

QUESTION ON NOTICE: LC
Select Committee on Cronulla Fisheries Research Centre Closure

10 September 2012

**MINISTER FOR PRIMARY INDUSTRIES
MINISTER FOR SMALL BUSINESS**

Select Committee on Cronulla Fisheries Research Centre Closure

QUESTION

The Hon. STEVE WHAN: You do not remember the proposal that was talked about in May 2011?

Ms KATRINA HODGKINSON: There probably was one.

The Hon. STEVE WHAN: Can you take that question on notice?

Ms KATRINA HODGKINSON: I can take that question on notice.

The Hon. STEVE WHAN: When did you sign off on the decision?

Ms KATRINA HODGKINSON: The Deputy Premier and I made the announcement on—have you got the date?

The Hon. STEVE WHAN: That was the date you signed off? We have the date when the announcement was made but we do not have the date that you approved it.

Ms KATRINA HODGKINSON: I have not brought dates with me. We can get back to you with dates.

The Hon. STEVE WHAN: If you could take that question on notice as well. You mentioned before the move of jobs to Nowra. Mr Paterson, does it concern you that at the same time you are moving these people to Nowra you are moving lands department jobs away from Nowra?

ANSWER

The decision was discussed at length before it was announced on 8 September 2011. The final approval was made in the days leading up to the announcement. To the best of my knowledge the document from May 2011 was never submitted to me.

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QUESTION

The Hon. MICK VEITCH: You say you have been to the Cronulla site, Minister. Will you take that question on notice and let us know when that was?

Ms KATRINA HODGKINSON: It was before it was brought down. I remember very clearly the access and those various issues I have discussed before.

The Hon. MICK VEITCH: Will you take that question on notice and let us know the date of that visit?

Ms KATRINA HODGKINSON: Yes, I will look it up.

ANSWER

I have consistently received advice from the Director General about the limitations of the site, and this was reconfirmed to me when I visited the site outside of business hours prior to the decision being made.

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QUESTION

The Hon. MICK VEITCH: Was a community impact statement conducted as part of the process in your discussions with the director general and the brief that was prepared?

Ms KATRINA HODGKINSON: I am not sure. I will get back to you on that.

The Hon. STEVE WHAN: Was that not a Coalition election commitment, that a community impact statement would be prepared?

Ms KATRINA HODGKINSON: Certainly for the regional areas, absolutely.

The Hon. STEVE WHAN: Sutherland is not a regional area.

Ms KATRINA HODGKINSON: As I mentioned in my opening statement, unemployment figures would have been looked at and it is important for the Government to make sure that we are looking after regional communities.

CHAIR: If that impact statement was created, will you table it?

Ms KATRINA HODGKINSON: Yes.

ANSWER

Impacts on rural communities were considered under the Cronulla Change Management Plan (copy provided to Committee previously) and impacts were anticipated to be positive. Once staff have transferred and recruitment completed, benefits to regional communities will be further assessed.

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QUESTION

1. Does it concern you that you and your department staff treated or failed to provide adequate answers to most of the questions on notice asked by this Committee?

ANSWER

The NSW Government provided a comprehensive submission, through the Department of Primary Industries, addressing each of the Inquiry's Terms of Reference.

The Director General of the Department of Primary Industries, Dr Richard Sheldrake; the Executive Director of Fisheries, Dr Geoff Allan; and the Relocation Project Manager, Kevin Cooper, attended the first hearing of the inquiry on 6 August 2012.

These Government representatives answered questions from the Committee for a period of two hours. In addition, the Department provided answers to nearly 100 questions on notice, within a two week timeframe. A large amount of additional information, copies of correspondence, details of the relocation process and reports was also provided to assist the Committee.

I am satisfied that every attempt has been made by the Government to assist the Committee by providing accurate and relevant information.

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QUESTION

2. What date did you visit the Cronulla Fisheries Research Centre of Excellence (CRRCoE) prior to the announcement of the closure and who showed you around the site on this visit?

ANSWER

This question is repetitive, please see answer to an earlier Question on Notice.

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QUESTION

3. On what date were you first advised that the closure of the CFRCoE would be of benefit to the Department and the people of NSW?
 - a. On what was this advice based?
 - b. What actions did you take to ascertain that the advice was correct?

ANSWER

a) & b) As stated during the hearing, the Director General of the Department of Primary Industries suggested to me after the election that the functions and services currently located at Cronulla could be decentralised; in line with the NSW Government's commitment to a Decade of Decentralisation. Various conversations were subsequently held to discuss the proposal.

