

**GENERAL PURPOSE STANDING COMMITTEE No.1
BUDGET ESTIMATES 2009-10**

SUPPLEMENTARY QUESTIONS ON NOTICE

Mineral and Forest Resources

Questions from Mr Mason-Cox

QUESTION

1. What is the NSW Government doing to ensure that NSW Forests owned plantations will be replanted when harvested?

ANSWER

Forests NSW has long term wood supply agreements with a number of large customers. In order to comply with these agreements Forests NSW requires a sustainable supply of wood from the plantations. In addition to this Forests NSW plantations are Australian Forestry Standard certified, which requires the plantations to be managed on a sustainable basis. Forests NSW has a strategic objective to manage the plantations in a non-declining yield which requires all the plantations to be replanted as soon as possible after harvesting.

QUESTION

2. What is the NSW Government's current financial commitment to the replanting of NSW owned plantations?

ANSWER

Approximately \$23M.

QUESTION

3. Is there a risk that NSW Forests supply contracts over the next 20 years may be under threat if insufficient replanting occurs?

ANSWER

No, because the trees planted now will generally only be harvested in around 30 years' time. The trees that will be supplying sawlogs against the supply contracts in the next 20 years have already been planted.

QUESTION

4. In light of the looming shortfall of fibre as identified by the Pulp and Paper Industry Strategy Groups report of 20th April 2010 to Federal Minister Kim Carr, what is the NSW Government's commitment to the expansion of plantation base in NSW to meet this looming shortfall?

ANSWER

Forests NSW first commitment is to meeting the wood supply agreements with its customers. Nevertheless, Forests NSW considers all land for purchase within a reasonable radius of the current landholding. These potential purchases have to provide a financial result, which is not always possible given the current price of land.

Please note that the "shortfall" referred to is in relation to the requirements to meet industry's future expansion plans, not current commitments (except for Visy).

QUESTION

5. What is the breakdown of the \$11.3 million "other operating expenses" remaining undisclosed from the Member for Burrinjuck's question 10840?

ANSWER

The breakdown of the 2010-11 budget for "other operating expenses" in the Industry & Investment Science and Research Service group is as follows:

Other operating expenses	\$ '000
Payments to Other Government entities	2,729
Payments to Industry	2,346
Cleaning & Waste Disposal	1,569
Payments to Universities and Colleges	1,195
Payments to Overseas entities	1,012
Purchase of livestock, grain and feed	722
Other (including books, periodicals & papers, motor vehicle & marine craft operating costs, gas)	1,735
Total	11,308

Questions from Dr Kaye

QUESTION

6. Has Forests NSW or the NSW Government purchased timber from private landowners to meet its timber supply agreements?

ANSWER

Yes.

QUESTION

7. If yes, what volume of timber, and at what total cost?

ANSWER

Volume of timber purchased in 2009-10 is 559 cubic metres, at a purchase price of \$10,451.

QUESTION

8. Has Forests NSW or the NSW Government purchased land for the purpose of harvesting timber? If so, please identify the location, size and total purchase cost of the land acquired or purchased?

ANSWER

The TEPCO plantations (already-established plantations – not bare land) of approx 7000ha were purchased by Forests NSW in May 2010 for \$4.5m. These forests are located in each of Forests NSW four plantation regions but are situated mainly in Northern NSW.

QUESTION

9. What is present net value of the volume of timber that the Forests NSW or the NSW Government is required to supply under RFA agreements?

ANSWER

Given, as reported by the Auditor General in 2009, that the current cash flow of Forests NSW Native Forests Operations Branch is negative, any NPV calculation now will result in a valuation of zero. However, it should be noted that Forests NSW is implementing a program to achieve cash neutrality for the branch in 2012. Also, the 'value' of the forests that supply the RFA commitments is not just in terms of revenue from timber sales. These forests are being managed by Forests NSW for multiple uses and values at no cost to the taxpayer. It would cost taxpayers tens of millions of dollars every year to manage them as national parks.

Private Contractors and Non-Compliance

QUESTION

10. What actions does Forest NSW take when a private contractor is found to have caused noncompliance with Forests NSW environmental licences?

ANSWER

Forests NSW has a graduated response to contractor non-compliances ranging from interviews, issuing warning letters, issuing penalty notices and associated fines, seeking remediation costs, and suspension or termination of contracts and Licences to operate on State Forests.

QUESTION

11. How many private contractors are employed by Forests NSW to work in NSW State Forests?

ANSWER

There are currently 198 contractor businesses listed in the Contractor Management Database and a further 143 Harvest and Haul contractors listed. These are listed contractors but not necessarily all active.

