

25 June 2002

(General Purpose Standing Committee No. 5)

Portfolio

'Information Technology, Energy, Forestry and Western Sydney'

QUESTIONS TAKEN ON NOTICE

1. Mr Gay and Mr Lynn asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

- 1)
 - (a) Does your Ministerial Office receive media monitoring services?
 - (b) If so, what was the annual cost in 2001-02?
 - (c) If the media monitoring services are sourced from other cost centres, which budgets are they allocated to and what is the annual cost?
 - (d) How many different suppliers do you have contracts with, either directly, or indirectly through media monitoring services sourced from other cost centres?
 - (e) Please list all suppliers.
- (2)
 - (a) Does any agency in your portfolio receive media monitoring services?
 - (b) If so, what was the annual cost in 2001-02, by agency?
 - (c) If the media monitoring services are sourced from other cost centres, which budgets are they allocated to and what is the annual cost?
 - (d) How many different suppliers do agencies in your portfolio have contracts with, either directly, or indirectly through media monitoring services sourced from other cost centres?
 - (e) Please list all suppliers.
- (3)
 - (a) In 2001-02, how much was spent on your Ministerial Office? Please provide a breakdown by expense.
 - (b) What is the forecast amount to be spent in 2002-03 and what is the forecast number of staff?
- (4)
 - (a) What is the total cost of your overseas trips in 2001-02?
 - (b) Can you please provide a list of each trip, purpose and cost?
 - (c) For each trip, please provide a breakdown in airfare costs, hotel costs, car hire, and accompanying staff and officials.
- (5)
 - (a) What is the estimate of money to be spent on your overseas trips in 2002-03?
 - (b) Can you please provide a list of each trip, purpose and cost?
 - (c) For each trip, please provide a breakdown in airfare costs, hotel costs, car hire, and accompanying staff and officials.
- (6)
 - (a) What is the total cost of your interstate trips in 2001-02?
 - (b) Please provide a list of each trip, purpose and cost and for each trip a breakdown in airfare costs, hotel costs, car hire, and accompanying staff and officials.

- (7) (a) What is the estimate of money to be spent on your interstate trips in 2002-03?
- (b) Can you provide a list of each trip, purpose and cost?
- (c) For each trip, can you provide a breakdown in airfare costs, hotel costs, car hire, and accompanying staff and officials?
- (8) (a) How many staff were employed as at 30 May 1999, 30 May 2000, 30 May 2001 in your Ministerial Office?
- (b) What was the annual salary cost of those staff in each of those years?
- (9) (a) Does your office contract consultants?
- (b) If so, what consultancies have been commissioned in 2001/2002, and at what cost?
- (c) What consultancy services will be commissioned from July 1 2002 - March 2003 and at what estimated cost?
- (10) (a) Were any legal costs incurred by your office in 2001-02.
- (b) If so, what was the cost and nature of each instance of legal advice?

Answers:

- (1) (a) *Yes.*
- (b) *All costs incurred were appropriate to the needs identified.*
- (c) *All expenditure is from the appropriate cost centres.*
- (d) *Please refer to answer for (c)*
- (e) *Please refer to answer for (c)*
- (2) (a) *Any decision to access media monitoring is determined by the agencies concerned and the need for monitoring of issues.*
- (b) *All costs were in accordance with identified needs.*
- (c) *All expenditure is from the appropriate cost centres.*
- (d) and (e) *The appropriate cost centres are utilised.*
- (3) (a) *The government has released the costs of Ministerial expenditure to the Opposition under an FOI application.*
- (b) *It is too early in the financial year to predict expenditure. Staff numbers will approximate those released under the FOI application.*
- (4) *Official travel is undertaken in accordance with appropriate guidelines.*
- Costs incurred during official overseas travel were in accordance with the appropriate guidelines.*
- (5) *This will depend on the nature and scope of any travel undertaken in 2002-03.*
- Costs incurred during official overseas travel will be in accordance with the appropriate guidelines.*
- (6) *Official travel was undertaken in accordance with appropriate guidelines and in a cost effective manner.*
- (7) *It is too early to provide an estimate at this stage of the financial year. However, expenditure will depend on the nature and scope of any travel in 2002-03.*

- (8) *Ministerial staff are employed by the Director General of the Premier's Department in accordance with the provisions of the Public Sector Management Act 1988.*

All costs were in accordance with the expenditure necessary to facilitate the effective functioning of the office and within allocations to Ministerial Offices.

- (9) *Expenditure on consultancies is reported in Annual Reports. All expenditure is in accordance with the appropriate guidelines.*

It is not possible to predict so early in the financial year the likely expenditure on consultants in 2002-03.

- (10) *All legal costs were incurred after an assessment of the need to obtain external legal assistance. Legal professional privilege will be maintained in relation to advice and costs.*

2. Mr Gay and Mr Lynn asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

For each of your portfolio agencies in 2001-02:

- (1)
 - (a) What was the total cost of public relations activities?
 - (b) What is the forecast cost for 2002-03?
- (2) How much was spent on public opinion surveys?
- (3)
 - (a) How much money was spent on advertising? *Please provide a list of each campaign and cost.*
 - (b) What is the estimate of money to be spent on advertising in 2002-03? *Please provide a list of each campaign and cost.*
- (4)
 - (a) How much was spent on consultants? *Please provide a list of each agency and cost.*
 - (b) What is the estimate of money to be spent on consultants in 2002-03? *Please provide a list of each agency and cost.*

Answers:

- (1) *Public authorities conduct a range of extension activities aimed at communicating to the public a range of regulatory, advisory, research and general information. The question posed is too broad to identify an actual cost.*
- (2) *The Premier issued Memorandum 2000-28 which specifically directed government agencies not to use surveys of government clients or NSW citizens to elicit answers on political issues.*
- (3) *Details of total government advertising were published in the Sydney Morning Herald newspaper on Monday 29 July 2002 in an article by Paola Totaro, State Political Editor.*

All requests relating to advertising must be approved by a Cabinet Sub-Committee on Government Advertising.
- (4) *The cost of consultants is reflected in the annual report.*

Expenditure depends on the need for consultancy services throughout the year.

For each of your portfolio agencies in 2001-02:

- (5)
 - (a) How much was spent on overseas trips in 2001-02 by officials? *Please provide a list of each trip, purpose and cost.*

- (b) What is the estimate of money to be spent on overseas trips in 2002-03 by officials? *Please provide a list of each trip, purpose and cost.*
- (6) (a) How much was spent on inter-state trips in 2001-02 by officials? *Please provide a list of each trip, purpose and cost?*
- (b) What is the estimate of money to be spent on interstate trips in 2002-03 by officials? *Please provide a list of each trip, purpose and cost?*

Answers:

- (5) *Details regarding all official overseas travel is included in the annual report and is in accordance with the appropriate guidelines.*

Expenditure depends on the particular issues requiring overseas travel.

- (6) *Interstate travel by portfolio agencies was undertaken in accordance with appropriate guidelines.*

Expenditure depends on the particular issues requiring travel.

For each of your portfolio agencies in 2001-02:

- (7) How much was spent on legal expenses?
- (8) (a) How much was spent on office fitouts and refurbishments?
- (b) What is the estimated cost for 2002-03?
- (9) (a) How much was spent on the cost of leases in the Sydney CBD?
- (b) What is the estimated cost for 2002-03?
- (10) (a) Was there any vacant or under-utilised office space?
- (b) What is the cost of such unused office space?

Answers:

- (7) *Expenditure on legal expenses followed appropriate review of the circumstances, the need for such expenditure and was within appropriate guidelines.*

In the case of core work for public sector agencies the Crown Solicitor meets these costs.

- (8) *All office accommodation fit-outs and refurbishments were undertaken in accordance with OH&S requirements and appropriate guidelines.*

It is not possible to predict so early in the financial year the likely expenditure on accommodation and fit-outs in 2002-03.

- (9) *The Government Asset Management Committee (GAMC) monitors the leasing of the majority of government office space. Costs are kept to a minimum by virtue of the whole of government approach taken to leasing.*

- (10) *The Government Asset Management Committee (GAMC) oversees the leasing of the majority of government office space. It monitors lease negotiations to maximise occupancy and avoid vacancies.*

For each of your portfolio agencies in 2001-02:

- (11) (a) How much money was spent on performance pay for public servants in:
 - (i) 2000-01?

- (ii) 2001-02?
- (b) Did you personally approve these bonus payments?
- (12) (a) How much was spent on the salary packages for the Senior Executive Service?
- (b) What is the estimated cost for 2002-03?

Answers:

- (11) *On 28 August 2001 Premier's Memorandum 2000-21 was issued indicating that performance pay was not to be made available to members of the Chief and Senior Executive Services.*

Approvals for performance payments prior to 28 August 2001 as well as all other remuneration to members of the Senior Executive Service were made by the respective Chief Executive Officers.

- (12) *Upon election, the Government inherited a Chief and Senior Executive Service of 1,434 positions. The Government reduced the number of Senior Executive Service positions in accordance with a commitment to do so. As at April 2002 there were 1,003. This is a reduction of 431.*

Remuneration for the Senior Executive Service (SES) is determined by the Independent Statutory and Other Offices Remuneration Tribunal (SOORT). It is not possible to predict so early in the financial year the likely expenditure on SES remuneration. However, expenditure will be in accordance with any determinations by SOORT.

