

UNCORRECTED PROOF  
**GENERAL PURPOSE STANDING COMMITTEE No. 1**

**Monday 24 October 2011**

**Examination of proposed expenditure for the portfolio area**

**FINANCE AND SERVICES, THE ILLAWARRA**

**The Committee met at 9.00 a.m.**

**MEMBERS**

The Hon. Melinda Pavey (Deputy-Chair)

The Hon. J. Barham  
The Hon. S. Cotsis  
The Hon. A. Fazio  
The Hon. L. Foley

The Hon. J. Gardiner  
Dr. J. Kaye  
The Hon. P. Phelps  
The Hon. A. Searle

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**PRESENT**

**The Hon. Greg Pearce**, *Minister for Finance and Services, and Minister for the Illawarra*

**Department of Finance and Services**  
**Mr M. Coutts-Trotter**, *Director General*

**Compensation Authorities Staff Division**  
**Ms L. Hunt**, *Chief Executive*

**Sydney Water Corporation**  
**Mr K. Young**, *Managing Director*

**Hunter Water Corporation**  
**Mr D. Taylor**, *Acting Managing Director*

**WorkCover Authority of New South Wales**  
**Mr J Watson**, *General Manager, Workplace Health and Safety*

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**CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS**

**Corrections should be marked on a photocopy of the proof and forwarded to:**

**Budget Estimates secretariat  
Room 812  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000**

**DEPUTY-CHAIR:** I declare this hearing for the inquiry into budget estimates 2011-12 open to the public. I welcome Minister Pearce and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolios of Finance and Services and of the Illawarra. Before we commence, I acknowledge the apology received from the chair of General Purpose Standing Committee No. 1, Reverend the Hon. Fred Nile, who will not be attending estimates this week. As many of you would know, Reverend the Hon. Fred Nile's wife, Elaine, a former member of the Legislative Council, passed away last week. Reverend Nile is therefore attending to the arrangements for her funeral, which will be held on Wednesday morning.

I will now make some comments about procedural matters. In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary purpose of any filming or photos. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door. Any messages from attendees in the public gallery should be delivered through the Chamber and support staff of the Committee or the Committee clerks. I remind officers accompanying the Minister that they are free to pass notes. The Minister may refer directly to his advisers while at the table.

The Committee has agreed that the Finance and Services portfolio will be examined from 9.00 a.m. until 12 noon. During this time questions regarding the Sydney and Hunter water utilities will be asked first. We want to get the water and utilities underway first so staff are free to leave at approximately 10.00 a.m. We will then deal with questions concerning WorkCover and industrial relations. The Illawarra portfolio will be examined from 12.00 noon until 1.00 p.m. Transcripts of this hearing will be available on the web from tomorrow morning. The House has resolved that answers to questions on notice must be provided within 21 days. I remind everyone to turn off their mobile phones.

All witnesses from the departments, statutory bodies or corporations will be sworn in prior to giving evidence. It is important that we do that. Ministers of the Crown do not need to be sworn in, as they have already sworn an oath to office as a member of Parliament.

**LISA HUNT**, Chief Executive, Compensation Authorities Staff Division,

**MICHAEL COUTTS-TROTTER**, Director General, Department of Finance and Services,

**KEVIN JOHN YOUNG** Managing Director, Sydney Water Corporation,

**DEAN MICHAEL TAYLOR**, Acting Managing Director, Hunter Water Corporation, and

**JOHN STUART WATSON**, General Manager, Workplace Health and Safety, WorkCover Authority of New South Wales, sworn and examined:

**DEPUTY-CHAIR:** Welcome, Minister Pearce. Government members have resolved to allow crossbench and Opposition members to have 20 minutes each and, depending on the conduct of the inquiry, Government members may have questions. As there is no provision for a Minister to make an opening statement before the Committee commences questioning, we will begin with questions from the Opposition.

**The Hon. GREG PEARCE:** I am sorry, Chair, is WorkCover required?

**The Hon. LUKE FOLEY:** If you had turned up on time, you might know.

**DEPUTY-CHAIR:** Yes, it is required. That will be for the 9.00 a.m. until 12 noon part of it, but we are beginning with the water corporations. We will deal with the Illawarra from 12 noon. Does the Opposition have any questions ?

**The Hon. LUKE FOLEY:** Minister, thanks for joining us—15 minutes late.

**DEPUTY-CHAIR:** That is not quite accurate, actually.

**The Hon. LUKE FOLEY:** Oh, sorry—he is only 13 minutes late. Minister, I turn first to the remediation of the former uranium plant at Hunters Hill. You told the Parliament on Friday, "In light of community concern, I commenced a review of all available options. Rest assured the Government will leave no stone unturned." What options are you looking at?

**The Hon. GREG PEARCE:** I thank the honourable member for, as usual, making assertions that he thinks will equate to the truth.

**The Hon. LUKE FOLEY:** I am quoting you, Minister.

**The Hon. GREG PEARCE:** My program said I was to be here at 9.15 a.m.

**The Hon. LUKE FOLEY:** I have no idea whether that equates to the truth.

**The Hon. GREG PEARCE:** My program said I was to be here at 9.15 a.m., which is what I did. I am sorry if I inconvenienced you, Mr. Foley. It is good to see that you have recognised that you do not really have the capacity, just having three of you here. I am pleased that you have four Opposition members here today.

**The Hon. AMANDA FAZIO:** How about you answer the question you were asked instead of putting on one of your usual pathetic question time performances?

**Dr JOHN KAYE:** Point of order, Madam Deputy-Chair. This is supposed to be an inquiry into budget estimates, not a slanging match between the Government and the Opposition. The people of New South Wales expect more than personal insults. It would be really helpful for the Committee and the public if we stopped that and just got on and asked questions. Some of those questions will be hard-hitting, and that is good, but they do not need to be personal.

**The Hon. GREG PEARCE:** As I said, I was here on time, so let us try to keep to the script other than that. The site at Nelson Parade, Hunters Hill was used by a private company, the Radium Hill Company, to process uranium ore in the earlier part of last century. Some of the waste from that process remains on the site and contains some residual radiological material. The original polluter, the Radium Hill Company, no longer

exists, so the Government has purchased the properties. It was the previous Government—your Government, the Labor Party's Government—that purchased the properties at numbers 7, 9 and 11 Nelson Parade.

The State Property Authority was appointed by your Government to manage the remediation. The State Property Authority did extensive investigation as to the disposal of waste to determine the most appropriate action during several years of governments led by Morris Iemma, Nathan Rees and Kristina Keneally without actually resolving the issue.

**The Hon. LUKE FOLEY:** Minister, what options are you looking at? That was my question.

**The Hon. GREG PEARCE:** Now having been in the chair for several months, six months or so, I am currently reviewing all of the disposal options.

**The Hon. LUKE FOLEY:** Which are?

**The Hon. GREG PEARCE:** We began with looking at all the work that had been done over several years by your previous governments. There are in fact a number of options.

**The Hon. LUKE FOLEY:** Which are?

**The Hon. GREG PEARCE:** Perhaps you could have asked some of the former Ministers—

**The Hon. LUKE FOLEY:** I am asking you, Minister. What are the options you are looking at?

**The Hon. GREG PEARCE:** —to tell you about this problem. The options we have looked at include: storing the waste material on-site; transferring the waste material to a suitable disposal facility in another State, if there was one; transferring the waste material to a disposal facility overseas; establishing an alternative waste site in New South Wales; and the SITA's Kemps Creek facility, which has the licensed facility to take most of the material.

**The Hon. LUKE FOLEY:** Minister, what are the interstate options that you have looked at?

**The Hon. GREG PEARCE:** I would have to get the details from the State Property Authority.

**The Hon. LUKE FOLEY:** Mr Coutts-Trotter, could you resist?

**The Hon. GREG PEARCE:** No, I will take it on notice and come back to you on notice. It is just that I do not have the details, but I will come back to you—before the end of the hearing, if I can.

**The Hon. LUKE FOLEY:** Can you tell us what the international options are that you are looking at?

**The Hon. GREG PEARCE:** Well, look, we did look at every international option, including Denmark and various other States.

**The Hon. LUKE FOLEY:** Denmark?

**The Hon. GREG PEARCE:** The problem is, as you would know, having been informed and being part of the previous Government, there are various international obligations which prevent us exporting that sort of radioactive material.

**The Hon. LUKE FOLEY:** So Denmark is off the list of options, is it?

**The Hon. GREG PEARCE:** Yes, it is. It was, actually, when you were in Government—your Government. We have revisited all of those options to see whether the outcomes that the previous Government came to were true, and they are.

**The Hon. LUKE FOLEY:** Do I take it from your answer that moving to another country is now off the agenda?

**The Hon. GREG PEARCE:** It was off the agenda under your Government.

**The Hon. LUKE FOLEY:** