BUDGET ESTIMATES 2010

QUESTIONS ON NOTICE - MINERAL AND FOREST RESOURCES

MINISTER FOR PRIMARY INDUSTRIES
MINISTER FOR RURAL AFFAIRS
MINISTER FOR EMERGENCY SERVICES

QUESTION 1

The Hon. MATTHEW MASON-COX: Can you give a brief description of the position filled by Mr Edwards?

Dr SHELDRAKE: The position of a departmental liaison officer is to interact between the department and the Minister's office.

The Hon. MATTHEW MASON-COX: Can you confirm the remuneration package for that position?

Dr SHELDRAKE: I do not have that detail but I can provide it.

ANSWER

The position is graded at Clerk 11-12 for which the salary range was \$103,026 to \$119,149. Mr Edwards was employed at the minimum of the range.

QUESTION 2

The Hon. MATTHEW MASON-COX: When did you or the department first become aware of Ben Edwards and the possibility of his working in the department?

Dr SHELDRAKE: I will have to take the details of that question on notice because I cannot recall the date on which that would have occurred.

ANSWER -

7 July 2010

QUESTION 3

The Hon. MATTHEW MASON-COX: Can you confirm the suitability of that position? What was undertaken to review the suitability of Ben Edwards for that position?

Dr SHELDRAKE: In the role that the Minister had in mind for the work that was required in the interaction and liaison between the department we took the advice and the recommendation from the Minister's office.

The Hon. MATTHEW MASON-COX: There was no independent review by the department of the qualification or the suitability of Ben Edwards for that position?

Dr SHELDRAKE: I will take that part of the question on notice in that I did not look, for example, at his qualifications. We would have established that he had the appropriate qualifications. I will take that part of the series of questions on notice.

ANSWER

Formal academic qualifications are not required for the position of Departmental Liaison Officer. However, Mr Edwards CV indicates his skills in policy research and analysis, communication and consultation which are requirements of the position. Mr Edwards has a BA (Hon Philosophy) from the University of Sydney.

QUESTION 4

The Hon. MATTHEW MASON-COX: How do you explain a trading turnaround of \$31 million between the years 2008 and 2009 in the table entitled "Five Year Comparison as at 30 June 2009"? You are talking about a profit of \$14.5 million in 2008 and a loss of just under \$16.5 million in 2009, so there is a turnaround of \$31 million in 12 months.

Mr STEVE WHAN: I might pass that on to Nick Roberts, who is the head of Forests NSW, and he can give you what is a very good story about the financial situation of Forests NSW, particularly since he has been managing the organisation.

The Hon. MATTHEW MASON-COX: Not a story. I would just prefer the facts, if that is okay.

Mr ROBERTS: Look, I am not sure whether I can answer the question directly without reference to the specific item in the report, but turnarounds can occur for quite a large number of reasons. The two major ones that drive it would be changes in the underlying valuation of the forest, and those numbers can change quite significantly from year to year. The other impact on our results that moves the numbers quite significantly is the superannuation benefit scheme. As share markets go up and down, the accrued benefits in that scheme go up and down, and our liabilities for those payments into the future go up and down. So they can move our profit quite significantly from year to year at the bottom line trading level.

The Hon. DUNCAN GAY: Could you give us some details?

Mr ROBERTS: Yes.

The Hon. DUNCAN GAY: Not now, but on notice—on the movement that caused it?

Mr ROBERTS: Yes.

ANSWER

The trading turnaround of \$31M between FY2008 and FY2009 is a result of movements across various items. Significant variances to the trading profit are:

- Reduced Grants revenue of \$2.6M.
- Increased Loss on sale of fixed assets of \$13.5M.
- Increased Contractor costs of \$4.7M
- Increased Fees and Materials costs of \$1.6M.
- Increased Personnel Services costs of \$5.6M.
- Increased Financing costs of \$1M.

QUESTION 5

The Hon. DUNCAN GAY: Most people are exposed, but I am surprised that Forests NSW was exposed to that extent.

Mr ROBERTS: Both of these adjustments are non-cash adjustments. That is what I suspect is driving the number. I would have to come back and confirm that, but I expect it is non-cash. A lot of the focus on the business over the last three years has been to not focus so much on the bottom line profit number, which can be influenced by other non-cash issues, and focus more instead on cash generation. In that regard, the business has produced significant cash, particularly in the last 12 months.