For each of your portfolio agencies in 2001-02:

- (13) (a) Have any Departments or agencies been fined by a court or statutory or regulatory authority between July 1 2001 and June 30, 2002?
- (b) If so, detail each fine and amount, and the reason for each fine?
- (14) (a) How many times were matters referred for independent investigation to ICAC? *Please provide a breakdown of these referrals?*

Answers:

- (13) *Any penalties imposed by a court or statutory authority are on the record of that court or statutory authority.*

- (14) *Section 11 of the Independent Commission Against Corruption Act 1988 requires the principal officer of an agency to report any matter the officer suspects on reasonable grounds concerns or may concern corruption.*

Disclosure of information may identify issues under investigation, therefore impede these investigations.

For each of your portfolio agencies in 2001-02:

- (15) (a) What fees were increased, and by how much?
- (b) What fees are expected to be increased in 2002-03?
- (16) (a) In 2001-02, how many board appointments were made you, or by your portfolio agencies?
- (b) Of these appointments:
 - (i) How many were women?
 - (ii) How many were of people from a non-English speaking background?
 - (iii) How many were of people with a disability?

- (iv) How many were Aboriginal Torres Strait Islanders?
- (v) How many were young people?

Answers:

- (15) *As was the case in the former Greiner/Fahey Governments any increases in fees are measured and take into account the specific fee, movements in the CPI and other related factors.*
- (16) (a) *The Government made a total of 1754 appointments to boards and committees in 2001/02.*
- (b) (i) *Approximately 694 were female.*
- (ii) *Due to the self-identifying nature of the nomination form no reliable figures are available for people from a non-English speaking background.*
- (iii) *Due to the self-identifying nature of the nomination form no reliable figures are available for people with a disability.*
- (iv) *Due to the self-identifying nature of the nomination form no reliable figures are available for Aboriginal and Torres Strait Islanders.*
- (v) *Due to the self-identifying nature of the nomination form no reliable figures are available for young people.*

3. Mr Gay asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

- (1) What was the total cost of staff attendance to support Minister Yeadon for the two hour period of the 2002-2003 Budget Estimates hearings?
- (2) Is the Government convinced that the late starting advertising campaign for the introduction of FRC was the best way to promote the changes?
- (3) Considering the relatively slow take up rate in the initial weeks, and with the benefit of hindsight, would it not have been better to start advertising late last year – perhaps as part of the last billing cycle of 2001?
- (4) (a) Can you explain why it took so long for the Ministry to provide full details of customers transferring or renegotiating contracts with existing suppliers?
- (b) Did it have anything to do with the adverse publicity generated around this issue?
- (5) Why do the Ministry figures include numbers of customers who have either renegotiated with existing suppliers or are in the process of churning, as opposed to the NEMMCO figures that simply reflected completed transfers?
- (6) Latest figures from NEMMCO show the number of transfers in NSW stands at 8,119 completed, with an additional 7,366 in progress, for a total of 15,485. The same figures show Victorian transfers at 16,245 completed, with an additional 7,439 in progress, for a total of 23,684.

In light of those figures, do you still maintain that the transition to FRC in NSW has been more successful than anywhere else in the world?

- (7) There was a lot of speculation prior to the introduction of FRC that computer systems in some distribution companies may not be able to successfully handle the transition to FRC.

Have there been any instances where problems have emerged as a result of FRC related IT issues?

- (8) Is the Government satisfied that the transition to FRC has been as smooth as possible?
- (9) Has the decision by the Queensland government to delay the introduction of FRC had any impact at all on the NSW distributors?
- (10) Does the Government consider the initial aims of the National Electricity Market have been diminished by this decision?
- (11) (a) Has there been a demonstrated saving for customers who opted to enter the contestable market?
- (b) If so, what is the magnitude of those savings?
- (c) If not, what happened to the Government's promise of cheaper electricity for household customers?
- (12) Does the policy of retiring general government sector debt by transferring debt to the state-owned corporations have an adverse affect on the ability of those companies to maintain their networks to an acceptable level?
- (13) Considering that it has been confirmed by this Budget that the total extracted from electricity businesses to date has been in the order of \$3 billion, while the corresponding capital works program for the electricity companies was only \$1.2 billion, is this an admission that the companies should be allowed to fund their own capital works by retaining their profits instead of paying them into the consolidated fund?
- (14) What progress has been made on the issue of undergrounding electricity cables?
- (15) (a) Will a pilot project be established prior to the State election?
- (b) If so, where will it be?
- (16) It has already been shown by IPART that the costs of undergrounding electricity cables far outweigh the benefits.
- Can you give a guarantee that the Government will not impose a regime that will impose an unfair cost burden on electricity consumers and householders across the State?
- (17) (a) What are the estimated sales proceeds from the privatisation of Pacific Power International.
- (b) What role have you and the Ministry played in preparing PPI for sale – or have you again been dictated to by Treasury in terms of policy in this area?
- (18) When will an announcement be made on the future ownership of Powercoal & PPI?

Answers:

- (1) *Attendance at Budget Estimates hearings, parliamentary committees, and other bodies, to support their Minister form part of the normal duties of public servants.*
- (2) *The Government's public information program commenced with newspaper advertising in November 2001. This was followed by a roll-out of other components of the public information program including:*

- *billboards in metropolitan locations;*
- *English and community language advertising in metropolitan and regional print and electronic media;*
- *distribution of an 8-page information brochure to every household in NSW;*
- *the establishment of an Internet site (www.nsw.gov.au/electricity) containing information about the changes (including information in several major community languages); and*
- *the establishment and advertising of a freecall telephone hotline and a call centre to respond to queries about the changes.*

The sequence in which the different media were used was the subject of careful consideration, particularly as market start coincided with a large proportion of consumers being on holidays during January.

Importantly, the function of the campaign was not to encourage consumers to change to a new electricity or gas retailer but to raise public awareness of the new arrangements and to provide reassurance that competition would not result in a loss of services or consumer protection.

I therefore consider that the public information program was an effective and efficient means of advising the public on the introduction of full retail competition in electricity and gas.

- (3) *The public education campaign was commenced in November 2001. The function of the campaign was not to encourage consumers to change to a new electricity or gas retailer but to raise public awareness of the new arrangements and to provide reassurance that competition would not result in a loss of service or consumer protection.*

As with any major purchase, the Government encouraged consumers to carefully assess the offers made by retailers and decide which arrangements best suited their individual needs. It was further expected that the take-up rate would be slow during the first few weeks of FRC for a number of reasons including:

- *most retailers were not expected to start their own marketing programs until February;*
- *the process of comparing various offers from energy retailers can take some time; and*
- *all negotiated energy contracts include a 'cooling off' period of 10 days before transfer between retailers occurs.*

Nevertheless, the Government has been very pleased with the numbers of consumers exercising choice to date. According to figures compiled by the Ministry, the number of customers who have either committed to switch to a new retailer or entered into a negotiated contract with an existing retailer had reached 113,931 by the end of June 2002, following a steady increase since market start.

- (4) *The Ministry began providing details of customers exercising choice in March 2002 following negotiations with retailers concerning the provision of commercially sensitive customer data.*
- (5) *The Ministry's figures provide the most complete picture of the number of NSW energy consumers exercising choice under full retail competition. The Ministry's aggregate figures contain customers:*

- (a) *who have committed to switching to a new retailer, where the cooling off period has expired but the customer transfer has not taken place;*
- (b) *who have chosen to switch to a negotiated contract with their existing retailer; or*
- (c) *transfers registered by NEMMCO and Gas Market Company.*

The NEMMCO figures do not include those customers who have negotiated a contract with their existing supplier. These customers have chosen to take advantage of FRC through a negotiated contract that better suits their needs.

Unlike NEMMCO or the Gas Market Company, the Ministry's figures do not include those customers who are still subject to a cooling off period. NEMMCO also releases details of electricity customers in the process of undergoing a transfer.

- (6) *From 1 January 2002 to 30 June 2002, 113,931 NSW energy customers have exercised their right to choose their energy supplier. The NSW Government, however, does not consider that the number of customers switching electricity provider considered in isolation provides an accurate measure of the successful introduction of full retail competition in electricity and gas.*

A competitive retail market encourages existing and new retailers to enter the market offering innovative products and services and marketing to specific classes of small customers. As customers become increasingly aware of their choices over time, retailers will find that they have to respond to customers exercising choices about service levels and prices. If customers are not satisfied, they can now choose to move to different arrangement with either their existing supplier or a completely new retailer.

The success of FRC in NSW has been due to a suite of initiatives to protect customers in the competitive market. For example, small retail customers (defined by customers who use less than 160MWh of electricity per annum) can remain on tariffs regulated by the Independent Pricing and Regulatory Tribunal – they do not have to deal in the competitive market.

Alternatively, if they are willing, these small customers can test the market to see if they can get a better deal. If ultimately they do not like their experience in the market, for whatever reason, they can at anytime go back to the regulated arrangements. This option is available for over 95% of customers in NSW. For larger customers (using more than 160 MWh of electricity a year) who have experience in commercial negotiations for purchasing their business supplies, buying electricity has become like buying other supplies. The customer can choose the supplier that offers price and terms that best meet their needs.