QUESTION

12. What percentage of the workforce working in NSW State Forests are private contractors?

ANSWER

It is not possible to provide this figure because:

- the number of employees of contractors varies from day to day and is not regularly reported or collected by Forests NSW.
 - not all Forests NSW staff or contractors work in State forests.
-

QUESTION

13. Over the last 2 financial years how many Forests NSW workers have been offered voluntary redundancies or have been made redundant?

ANSWER

In the financial years ending June 2009 and June 2010, seventy-three (73) Forests NSW employees have accepted voluntary redundancies. No Forests NSW employees have been made redundant.

QUESTION

14. What training or quality assurance provisions does Forests NSW put in place for private contractors?

ANSWER

All Forests NSW contractors undergo a safety induction prior to commencing work. Given the high variability in contractor work there is no agency wide quality assurance program for contractors, however harvest and haul contractors do undergo significant quality assurance reviews regularly to ensure they are performing to an adequate standard.

All harvest and haul contractors are required to obtain a Forest Operator Licence to work in state forests. To obtain a licence contractors are required to attend a Forest Soil and Water Course which includes modules dealing with environmental care procedures, operator core knowledge and skills in relation to the environment and working with cultural heritage.

Plantations and Reafforestation

QUESTION

15. What research has the Department undertaken into the assessing water use – primarily through water interception - by commercial plantations?

ANSWER

CSIRO is undertaking research on behalf of the National Water Commission to develop and test models to predict water interception by large-scale commercial timber plantations. The *Methods to Accurately Assess Water Allocation Impacts of Plantations* project is due for completion in 2011.

The objective of the project is to develop and test models which can predict the impacts of the expansion of large-scale plantation forestry on stream flow and hence downstream water availability.

The project is supported by a Project Steering Committee, which includes representatives of Industry & Investment NSW ('the Department') and the NSW Office of Water. The Department has provided information and feedback during the various stages of the project.

QUESTION

16. Does the Department monitor the water use/water interception of any authorised plantations in NSW?

ANSWER

The Department has monitored water use by plantations, native forests and pastures at a number of sites across NSW, using paired catchments and modelling, to assess the relative water use by different land uses.

Monitoring is ongoing, and aims to determine water use during different plantation stages and the impact of plantation management activities e.g. establishment, thinning and harvesting.

QUESTION

17. Will the Minister provide the results of plantation forest hydrology studies undertaken by the Department?

ANSWER

Forests NSW has undertaken a paired catchment hydrology study at Redhill in Buccleugh State Forest, Tumut. The intent of the study is to provide data on the impact of pine plantation establishment on catchment water yield. This study is still under way and a final report is likely to be completed by early next year.

QUESTION

18. Are South Australian and Western Australia contravening the National Water Initiative (NWI) by regulating water interception impacts of plantation forestry to ensure the continued integrity of Water Allocation Plans?

ANSWER

Each State has its own water allocation, access and use regulations. The Department is therefore unable to comment with certainty on whether the regulation of water interception activities in South Australia and Western Australia contravenes the NWI. However, it seems unlikely that the actions taken by South Australia and Western Australia would be inconsistent with the objectives of the NWI.

This question should be directed to the South Australian and Western Australian jurisdictions.

2009 Auditor General Report Follow up

QUESTION

19. The 2009 Auditor General Report on Forests NSW operations found that yield estimates for the South Coast, Eden and Tumut were well overdue for review, and that they should be completed and made publicly available by June 2010. Have these estimates since been reviewed?

ANSWER

Yes. Yield reviews have been completed for the South Coast sub-region and are underway for the Tumut and Eden sub-regions. The South Coast (and the 2009 North Coast) reviews have been released to industry stakeholders.

The most up-to-date yield estimates have been used in the F2009 Discounted Cash Flow (DCF) valuation of the native forest estate.

The progress of the native forest reviews was delayed because most of the available resources had to be diverted unexpectedly to assist in a Forests NSW Environmental Impact Statement to comply with a Land and Environment Court order. Forests NSW spent over \$1M of unbudgeted expenditure on the EIS. In addition, significant resources were devoted to yield studies to assist the Natural Resource Commission in its regional assessment of river red gums in the Riverina region.

QUESTION

20. If so, what are the revised yields? Can you provide us with copies of the review reports?

ANSWER

Updated yield estimates will be published on Forests NSW website by December 2010. Copies of the review reports can be provided.

QUESTION

21. What volume of timber, by product category, did Forests NSW source from freehold land in the last financial year?

ANSWER

<u>Product</u>	<u>Volume (m³)</u>
High Quality Large Sawlogs	167
High Quality Small Sawlogs	102
Low Quality Salvage Sawlogs	285
<u>Domestic Poles</u>	<u>4</u>
TOTAL	559

QUESTION

22. What did the purchase of this timber cost?

ANSWER

\$10,451

QUESTION

How much is this timber as a proportion of the total Forests NSW supply in NSW?

ANSWER

559 cubic metres is 0.1% of Forests NSW native hardwood sawlog supply in 2009-10

QUESTION

23. The Audit Report recommended a yield review of hardwood plantations by June 2010. Has this review been conducted?

ANSWER

Yes. A new estate model and report have been assembled for the hardwood plantations for the F2009 Discounted Cash Flow valuation. This has been based on the most up-to-date available inventory. Predictions of future yields will be refined over time as the plantations mature and as harvesting estimates and actual yields become available.

QUESTION

24. If so, what are the revised yields that have been estimated?

ANSWER

Results will be published on Forests NSW website by December 2010.

QUESTION

25. Can you provide us with copies of this review?

ANSWER

Yes. Results will be published on Forests NSW website by December 2010.

QUESTION

26. Has Forests NSW implemented the Audit Report recommendation to 'simplify and improve timber pricing by introducing a new pricing system by Dec 2009' that ensures log production costs are recovered and is transparent?

ANSWER

A new timber pricing system has been introduced and a revised price increase schedule is being progressively implemented.

QUESTION

27. Can you provide details of the new pricing system?

ANSWER

A new pricing system was developed and has been tested with industry and came into effect on 1 June 2010. The new system reduces the number of unique log prices from in excess of 7,000 to approximately 450.

Forests NSW advised its high quality hardwood sawlog customers that it would apply the first of a series of six 3% price increases (over and above normal market-based price movements) over a 3-year period commencing from 1 April 2010.

The notified increases are based on the fundamental premise of market pricing for high quality, scarce hardwood logs.

QUESTION

28. Did the native forest operations of FNSW run at a loss in 2009-2010 financial year? If so, what was the magnitude of the loss?

ANSWER

Yes. Preliminary cash loss is \$8.1M.

QUESTION

29. Did Forests NSW, in accordance with the 2009 Audit General Report recommendations, prior to June 2010, publicly report the results of yield estimates for high quality large sawlogs, high quality small sawlogs, low quality logs and pulpwood for each region?

ANSWER

No. Results will be published on Forests NSW website by December 2010.

QUESTION

30. If so, where is this information available?

ANSWER

Not applicable.

QUESTION

31. Have Forests NSW commenced the process, as recommended by the Audit Office, of comparing harvest results against yield estimates of five year periods?

ANSWER

Yes.

QUESTION

32. If yes, did they report the first set of results on June 2010?

ANSWER

No.

QUESTION

33. What are the results and where are they available?

ANSWER

Results to June 2010 will be published on Forests NSW website by December 2010.

Bell Miner Associated Dieback (BMAD)

QUESTION

34. Has Forests NSW investigated and mapped the prevalence of BMAD in North-East NSW State Forests?

ANSWER

Forests NSW has investigated the prevalence of eucalypt decline in north-east NSW State forests. It has carried out pilot aerial surveys and investigated the use of satellite and other photographic imagery to find an efficient means of mapping areas of decline. It has also carried out various ground surveys to verify the use of Geographic Information System technology to produce a model of the distribution of forests predisposed to decline in coastal NSW, which it is working to publish through the Bushfire Co-operative Research Centre.

QUESTION

35. How much funding does Forests NSW invest in;
36. Research?
37. Development of risk management guidelines?
38. Deployment of control measures?

ANSWER

35. Research:

Since 2002, Forests NSW has spent in excess of \$60,000 per annum through its Silviculturist undertaking investigations into eucalypt decline and forest health generally. In the period 2004 – 2007, Forests NSW also spent in excess of \$40,000 per annum conducting a specific research project on the north coast, which involved a Principal Research Officer and a Technical Officer. In Forests NSW NE Region, expenditure on the implementation and monitoring of field trials, since 2006, has averaged some \$75,000 per annum.

36. Development of risk management guidelines:

The research indicates that the forests predisposed to eucalypt decline are those in which repeated low intensity fire has been removed from the landscape. The cost of developing Forests NSW Forest Health Strategy – its risk management guidelines – is included in the figures provided above.

37. Deployment of control measures:

Forests NSW has not separately recorded the cost of carrying out low intensity burning specifically for the control of eucalypt decline from that carried out for the reduction of fuel levels for bushfire mitigation purposes.

QUESTION

39. Does Forests NSW have data on the harvest reduction impact of BMAD?

ANSWER

No.

QUESTION

40. If yes, what does this data demonstrate?

ANSWER

Not applicable.

Aboriginal Heritage Management

QUESTION

41. How many aboriginal places and aboriginal objects reside in or on NSW State Forests?

ANSWER

According to the Aboriginal Heritage Information and Management System (AHIMS), data from which is provided by the Department of Environment, Climate Change and Water (DECCW) under licence agreement, there is one Aboriginal Place and 2,768 Aboriginal object sites on State forests. There are a number of other site records held by Forests NSW that are in the process of being added to the AHIMS database.

QUESTION

42. How much funding has been allocated to training Forests NSW staff and private contractors to avoid destroying aboriginal objects?

ANSWER

Training in Working in Cultural Heritage is an element of contractor training courses and funding is not separately allocated from Forests NSW training budget of about \$1.8M pa. A total of 610 Forests NSW staff and contractors and their staff received such training between 2003-04 and 2008-09.

43. How many employees of Forests NSW are of Aboriginal or Torres Strait Islanders background?

ANSWER

Twenty-one (21) Forests NSW staff report they identify as being of either Aboriginal or Torres Strait Islander background. It should be noted that it is voluntary for staff to provide equal employment opportunity details and the actual number may therefore be higher than reported.

The Hon Duncan Gay MLC

QUESTION

44. Minister why has the Government excluded the coal industry from the reforms it introduced to WorkCover?

ANSWER

Workers' compensation insurance matters, including the scope of the WorkCover reforms, are the responsibility of the Minister for Finance.

QUESTION

45. Specifically why has the Government failed to reform Coal Services P/L, continuing to allow it to operate as an unregulated statutory monopoly, thereby prohibiting one of the State's oldest and strongest performing industries from accessing reform benefits available to all other business operating in the State?

ANSWER

Coal Services Pty Ltd is jointly owned by both the NSW Minerals Council and the CFMEU. Reform proposals would need to be developed in consultation with both these organisations.

QUESTION

46. Minister is there a practical, logical reason for this ongoing reform neglect, or is it simply a case that the Keneally Labor Government is completely beholden to the CFMEU?

ANSWER

Coal Services Pty Ltd is jointly owned by both the NSW Minerals Council and the CFMEU. Reform proposals would need to be developed in consultation with both these organisations.

QUESTION

47. Minister are you aware that when your predecessor Ian Macdonald introduced the Mine Safety (Cost Recovery) Act into the House he said and I quote; *"the estimate will take into account any surplus or deficit from the previous year, and adjustment will be made according to the total to be levied"*.

ANSWER

That quote sounds accurate- and that is in fact what has happened - the Director-General when making his annual estimation of the mine safety levy has for each relevant period taken into account any surplus or deficit from the previous years and did apply residual funds of \$0.9 million in 2009/10 and \$3.0 million in determining the levy for 2010-11, while rolling over an amount into the next financial year - approximately 10 percent of the annual budget - as a contingency fund.

QUESTION

48. Minister are you aware that in 2008/09 the levy was \$2.6 million over-budgeted and in 2009/10 this has been repeated by \$2.47 million dollars?

ANSWER

The Mine Safety Levy was under spent at 30 June, by approximately \$2.3M in 2008/09 and 2009/10.

QUESTION

49. Minister can you explain why, against the intent of the Act, and against your Government's past promises, your department continues to rollover large amounts of industry money each year?

ANSWER

The mine safety fund is managed in accordance with the *Mine Safety (Cost Recovery) Act 2005*. The Act provides for the establishment of the mine safety fund, details contributions paid in to and out of the fund and the process which binds the estimation and determination of the levy by the Director-General, Industry and Investment NSW.

Maintaining a small buffer or contingency, of approximately 10 percent of the annual budget, in the mine safety fund is prudent financial management. It provides a reasonable contingency for unforeseen mine safety related expenses.

QUESTION

50. Minister if the Department is determined to maintain a surplus, can you confirm that the unspent funds provided by the industry have been invested, and are thus earning interest, as provided for by section 8 of the Act? If not, why not?

ANSWER

Revenues to the Mine Safety Levy Account are received quarterly in arrears. Accordingly cash balances vary considerably month to month and do not provide an opportunity for investment. The Mine Safety Levy is accounted on an accrual basis in accordance with NSW Treasury policy and as such the account balances for 30 June 2008/09 and 2009/10 do not reflect the cash position.

QUESTION

51. Minister can you or someone from the Department explain why the mine safety levy is consistently over-budgeted (by a large amount - \$2.47 million in 2009/10) and over levied each year?

ANSWER

The difference between the estimated budget and actual expenditure in the 2009/10 financial year was primarily associated with staffing. In addition some funds budgeted for contributions to the National Mine Safety Framework (NMSF) were not expended because the agreed NMSF work program changed.

The Department has already provided this information to the Mine Safety Advisory Council (MSAC) which is representative of industry. MSAC has two members representing the NSW Minerals Council.

QUESTION

52. Minister are you aware that in a letter to industry then DG Mr Buffier stated and I quote, '*Funds collected under the Mine Safety (Cost Recovery) Act are placed in a special deposit account and can only be used for mine health and safety purposes.*'

ANSWER

I'm not aware of that specific letter but that quote accurately reflects what actually occurs. Funds collected under the *Mine Safety (Cost Recovery) Act 2005* are only used for the purposes of mine health and safety regulation, in accordance with the provisions of that Act.

QUESTION

53. Minister given this commitment, why then has your department repeatedly failed to provide the mining industry a detailed breakdown of the full financials in the mine safety levy estimate process?

ANSWER

I understand the Department provides a budget breakdown to the Mine Safety Advisory Council (MSAC) which is representative of industry. MSAC has two members representing the NSW Minerals Council.

MSAC are provided with papers in February proceeding the new financial year which detail current spending projections, including the projected value of the mine safety fund at 30 June, and proposed budgets for the next financial year.

The papers detail the individual budgets for Mine Safety Operations Branch (MSO), Mine Safety Performance Branch (MSP) and the Mine Safety Advisory Council and itemise salaries, operating, plant and equipment and revenue for each. In addition, the budgets itemise corporate costs, accommodation costs, legal costs, administration costs for industry insurers (WorkCover NSW & Coal Mines Insurance) and costs associated with current national initiatives such as the National Mine Safety Framework. Expenditure reports are tabled quarterly at MSAC meetings and provide to members itemised expenditure against these budget items, as well as expenditure projections where appropriate.

QUESTION

54. Minister are you aware that the mining industry is expected to pay nearly \$2.4 million for corporate services and accommodation and that sum has risen by 8% since last year?

ANSWER

The accommodation and corporate services cost incurred by the Department in carrying out regulatory activities under or in connection with the mine safety legislation are paid out of the fund in accordance with Section 7 of the *Mine Safety (Cost Recovery) Act 2005*.

Included in the cost of corporate services are a range of services which includes human resources operations and management, finance operations and management, assets and facilities management, office services and procurement, records management, motor vehicle fleet management and Information and Communication Technology (ICT).

The Mine Safety Levy is not funding the general corporate costs of I&I NSW or those of the other industries within the I&I NSW portfolio.

Prior to the 2009/10 financial year some corporate services costs incurred by the Department in carrying out the mine safety function had been partially covered by the I&I NSW. This was corrected and the increase in corporate costs in 2009/10 reflects this. In 2009/10 accommodation costs were based on actual rental rates and other accommodation costs and actual numbers of staff in each office where mine safety staff are present.

QUESTION

55. Minister can you or the Department provide an assurance that the mine safety levy is not funding the general corporate costs of I&I NSW or those of the other industries within the I&I NSW portfolio?

ANSWER

The Mine Safety Levy is not funding the general corporate costs of I&I NSW or those of the other industries within the I&I NSW portfolio.

In accordance with the *Mine Safety (Cost Recovery) Act 2005*, all unspent money is retained in the mine safety fund solely for the purposes of regulation of mine safety in NSW.

QUESTION

56. Minister can you provide a guarantee that the entire mine safety levy is spent only on mine safety?

ANSWER

The Mine Safety Levy is spent in accordance with the Mine Safety (Cost Recovery) Act 2005. All funds are retained in the mine safety fund solely for the purposes of regulation of mine safety in NSW, as set out in the Act.

QUESTION

57. Minister will you commit to providing the industry with a detailed breakdown of the full financials in the mine safety levy estimate process in future?

ANSWER

I understand the Department already provides a budget breakdown to the Mine Safety Advisory Council (MSAC) which is representative of industry, however I am happy for MSAC to advise what further budget breakdown industry require.

QUESTION

58. Minister are you aware of concerns from industry that an inspectorate, funded entirely by Industry, cannot recruit new staff?

ANSWER

The Department largely draws its inspectors from the mining industry. With the growth in the mining industry, both in this state and nationally, demand for qualified and experienced persons has escalated. The Department and industry are competing for such individuals. Department has been successful in filling some mines inspectorate positions but we do acknowledge that advertisement of some recent positions failed to attract a competitive field of candidates. That said, I am confident that our mines inspectors are providing a high level of service to the mining industry and that safety and health risks are being comprehensively assessed.

QUESTION

59. Minister can you or someone from your Department confirm how many inspectors could retire today?

ANSWER

There are currently 11 inspectors aged 60 years of age or more. Whilst the average age of mining inspectors may appear high, this is not an unusual situation. The requirements to qualify to be a mines inspector, dictate that only qualified and experienced mining officials can generally apply. Their experience is respected by industry and is invaluable in understanding and assessing risks at mines and to mineworkers in this state.

QUESTION

60. Minister if you are aware of these concerns why hasn't somebody from your department acted to solve the impending problem?

ANSWER

As stated in answer 58 some recruitment actions for mines inspectors have been successful. I would reiterate that the mines inspectorate are still effectively servicing the mining industry. In recognition of current growth in the industry and future staff planning issues, the Department is currently undertaking a review addressing the structure of the mines inspectorate and our ability to recruit and retain persons as mines inspectors.

QUESTION

61. What plans does the Department have to effectively support the industry if it cannot recruit replacements?

ANSWER

I am confident that through the quality and dedication of our mines inspectors, the industry is effectively supported. Importantly, there is no compromise in addressing safety or health risks of mineworkers in NSW. The Department is committed to maintaining an effective mines inspectorate into the future. The review referred to in answer 60 target this outcome.

QUESTION

62. What plans does the Department have for recruiting new inspectors?

ANSWER

The Department will continue its efforts to attract quality mines inspectors and as stated in answer 58 some recruitment actions have been successful. The review of the mines inspectorate referred to in answer 61 is directed at enhancing our ability to recruit quality mines inspectors and maintain effective support to the mining industry in NSW.

QUESTION

63. Can the Department commit to providing industry with a comprehensive plan for recruiting before the end of 2010?

ANSWER

The Department is serious in its intention to maintain an effective mines inspectorate. Recruitment actions have been actively pursued with some success. We recognise the growing demand for persons qualified to be competent mines inspectors. The current review of the mines inspectorate is directed at maintaining effective support to the NSW mining industry into 2011 and beyond.

QUESTION

64. Minister are you aware that a draft policy paper, Aquifer Inference Approvals, was distributed by the then Department of Infrastructure, Planning and Natural Resources in November 2003?

ANSWER

The NSW Office of Water is responsible for Aquifer Interference Policy. The Department has been involved with providing input for mining related activities into Aquifer Interference policy for several years as part of an interagency consultation process.

QUESTION

65. Are you aware that a Panel was formed, which reportedly met several times in 2003, however no further progress was made and no final policy paper was issued?

ANSWER

The NSW Office of Water is responsible for Aquifer Interference Policy. The Department has been involved with providing input for mining related activities into Aquifer Interference policy for several years as part of an interagency consultation process.

QUESTION

66. Minister are you also aware that in 2005, the issue was resurrected by the same Department, however to this day a policy has not been produced?

ANSWER

The NSW Office of Water is responsible for Aquifer Interference Policy. Any questions relating to the development of policy should be directed to the Minister for Water.

QUESTION

67. Minister what are the reasons for such an extensive delay and when can the mining industry expect the Policy to be ready?

ANSWER

The NSW Office of Water is responsible for Aquifer Interference Policy. Any questions relating to the development of policy should be directed to the the Minister for Water.

QUESTION

68. Minister are you aware that the current New Frontiers program of pre competitive mineral exploration research will expire in 2010-11?

ANSWER

Yes, I am aware that the funding for the New Frontiers minerals and energy initiative will expire on 30 June 2011. The New Frontiers initiative was funded as a 3 year program with a 2 year extension and the date for the completion of funding was clear at each stage.

QUESTION

69. Minister will your Government make a long-term financial commitment to the funding of precompetitive data for minerals exploration and if so, when?

ANSWER

The Government is committed to encouraging investment in mineral and energy exploration in the State. My Department is currently preparing a formal Business Case to present to Treasury in support of ongoing funding for the New Frontiers mineral and energy initiative. This Business Case will be presented to Treasury as part of the standard budget process, which begins in October.

QUESTION

70. According to a response from a question on notice there are currently 244 mining staff, 88 administration staff and 108 field staff.

ANSWER

No question. See 71.

QUESTION

71. How many staff did you have in each previous year from 2006 up until the current date?

ANSWER

Full time equivalents:

2006 - 229.60
2007 - 245.21
2008 - 249.47
2009 - 244.37

QUESTION

72. According to a response from a question on notice there are currently 751 staff in the department of primary industries' science and research division and 45 of these are in the administration area.

ANSWER

On the 2/9/2010 there was 700 staff. 17 Full Time Equivalentents working in Primary Industries Science and Research. The number fluctuates considerably depending on numbers of casual and temporary staff employed at any one time.