The Hon. MATTHEW MASON-COX: Could you take that on notice, along with providing details of estimated profit and loss or trading profit and loss for 2010?

Mr ROBERTS: Yes.

ANSWER

The estimated trading profit for FY2010 is \$19.7M

QUESTION 6

The Hon. DUNCAN GAY: Minister, how many Forests NSW officers have been made redundant this year?

Mr STEVE WHAN: Forests NSW has been working over a considerable length of time to bring the business into a profitable situation to which that actually refers.

The Hon. DUNCAN GAY: How many, Minister? We do not need a story. It is a simple question.

Mr STEVE WHAN: We have had a number of discussions with the unions over redundancies. Nick can give you the precise numbers.

The Hon. MATTHEW MASON-COX: Mr Roberts?

Mr ROBERTS: I would have to take the question on notice in terms of the exact number because I do not have it in my head. If you want an approximation this year, I would say it is somewhere around about 15 to 20.

The Hon. DUNCAN GAY: When you get that number for us, will you tell us from which regions they come from as well, please?

Mr ROBERTS: Yes.

The Hon. DUNCAN GAY: And a comparison with last year.

Mr ROBERTS: Yes.

ANSWER:

<u>FY09</u>		
Office of the CEO		3
Commercial Services		2
Financial & Operational Business Services		2
Human Resources		3
Land Management & Forestry Services		11
Native Forest Operations		12
NF Management	1	
Southern Region	1	
Central Region	7	
Western Region	1	
North East Region	2	
Planted Forest Operations		2
Hume Region	1	
Northern Region	1	
Total VR's		35

FY10		
Commercial Services		3
Financial & Operational Business Services		11
Human Resources		1
Land Management & Forestry Services		7
Native Forest Operations		15
Southern Region	7	
Central Region	3	
Western Region	2	
North East Region	3	
Planted Forest Operations		1
Northern Region	1	
Total VR's		38

QUESTION 7

Dr JOHN KAYE: Thank you. That is interesting. I will have to think about that. I turn now to the other end of the State, the north of the State. Of course, you would be aware that there have been a number of independent audits recently of harvested State forests in northern New South Wales and these have all shown up considerable non-compliance, particularly Girard State Forest, Clouds Creek State Forest, Chaelundi State Forest, Grange State forest and Doubleduke State Forest. Presumably there have been a number of fines imposed on Forests NSW for non-compliance with environmental licences. How much has been imposed over the past two years?

Mr STEVE WHAN: The specifics of any fines I will pass on to Mr Roberts. Firstly, the Government certainly welcomes scrutiny of its forest operations. We are happy to have people looking over to see whether or not they are being conducted appropriately and we intend in all cases to conduct them appropriately and in compliance with all requirements. We are certainly not scared of having independent audits or audits of areas such as Doubleduke Forest, which is one that you mentioned. I am advised that in that case no high conservation value old-growth habitat trees, wetlands or endangered ecological communities were disturbed in that forest. But obviously we are happy to have scrutiny and where necessary deal with any practices that we need to change, but I will hand over to Mr Roberts on any specifics of fines.

Mr ROBERTS: I would have to take that on notice for the past two years.

ANSWER

2008/09 - \$300 2009/10 - \$1500

QUESTION 8

Dr JOHN KAYE: Can you get back to us on that? Would it be fair to say that the vast majority of the non-compliance in State forests is a result of Forests NSW contractors, or is Forests NSW general management of planting and harvesting operations leading to the non-compliance issues?

Mr STEVE WHAN: First, I do not know that it would be fair to characterise non-compliance as being as widespread as may be inferred from that. From the information I am being given, it is not that common. But I will hand over to Mr Roberts for more detail.

Mr ROBERTS: I guess the non-compliance can arise from either of those two areas, but I would agree with the Minister that most of our operations are conducted very tightly. We have had occasions where contractors have been fined and indeed the most recent one was in the last 10 days.

Dr JOHN KAYE: I presume you will get back to us with a breakdown between that which was a result of contractors and that which was a result of State Forests' own management?

Mr STEVE WHAN: Yes, we will get back to you.