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QUESTION

4. If the current figure of 8 people from Cronulla who have relocated to regional NSW remains as it is, would this be a successful relocation exercise?

ANSWER

The NSW Government is pleased that as at 26 September 2012, 40 employees had accepted an offer to relocate - rejecting the assertion made by those opposed to this move that 95% of the employees will not or cannot move.

Nine staff have already relocated, eight to regional locations and several others are about to move. More employees may decide to transfer in due course.

The NSW Government recognises that some people will not and cannot move, and recruitment will occur locally to ensure continuity of service to stakeholders. I am pleased that recruitment action for 19 positions has either commenced or completed, including for several permanent positions that were previously temporary.

The regionalisation process will be a boost for Regional NSW by providing many social and economic benefits to local communities including both direct and indirect employment opportunities.

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QUESTION

5. I refer to information from an FOI provided to Sutherland Shire Council in which it was directed by one of your staff at the last minute, that the timeline for the relocation be changed from 3 years to 12 months.
- a. Why was this done?
 - b. Are you aware that best practice for such relocations requires something like a 3 year timeframe - as was done by CSIRO when they relocated from the same site in the 1980s to Hobart – as was discussed by Mr Peter Bailey (CEO, Foundation for Regional Development) in a 2010 interview?

ANSWER

Other successful decentralisation projects of a similar scale were carried out by the Department of Primary Industries over a similar timeframe.

The NSW Government's timeframe of 12-18 months for the decentralisation of the Cronulla Fisheries Centre has been consistent since September 2011.

Timeframes for decentralisation projects vary, depending on the scale of the project and factors including construction timetables. The 18 month timeframe is most appropriate for this project. It provides the right balance between allowing all staff plenty of time to prepare for their decision while minimising the disruption that major change inevitably causes.

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QUESTION

6. Your Director-General of DPI Dr Sheldrake and Director of Fisheries Dr Allan were unaware, at the time of the first public meeting of this Committee, of the only financial and economic analysis that had been undertaken into the closure of CFRCoE – one that was commissioned by the then Dept. of Public Works and Services in March 1998 and conducted by Sinclair Knight Merz. This report assessed scenarios similar to those proposed by the closure of CFRC and the upgrade of Taylors beach (Port Stephens). The option that included maintaining the CFRC site was found to be the best option both financially and economically. It was the recommendations of this report that led to the refurbishment of the CFRC facilities (over 1.5 million in upgrades from 2001-2011).
- a. Should this information have been provided to you for your consideration in deciding whether to close the CFRC?

ANSWER

The Sinclair Knight Merz report was prepared 13 years before this decision, well before the Government's Decade of Decentralisation policy was conceived. I'm advised the scenarios detailed in the plan would not have had a bearing on the decision.

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QUESTION

7. Given that a further \$1.5 million dollars in upgrades has been added to CFRCoE since the 1998 analysis: Is it not possible that CFRCoE is still the best economic and financial option in 2012?

ANSWER

No, the Cost Benefit Analysis (CBA) that was tabled indicates that the net benefits to the department, in net present value terms will be \$4.2 million over the next twenty years.

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QUESTION

8. Regarding an article published in the Sydney Morning Herald on 20 Feb 2012, titled "Department told to get fisheries plan under the radar". This article reported on a leaked document indicating the deliberate disaggregation of capital works projects to be done at Port Stephens in order to avoid the necessity for (i) preparing an economic appraisal and (ii) submitting it to Treasury for their consideration. I was not satisfied with the response from Dr Sheldrake and Dr Allan to this.
- a. What correspondence occurred between your office, the department and Treasury?

ANSWER

All correspondence between my office and the Department has been previously provided by the Department. I'm advised that my office has not had specific correspondence with Treasury that did not include the Department over this matter.

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QUESTION

9. At the first public hearing of the Committee, I asked Dr Sheldrake about guidelines that underpin the way decisions are made within departments of the NSW public service. I specifically mentioned change management guidelines, benefits realisation guidelines, benefits and management plan guidelines, risk management guidelines and asked whether these guidelines had been followed. Dr Sheldrake acknowledged the Change Management guideline but did not recall the other guidelines and I quote Dr Sheldrake: "I am not exactly familiar or I do not recall the set of guidelines you are referring to, but in terms of us identifying an opportunity, we believed that the functions that are currently carried out at Cronulla can be carried out elsewhere in New South Wales at those locations that we have identified."

Are you, as Minister, concerned that your Director General of DPI is not familiar with these Finance & Services guidelines?

ANSWER

Dr Sheldrake's response to the question was appropriate given that the initial question referred to numerous policies. I am satisfied that my Department is fully conversant with Public Service guidelines and that the basis for this decision was sound.

