay the huge costs of road travel in time, money and discomfort, particularly for the sick and elderly, to access health and education services in the city, a subsidy of our airlines not only to provide a service where currently there is not one but also to bring down the cost, would be automatic. The current cost of a trip to Port Lincoln is more than double that of a trip to Melbourne. Financial assistance for Kendell Airlines or another airline to provide a service to Cleve and Wudinna I believe is only justice.

Eyre Peninsula still has 10 hospitals, and what a difference there has been in them over the past eight years. All are improved, many are expanded with more services and associated aged care facilities have been added, while tenders for others were in the process of being let. The Liberal government's \$16.4 million upgrade of the Port Lincoln hospital puts it amongst the top hospitals in country South Australia, including those in cities larger than Port Lincoln. Enrolled nurse training is being put back into our country hospitals, a positive move that will alleviate the chronic shortage of trained staff.

The Liberal government also supported the recruitment and retention of doctors in rural regions through the \$6.5 million Rural Enhancement Project and the South Australian Rural and Remote Medical Support Agency. The Liberal government's health budget increased by upwards of three-quarters of a billion dollars, or \$2 million a day more than when we took over government. In addition, rural health scholarships are helping to put more health professionals into the country. Metropolitan people expect these services at their fingertips.

Country people appreciate the Liberal ethos of treating all people the same, so that essential needs are met. The fact that these programs and services are supported by the new Labor government is of great importance to the quality of life of

people living on Eyre Peninsula—indeed, the very survival of the small towns—as without a well-equipped hospital, doctors and staff, people will not remain in the regional areas.

Advances in education have been one of the many major highlights of the Liberal years in office. In fact, the education budget increased by 60 per cent in the last five years of the Liberal government. The Liberal government quickly recognised the importance of training and equipping our students for the computer age. There is now one computer to each five students in our public schools, up with the top achievements in the world in this area, and better than both the USA and the United Kingdom. This compares with almost no computers in the schools eight years ago. We have 1 231 new computers installed in schools on Eyre Peninsula.

An international study last year found that South Australian students were amongst the world's best in maths, science and literacy. Students ranked second in the world in literacy, third for science and eighth for maths, well above the average of the Organisation of Economic Cooperation Development. The then minister, Malcolm Buckby, said that the world class standards reflected the high quality of our teachers and the world-leading advances made in school management, curriculum and technology. Continued funding for the servicing and upgrading of technology in our rural schools is essential, particularly as many students are undertaking their senior subjects by open access.

For many years our region lobbied for tertiary facilities to complement TAFE. In my Address in Reply speech eight years ago, I said:

I believe that TAFE colleges should be able to provide at least the first year of education and that, over time, Flinders University should develop in Port Lincoln to a full university campus specialising in marine studies. Port Lincoln. . . [which] has the largest fishing fleet in Australia, a very wide range of wild fisheries and now the development of fish farming and aquaculture, all centred around a harbour five times larger than Sydney Harbour, should become a centre of excellence for marine studies in this state, Australia and internationally.

This was partly fulfilled when federal, state, local government and industry provided funding that was put into the Port Lincoln Marine Science Centre, an adjunct of Flinders University. The centre has been extended twice and has now outgrown its facilities.

South Australia is the top aquaculture state in Australia, and Port Lincoln is the base of the biggest fishing fleet tonnage in Australia. It is therefore appropriate that a research and teaching facility of this calibre is located where the activity is. Plans for expansion and consolidation were being developed. It will be interesting to see whether Labor's claim to support education extends to country university campuses. Perhaps a new campus that is needed in Port Lincoln could be provided by private enterprise. That has been suggested recently in the media.

Some of my 70-plus education institutions, ranging from kindergarten to tertiary, were so poorly maintained that some areas were considered too dangerous to use. A strong program for maintenance removed the negatives, leaving property in good condition for the incoming government, in contrast with that which we received eight years ago.

Looking to the future, I supported the testing for wind farms on Eyre Peninsula. The former Liberal state government was working to make South Australia a sustainable energy hub for the nation. Wind farms nearing the development stage on Eyre Peninsula have the potential to supply 20 per cent of the state's power needs by being connected to the national grid. This power generation could earn the state income by providing the federal government's 2 per cent green power requirement for both this and other states. Private sector investment of more than \$700 million added 850 to 1 000 megawatts of power to state use but consumption was still increasing rapidly as the state's economy powered ahead under the Liberal government.

Eyre Peninsula has the potential to double its contribution to the state's gross domestic product in the next five years—a compelling argument to make the area a special development region. The 10 local government councils, the Eyre Peninsula Local Government Association, the Flinders Regional Area Consultative Committee, federally, and the Eyre Regional Development Board, on a state basis, form a major driving force for this region. The framework is in place. Some of the hard yards have already been covered. We need to step into the future with confidence, with vitality and with the knowledge that the state government is a partner in our progress.

The possibilities for Eyre Peninsula can be gauged to some extent by looking at one of the region organisation of councils in New South Wales, namely, the Hunter Region Organisation of Councils (HROC). HROC is an incorporated body comprising 13 local government areas containing urban, industrial and rural sectors within the Hunter Valley. A number of HROC's projects are grounded on the integrated local area council (ILAC). The key elements of ILAC are that existing jurisdictions

are maintained, that each council controls the extent and level of its participation in the progress of each ILAC agreement, and that economies of scale are usually sought through amalgamation.

The Hunter model is as much about improving service quality for all councils and providing some councils with access to a broader scope of services as it is about increased economies of scale. The base annual budget of HROC is in the order of \$240 000. In addition to this base amount, HROC attracts council, state and federal government grants for various projects. The Hunter is one of Australia's most diverse and dynamic regions, responsible for about 4.5 per cent of the national gross domestic product. It produces 80 per cent of New South Wales' electricity, 65 per cent of its coal and 100 per cent of its aluminium. As can be seen from this brief explanation of HROC, Eyre Peninsula has the potential to rival the Hunter. We currently account for 65 per cent of the state's seafood industry, with the potential to increase that exponentially.

The ACTING SPEAKER (Mr Koutsantonis): Order! I do not want to interrupt the member for Flinders for too long, but I remind the honourable member of the Speaker's ruling this afternoon about the debate on the Supply Bill and ask her to return to the substance of the debate.

Mrs PENFOLD: Thank you, Mr Acting Speaker. I point out that \$2.6 billion of the total budget of \$8 billion is in the Supply Bill, and I believe that the planning is being done currently by the Public Service, and that is my point, that the planning for the development that I need on Eyre Peninsula is currently being done for the budget. If I do not put these things on the record now—

The ACTING SPEAKER: I understand the member's apprehension. I am just restating a ruling that the Speaker made in case the member again strayed into debating other issues. I accept her argument and ask her to stay within the parameters of the debate.

Mrs PENFOLD: Thank you, sir. I believe that I have probably put sufficient on the record anyway. I support the bill.