

**RESPONSES TO QUESTIONS TAKEN ON NOTICE  
GENERAL PURPOSE STANDING COMMITTEE No. 5**

**Friday 17 October 2008**

**Examination of proposed expenditure for the portfolio area of Water  
The Hon Phillip Costa MP  
Minister for Water, Minister for Rural Affairs and Minister for Regional  
Development**

**Question 5.1:**

***BUDGET FOR OFFICE OF BIOFUELS***

**CHAIR:** Minister, could you indicate this year's budget for the Office of Biofuels?

**Mr PHILLIP COSTA:** Yes. I was Minister for a day—

**CHAIR:** Feel free to take the question on notice.

**Mr PHILLIP COSTA:** I will take it on notice because what I am about to say about biofuels is that I have a little bit of detail, but I am not the spokesperson for biofuels. That responsibility was handed back to my colleague Minister Kelly.

**Answer 5.1:**

I refer the Honourable Member to the response to Question on Notice no. 2201, provided by the Hon Tony Kelly MLC, Minister for Police, Minister for Lands and Minister for Emergency Services.

**Question 6.1:**

***NATIONAL INFRASTRUCTURE FUND – APPLICATIONS***

**CHAIR:** Has your department made any application to the national infrastructure fund offered by the Prime Minister? Have you made applications relating to specific projects? Perhaps you could detail some of those.

**Mr PHILLIP COSTA:** My understanding, which is confirmed by my Director General, is that that was a whole-of-government submission. I did not do something specifically at this department's level, but it went at a whole-of-government level. In terms of specifics, I will have to take that on notice.

**CHAIR:** So often we hear that a lot of it is city centric. Obviously there is a lot of opportunity in the bush.

**Mr PHILLIP COSTA:** I will take that on notice and I will find out for you. On a personal note, I am a very strong advocate. I attended a demonstration in my area of recycling fish and chip oil, which is the best way to describe it. I witnessed what was happening—putting it through the filters and all the things that were done—and it is now in my tractor. It is a good mix and it works, and the more we use, the better.

**Answer 6.1:**

NSW submitted a whole-of-government submission co-ordinated by the Department of Premier and Cabinet (Office of the Coordinator General) to Infrastructure Australia.

**Question 7.1:**

**TRANSPORT ISSUES**

**CHAIR:** I appreciate that Transport is not your portfolio, but has your department had a look at some of the transport issues? I refer now to the Casino to Murwillumbah rail link that was axed by your former colleague and namesake. I wonder how much that affects you as you travel across the State. Is your department interested in that, not so much in terms of transport —

**Mr PHILLIP COSTA:** I understand that.

**CHAIR:** —but as a regional development opportunity? Given that we had a facility there only a matter of a few short years ago that not only provided local transport for people without cars, the young, the very young and the elderly, but also was a very effective local transport system before it was shut down, and given that there are no other transport opportunities in the area, has your department looked at that from a Regional Development point of view?

**Mr PHILLIP COSTA:** In a very simple answer, no, we have not done any work on that. To expand on the general principle of what you have just said, in terms of regional development, there is no doubt that transport has an important impact—air, rail or road. The decisions made by others in other places impact on the opportunities and the difficulties we have had to deal with. The Department of State and Regional Development in certain places will come in, and has come in, to try to find solutions that are caused by those decisions. I am intimately aware of how important a rail, road and air transport node is to the capacity of a particular community's economic and social development. You are right, and we have the same problem in our part of the State. A service was discontinued and the social impact was big because young people were unable to get to certain places. You need to form partnerships among groups—council, State or Federal—to find solutions as a result of those decisions.

**CHAIR:** I think you would find there is a lot of enthusiasm at local government level in that part of the world.

**Mr PHILLIP COSTA:** Anywhere.

**CHAIR:** I put it to you that perhaps you could take the question on notice.

**Mr PHILLIP COSTA:** We will take it on notice.

**Answer 7.1:**

The focus of the Department of State and Regional Development's efforts is on promotion of business investment in the logistics sector, which was identified as a key sector in the NSW Government's Innovation Statement released in November 2006.