ANSWER

74% of non-compliance incidents were the result of actions of contractors. 26% of non-compliance incidents were the result of actions of Forests NSW staff.

QUESTION 9

The Hon. ROBERT BORSAK: Then let me ask it. The Greens are demanding that the Government phase out logging of native forests, particularly in the south-east of the State, but no doubt they want a total ban. What immediate impact would such a ban have on jobs, as in the number of jobs that would be lost and also in the timber supply contracts?

Mr ROBERTS: I am trying to find the number. I will have to take the question on notice in terms of the actual number of employees but it would be fair to say that Forests is a significant employer—the overall forestry activity in terms of contractors, millworkers and sawmill workers. It is a significant employer in the south-east.

ANSWER

Forests NSW does not hold figures separating native forest and plantation forest sectors. It is estimated that there are around 7,200 jobs directly dependant on the state forest sector. There are significantly more indirect jobs associated with the state forest sector.

QUESTION 10

The Hon. ROBERT BORSAK: How much on a dollars-per-hectare basis does it cost the taxpayers of New South Wales to manage State Forests?

Mr ROBERTS: Is that across the entire operation, business plantations.

The Hon. ROBERT BORSAK: Would you break it up between plantation and hardwood?

Mr ROBERTS: Again, I would have to come back to you on notice to give accurate figures on that.

ANSWER:

There is no cost to the tax payer because Forests NSW, as a public trading enterprise meets the land management costs itself. Forests NSW receives

\$9.5 million pa from Treasury as a contribution to its community service obligations.

QUESTION 11

The Hon. ROBERT BORSAK: Mr Roberts, I refer to use by Forests NSW of sodium monofluoroacetate, or 1080 poison, to control feral animals. I preface my comments by stating that Tasmania has admitted having used 15 kilograms of the poison in 1999-2000 but reduced that amount to slightly less than 1 kilogram last year. Will you tell the Committee the weight amount, rather than the number of baits, used by Forests NSW last year?

Mr STEVE WHAN: That is a specific question that we will take on notice. There are different standards in different States for distribution of baits.

ANSWER:

The Wild Dog Control Association and the Livestock Pest Control Authorities take on wild dog control programs across a range of tenures including private lands, State forest and travelling stock routes. Forests NSW works with the Wild Dog Control Association and with the Livestock Pest Control Authorities on cooperative wild dog control programs. Approximately 990 grams of 1080 was used in State Forests in 2009/10.

QUESTION 12

The Hon. DUNCAN GAY: I will come back to those comments in a moment, but 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 training centre. Are you aware that this has not happened and that the current managing director Glen Lewis has reportedly said that he will not go ahead with this? Given this was one of the promises that helped to sell the mine as a training mine, why has this promise been broken and is this not more evidence that this is not in fact a training mine?

Mr STEVE WHAN: I will take on notice the aspects of what conditions or commitments were made and come back to you with an answer on that

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.

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 13

Mr STEVE WHAN: The former Minister, Minister McLeay, did ask the Director General of the Department of Premier and Cabinet to engage an independent probity auditor to review the allocation of this exploration licence. The report was by O'Connor Marsden and Associates. We received a copy of the report on Monday 30 August. It concluded that the then Minister for Mineral Resources acted within the powers afforded to him under the legislation in granting this licence to Doyles Creek Mining Pty Limited, but it also made a series of recommendations and options to enhance the credibility and transparency of the exploration licence allocation process and the Government has asked Dr Sheldrake to implement those recommendations.

The Hon. DUNCAN GAY: Will you be making that report public?

Mr STEVE WHAN: I need to seek advice on the legality of that. The conditions of the probity auditor's contract need to be checked.

ANSWER

Yes.

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

QUESTION 14

The Hon. MATTHEW MASON-COX: I am speaking specifically to the unique situation in New South Wales that requires under legislation all coal companies to insure with Coal Mines Insurance. Why were the reforms undertaken previously by your Government in relation to WorkCover not extended to mining companies so that they might be able to insure through WorkCover themselves and therefore pick up some of the efficiencies that would be available to them if that was the course they chose?

Mr MULLARD: I think the agency you refer to was actually part of WorkCover. I might need to take that on notice, but I am not sure it falls within—

Mr STEVE WHAN: We will take it on notice and give you a more detailed response.