When customers enter the market, the Government has attempted to make their choice easier by preventing retailers from offering unfair contracts. Contracts must conform to regulations that prevent retailers from enticing customers from giving up basic rights. This will allow customers to focus on the key terms and conditions of the contracts such as price.

The Government has put in place a Marketing Code of Conduct enforced through retailers' licenses. The Marketing Code of Conduct ensures customers are fully informed of all charges they will have to pay. Retailers must tell customers the extent that the offered price includes all costs. If the price does not include all costs, the retailer must disclose the costs that are not included and how they will be charged. There can be no hidden charges. Retailers must follow the Code or face substantial fines or, ultimately, have their licence to retail suspended.

- (7) *The implementation of large and complex IT&T systems requiring interfaces with and between market participants will always raise challenges. I am aware of some data issues that were identified and remedied with no adverse impact on the operation of the competitive market or customers as retailers have worked with NEMMCO to remedy any problems. As with any IT&T system of this size and complexity, its operation needs to be constantly monitored and improved to ensure the integrity of the market.*
- (8) *The Government is satisfied that the systems put in place by NEMMCO, licensed retailers and NSW Government agencies have effectively managed the transition to full retail competition in gas and electricity.*

(9) *I am not aware of any adverse impact on NSW distributors.*

(10) *No.*

(11) *NSW households and businesses generally enjoy the cheapest power in Australia, which is amongst the lowest in the world. Since commencing its electricity reforms, the Carr Government has delivered over \$1.6 billion in savings to NSW electricity customers.*

The Electricity Supply Association of Australia's 2000/01 annual pricing report indicates that NSW is well ahead of other mainland States in providing the lowest residential, business and total average prices, delivering electricity at an average of 8.51 cents per kilowatt hour against the national average of 9.46 cents per kilowatt hour. NSW has consistently had the lowest electricity pool prices in the National Electricity Market.

In comparison to the wholesale price of power before the reforms, there has been a significant fall in prices. For example, in the year the Government's electricity reforms commenced, the average nominal wholesale electricity price (not including network charges) was approximately \$53MWh nominal, or around \$60MWh in today's dollars. By comparison, the average NSW pool price for the previous 12 months up until Christmas 2001 was \$35MWh. The NSW wholesale pool price fell to a low in 1997/98 of around \$15MWh. This is well below the costs of producing electricity, which the Independent Pricing and Regulatory Tribunal (IPART) estimated could be as high as \$56MWh and as low as \$36MWh (refer to "Regulated Retail Prices for Electricity to 2004" published by IPART in December 2000).

Customers who signed contracts in the period when wholesale prices were less than the costs of production benefited substantially from these low prices. However, no business can sustain selling its output at a price less than the costs of running the business.

One factor that did impact on all electricity prices across Australia during this period was the introduction of the Goods and Services Tax on 1 July 2000. The Commonwealth Government's introduction of the GST led to average franchise retail electricity prices for EnergyAustralia customers rising by 9.3%, 9.58% for Integral customers in Western Sydney and 9.4% for customers of Country Energy.

(12) *This question should be directed to the Treasurer and Minister for State Development, the Hon Michael Egan MLC, who has responsibility for this matter.*

(13) *This question should be directed to the Treasurer and Minister for State Development, the Hon Michael Egan MLC, who has responsibility for this matter.*

(14) *The Government's review on undergrounding electricity cables is well underway. The review involves extensive consultation with electricity service providers, local government and consumer groups.*

In April 2002, IPART released its interim report which examines the costs and benefits of undergrounding electricity networks and identifies options to fund works. A technical reference group has been established with representation from distributors, telecommunications companies, the Department of Local Government, the Local Government Association, the Roads and Traffic Authority and two local councils. This group is examining the technical and practical issues associated with undergrounding electricity and telecommunications infrastructure.

The Government is currently considering the findings of the review and will announce its position in the near future.

(15) *Please see answer to question 14.*

(16) *Please see answer to question 14.*

(17) *This question should be directed to the Treasurer and Minister for State Development, the Hon Michael Egan MLC, who has responsibility for this matter.*

(18) *This question should be directed to the Treasurer and Minister for State Development, the Hon Michael Egan MLC, who has responsibility for this matter.*

4. Mr Gay asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Community Technology Centres

- (1) How many staff are located at the Bathurst Headquarters?
- (2) Please provide a list of all the Community Technology Centres currently in operation (as of 30 June, 2002)
- (3) Please provide a list of Community Technology Centres scheduled to be opened in 2002-03 and the proposed opening date of each.

Answers:

- (1) *There are six (6) staff members located at Bathurst including the Community Development Manager, the Information Communication Technology Officer, the Business Planning Officer, the Marketing and Promotion Manager, the Web Manager and an Administration Officer.*
- (2) *As at 30 June 2002 there were eight (8) Community Technology Centres in operation in the following communities: Gundagai, Narromine, Temora, Bowraville, Cootamundra, Guyra, Menindee and Wyallda.*
- (3) *There are sixteen (16) Community Technology Centres in development. These include the communities of Condobolin, Mathoura, Murrumbidgee, Tambar Springs/Premier, Uki, Ulladulla, Boorowa, Canowindra, Gwabegar/Pilliga, Kendall/Comboyne, Khancobon, Mullumbimby/Brunswick Heads/Bangalow, Sussex Inlet, Braidwood, Holbrook and Robertson.*

The proposed opening dates for all of the Centres have not yet been determined.

5. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Transmission Cable Upgrades:

How much more money is needed to be spent on transmission cable upgrades in areas such as the CBD?

Answer:

It is an important responsibility of both energy companies and the Government to deliver a reliable electricity supply to the people of NSW. The investment of \$228.3M by TransGrid and EnergyAustralia in the MetroGrid project means a fundamental piece of infrastructure will ensure security of supply to Australia's premier economic and social centre to more than a million workers and residents who live in and around the Sydney CBD.

While electricity load growth in the Sydney area will change over time, TransGrid is working with EnergyAustralia and Integral Energy to provide network augmentations which alleviate the need for further transmission cables into the Sydney CBD.

In addition, TransGrid and EnergyAustralia are contributing \$10 million over the next 5 years towards a Demand Side Management Fund aimed at reducing the growth in electricity demand which would further reduce the need for transmission cable augmentations to the Sydney CBD. TransGrid is working with Integral Energy and Country Energy on similar Demand Side Management projects across the State.

All transmission augmentation plans are detailed in the New South Wales Annual Planning Report which is available on TransGrid's web site – www.transgrid.com.au.

6. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Greenhouse Gas Emission Benchmarks:

- (1) How many and which of the four electricity generators operating in NSW have delivered on the previous voluntary greenhouse gas emission targets?
- (2)
 - (a) When can we expect legislation to introduce the compulsory scheme?
 - (b)
 - (i) This session?
 - (ii) Next session?
 - (iii) This year?
 - (iv) Next year?

Answers:

- (1) *Integral Energy met its voluntary greenhouse target in 2000/01. In recognition of the failure of most other electricity retailers to meet this voluntary scheme, on 8 May 2002 the Government announced that new legislation would be introduced in the Spring Session to require electricity retailers to reduce emissions by 5% on a per capita basis compared to 1989-90 levels by 2007.*

The new compulsory scheme will start on 1 January 2003 and involves:

- *retailers reducing emissions by 5 per cent on a per capita basis by 2007 as compared to 1989/90 emissions levels;*
- *maintaining these lower emissions levels for at least another five years; and*
- *penalties of up to \$15 for each tonne of carbon dioxide equivalent for electricity retailers who do not meet their target.*

This scheme will deliver an estimated reduction by 2012 of 13.4 million tonnes of carbon dioxide compared with business-as-usual estimates, or the equivalent of taking 2.9 million cars off the road for a year.

NSW has felt compelled to act unilaterally to begin addressing global warming due to the lack of leadership on this issue from the Federal Government.

This will be the only scheme of its kind in Australia and we are urging other jurisdictions to follow as a matter of urgency.

- (2) *Please see answer to Question 1.*

7. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Disclosure of Greenhouse Gas Emissions:

- (1)
 - (a) Will the Government act on recommendations by the Australian Conservation Foundation for customer energy bills to disclose the greenhouse gas emissions created in generating the electricity billed for?
 - (b) If so, when can we expect this initiative to be implemented?
 - (c) If not, why not?
- (2) Isn't electricity generation estimated to be responsible for almost 40% of Australia's greenhouse gas emissions?

Answers:

(1) *Government owned electricity retailers are progressively incorporating greenhouse gas emissions associated with electricity consumption onto customers' bills. I understand that EnergyAustralia and Integral Energy are already doing so and that Country Energy will commence this practice in September 2002. I am advised that Australian Inland Energy and Water will do so within the next 12 months when it installs a new billing system.*

(2) *Yes.*

8. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Underground Cabling:

- (1) When can NSW residents expect to see electricity cables being buried underground?
- (2) How much of the cost of undergrounding will be met by the government?
- (3) Didn't the Independent Pricing and Regulatory Tribunal recommend at least 20%?
- (4) How much is the government expected to save from resultant improved public safety and amenity, less storm and bushfire damage and a more efficient delivery of power to households?
- (5) How will such savings be passed on to residents?
- (6) How much of the cost of undergrounding will be met by energy providers?
- (7) How much are energy providers expected to save from reductions storm and bushfire damage and a more efficient delivery of power to households?
- (8) How will such savings be passed on to residents?
- (9) How much of the cost of undergrounding will be met by residents?