QUESTION

73. How many of these are in the mining department?

ANSWER

None of the staff from the Primary Industries Science and Research group work in the Mineral Resources Branch.

QUESTION

74. How does this number compare to each previous year from 2006 up until the current year?

ANSWER

The number has remained at 0.

QUESTION

75. What sort of research is being carried out by the science and research division

ANSWER

Industry & Investment NSW Primary Industries (I&I NSW – Primary Industries) is the largest provider of science and research services within the NSW Government with about 700 staff working on around 900 projects. The Primary Industries Division undertakes strategic science which underpins the growth, sustainability and biosecurity of primary industries in NSW. The research of the Department is focused on four key themes: Productivity and food security; Climate and Water; Fisheries and Ecosystems; and, Biosecurity. The research of the Department generates a significant multiplier impact on the economy when a whole-of-chain approach is taken and delivers substantial environmental and community returns. I&I NSW – Primary

Industries has a unique research capacity across a very wide range of disciplines. Our scientists work has been ranked in the top 1% of world research in various fields.

QUESTION

76. How much involvement did the NSW Mineral Resources department have in the planning and putting together of the federal government's mining super tax?

ANSWER

The Department has not been involved in the development of the Federal Government's Minerals Resource Rent Tax.

QUESTION

77. Who was involved?

ANSWER

No one from the Department was involved.

QUESTION

78. Were any reports or studies put together by NSW I & I?

ANSWER

The Department prepared ministerial briefings on the structure of the Resource Super Profit Tax and the Mineral Resource Super Profit Tax.

QUESTION

79. What were your recommendations?

ANSWER

There were no recommendations, the reports were only for information.

QUESTION

80. How does the mining tax impact future cash flows for NSW in regards to cancelled projects?

ANSWER

The NSW Treasury advises that coal production and investment are expected to increase under the Minerals Resource Rent Tax.

QUESTION

81. Did the Minister or department speak to stakeholders in regards the mining tax and its effect on NSW?

ANSWER

Yes, Industry representatives met with the Department and the Minister.

QUESTION

82. Minister are you aware that one of the promises originally made by John Maitland, as part of the Doyles Creek 'Training Mine,' was for a Westpac Rescue Helicopter pilot training centre?

ANSWER

In the initial request seeking Ministers Consent to lodge an application for an exploration licence, Doyles Creek Mining Pty Limited indicated that they had entered into alliances with a number of organisations, including the Hunter Region SLSA Helicopter Rescue Service. If, after exploration activities and feasibility studies are undertaken, a mining lease is applied for and granted, it is intended that the training mine could be used for simulated rescue operations in a "live" mining environment. In these circumstances, the Hunter Region SLSA Helicopter Rescue Service could utilise the facility for paramedic training and rescue simulations. To my knowledge, a pilot training centre is not mentioned in the request by Doyles Creek Mining Pty Limited.

QUESTION

83. Are you aware that this has not happened and current MD Glen Lewis has reportedly said he will not go ahead with this?

ANSWER

It is my understanding that Doyles Creek Mining Pty Limited is committed to supporting the Hunter Region SLSA Helicopter Rescue Service. Doyles Creek Mining Pty Limited continues to work with the Hunter Region SLSA Helicopter Rescue Service with a view to providing the most appropriate and beneficial support and facilitation of training as required by the Rescue Service.

QUESTION

84. Minister given this was one of the promises that helped sell the mine as a 'training mine', why has this promise been broken?

ANSWER

As mentioned earlier, Doyles Creek Mining Pty Limited indicated that they had entered into alliances with a number of organisations, including the Hunter Region SLSA Helicopter Rescue Service.. A pilot training centre was never mentioned by Doyles Creek Mining Pty Limited when seeking Ministers Consent to lodge an application for an exploration licence. The provision of a pilot training centre is not a condition of the exploration licence.

QUESTION

85. Can you please provide a copy of the independent probity auditor report reviewing the allocation of the exploration license, received on August 30 2010, by O'Connor Marsden and Associates.

ANSWER

The probity report was released on 22 September 2010 and can be found at: <http://www.dpi.nsw.gov.au/minerals/info/probity-review-doyles-creek-mining>

Questions from Mr Khan

In relation to the proposed timber mill in Bombala.