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QUESTION

10. I note that the clear advice in "NSW Government Guidelines for Economic Appraisal" that "the analysis of sub-components should not be undertaken in lieu of the analysis of the wider project, to ensure that the project as a whole is of net benefit." Why have you not provided an economic appraisal, in accordance with Treasury guidelines for the project or projects as a whole?

ANSWER

The Cost Benefit Analysis (CBA) provided to you on the evening I gave evidence included the costs and benefits for which we have information to date.

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QUESTION

11. Professor Steve Kennelly is a world-renowned fisheries scientist. He is Director at Cronulla and was the Chief Scientist of your entire portfolio until September last year.
- a. Have you ever met him?
 - b. Was he consulted on the closure of the CFRCoE?
 - c. Was a decision made not to consult with him?

ANSWER

I'm advised that Professor Kennelly was never the Chief Scientist of my entire portfolio under the new structure. The Government's Chief Scientist is Professor Mary O'Kane. There is also a Chief Scientific Officer in DPI, Dr Philip Wright. Professor Kennelly is the Director of Fisheries Research, and reports to the Executive Director of Fisheries NSW.

While I have not met Professor Kennelly, I understand he was advised of the decision prior to the announcement and has had every opportunity to provide input into detailed planning for the relocation as a member of the Cronulla relocation Working Group.

As the Centre Director for Cronulla Fisheries Research Centre, I understand he has decided not to attend most of the Working Group meetings.

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QUESTION

12. Central to our 1st term of Reference is the basis for the decision. Please provide all emails, letters, faxes, documents, and files that refer to the Cronulla Fisheries site between the dates of 1st of January 2011 and 8 September 2011.

ANSWER

All relevant documentation has already been released under the *Government Information (Public Access) Act 2009* or attached to the answers to the Questions by Dr Allan and Dr Sheldrake.

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QUESTION

13. In a letter to Dr Sheldrake dated 30 November 2011, Mr Rob Mathie (Assistant Auditor-General) stated that he intended to keep a watching brief on the planning and implementation of the project. He requested that the Department provide him with copies of the following document when completed: financial analysis, cost/benefit/impact analysis, implementation plan, actual costs associated with the project and a benefits realisation plan.
- a. Are you, as Minister, concerned that your Director General of DPI has not subsequently provided these documents to the Assistant Auditor-General?
 - b. Are you concerned that, despite receiving this letter from the Assistant Auditor-General in November 2011, Dr Sheldrake was still unfamiliar with guidelines specified by Finance & Services guidelines when questioned about these at the first hearing of the Inquiry in August 2012?

ANSWER

I'm advised that The Director General and other Senior Executives from DPI and DTI met with Mr Rob Mathie and other staff from the Auditor-General's office on 26 March 2012. I'm also advised that Mr Mathie was satisfied with planning and implementation at that time. The final cost/benefit/impact analysis, the actual costs associated with the project and a benefits realisation plan cannot be completed until all costs and benefits are known. The Cost Benefit Analysis will be updated and provided to the Assistant Auditor-General as all the necessary details become available.

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QUESTION

14. I have seen aerial photographs of the Port Stephens facility and read an article about the consequences of sea-level rise by a retired scientist from your department – Mr Rob Williams (which is on the Save Cronulla Fisheries website and was supplied to this Inquiry). It is an extremely low-lying site surrounded by salt-marsh and mangroves. The analysis by Mr Williams suggests the distinct possibility that the majority of the site will be inundated within the next few decades.
- a. Please can you detail the considerations that have been given to risks associated with moving the headquarters of Fisheries from the CFRCoE (a site immune from sea level rise) to a site that is classified by the local council as “floodprone” and expected to experience inundation within a few decades?
 - b. Please can you detail the consideration that has been given to any costs to the NSW public in order to pay for (i) major flood mitigations works at the Port Stephens facility or (ii) costs associated with another relocation?
 - c. Is the decision to relocate to Port Stephens at odds with the NSW Coastal Planning Guideline: Adapting to Sea Level Rise and the NSW Sea Level Rise Policy Statement?

ANSWER

Cronulla Fisheries Research Centre has never been the Headquarters of Fisheries in NSW. Climate variability is predicted to not only affect sea level but temperatures and storm frequency. All these changes will affect different locations in different ways. Please also note that Port Stephens is only one of four regional locations chosen for the relocation.

Rising sea levels are not expected to impede access to the Port Stephens Fisheries Institute on the basis that protecting small, potentially vulnerable sections of the relatively short access road would be inexpensive and may not be needed during the effective life of the facility. All major buildings at Port Stephens have been constructed taking potential rises in sea level into account.

I am satisfied this is not a major constraint to the decision.

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QUESTION

15. Has the Auditor-general's office or treasury reviewed the cost-benefit analysis that you tabled at the hearing? Is this analysis in accordance with Treasury guidelines?

ANSWER

It is still an estimate as not all costs or benefits are known. I'm advised that the Director General and other Senior Executives from DPI and DTI met with Mr Rob Mathie and other staff from the Auditor-General's office on 26 March 2012. I'm also advised that Mr Mathie was satisfied with planning and implementation at that time. The final cost/benefit/impact analysis, the actual costs associated with the project and a benefits realisation plan cannot be completed until all costs and benefits are known. The Cost Benefit Analysis will be updated and provided to the Assistant Auditor-General as all the necessary details become available.

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QUESTION

In relation to the World Fisheries Conference

16. Were you made aware that the closure of Cronulla effectively ended Sydney's bid for the 2016 World Fisheries Conference?

ANSWER

I was aware of a request from Business Events Sydney to bid for the 2016 World Fisheries Congress. I'm advised that discussions amongst Fisheries NSW Directors indicated a lack of support to host this conference.

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QUESTION

In relation to advice on the Closure

17. On what date were you first advised that the closure of the CRFCoE would be of benefit to the Department and the people of NSW?
18. On what was this advice based?
19. What actions did you take to ascertain that the advice was correct?
20. If the current figure of 8 people from Cronulla who have actually relocated to regional NSW remains as it is, will you consider this whole exercise to be a success?

ANSWER

17. This question is repetitive, please see answer to Q3.
18. This question is repetitive, please see answer to Q3.
19. This question is repetitive, please see answer to Q3.
20. This question is repetitive, please see answer to Q4.

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QUESTION

In relation to previous economic appraisals:

The Director-General of DPI Dr Sheldrake and Director of Fisheries Dr Allan were unaware, at the time of the first public meeting of the Cronulla Fisheries Inquiry of the only financial and economic analysis that had been undertaken into the closure of CFRCoE – one that was commissioned by the then Dept. of Public Works and Services in March 1998 and conducted by Sinclair Knight Mertz.

This report assessed scenarios similar to those proposed by the closure of Cronulla Fisheries and the upgrade of Taylors beach (Port Stephens). The option that included maintaining the Cronulla Fisheries site was found to be the best option both financially and economically. It was the recommendations of this report that led to the refurbishment of the Cronulla facilities (over 1.5 million in upgrades from 2001-2011).

21. Are you that Dr Sheldrake and Dr Allan were unaware of this and obviously did not brief you on this before your decision in September 2011?
22. Given that a further \$1.5 million dollars in upgrades has been added to CFRCoE since the 1998 analysis: Is it not likely that CFRCoE is still the best economic and financial option in 2012?
23. At the first public meeting of this Inquiry, your Director-General of DPI Dr Sheldrake and Director of Fisheries Dr Allan seemed unfamiliar with the content of the NSW Treasury policy document "NSW Government Guidelines for Economic Appraisal". Are you aware of the requirements of the competency?

ANSWER

21. This question is repetitive, please see answer to Q6.
22. This question is repetitive, please see answer to Q7.
23. Please see answer to Q10.

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QUESTION

In relation to capital works at the Port Stephens Facility:

The Sydney Morning Herald on 20 Feb 2012, titled "*Department told to get fisheries plan under the radar*". This article reported on a leaked document indicating the deliberate disaggregation of capital works projects to be done at Port Stephens in order to avoid the necessity for (i) preparing an economic appraisal and (ii) submitting it to Treasury for their consideration.

24. The "*NSW Government Guidelines for Economic Appraisal*" states that "the analysis of sub-components should not be undertaken in lieu of the analysis of the wider project, to ensure that the project as a whole is of net benefit." Why have you not provided an economic appraisal, in accordance with Treasury guidelines for the project or projects as a whole?

ANSWER

Refer to Q13.

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QUESTION

In relation to the Auditor General Office:

25. Has the Auditor-general's office or treasury reviewed the cost-benefit analysis that you have tabled? Is this analysis in accordance with Treasury guidelines?

ANSWER

This question is repetitive, please see answer to Q15.

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QUESTION

In relation to Research Performance:

26. Documents provided to the committee show that 11 of 39 current research projects being undertaken at the Cronulla facility will be unable to proceed or will be delayed. Is this acceptable? Have you undertaken a risk assessment of the impact of the failure of these research projects? If yes can you provide the risk assessment?