Answers:

- (1) *The Government is currently considering the review on undergrounding electricity cables. A decision will be announced in the near future.*
- (2) *Options for funding undergrounding are part of the Government's consideration of this issue.*
- (3) *In its interim report, the Independent Pricing and Regulatory Tribunal recommended a funding approach whereby the costs of an undergrounding program would be apportioned as follows: 10% by the NSW Government; 5% by distributors; 5% by consumers who are most sensitive to reliability of supply; and 80% through local government rates or levies.*
- (4) *Quantifiable benefits are estimated by IPART over 40 years in net present value terms, including reduced costs related to motor vehicle accidents (\$230-\$260M) and improved reliability of energy supply (\$55-\$115M).*

IPART has also identified a range of unquantifiable benefits including improved public amenity and public safety. IPART has concluded that these benefits could not be quantified in an absolute sense.

In comparison, IPART's interim report found that the estimated capital cost of undergrounding urban areas is up to \$5.9 billion (in 2002 dollars) over 40 years.

- (5) *As stated above, options for funding undergrounding are part of the Government's consideration of this issue.*
- (6) *Please see answer to question 5.*

(7) *Please see answer to question 4.*

(8) *Please see answer to question 5.*

(9) *Please see answer to question 5.*

9. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Council of Australian Governments (COAG) Energy Policy Review:-

- (a) Has the Council of Australian Governments (COAG) energy policy review, agreed to in June 2001, been completed?
- (b) If not, why not and when is it expected to be completed?
- (c) If so, what are the results of the review and when will they be made public?

Answer:

The Council of Australian Governments (COAG) agreed to an independent Energy Market Review at its 8 June 2001 meeting. The Review Panel has indicated that it will release a draft report in November 2002 and submit a final report to the Ministerial Council on Energy in December 2002.

10. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Retail Contestability:

- (1) How many of NSW's 2.6 million plus energy clients have switched retailers since the introduction of full retail contestability on 1 January 2002?
- (2) Do official figures from the national electricity market regulator, NEMMCO, show that only 3-400 or so customers have done so?
- (3) Do those figures also show that between 3-4000 of VIC's 2.2 million consumers have changed suppliers since mid-January?
- (4) Why have so few NSW customers taken advantage of the ability to switch retailers?
- (5) Are the financial benefits of switching in doubt?
- (6) How much has the Government spent on introducing full retail contestability?
- (7) What savings have switched customers derived from it?

Answers:

(1) *From 1 January 2002 to 30 June 2002, 113,931 NSW energy customers have exercised their right to choose their energy supplier. This includes customers:*

- (a) *who have committed to switching to a new retailer, where the cooling off period has expired but the customer transfer has not taken place;*
- (b) *who have chosen to switch to a negotiated contract with their existing retailer; or*
- (c) *transfers registered by NEMMCO and Gas Market Company customers.*

(2) *As at 8 July 2002, the NEMMCO website showed that 11,444 small customers in NSW had transferred to a new electricity retailer and a further 9,589 were in the process of been transferred. It is important to note that these figures do not include gas customers or the number of electricity customers*

exercising choice in other ways, for instance, by entering into a negotiated contract with their existing retailer.

- (3) *As at 8 July 2002, 19,590 Victorian customers had been transferred to a new electricity retailer and a further 9,554 customers were in the process of being transferred.*
- (4) *From 1 January 2002 to 30 June 2002, 113,931 NSW energy customers have exercised their right to choose their energy supplier. The NSW Government, however, does not consider that the number of customers switching electricity provider considered in isolation provides an accurate measure of the successful introduction of full retail competition in electricity and gas.*

A competitive retail market encourages existing and new retailers to enter the market offering innovative products and services and marketing to specific classes of small customers. As customers become increasingly aware of their choices over time, retailers will find that they have to respond to customers exercising choices about service levels and prices. If customers are not satisfied, they can now choose to move to different arrangement with either their existing supplier or a completely new retailer.

The success of FRC in NSW has been due to a suite of initiatives to protect customers in the competitive market. For example, small retail customers (defined by customers who use less than 160MWh of electricity per annum) can remain on tariffs regulated by the Independent Pricing and Regulatory Tribunal – they do not have to deal in the competitive market.

Alternatively, if they are willing, these small customers can test the market to see if they can get a better deal. If ultimately they do not like their experience in the market, for whatever reason, they can at anytime go back to the regulated arrangements. This option is available for over 95% of customers in NSW. For larger customers (using more than 160 MWh of electricity a year) who have experience in commercial negotiations for purchasing their business supplies, buying electricity has become like buying other supplies. The customer can choose the supplier that offers price and terms that best meet their needs.

When customers enter the market, the Government has attempted to make their choice easier by preventing retailers from offering unfair contracts. Contracts must conform to regulations that prevent retailers from enticing customers from giving up basic rights. This will allow customers to focus on the key terms and conditions of the contracts such as price.

The Government has put in place a Marketing Code of Conduct enforced through retailers' licenses. The Marketing Code of Conduct ensures customers are fully informed of all charges they will have to pay. Retailers must tell customers the extent that the offered price includes all costs. If the price does not include all costs, the retailer must disclose the costs that are not included and how they will be charged. There can be no hidden charges. Retailers must follow the Code or face substantial fines or, ultimately, have their licence to retail suspended.

- (5) *Please see answer to question 4.*
- (6) *The major cost to the Government associated with the introduction has been the cost of the public education program, for which a budget of \$3 million was allocated. Of this \$3 million:*
 - *\$60,000 was spent on information for those electricity customers with an annual consumption of between 100,000 and 160,000 kWh who entered the competitive market in January 2001;*
 - *\$120,000 was spent on information for those electricity customers with an annual consumption of between 40,000 and 100,000 kWh who entered the competitive market in July 2001, and on focus group research about the public's level of interest in the Government's provision of impartial, authoritative factual information about the changes to the supply of electricity and gas; and*
 - *\$330,000 was allocated to the costs of a call centre for full retail competition (FRC) in gas and electricity.*

The remaining \$2,490,000 was allocated on public information program for the 2,884,000 electricity and 820,000 gas customers in NSW. This included:

- *billboards in metropolitan locations;*
- *English and community language advertising in metropolitan and regional print and electronic media;*
- *distribution of an 8 page information brochure to every household in NSW;*
- *the establishment of an Internet site (www.nsw.gov.au/electricity) containing information about the changes (including information in several major community languages); and*
- *the establishment and advertising of a freecall telephone hotline and a call centre to respond to queries about the changes.*

This expenditure is the equivalent of 68 cents per energy customer.

(7) *Please see answer to question 4.*

11. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Renewable Energy:

- (1) How much of Australia's electricity comes from renewable energy sources? Is it less than 10%?
- (2) How much comes from burning coal?
- (3) What is Australia's largest energy resource?
- (4) Isn't the average amount of solar energy that falls on Australia about 15,000 times the nation's energy use?
- (5) Isn't the amount of solar energy on earth available to generate photovoltaic power also about 10,000 times greater than the total world energy use today?
- (6) How much of the 2% Renewable Energy Target will be supplied from solar energy?
- (7) How much will be supplied from timber extracted from State Forests?

Answers:

- (1) *The Australian Bureau of Agricultural and Resource Economics Report, 'Australian Energy Projections to 2019-20' indicates that renewable energy provided 64.8 petajoules in 1998-99, which equates to 8.9% of the total electricity generated in Australia.*
- (2) *The same report indicates that black and brown coal combined provided 577.7 petajoules in 1998-99 which equates to 79.3% of the total electricity generated in Australia (black coal 54.8%, brown coal 24.5%).*
- (3) *Coal is Australia's largest commercially utilised energy resource.*
- (4) *Yes.*
- (5) *Yes.*
- (6) *I am advised the Commonwealth Government's Renewable Energy Regulator expects the contribution by solar energy to be around 10 – 12% of the total target in 2010.*
- (7) *Under the Commonwealth's MRET legislation, only wood wastes from sustainable sources are eligible for the Renewable Energy Target. The Commonwealth's Renewable Energy Regulator has advised that currently wood wastes comprise 6% of the Renewable Energy Certificates issued nationally.*

I am advised that some NSW electricity generators are using sawmill wastes and plantation residues to produce Renewable Energy Certificates. It is not possible to estimate the contribution that plantation thinnings and sawmill wastes from timber supplied by State Forests contribute to this national total.

12. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Green Rail Power:

- (1) (a) How much of the power that Integral Energy will supply to rail lines and railway stations in NSW, under its 3 year, multi-million dollar contract with the Rail Infrastructure Corporation (RIC), is required to be green energy?
- (b) If none, why and what can be done to rectify this?
- (2) How much energy will be purchased from Integral Energy under the contract, 640 gigawatt hours?
- (3) Is that equivalent to energy used by 116,000 average-sized homes?
- (4) If the contract requires no green energy, why should voters in their homes pay extra and buy green power when public service providers like the RIC fail to do so?

Answers:

- (1) *I am advised that this information is commercial-in-confidence.*
- (2) *Yes.*
- (3) *Yes.*
- (4) *The Government Energy Management Plan (GEMP) requires all Schedule 1 agencies to purchase 6 percent of their electricity as greenpower. This is implemented through a Government Electricity Contract which comprises 6 percent of Green Power. However, Government Trading Enterprises (GTE's) such as the Rail Infrastructure Corporation are not obliged to purchase their electricity through the Government Contract.*

The government does, however, encourage Government Trading Enterprises to purchase greenpower in line with GEMP. I am advised that GTE's have willingly adopted this initiative.

13. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Methane Gas Use:

It was reported in the Illawarra Mercury of 10 June 2002 that Shoalhaven City Council wants to use methane gas from the Ulladulla landfill depot to generate power for 100 homes and to heat a nearby swimming pool. It was also reported that the Sustainable Energy Development Authority (SEDA) was providing \$165,000 of the \$800,000 needed for the project.

- (1) How many other methane gas energy projects are on the drawing board for NSW and what exactly do the projects entail?
- (2) Is SEDA providing funds for all such projects? If so, how much? If not, how is SEDA funding determined?
- (3) What, if anything, is being done to encourage other councils to undertake similar projects?

Answers:

(1) *The NSW Government, through SEDA, has funded three methane gas projects in NSW, which are under construction or have been recently completed. These projects are located at Wagga Wagga, Shoalhaven and Ulladulla and entail:*

- *Installing wells on a 50m grid to form a gas collection system;*
- *Collection and then measurement of gas flows;*
- *Establishing the optimum size of generator to use the available gas; Installation of the gas cleaning and electrical generation equipment; and,*
- *One landfill development typically saves the equivalent of 30,000 tonnes of carbon dioxide emissions each year.*

I am advised that SEDA is aware of thirteen potential methane gas projects in NSW. These projects are, however, currently out to tender and therefore it is not appropriate to discuss them in detail.

- (2) *SEDA has provided a grant of \$180,000 to the project at Wagga Wagga, a grant of \$200,000 to the project at Shoalhaven and a grant of \$165,000 to the project at Ulladulla. SEDA encourages applications to the Renewables Investment Program (RIP) via advertisements in major daily newspapers, trade magazines and by direct contact with potential applicants. There are two rounds of RIP funding each year and a committee, comprising relevant SEDA officers, review applications against the criteria set out in the program's guidelines. Major evaluation criteria include level of innovation, greenhouse reduction potential, and actual need for funding in order that the project proceed.*
- (3) *Stakeholders are regularly informed of the RIP application process through newsletters, including the electronic "Energy Smart News" which is distributed to local Councils, seminars and conferences.*

14. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Solar Powered Fire Stations:

The Newcastle Herald reported on 13 June 2002 that the Premier opened Australia's first 'green' fire station in East Maitland on 12 June 2002, the \$1.52 million station is solar powered, features a structurally efficient steel 'cocoon' to reduce energy consumption and will use 70% less energy than a traditional fire station.

- (1) How many other 'green' fire stations are planned for NSW and where and when will they be built?
- (2) If none, why?

Answers:

Questions regarding when and where new fire stations will be built should be directed to my colleague, the Hon Bob Debus MP, Minister for Emergency Services.

15. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Co-generation:

- (1) How much greenhouse gas emissions is expected to be saved by the \$400 million cogeneration power plant using by-product gases from BHP's iron and steel making processes in Port Kembla?
- (2) How many other cogeneration power plants are on the drawing board for NSW and what exactly do the projects entail?
- (3) If none, what is being to encourage such developments?

Answers:

- (1) *It is expected that 800,000 tonnes, per year, of greenhouse gas emissions will be saved as a result of the project.*
- (2) *I am advised that SEDA is aware of eight potential cogeneration power plant projects for NSW.*
These projects involve the installation of technology to harness the waste heat, for use within either the industry process or adjacent uses.
- (3) *Please see answer to question 2.*

16. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Energy Efficient Home Building Guidelines:

- (1) Could the Minister detail the proposed changes to home building guidelines to make homes, villas and townhouses more energy efficient?
- (2) How much energy and greenhouse gas emissions are expected to be saved from this initiative?
- (3) (a) Will similar changes be introduced for industry building guidelines?
(b) If so, when?
(c) If not, why not?

Answers:

- (1) *If this question relates to the proposed incorporation of minimum energy performance standards into the Housing Provisions (Volume 2) of the Building Code of Australia, currently scheduled for incorporation as part of Amendment 12 on 1 January 2003, it should be directed to my colleague, the Hon Dr Andrew Refshauge MP, the Minister for Planning.*

There have been no significant changes to the NSW Government Energy Smart Homes Policy, or related guidelines.

- (2) *This question should be directed to my colleague, the Hon Dr Andrew Refshauge MP, the Minister for Planning.*
- (3) *This question should be directed to my colleague, the Hon Dr Andrew Refshauge MP, the Minister for Planning.*

The NSW Government has, however, through SEDA, already developed the Australian Building Greenhouse Rating Scheme (ABGR). The ABGR is a voluntary national program to rate and benchmark the greenhouse performance of office buildings, allowing building owners and managers to promote good greenhouse performance and tenants to seek accommodation in such buildings.

17. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Energy-efficient House Plan:

The Sydney Morning Herald of 18 April 2002 reported that people building new houses in the Parramatta area will have to prove the houses are energy efficient under a plan released by the Premier.

- (1) How energy efficient will such houses have to be and what benefits are expected to be derived from this initiative?
- (2) Do other council areas have the same requirements? If not, why?

Answers:

- (1) *The article referred to the Parramatta City Council's new Local Environment Plan and Development Control Plan, which was launched by the Premier.*

I understand the Council's specific policy requirements for energy efficiency are consistent with the SEDA model Energy Smart Homes Policy. This policy requires residential development applicants to comply with minimum energy performance standards for the building envelope, hot water system and clothes drying facilities for multi-unit development. There are also guidelines for solar access for subdivision design and layout.

I would suggest the Committee contact Parramatta City Council for any further information.

- (2) *I understand that forty four (44) other Councils have the same requirements. In addition, another twenty nine (29) Councils have adopted the model Energy Smart Homes Policy in part, or are in the process of developing a policy with these requirements.*

18. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Brownsville County Council Picnic Area:

- (1) (a) What is the Government doing to assist the Brownsville community in having the former County Council Picnic Area, now the no longer used Integral Energy depot site, re-opened to the public?
- (b) If nothing, why?
- (2) (a) Will the government make any funds available to the community for the repurchasing of the site?
- (b) If so, how much and when?
- (c) If not, why not?
- (3) Doesn't the area have a special spot in the heart of many Illawarra residents, who have used the area on warm summer evenings for family barbeques and Christmas and birthday parties for more than 20 years?

Answers:

- (1) *Integral Energy is examining proposals for the future use of its former works depot site at Brownsville.*

I am advised Integral Energy is keen to balance commercial and community factors when making a decision about the site. As a business, it realises it has a responsibility to its customers and shareholders to ensure that assets such as former property sites are sold at commercial value. Besides considering commercial offers that have been made for the site, Integral Energy will also be reviewing proposals suggesting that the community purchase the land for recreational use.

Integral Energy has provided financial support to a group of community organisations to help them prepare a report on future community use options for Brownsville.

- (2) *Please see answer to question 1.*
- (3) *Integral Energy recognises that some community groups have a great deal of interest in the future use of the land. This is why Integral Energy has provided financial support to prepare a report on future community use options for the Brownsville site.*

19. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Renewable Energy & State Forests income:

- (1) How much of timber extracted from State Forests is going to power suppliers under the 2% Renewable Energy Target?
- (2) What percentage of this contributes to State Forests NSW overall income?
- (3) How much of State Forests NSW income is amassed through the sale of low quality logs, waste and woodchips?
- (4) How much of State Forests NSW income is amassed through the sale of logs for value-added products?
- (5) What is the average State Forests NSW income through sale of logs for coupes in northern NSW and compartments in southern NSW?

Answers:

- (1) *State Forests does not sell timber to power generation corporations. However, some timber industry customers of State Forests are understood to be supplying residues from log processing to the power generators, or generating some of their own power from their own residues. I understand that at least one large softwoods customer (Visy Industries) is using by-products for co-generation and that some surplus power is sold into the grid.*
- (2) *Nil.*
- (3) *For year 2000/01, State Forests' income from the sale of timber (hardwood and softwood) of low quality logs, waste and timber for woodchips was \$13m. Low quality logs have been defined by State Forests as logs which are not suitable for sawmilling or higher value uses, but are converted into products such as woodchips, firewood and charcoal.*
- (4) *For 2000/01, State Forests' income from the sale of timber (hardwood, cypress and softwood) for value-added products is \$107m. Value-added products have been defined by State Forests as timber products derived from logs and converted into solidwood products such as sawn timber of various types, veneer for the plywood industry and round timbers for use in high value products, such as power poles and marine piles.*
- (5) *On the assumption that the question relates to coastal native forests, I can advise that the average income per compartment for the year 2000-01 from the*
 - *Upper North East Region is \$59,345*
 - *Lower North East Region LNE is \$57,591*
 - *Southern Region (excluding Tumut sub-region) is \$52,754*

20. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Charcoal Factory:

- (1) Did the Mogo charcoal factory approval on May 1 address all of the environmental and economic concerns of the local community?
- (2) Hasn't the environment movement asked, from the first stage of the proposal, the Government to establish a thorough assessment process to determine the full range of impacts the development would have on the region?