QUESTION

86. Please outline the chronology of the Government's involvement in this project.

ANSWER

The following chronology of events is based on Industry & Investment NSW's knowledge of and involvement in the project:

- **1999** - Forests NSW awarded its Timber Supply Agreement to Austral, the successful tenderer at the time. However, Austral was unable to meet the conditions of this agreement and was placed under administration in 2002.
- **2003** - Forests NSW awarded a new Timber Supply Agreement to Timbermans Group.
- **December 2003** - The former Department of State and Regional Development made an offer of assistance to Timbermans Group – that offer was rejected by the company at the time.
- **31 March 2006** – The Wood Supply Agreement was terminated with Timbermans Group due to the company's failure to meet project milestones. (Timbermans Group was placed under administration in 2007 and its proposed mill failed to materialise despite the company receiving significant offers of assistance from the NSW Government toward its construction).
- **October 2007** – A new tender released for the Bombala 250,000 m3 20 year Timber Supply Agreement.
- **23 Jan 2008** - Planning NSW advice to Willmott Timbers regarding Director General Requirements Part 3A assessment.
- **1 February 2008** - Tender awarded to Willmott Timbers.
- **28 April 2008** - Timber Supply Agreement signed with Willmott Timbers.
- **4 June 2008** - Willmott Timbers – Bombala Sawlog Project – Stakeholder planning meeting at Bombala. Hosted by Fifth Estate (Bill Hurditch).
- **June 2008 - Dec 2009** - Numerous operational and customer meetings associated with current facility and mill expansion.
- **April/May 2009** - Letter of extension for Timber Supply Agreement - Forests NSW to Willmott Timbers.
- **October 2009** - Industry & Investment NSW (SRDT) provides information to Willmott Timbers regarding application for assistance under the Department's Local Infrastructure Support Fund (LISF).
- **15 Jan 2010** - Industry & Investment NSW submission on draft DA application.
- **25 Feb 2010** - Forests NSW sought advice on Timber Supply Agreement milestones with Willmott Timbers.
- **5 March 2010** - Milestone response from Willmott Timbers to Forests NSW seeking extension of time to perform contract.
- **25 May 2010** - Offer of assistance made to Willmott Timbers Pty Ltd for the Bombala Sawmill Project under the LISF.
- **8 Sept 2010** - Development Application Part 3A approval announced by the Department of Planning.
- **27 Sept 2010** - Meeting and follow-up letter of support between Forests NSW and Dongwha regarding Timber Supply Agreement.

Forests NSW is continuing to supply sawlogs to the existing Willmott sawmill in Bombala.

QUESTION

87. What financial support has been provided to any of the various proponents of the mill?

ANSWER

Nil from Forests NSW and from Industry & Investment NSW (SRDT) – However it should be noted that in May 2010 an offer of assistance under the LISF was made to Willmott Timbers.

It should also be noted that an offer of assistance was made to Timbermans Group in December 2003 for their proposed sawmill project in Bombala – that offer was rejected by the company at the time.

QUESTION

88. What commitments were made by the government to any of the proponents of the mill?

ANSWER

Nil from Industry & Investment NSW (SRDT) - It should be noted that in May 2010 an offer of assistance under the LISF was made to Willmott Timbers.

It should also be noted that an offer of assistance was made to Timbermans Group in December 2003 for their proposed sawmill project in Bombala – that offer was rejected by the company at the time.

Forests NSW conducted a tender process and negotiated a 20 year Timber Supply Agreement with the successful tenderer. This agreement commits Forests NSW to supply 250,000 cubic metres of sawlogs annually once the mill is fully commissioned.

In relation to jobs cuts within Forests NSW:

QUESTION

88. Given earlier this year NSW Labor called for up to 70 voluntary redundancies from within Forests NSW to address a budget hole of \$14.4 million as identified by the Auditor General in his April 2009 Report, can you detail what roles and which locations will be affected?

ANSWER

Forests NSW is still in discussions with the relevant Unions concerning the exact location and the number of positions which may be subject to Voluntary Redundancies.

QUESTION

90. Will employees at the Forest NSW offices in Dubbo, Parkes and Forbes be affected? If so, how many?

ANSWER

Please see the answer to Question 89.

QUESTION

91. If yes, will any frontline positions be effected?

ANSWER

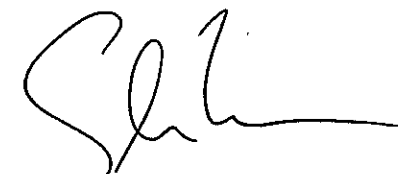
Please see the answer to Question 89.

QUESTION

92. Is this latest round of redundancies a case of financial mismanagement on the Government's behalf? If not, can you give reasons to justify this?

ANSWER

No. The Voluntary Redundancy program for Forests NSW Native Forest Operations Branch is part of a broader reorganisation program designed to achieve cash neutrality for the branch by 2012. As the business becomes more efficient and utilises modern technology fewer staff are required to manage the business.



STEVE WHAN MP