ANSWER

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

QUESTION 15

The Hon. DUNCAN GAY: Dr Sheldrake, if the department is determined to maintain this 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?

Dr SHELDRAKE: I will take that on notice.

The Hon. DUNCAN GAY: Minister, are you aware that in a letter to industry the then Director General, Mr Buffier, stated, "Funds collected under the Mine Safety (Cost Recovery) Act are placed in a special deposit account and can be only used for mine health and safety purposes"? Given this commitment, why has your department repeatedly failed to provide the mining industry with a detailed breakdown of the full financials in the Mine Safety Levy estimate process?

Mr STEVE WHAN: My understanding is that the department does provide a breakdown each year of the use of the funds, but I am happy to get further information on exactly what has been provided to industry.

ANSWER

Revenues to the Mine Safety Levy Account are received quarterly in arrears and as such 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 2008/09 and 2009/10 do not reflect the cash position.

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 16

The Hon. DUNCAN GAY: 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 per cent since last year? Can you or the department provide an assurance that the Mine Safety Levy is not funding the general corporate costs of Industry and Investment NSW or those of other industries within the Industry and Investment portfolio?

Mr STEVE WHAN: I am advised that that money is going directly to the services provided. Obviously the taxpayers of New South Wales would probably appreciate that by collecting enough money to cover the administrative costs they were not subsidising its operation. I think that is a reasonable outcome. My information is that it is being used for the expressed purposes.

The Hon. DUNCAN GAY: Could you give us details?

Mr STEVE WHAN: We will certainly provide the detail of what has been provided to industry, as I said before, and if there is more detail that we can provide I am happy to try to do so.

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 17

The Hon. DUNCAN GAY: This question precedes your term as Minister by a little while. Are you aware that a draft policy paper, "Aquifer Interference Approvals", was distributed by the then Department of Infrastructure, Planning and Natural Resources in November 2003? Are you aware that a panel was formed, which reportedly met several times in 2003, however no further progress was made and no final paper was issued? Are you also aware that in 2005 the issue was resurrected by the same department but to this day a policy has not been produced? What are the reasons for such an extensive delay and when can the industry expect the policy to be ready?

Mr STEVE WHAN: I will take on notice the historical aspects of the question. I am certainly not aware of the 2003 committee. Mr Mullard may be able to add something.

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 18

Dr JOHN KAYE: How many officers do you have employed in that activity?

Mr MULLARD: Within our environmental group there would be in the order of 20. I would have to get you exact numbers.

Dr JOHN KAYE: Will you get back to us with the exact number?

Mr MULLARD: Yes.

Dr JOHN KAYE: Is that across all of Industry and Investment or just within your department?

Mr MULLARD: That is just within Mineral Resources.

ANSWER

There are approximately 60 coal mines currently operating in NSW of a total of over 600 mines. Monitoring compliance with Annual Environmental Monitoring Reports associated with mining activities is a component of a Regional Environmental Officer's role. Approximately 15% of a Regional

Environmental Officers role is associated with the review of Annual Environmental Management Reports for mining activities. Other activities include environmental assessment, review of operational plans, security estimates and recommendations, investigations and enforcement.

The Department has a total of fourteen Environmental Officer positions of which twelve are involved with coal mining activities (two are located at Broken Hill, where there are no coal mines).

Of the twelve positions, three are vacant, and nine positions are filled (seven on a permanent full time basis and two on a temporary full time basis).

An additional six positions provide the Regional Environmental Officer with advice, training and support relating to policy, procedures, enforcement and compliance issues, technical matters, and reporting.

QUESTION 19

Dr JOHN KAYE: Which licences do you monitor? Which aspects do you monitor?

Mr MULLARD: Mineral Resources is principally responsible for rehabilitation.

Dr JOHN KAYE: How much money do you spend? What is your annual budget for monitoring?

Mr MULLARD: As I said, it is largely involved in staff—

Dr JOHN KAYE: I was asking for a dollar amount.

Mr MULLARD: I would have to get you the budget-

Mr STEVE WHAN: We will take that on notice.

ANSWER

Where a coal mine has development consent under a planning approval, the conditions attached to the mining licenses that are issued by I&I NSW must be substantially consistent with the approval conditions issued at the time the approval is given by the planning approval authority.