- (3) Has this been done? If not, why not? If so, what is the economic impact that establishing this charcoal factory would have on the regional tourism industry which currently employs 6200 people, and earns the local community over \$700 million per year?
- (4) What impact will the additional heavy vehicle traffic have on highway businesses all the way up the coast?
- (5) What impact the proposal will have on local property values?
- (6) What assessment has been made of the implications of more than doubling the native forest logging industry in the region?
- (7) Has an environmental assessment of the impact of doubling the amount of timber removed from the region's forests been conducted?
- (8) Does the Regional Forest Agreement for the region mention or did it assess charcoal production at all?
- (9) Has there been any economic assessment of the impact this proposal would have on other parts of the timber industry, including regional sawmills, and the broader forest 'industry' (which includes water catchment values, estimated to be worth \$1.1 billion per year for the region)?

Answers:

- (1) *This question should be directed to the Deputy Premier, Minister for Planning, Minister for Aboriginal Affairs and Minister for Housing, the Hon Dr Andrew Refshauge MP, who has portfolio responsibility for this matter.*
- (2) *Please see answer to question 1.*
- (3) *Please see answer to question 1.*
- (4) *Please see answer to question 1.*
- (5) *Please see answer to question 1.*
- (6) *Comprehensive assessment of the availability of harvesting residues (waste) has been undertaken by State Forests. The assessment has been independently reviewed and endorsed by Mr Jerry Leech. Mr Leech's report was tabled in the Legislative Council in September 2001 and is available publicly.*

The Leech report confirms that there are 200,000 net tonnes of residue timber available per year. The company has nominated 175,000 tonnes per year as its maximum base annual supply in the first four years of operation.

Utilisation of this material will reduce waste as well as redirect wood from traditional woodchip export markets into a new domestic value adding industry.

- (7) *The Regional Forest Agreement for Southern NSW was signed in April 2001 following comprehensive regional assessment of the social, economic, environmental and cultural heritage values of the South Coast forests.*

\$11M was spent on this Comprehensive Regional Assessment (CRA) process. Some of the environmental outcomes on the South Coast are:

- *new National Parks and Reserves forming a continuous 300km protected forest corridor from Moss Vale to the Victorian border;*
- *88 per cent of publicly owned forest, including all high conservation value old growth forests and all CRA Identified Wilderness reserved from harvesting;*
- *a Forest Management System that manages forests for all values, not just timber; and*
- *a new Forest Management Zoning System that highlights and protects values particular to areas of forest.*

In areas which remain available for harvesting, operations are closely regulated by the terms of the Integrated Forest Operations Approval, (IFOA), granted under the Forestry and National Parks Estate Act 1998.

Single Tree Selection and Australian Group Selection are the approved silvicultural regimes, which govern the number of trees that may be harvested. The principal purpose of timber harvesting is to produce sawlogs.

The supply of timber for the proposed plant is consistent with the Forest Agreement and Integrated Forestry Operations Approval.

No tree will be cut for the sole purpose of charcoal production. All timber supplied is a by-product of sawlog harvesting approved under both the NSW Forest Agreement and the Commonwealth / State Regional Forest Agreement.

The utilisation of this timber will reduce waste and redirect wood from traditional woodchip export markets into a new domestic value adding industry.

- (8) *Yes. Clauses 74 and 109 (Attachment 11) of the RFA for Southern Region acknowledges the importance of new industry investment. Sections 38 to 41 of Clause 109 specifically refer to residue utilisation and a study undertaken for the Commonwealth Department of Agriculture, Fisheries and Forestry titled Alternative Uses for Hardwood Residues from the Southern NSW RFA. Clause 40 states, "... the study concluded the greatest scope for alternative uses of hardwood residues from the region lay in the establishment of new markets for charcoal and activated carbon".*

- (9) *The use of residue wood for charcoal will assist the local hardwood sawmilling industry by improving the resource economics of harvesting and haulage generally.*

The production of high quality charcoal is one of the key factors that will allow the Lithgow Silicon Smelter Project to proceed – a project of State significance and one creating a new light metals industry for the eastern seaboard of Australia.

It should be pointed out that the wood proposed for the charcoal plant can, today, be sold for woodchip export. The use of the residue wood for charcoal will boost regional development in NSW instead of providing raw materials for overseas processing and will thereby reduce Australia's trade deficit in paper products.

If the Timber Supply Agreement (TSA) performs to its full wood supply potential of 200 000 tonnes of residue per year until December 2020, the State will receive \$25.7M in 2002 dollars.

Should the TSA perform at the reduced wood usage levels of 175 000 tonnes per year as stated in Schedule 1 of the Agreement, the State will, in today's dollars, receive \$22.5M over the life of the Agreement.

The charcoal is a key component of the Lithgow Silicon Smelter. The smelter will earn around \$4 billion over a projected 40 year life from which the people of NSW will also benefit.

Water catchment values are fully protected under the terms of the Integrated Forest Operations Approval (IFOA), as required by the Forestry and National Parks Estate Act. The IFOA incorporates licences or conditions from Planning NSW, the National Parks and Wildlife Service, the Environment Protection Authority and NSW Fisheries. The IFOA will continue to protect high conservation value old growth, endangered plants and animals, rainforests, steep slopes, riparian areas and waterways in areas where harvesting operations are carried out.

21. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

Papers released under Parliamentary privilege, in particular the Timber Supply Agreement between State Forests of NSW and Australian Silicon, indicate both that 'logs' are required for charcoal production, and that there is a significant subsidy in the provision of timber supply.

- (1) How much will this project cost the taxpayers of NSW in terms of subsidies in timber supply, electricity supply, infrastructure development, and business grants?
- (2) Why has the Government refused to assess the economic and environmental impacts of this proposal?
- (3) Why has the disclosure of costs to the community been hidden behind 'Parliamentary Privilege' when the issues are so important for the citizens of NSW, and there has been such enormous community concern over the development?
- (4) Doesn't the Mogo Charcoal Factory on the Nature Coast pose the biggest threat to the environment of that region ever?
- (5) Isn't it also the most controversial development in the Nature Coast's history?
- (6) Didn't the proposal generate more than double the previous record for public responses to an EIS for any proposed development in the region?
- (7) Weren't only 13 of the 1536 responses, none of which were form letters, for the proposal?
- (8) Doesn't the Charcoal Factory require 200,000 tones of timber a year, a more than doubling of the forest industry in the region overnight?
- (9) Doesn't much of the timber earmarked for the factory lie in and will most certainly degrade vital water catchment areas, worth 1.1 billion dollars to the area annually?
- (10) Aren't the earmarked forests also areas of high conservation values, rich in biodiversity?
- (11) Doesn't the factory also pose an extreme threat to the immediate surrounding environment, particularly a protected SEPP 14 wetland that intersects a corner of the factory site?
- (12) Won't polluted runoff into that wetland travel straight to the ocean via the stream that feeds the wetland?
- (13) Won't the 5 retorts of the factory emit thousands of tones of VOCs particulate matter, dioxins, mercury, nitrous and sulphur oxide (acid rain), carbon, etc, in a shire where the problems associated with home wood fire burners is so extreme they are now banned in new houses, these outpourings from the factory pose a huge threat to the local residents?
- (14) Why has the Government refused to assess the economic and environmental impacts on the forest and other offsite issues relating to the Charcoal Factory?
- (15) Why has the Government approved such a dangerous heavy industrial facility within 2.3 kilometres from 4 schools, and old people's home and thousands of other residents?

Answers:

- (1) *There is no subsidy for timber supply to Australian Silicon Operations. Questions regarding electricity supply, infrastructure development and business grants need to be directed to the Treasurer and Minister for State Development*
- (2) *This question should be directed to the Hon Dr Andrew Refshauge MP, Minister for Planning, who has portfolio responsibility for this matter.*
- (3) *Please see answer to question 2.*
- (4) *Please see answer to question 2.*
- (5) *Please see answer to question 2.*
- (6) *Please see answer to question 2.*
- (7) *Please see answer to question 2.*
- (8) *Please see answer to question 6.*

- (9) *Please see answers to questions 7 and 9.*
- (10) *Under the provisions of the Regional Forest Agreement and IFOA, the public forest areas of highest conservation value are protected (including those on State Forest) and are not available for harvesting based on Comprehensive Regional Assessments.*
- (11) *This question should be directed to the Deputy Premier, Minister for Planning, Minister for Aboriginal Affairs and Minister for Housing, the Hon Dr Andrew Refshauge MP, who has portfolio responsibility for this matter.*
- (12) *Please see answer to question 11.*
- (13) *Please see answer to question 11.*
- (14) *Please see answers to questions 7 and 9.*
- (15) *Please see answer to question 11.*

22. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Southern Regional Forest Assessment (RFA):

- (1) Isn't State Forests supposed to harvest some 48.5 thousand cubic metres of timber under the terms of the Southern RFA?
- (2) Weren't only 32 thousand harvested last year? If so, why?
- (3) Isn't an extra 200,000 tonnes of timber required for the Mogo charcoal factory?
- (4) How then can State Forests possibly supply the factory when they have not even been able to make the 48.5 thousand cubic metres to be harvested under the terms of the RFA?
- (5) Isn't the timber required for the Mogo charcoal factory supposed to be waste timber, i.e., branches and stumps etc?
- (6) Why then does the timber supply agreement clearly state that logs will be supplied and specifies the lengths and diameters?
- (7) Haven't Australian Silicon stated that their timber plantations will not be online for 30-35 years?
- (8) Why then has the Government stated that they will be online in 20 years?
- (9) What is the cost to the community over the next 30-35 years of the subsidy for the timber for the charcoal factory?
- (10) What price is Australian Silicon going to pay for the timber? Isn't it \$7-11.50 per tonne?
- (11) (a) What is the on ground cost of the State Forest timber per tonne?
- (b) Isn't it \$47-48?