The Department also helps individual business enterprises in the logistics sector looking to grow their operations. For example, the Department assisted Jim Pearson Transport to establish a transport depot in South Grafton. The new depot incorporates maintenance, fuelling and cleaning facilities for the transport company which services the Sydney to Brisbane line haul market.

The Department of State and Regional Development has undertaken two major studies of the logistics sector in NSW to identify key government actions to address the growing freight task for the State.

**Question 8.1:**

***ROLE OF RURAL AFFAIRS***

**The Hon. RICK COLLESS:** Can you tell the Committee what the budget is for this financial year? When I looked at the budget papers Rural Affairs was listed under Minister Kelly's previous portfolio, the Department of Lands, Rural Affairs and Regional Development, but there was no discussion in the budget papers about the role of Rural Affairs or any apparent budget allocation. Is that a concern for you? What action are you taking to lift the profile of Rural Affairs?

**Mr PHILLIP COSTA:** I accept that. When I started to look into what Rural Affairs does I was quite pleased with its work. I was given the budget, but I do not have it with me so I will have to take that on notice. When I looked at the detail, it appeared to be a good return for the dollars being put in. That is the way I interpreted the information. Being new, at the beginning of this process I was not aware of what Rural Affairs did in terms of specifics. I requested a list of projects and I have tried to commit all of them to memory but there is about half a page of individual projects listed. Rural Affairs staff meet with Department of Regional Development staff and work together so that they do not duplicate, and they value add as they go. I do not think it is an issue in terms of Rural Affairs projects. I think that is a public opinion. I am more than happy to take that on notice.

**Answer 8.1:**

The Office of Rural Affairs sits within the Lands portfolio and its administration costs are an appropriation from the Department of Lands budget.

The Office of Rural Affairs has over many years demonstrated an enormous ability to leverage funding resources from the full spectrum of portfolios of government engaged in service delivery. It has demonstrated this capability not just in the state jurisdiction but has been actively engaged in assisting rural communities to obtain funding from the Federal Government as well.

The Rural Affairs portfolio plays a vital role in assisting rural communities achieve their potential and also in overcoming obstacles that can create an impediment to the delivery of services they need.

In the short time that I have been Minister for Rural Affairs I have embarked on an extensive itinerary of travel through country NSW. Amongst other things one purpose of these rural visits has been to both acquaint myself with the level of knowledge about the Office of Rural Affairs as well as the level of community satisfaction regarding the work the ORA does.

I am happy to report that on both counts I was pleasantly surprised at just what a good job the ORA does. In fact, I am further surprised that the Honourable Member does not seem to be aware of the considerable and significant role played by the ORA throughout the duration of the inquiries carried out by the Rural and Regional Taskforce. That aside it is my intention as Minister for Rural Affairs to guarantee that the excellent work being done by the ORA continues.

**Question 8.2:**

***REGIONAL BUSINESS DEVELOPMENT SCHEME***

**CHAIR:** Will it be a similar situation with regard to the Regional Business Development Scheme? How does the department respond to the strong opinion that this scheme is insufficient? Are plans being made to address the perceived problems with the scheme? Are there any plans to create a more effective, beneficial scheme to help develop businesses?

**Mr PHILLIP COSTA:** You have mentioned an overarching program. I need to take that on notice; it is not something that comes specifically to me. You will need to direct that probably to Minister Macdonald.

**Answer 8.2:**

The Department of State and Regional Development does not believe there is widespread opinion that there are problems with the Regional Business Development Scheme. Indeed, as part of the Department's routine surveying of clients, strong satisfaction with the Department's regional business programs and facilitation services is expressed.

The issues raised by the Rural and Regional Taskforce in its report are more to do with consideration of additional programs to attract business to regional areas.

The Department, as a normal part of its operations, consistently monitors the effectiveness of its programs and services.

**Question 18.1:**

***PILING AND TUNNELLING - KURNELL***

**The Hon. DAVID CLARKE:** What was the cost of the unsuccessful piling and tunnelling methods at Kurnell village for construction of the pipeline?

**Mr PHILLIP COSTA:** Did you say unsuccessful?

**The Hon. DAVID CLARKE:** Yes, unsuccessful?

**Mr PHILLIP COSTA:** I cannot comment on unsuccessful tunnelling and piling. My understanding is that the tunnelling and piling at Kurnell is going on as we speak.

**The Hon. DAVID CLARKE:** So you can assure us that there have been no unsuccessful piling and tunnelling methods?

**Mr PHILLIP COSTA:** Could you describe "unsuccessful"?

**The Hon. DAVID CLARKE:** I am using it in the broad sense.

**Mr PHILLIP COSTA:** As in putting a hole in the wrong spot?

**The Hon. DAVID CLARKE:** I am leaving it wide enough for you to be able to respond?

**Mr PHILLIP COSTA:** I like the question. What I would determine as unsuccessful is that you have put a hole in the wrong spot—that is unsuccessful; or you have drilled a hole and it caved in—that is unsuccessful. I will pass that question to my director general because I am not aware of any of those sorts of issues. Maybe there is a formal response we can give you.

**Dr SCHOTT:** If I can explain, we are putting and, indeed, have put pits in from which tunnel boring machines are launched and retrieved. In putting those pits in—not just in Kurnell but in other places—various construction methods are tried to see which ones are successful and work best. In relation to the two particular pits in Kurnell, we did try sheet piling, which is the most quick and usually most cost-effective method. Because of the sand and, in particular, wet sand in Kurnell, it was found that sheet piling down for about the last four metres was very difficult. As a consequence, those pits have been built with what is called secant piling which, in effect, is rather more traditional drilling of holes and putting in a pile after you have drilled a hole, and then the pit is excavated. The fact that different construction methods are tried is part of ordinary construction of pits in ground where the conditions are dissimilar from one pit to the next.

**The Hon. DAVID CLARKE:** This has all been factored into the cost, has it?

**Dr SCHOTT:** It has.

**Mr PHILLIP COSTA:** And as Minister I would not call that unsuccessful because the hole was dug and the pit went down.

**The Hon. DAVID CLARKE:** But you will take my question on notice and come back to me with an answer?

**Mr PHILLIP COSTA:** I understand what you are saying. Yes.

***Answer 18.1:***

A number of different construction methods for the launch shaft at Silver Beach and the receival shaft at Tasman and Dampier Streets, Kurnell were trialled, in an effort to

minimise the impacts on the local community. Costs associated with these alternative methods were within project contingencies and there is no extra cost to the desalination project.

**Question 20.1:**

***SYDNEY WATER CONTRACTOR – CONCRETE DUMP***

**The Hon. DAVID CLARKE:** And from the contractors? Have you had an independent assessment made of this?

**Dr SCHOTT:** There is routine marine assessment that happens, as I have mentioned.

**The Hon. DAVID CLARKE:** Can you make copies of those reports available to this Committee, Minister?

**Dr SCHOTT:** I will take that on notice.

**Mr PHILLIP COSTA:** I need to take that on notice as well. I do not know the integrity of the reporting that goes back to the authority.

**Answer 20.1:**

As the Managing Director stated in the hearing, there is a routine marine assessment of the marine ecology in the Tasman Sea. This is done under the Marine and Estuarine Monitoring Program. The program was developed in consultation with Department of Environment and Climate Change and Department of Primary Industries, and will run for three years after the commissioning of the desalination plant, to observe the impacts over time.

In relation to the use of grout to attach the intake and outlet structures to the seabed, while there has been some escape of grout from the area directly around these structures, the grout remains *well within* the construction area for the offshore work. In fact, the grout covers only around 15% of the overall 55,000 square metre construction area.