ANSWER

Indicative data for 48 projects in the Wild Fisheries research group were provided to the committee.

All attempts have been and will continue to be made to minimise loss of valuable data that informs management decisions for the benefit of aquatic resources in NSW.

Managing the risks of research is the primary function of the agency, Fisheries NSW. I note that assessment of risk and management of risk is a primary responsibility of the Cronulla Relocation Working Group.

Furthermore, while the Unions have been parading behind its "concern for service delivery for our fisheries stakeholders", I'm advised that its work bans and campaign against the decentralisation of Cronulla have negatively impacted on the Department's capacity to undertake the decentralisation project and maintain service delivery at Cronulla.

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QUESTION

In relation to visiting the site:

27. What date did you visit Cronulla, what facilities at Cronulla fisheries did you actually visit or view and who did you speak to?

ANSWER

This question is repetitive, please see answer to an earlier Question on Notice.

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QUESTION

In relation to Cost Benefit Analysis:

28. The 'benefit cost analysis' you tabled at the hearing indicates that the \$4.2 million benefit is dependent on \$9 million saved by not filling 10 currently vacant positions. The analysis makes it clear that a decision on whether or not to fill these positions is not dependent on location. Given this isn't it true to say that the analysis shows that staying at Cronulla and not filling these positions would leave the net benefit at \$13.9 million?
- a. Regarding the 10 unfilled positions, why are these positions not included in your guarantee to fill all existing positions?

ANSWER

As repeatedly stated, the rationale for the decision is decentralisation. The benefits of decentralisation have not been included in the Cost Benefit Analysis (CBA) but clearly were the primary driver.

All permanent and eligible temporary staff were offered the opportunity to transfer as part of the relocation project. If the staff employed in the 10 positions indicated in the CBA, decide to transfer, they will have meaningful jobs with comparable duties but obviously they will not be servicing the Cronulla site as Cronulla be closed. Consequently there are savings as a result of the relocation.

Several of the staff in those positions have already secured alternative positions and the decisions of the remaining officers will be known soon.

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QUESTION

29. Your department's policy framework proposed that prior to a relocation decision relocation proposals should consider an analysis of a range of alternative locations considered, reasons for short listing locations and be accompanied with a feasibility analysis that covers, at a minimum: benefits; costs; impacts (including impacts on local communities); funding / budget implications; staff impacts and legal and administrative requirements.
- a. Why did you fail to undertake this analysis prior to the final decision when by your own evidence you had some six months between first discussing this decision and the announcement?

ANSWER

(Please note that the May briefing [previously supplied to the Committee] was not submitted to the Minister.)

A broad range of location options were considered as part of the discussions, prior to the announcement.

In addition to access to health services, transport services and education, the three main locations (Coffs Harbour, Port Stephens and Nowra) were chosen for the following reasons:

1. Coffs Harbour is located in the north of the State in a region with a large proportion of commercial fishers. It is also a key DPI centre and the location of the office of the Director of Commercial Fisheries. DPI also has an alliance with Southern Cross University and has a number of research and other staff co-located at the University's National Marine Science Centre.
2. The Port Stephens Fisheries Institute is internationally recognised in terms of the world class quality of our scientists and our Aquaculture and Aquatic Ecosystems research projects.
3. Nowra is located on the South Coast of NSW where recreational fishing is a popular pastime and where a large number of recreational fishing havens are located.

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QUESTION

In relation to employment of consultants

30. Did you receive any coaching or training in preparation for your appearance before the Parliamentary committee? Was any external consultant or company employed to assist with your preparation? If yes what was the name of that consultant or company and what was the cost?

ANSWER

No.

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QUESTION

In relation to previous decentralisations

31. Given the Minister's recognition of the success for the CSIRO move from Cronulla to Hobart why were not key elements of this relocation followed in the decentralisation of Cronulla – such as a 3 year timeline and an intimate involvement of key staff, such as the Chief Scientist Prof. Kennelly, in the design of the new facilities?

ANSWER

These questions are repetitive. Please see answers to Q5 and Q11.

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QUESTION

In relation to the recommendations of this Inquiry

32. Are you going to take into consideration the recommendations of this Inquiry?

ANSWER

As stated during the hearing, I will treat the report that is brought down by this Committee with the due respect and reverence that you will put into it.

However, I have made it very clear that the decision to proceed with the relocation of staff employed at the Cronulla Fisheries Research Centre and the subsequent closure of the Centre will proceed as planned.

The recommendations of the Committee will be considered in the context of this decision.



**Katrina Hodgkinson MP
Minister for Primary Industries
Minister for Small Business**