Answers:

- (1) *The Southern RFA was signed in April 2001. This agreement set the sustainable annual yield for High Quality Large Logs from South Coast Region at 48,500 cubic metres and will result in a commensurate availability of other products as a result of producing high quality logs.*
- (2) *Negotiations between State Forests and the South Coast timber industry in relation to the long term sawlog agreements did not commence until the Southern RFA was signed in April 2001.*

The timing of the Agreement signing combined with the post GST building market collapse resulted in the supply of 31,000 cubic metres of High Quality Large sawlogs in 2001.

- (3) *In the first 17 years of operation, during the development of the plantations, up to 200,000 tonnes per year of harvesting residues will be sourced from State forests on the South Coast that are the subject of the Regional Forest Agreement for Southern NSW.*
- (4) *Legally binding timber supply agreements between State Forests and South Coast sawmillers will ensure harvesting is undertaken at agreed sustained yield levels.*

On the basis that Australian Silicon Operations proceed with the investment, State Forests will take on the management of the harvesting and transportation of timber. Under this arrangement State Forests will ensure that High Quality Large sawlogs and residue timber are supplied at agreed sustained yield levels.

- (5) *No tree will be cut for the sole purpose of charcoal production. All timber supplied is a by-product of sawlog harvesting approved under the NSW Integrated Forest Operations Approval, the NSW Forest Agreement and the Commonwealth/State Regional Forest Agreement.*

An enormous amount of information has been presented to the NSW Parliament and documentation tabled in the Legislative Council on this issue. Alternatively, material can be viewed on State Forests' web site www.forest.nsw.gov.au.

- (6) *For practical and economic reasons, residue timber supplied to the Mogo charcoal plant will be in log form, having a minimum length of 2.0 metres and a minimum diameter of 15 centimetres. Logs suitable for higher value uses will not be supplied for the charcoal plant.*
- (7) *I am not aware of this statement by Australian Silicon.*
- (8) *Wood supply from plantations can be generated from thinning operations as well as final harvest. Wood from a first thinning could be online within 10-15 years or 15-20 years in drier parts of the State.*
- (9) *There is no subsidy in the Timber Supply Agreement between State Forests and Australian Silicon Operations.*
- (10) *The negotiated price for the wood in the TSA is a welcome outcome for the people of NSW.*

The price of \$7.56 per tonne of residue wood as contained in Schedule 4 of the Timber Supply Agreement is higher than the current price for woodchip export that utilizes a similar quality of wood. There is also the provision for price escalation in line with the Consumer Price Index.

The Agreement (Clause 20) also requires the review of wood price. As a first for NSW, the price for residue wood is linked to the world price for silicon. This is showing very strong growth. Linking price escalation to the silicon market growth should provide an even better outcome for the people of NSW.

The delivered price of residue timber to the proposed charcoal plant is in the order of \$39 per tonne, as indicated in Schedules 4 and 5 of the Timber Supply Agreement, comprising \$18 per tonne for harvesting, \$13.65 per tonne for haulage and \$7.56 per tonne stumpage.

State Forests receives \$50-60 per cubic metre for sawlogs. The \$7.56 per tonne proposed for the residue wood is additional to stumpage for sawlogs obtained in the same integrated harvesting operation. The low marginal cost of extracting other products such as residue wood in an integrated operation makes it profitable for State Forests to do so.

- (11) *Please see answer to question 10.*

23. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Wood Supply Review:

- (1) Will the eight-year wood supply review required by the NSW Forest Agreement for northern NSW not be brought forward from 2006?

- (2) (a) Will a genuine independent review of the State Forests timber data be undertaken prior to the review in 2006?
- (b) If so, when?
- (c) If not, why not?
- (3) Will no further resource security will be given to the logging industry in northern NSW until the completion of the review in 2006?

Answers:

(1) *A review of future availability of quota quality sawlogs after eight years is to occur as part of the 20 year Wood Supply Agreements. Consistent with the Wood Supply Agreements, the North East Forest Agreements stipulate that the annual committed volume of quota quality sawlogs is subject to an inventory review to be completed at year eight, based on the 1999 land base and the Integrated Forest Operations Approval rules. There are no plans to change this provision.*

(2) *Review of wood supply (ie inventory assessment) is not a one-off process.*

Under the RFA and Forest Agreements, a FRAMES resource improvement strategy will be developed with stakeholders for the 8 year review. State Forests has commenced consultation with stakeholders on the matter.

Monitoring of wood supply arrangements is also undertaken by State Forests as an integral part of its management and continuous improvement processes.

(3) *The Carr Government's policy is to promote a value-adding timber industry underpinned by resource security. Therefore, I do not rule out the Government taking opportunities to confer greater resource security to sectors of the timber industry as these may arise. Of course, timber availability is ultimately limited by the conditions set in the Regional Forest Agreement.*

The introduction of Log Merchandising across the north coast will provide greater flexibility for State Forests to distribute the available resource to a wider range of customers from each operation and thus promote value-adding opportunities for the timber. This in itself enhances value adding and resource security but without the need for formal supply agreements.

24. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Wood Supply Contracts:

- (a) In light of Justice Street's recent decision on the right of Parliament to knowledge of the detail of wood supply contracts for the Mogo charcoal plant, will the Minister now table in Parliament the wood supply contracts for quota sawlogs?
- (b) If so, when?
- (c) If not, why not?

Answer:

No. State Forests and the Government regard the detail of Wood Supply Agreements as commercially sensitive information between the Wood Supply Agreement holders and State Forests. The Wood Supply Agreement for the proposed Mogo charcoal plant was tabled in the Legislative Council following an arbitration by Sir Laurence Street. Compliance with this requirement of Parliament does not mean that the commercial confidentiality of other wood supply agreements should not be preserved.

State Forests would be prepared to arrange for the supply of an example of a generic Wood Supply Agreement to the Committee if requested.

25. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Wood Supply Agreements:

- (a) Have Sate Forests advised the Minister of any changes in their ability to meet wood supply agreements in northern NSW?
- (b) If so, what are those changes?

Answer:

Monitoring of wood supply arrangements and improving the FRAMES resource assessment methodology is undertaken by State Forests as an integral part of its continuous improvement process.

State Forests has commissioned an independent and expert review of State Forests' timber supply monitoring undertaken to date. I will be advised of the results and any implications for the Government's wood supply commitments.

26. Mr R Jones asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In relation to Oldgrowth forests:

- (1) How many hectares of old growth forest have been logged in northern NSW since the Regional Forest Assessment (RFA) was signed in 1999?
- (2) Is the Government aware that an analysis of NSW Government data indicates that 8,000 hectares have been logged?
- (3) How much old growth forest, as listed in the RFA, are State Forests planning to log over the next year?

Answer:

Under the NSW Forest Agreements, High Conservation Value Old Growth forest, as defined in the Agreements and identified under the relevant Comprehensive Regional Assessments, has not been logged in northern NSW and is not available for logging.

27. Mr Colless asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

At least three Auditor General Reports have noted that two mid north Coast companies were not paying royalties for timber within trade terms and that this could be seen as providing them with a commercial advantage. The AG Reports indicated that repayment terms had been negotiated and that these repayments were being received.

The Auditor Generals Report to Parliament 2002 Volume One reports that this practice has continued and that State Forests continued to trade with a customer who had accumulated debts of \$3.8M. Despite your advice to this Committee last year that the Government was monitoring the application of State Forests credit policy, this companies repayment terms have not been complied with and at termination of agreement, the debt had increased to \$6M. The debtor has since gone into voluntary liquidation.

- (1) Why was the debt allowed to increase to \$6 million?
- (2) What is being done to recover the debt?
- (3) How many other customers are failing to pay royalties for timber within trade terms?
- (4) Given that the Auditor General has continued to report on this issues, do you, as the Minister for Forestry, take responsibility for exposing State Forests to this debt?

Answers:

- (1) *The debtor referred to in part two of this question is in a different class to those referred to in (1) above. It is a softwoods customer, not a native forest processor. The larger volumes and nature of softwood sales (ie logs delivered by State Forests to mill) mean that amounts owing can escalate very quickly, the more so since two separate mill sites are involved.*

In containing such debt State Forests takes into account:

- (a) *The amount of security it controls over the business being undertaken;*
- (b) *The impact on the flow of multiple products from integrated forest harvesting operations if log supplies to the debtor customer are halted. The viability of the contractors involved in harvesting and haulage may be adversely affected in the event that one type of log is stopped whilst others continue to be supplied. Alternatively, an innocent customer may suffer disruptions of supplies if all operations are halted; and*
- (c) *The socioeconomic impact of mill closure on the employees and towns involved.*

There is never passive acceptance of such debts. Typically, alternative payment plans are negotiated and trialled before more drastic measures are taken. Interest is payable on the arrears and other penalties may be applied.