As with all major construction projects of this scale, there will be some impact, particularly in a high energy, turbulent environment such as the Tasman Sea. The construction works in the Tasman Sea were considered as part of the Environmental Assessment, as well as the Project Approval for the intakes and outlets.

**Question 21.1:**

***DESALINATION PLANT – BETTER TECHNOLOGY***

**The Hon. ROBERT BROWN:** With regard to the use of currently available but better technologies for further stages of the desalination plant, can you take on notice and come back to the Committee with confirmation that there are no contractual or

technical constraints to better technology, whatever may be used—I understand your statement about modular construction—in any further expansion?

**Mr PHILLIP COSTA:** I will take that on notice and get back to you because, as I said, it was a view I had.

**Answer 21.1:**

In the event that the plant is up-scaled in the future, and if emerging technology can be proven to be cost effective for a plant of the scale of Sydney's desalination plant, it may be incorporated. There are no contractual or technical constraints relating to the possible future up-scaling of the plant.

An advantage of desalination plants and all large scale treatment plants, is that while the infrastructure such as the buildings remain on the ground, the technology used inside the plant for treating the water, such as the filters, can be upgraded in line with technological advances. Sydney Water continues to closely monitor changes in technology and the appropriateness of new technology, which could be used at the Sydney desalination plant in the future.

Regarding the low-pressure membrane technology mentioned in the hearing, I understand that the claims relating to this technology are not valid as this technology is not being used anywhere in the world in a plant that is the scale of the Sydney desalination plant.

Similar sized plants to Sydney's all currently use conventional pre-treatment processes, including the desalination plant in Perth and the one approaching completion on the Gold Coast.

Nevertheless, in 2006-07 Sydney Water trialled a low pressure membrane pre-treatment technology known as ultra filtration, as part of the pilot plant testing for the pre-treatment system.

These tests showed:

- This membrane performed less reliably than conventional methods.
- The high quality of the seawater from the Tasman Sea does not warrant the level of treatment that such a membrane potentially provides for smaller scale plants.

The high quality of seawater, the lower level of reliability and the higher capital cost involved, mean that low-pressure membrane technology is not viable in Sydney.

**Question 22.1:**

***COST OF ENVIRONMENTAL ASSESSMENT***

**CHAIR:** How much has been spent on the preparation of the environmental assessment for this groundwater project?

**Mr BULLEN:** I will take that question on notice.

**Answer 22.1:**

The environmental assessment preparation costs total around \$930,000 (inclusive of GST).

**Question 22.2:**

***COST OF THE KANGALOON AQUIFER PROJECT - ALTERNATIVES***

**CHAIR:** What is the estimated cost of the Kangaloon aquifer project? Has the department weighed the cost of accessing groundwater for emergency Sydney water supplies against other measures? What are the alternatives?

**Mr BULLEN:** I will have to take that question on notice and get back to you later on.

**Answer 22.2:**

The September 2007 cost estimate for constructing the whole Kangaloon borefield was \$95 million. The construction and commissioning cost was to be revisited after final borefield designs were completed in mid 2008 and after a decision was made to construct all or part of the borefield.

The SCA considered all alternatives for emergency water supply within its sphere of operation including accessing deep storage in dams and groundwater. It also considered increasing Shoalhaven transfers to further improve long term water supply. The Government then considered the SCA's options in conjunction with other options including various forms of demand reduction, recycling and desalination.

The independent consultants who developed the 2006 Metropolitan Water Plan reviewed the initial groundwater investigations report to Government in January 2006 and strongly supported the inclusion of groundwater as one of the suite of water supply measures to secure Sydney's water supply. The 2006 Metropolitan Water Plan confirmed the proposed role of groundwater as a drought emergency supply and the consultants' accompanying detailed report, released with the Plan, identifies the economic benefit of the approach adopted. The independent expert panel chaired by the late Professor Peter Cullen, which reviewed the Metropolitan Water Plan, strongly endorsed the use of groundwater and urged its early development at Kangaloon and the other borefield sites if they proved viable.