The department may condition the mining license with conditions that relate to protection of the environment including, rehabilitation, subsidence management, reporting requirements and security bonds.

There are a few coal mines in NSW that have been operating for a considerable amount of time prior to the commencement of current planning legislation. For these mines I&I NSW regulate their operations in accordance with the conditions of title attached to the mining license.

Such conditions relate to mining operations and methods, environmental management, rehabilitation, subsidence management, reporting requirements and security bonds.

Companies are required to report their environmental activities and compliance with title conditions in an Annual Environmental Report. This report is reviewed by I&I NSW in conjunction with other relevant agencies. When necessary the review includes site inspections and clarification meetings with the mining company.

Following the review any follow up action required by the mining company is itemised and a timeframe for attending to any actions arising is identified and agreed to. Mining companies are followed up and required to demonstrate completion of any action identified in the Annual Environmental Management Report.

The annual budget for Regional Environment Operations monitoring is \$1.65 million for salaries and \$200,000 for operating costs. The total annual budget for the Environmental Sustainability Unit is \$3.0 million.

QUESTION 20

Dr JOHN KAYE: You are saying that the companies are required to make public or available to landholders all the activities that they conduct in respect of rehabilitation?

Mr MULLARD: We make them available for any of the approvals that we have given. There are different sorts of activities. Some activities include walking across a paddock and mapping, which is not surface disturbing. If companies undertake an activity that is surface disturbing in most cases they will require approval from the department. Part of that approval includes details of what they are doing and how they are going to rehabilitate the site.

Dr JOHN KAYE: How they are going to rehabilitate is different from what rehabilitation they did. I am trying to find out whether their rehabilitation activities are reported.

Dr SHELDRAKE: Perhaps we could clarify that issue if we made the processes available to you. We will take on notice your question and outline to you exactly what we do. I think that would clarify the issue.

ANSWER

The conditions of an exploration licence require the explorer to obtain the approval of Industry & Investment NSW prior to undertaking certain exploration activities that may cause land disturbance.

As part of the approval process, the Government is required to consider all the potential environmental impacts of the activity under Part 5 of the *Environmental Planning and Assessment Act 1979*. The project description

and rehabilitation works are generally described in a Review of Environmental Factors (REF) which is submitted as part of the application for undertaking an exploration activity. In consideration of the environmental impacts the Department makes a determination as to whether the activity will significantly impact on the environment before approving the activity.

A Rehabilitation and Relinquishment Report is required at the completion of works, and the Department requires evidence that the titleholder has completed the rehabilitation works when considering relinquishment and release of the security bond.

REF documents are made available to the public on the Department's website. Other documents are available for viewing at the relevant regional I&I NSW office.

QUESTION 21

The Hon. ROBERT BORSAK: According to a response to a question on notice, currently there are 751 members of staff in the Science and Research Division of the Department of Primary Industries, 45 of whom are in the administration area. How many of them are in the mining department?

Mr STEVE WHAN: I will ask Dr Sheldrake whether he has that detail. Until last week the Mineral and Forest Resources portfolio was not in my Primary Industries portfolio. As I recollect, earlier I referred to those 700 staff as being in the portfolio for which I had responsibility. I am sure that Dr Sheldrake can provide you with that information.

Dr SHELDRAKE: I can provide you with staff numbers for various parts of the department.

Mr STEVE WHAN: Are you interested specifically in the research side of it?

The Hon, ROBERT BORSAK: Yes.

Mr STEVE WHAN: We might have to take that question on notice.

ANSWER

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QUESTION 22

The Hon. ROBERT BORSAK: According to a response to a question on notice, currently there are 244 mining staff, 88 administration staff and 108 field staff. How many staff did you have in previous years?

Dr SHELDRAKE: We will take that question on notice and provide you with the figures.

Mr STEVE WHAN: For how many years would you like us to provide figures?

The Hon. ROBERT BORSAK: Three years.

Dr SHELDRAKE: We will take that question on notice.

ANSWER

1 July 2007 – 245.21

1 July 2008 – 249.47

1 July 2009 – 244.37

Steve Whan MP

Minister for Primary Industries Minister for Emergency Services

Minister for Rural Affairs