- (2) *The company involved entered into voluntary administration for both sites. Evaluation of bids for sale of the businesses by the Administrator is continuing at Holbrook and has recently been completed at the Bombala site. The Administrator has entered into a contract with the successful proponent for the sale of the Bombala business conditional on the successful negotiation of a wood supply agreement with State Forests of NSW by 31 October 2002.*

Negotiations of new wood supply agreements with the successful proponent will consider a range of social and economic factors including the precondition of settlement of amounts owing to State Forests and the impact of mill closure on employees and the communities involved. The Wood Supply Agreements against which State Forests traded remain valuable as security.

- (3) *There are no other customers outside acceptable trade terms at present.*
- (4) *State Forests makes its own credit management decisions. It should be noted that State Forests appears not to have traded beyond the value of the security represented by the WSAs.*

28. Mr Colless asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

In August 2000 the Sydney Futures exchange announced that it had abandoned its proposed carbon sequestration contract. During the 2001 Estimates Hearing you stated that;

At this stage of the game, SFX has not indicated that it has gone for good, but it is not ready to proceed at this point in time. SFX may come back, it may not. If it does we will be happy to collaborate with it again.

And

We still have a long-term approach to establishing what we talked about with SFX, which is an instrument-trading forum for carbon credits. We are still looking at that, but we are also looking at other avenues for carbon trading.

- (a) Has the SFX indicated any willingness to come back on board in the near future?
- (b) If not, what success have you have in developing an instrument trading forum for carbon credits?

Answer:

The SFX has not indicated any renewed willingness to pursue the development of a market for carbon sequestration credits, or any similar emissions trading market.

State Forests is a member of the Carbon Market Group. This Group comprises potential carbon sellers such as Hancock Natural Resource Group, potential buyers such as Mitsui and NSW electricity generators and retailers, and potential financial, legal and trading platform intermediaries such as Axiss, ANZ Bank, Deutsche Bank, Baker & McKenzie, Natsource, Mco and CO₂-e.com.

This Group is developing a range of advice to help Governments and other parties to better understand what is needed to establish an efficient and effective trading market for carbon sequestration, as well as considering other products that might underlie a future emissions trading market. The initial focus is on the requirements for a registry to create carbon sequestration certificates for the NSW electricity retailer benchmarks scheme.

29. Mr Colless asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

During the 2001 Estimates you quoted the Premiers Announcement in March last year, stating:

“that New South Wales would test the carbon market in the second half of this year by offering for sale 250,000 tonnes of carbon dioxide equivalent which is stored in our existing plantations... We will have a reserve on it; we will not let it go for just anything. Indeed, one of the things we will be seeking out of this sale will be a price discovery to see what the interest is in the market and what sort of money people are prepared to pay, but we will have a floor on it.

What have been the results of this testing of the market?

Answer:

State Forests is currently exploring the merits of various options for selling the 250,000 tonnes. An over-the-counter (OTC) trade via a competitive bidding process is one of the options being considered, retaining the previous principle of a reserve price. This will assist in the further development of both contractual and carbon accounting issues associated with the sale of sequestered carbon.

The Sydney Futures Exchange (SFX) decision to focus on profit-making components of their business in the lead up to demutualisation meant that anticipated creation of a carbon trading market in conjunction with the SFX did not proceed.

Early hopes that another entity would take up the role of creating a market has not eventuated to date due to continuing uncertainty about the Kyoto Protocol, the US withdrawal and the lack of Commonwealth Government commitment to the Protocol.

Several recent developments have renewed interest in a carbon trading market:

- *individual states in the US have proceeded with greenhouse gas reduction requirements, increasing pressure on the US Government. Larger and more forward looking companies, especially those trading internationally, are also applying pressure to address the problems caused by US non-ratification;*
- *the Chicago Climate Exchange is expected to start trading later this year;*
- *the implications of staying outside the Kyoto Protocol are becoming more apparent to Australian companies, leading to further pressure on the Commonwealth Government; and*
- *the NSW Government has established mandatory benchmarks on electricity retailers in NSW on per capita greenhouse gas emissions. The regime includes a penalty for failing to meet benchmarks and the inclusion of carbon sequestration as a mechanism to meet benchmarks. The carbon sequestration accounting methodology is consistent with Article 3.3 of the Kyoto Protocol (which is not necessary but should make transition to any future Kyoto regime fairly seamless).*

The last-mentioned development is being used to push for the creation of an emissions trading market to help achieve the mandatory benchmarks at least cost.

30. Mr Colless asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

The State Forests Annual Report 2000/01 states that Negotiations are well advanced with two other large international parties to establish and manage carbon sinks, similar to the TEPCO deal.

- (1) What is the status of these negotiations?
- (2) How many other potential investors are there?

Answers:

- (1) *State Forests is negotiating on a commercial-in-confidence basis with a large international manufacturing firm based in Europe, to establish softwood and hardwood plantations in NSW in a deal similar to that with TEPCO. It is hoped that contract negotiations will be completed within the next few months, but this remains at the discretion of the investor. State Forests is negotiating to secure a planting program for the summer of 2002/3. The timing of a formal announcement will be delayed at the company's request, probably until 2003.*

A second investor is finalising a program with State Forests to establish hardwood plantations on the mid north coast of NSW, with State Forests being the forest management service provider. Details of a public announcement are still being developed.

- (2) *There are a number of other companies, both Australian and international, that are exploring with State Forests investment in carbon sequestration, biodiversity enhancement and salinity amelioration. These companies are still to proceed to detailed contract negotiations.*

31. Mr Colless asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

The Forestry Act 1916 requires that all reasonable and practicable steps be taken to maintain an area of not less than 3.3 million hectares of land dedicated to State forests. State Forests at 30 June 2001 held only 2.85 million hectares. (The Auditor-General's Report to Parliament 2002 Volume Two)

The Auditor General has made a repeat finding on State Forests inability to meet the requirements of the Forestry Act, stating, once again, that if it is not practicable, or if it is not reasonable for State Forests to comply with the existing legislative requirements, then it would seem appropriate to amend the legislation.

In the 2001 hearings the Minister, once again, indicated that the Forestry Act needs attention.

If the legislation is no longer relevant, or practical, what actions are being taken to amend the Forestry Act 1916 in line with current practices?

Answer:

It is clear that s17 (1) of the Forestry Act was enacted to guide the Forestry Commission and does not impose a mandatory target or limitation.

Any changes essential to implementing Government policy have been made to sections of the Forestry Act 1916 during the tenure of the Carr Government.

No change to s17 of the Forestry Act was required to allow Government policy to be implemented.

32. Mr Colless asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

Regarding the Bombala Mill which has gone into voluntary liquidation:

- (1) Is a new contract to buy expected to be signed in the near future?

- (2) (a) Do the commitments to provide for the road, water and electricity infrastructure for a relocated new softwood mill still stand?
- (b) If so how much are they for?
- (3) What is the time frame for expending monies?
- (4) (a) How much did the EIS or similar study on the site previously retained by Austral to build a new mill, cost?
- (b) Who paid?
- (5) Will a similar commitment be made to the new owners to build a relocated new mill?

Answers:

- (1) *Austral Softwoods at Bombala went into voluntary administration in January 2002. Creditors voted to place an end July 2002 deadline on the period of administration. The Administrator has entered into a contract with the successful proponent for the sale of the Bombala business. In the event that his preferred proponent is able to reach agreement with State Forests on a new Wood Supply Agreement, then a new contract may be finalised within weeks.*
- (2) and (3) *The Government remains committed to securing local processing of its softwood plantation resource for the benefit of the people of Bombala. The identification of a successful proponent at Bombala by the Administrator means that discussions relating to a new processing facility can begin in detail.*
- (4) *A major new greenfields processing facility is unlikely to be fully operational within three years. Details must await forthcoming negotiations between the proponent and State Forests.*
- (5) and (6) *Any work commissioned by Austral towards construction of a new mill was at the company's expense. I am unaware of the costs the company incurred in that work.*

33. Mr Colless asked the Minister for Information Technology, Western Sydney, Forestry, Energy & Western Sydney, the Hon Kim Yeadon MP—

The audit of the State Forests' financial report for the year ended 30 June 2001 resulted in the issue of a qualified Independent Audit Report which found that;

State Forests not maintained sufficient records to provide evidence of the liability for deferred income tax of \$197.3 M, and the deferred income tax asset of \$14.12 M, recognised in the Statement of Financial Position. Accordingly, there is uncertainty over the completeness and accuracy of these tax balances, as well as the tax benefit for the year of \$24.3 million in the Statement of Financial Performance.

What steps are now being taken to address the issues raised by the Auditor General, given that he also found that you failed to address these issues during 2001, which has led to the qualified Independent Audit Report?

Answer:

I am advised by State Forests that, since 1994, it has prepared comprehensive tax work papers, similar to those prepared by private tax paying companies and it contests the Audit Office' statement that it has failed to maintain sufficient records. All work papers and account entries have been available to and scrutinised by the Audit Office and a number of external tax advisers. State Forests had received no previous advice from the Audit Office or the external advisers that State Forests' tax work papers were not in order and in a proper format.

Nevertheless, State Forests commenced a review of the past seven years tax activity, as sought by the Audit Office, but was unable to complete the full review prior to finalisation of the 2001 year end accounts.

The Audit Office has been kept informed of progress with the review and State Forests expects the issue will be resolved before completion of the 2002 accounts.