**Question 22.3:**

***CLAUSE 10 SCHEDULE 38 OF WATER MANAGEMENT ACT***

**CHAIR:** Has the Government considered the inequity and loss of governmental revenue stemming from a strict interpretation of clause 38 of schedule 10 to the Water Management Act 2000?

**Mr PHILLIP COSTA:** I do not remember that part off the top of my head. I will take it on notice.



**Answer 22.3:**

When any new laws commence, a decision needs to be made as to whether applications that were lodged before the new rules commenced should be dealt with under the old law or the new law. It is not uncommon for transitional provisions to provide that existing applications are to be dealt with under the previous framework. This requires the balancing of fairness to existing applicants and protection of the integrity of the new framework. In 2004, when Parliament passed the new schedule 10 to the *Water Management Act 2000*, it decided that in the interest of fairness to existing applicants, their applications should be dealt with under the previous legislation. Clause 38 of schedule 10 provides that mechanism.

**Question 22.4****METERING OF LICENCES**

**CHAIR:** I understand in 2006-07, 34 per cent of licences were metered. Will the Minister indicate what percentage of licences for 2007-08 are being metered?

**Mr PHILLIP COSTA:** I cannot give you an exact percentage.

**Mr HARRISS:** If I can give you a general answer, and take the rest on notice, depending if you want more detail?

**Answer 22.4:**

The percentage of metered licenses is about 34% (although this represents about 73% of licensed water entitlement). The roll-out of meters into the unregulated system is occurring, and the recent injection of COAG funds (to be confirmed after due diligence) into the Murray Darling Basin, will result in significant increases with projections in NSW rising to 50-60% by June 2012. Sites in the Basin remaining unmetered after that time will have minor or no active water usage, however coastal area metering will be at lower levels than the MDB.

**Question 23.1a:****STAINLESS STEEL CASINGS**

**The Hon. RICK COLLESS:** Were any stainless steel casings put in any of the bores when drilling was done in the Kangaloon and Leonay areas sometime ago?

**Mr PHILLIP COSTA:** I am aware of the drillings. I have had representations in that area over time. In respect to the specifics of what went in that was referred to me in my other life, but I will have to get back to you. I know there was some casings going in but I will have a closer look at it. I have had a close association with the Sydney Catchment Authority over many years but to be able to say it was stainless steel I will have to provide that answer on notice.

**Mr BULLEN:** I will take that on notice.

**Answer 23.1:**

I am advised that some 10 per cent of bores (12 production bores) at Kangaloon have stainless steel casing. There are no stainless steel casings in the test bores at Leonay.

**Question 23.1b**

**The Hon. RICK COLLESS:** If stainless steel casings were put in will you justify why that expense? In my understanding of virtually all other bores that have been put down for the past 30-odd years have had PVC casings. Why were the drillers instructed to put down stainless steel casings? Would you provide the itemised costs of those casings if they were stainless steel?

**Mr BULLEN:** Yes.

**Answer 23.1b**

Expert advice was that large diameter (and/or deep) bores for large irrigation, industrial/commercial and water supply usage are nearly always constructed with mild steel and/or stainless steel so that the bores last 20 to 30 years.

PVC is not as durable and not suited to production bore application. In the deep sandstone environment at Kangaloon it is important to have durable and corrosion resistant materials in the bores constructed. All bores were constructed in accordance with the current best practices applied in the water well industry and current Australian standards (Minimum Construction Requirements for Water Bores in Australia).

**Question 23.2:**

***MAINTENANCE OF WATER PIPES***

**The Hon. RICK COLLESS:** I turn now to maintenance of water pipes in the Sydney metropolitan area. What is the cost this year for all water pipe maintenance work to be done in the metropolitan water?

**Mr PHILLIP COSTA:** That is one that I do not have a handle on. I will pass that to the chief executive officer.

**Dr SCHOTT:** I prefer to get back to you on that, but as a rough measure, it would be about \$300 million a year on maintenance.

**Answer 23.2:**

The total budgeted expenditure relating to water mains for 2008/09 is \$204 million, excluding financing and depreciation.

**Question 23.3:**

***LEAKING PIPES***

**The Hon. RICK COLLESS:** What percentage of water is now being lost due to the leaking pipes problem?

**Dr SCHOTT:** It is 8.2 per cent. That is a measure that comes from working out how much of the water we cannot trace down. So it is water that is effectively not metered anywhere and we cannot account for it. That 8.2 per cent sounds like a lot, but by international standards it is extremely good.

**The Hon. RICK COLLESS:** From figures that I have seen, that is a lot higher than it is in either of our two competing capital cities, Melbourne and Brisbane.

**Dr SCHOTT:** I will take that on notice. I think the measurement is slightly different.

**Answer 23.3:**

Sydney Water has had an extensive program for improving leakage management in place for several years. It is easily the largest program in Australia. The level of leakage is down from 10 per cent in 2004/05 to 8.1 per cent now.

Sydney Water is investing over \$400 million over the four years from 2006 to 2009 inclusive. In 2007/08, Sydney Water spent over \$110 million on its leakage management program. Renewals to the value of around \$102 million will be undertaken in 2008/09.

This level compares favourably to major world cities. For example, Thames Water in London, United Kingdom is improving from its 15 per cent level.

**Question 24.1:**

***FIXED WATER CHARGES***

**The Hon. RICK COLLESS:** Have you, or your department, done any assessment on what a similar plan would cost New South Wales?

**Mr PHILLIP COSTA:** I have been given some numbers. I can have then qualified in a moment for you. To add to something I mentioned earlier, the Victorian Government system is all fixed fees. They do not have a two-tier system. Because people are not paying for water, and yet the costs could be higher from us, there is a built-in subsidy. I know the graziers and the irrigators do not see it that way, but that is how our system works. I have been given some figures and I prefer to pass that over. I believe it is \$29 million, but I will pass it on.

**Mr HARRISS:** I will take that on notice, I cannot remember the figures off the top of my head. We could certainly find them out for you.

**Answer 24.1:**

The NSW water entitlement system and water billing system are different from that in Victoria. The vast majority of Victorian licences are essentially high security licences and the majority of their water bill every year is a fixed charge irrespective of how much water is available or used.

In contrast the majority of water entitlement in NSW is general security entitlement. Water charges for NSW licence holders are mostly a two tiered system with a fixed component based on entitlement and a variable component based on how much water is used by the licence holder. As a result NSW's water bills in dry years are much lower than those in Victoria.

**Question 25.1:**

***WATER PURCHASE***

**The Hon. RICK COLLESS:** How much water has been purchased out of New South Wales by both the Commonwealth and the State agencies in the last 12 months?

**Mr PHILLIP COSTA:** I do not know. I need to pass that on.

**Mr HARRISS:** I am happy to take that on notice. We will have to go to companies like Water For Rivers, which is buying back water for the Snowy; go to the Department of Environment and Climate Change to find what has been purchased for the Living Murray Program. Certainly with respect to the Commonwealth, we are not aware of what water has been negotiated for purchase by the Commonwealth with existing users. If I could revert to your earlier question about purchases into the Wakool river in the Murray valley, as part of the intergovernmental agreement on the Murray-Darling Basin reforms, negotiations between the Commonwealth and irrigation companies are bilateral and do not necessarily involve the Government. The criteria for that has not been developed by the Commonwealth, but we are aware that companies such as Murray Irrigation Limited and Murrumbidgee Irrigation are putting together proposals and having discussions with the Commonwealth Government, but they are commercial in confidence.

**Answer 25.1:**

It should be noted that the Department of Water and Energy is not directly involved in any water purchasing programs. Accordingly, this question should be directed to the relevant Ministers.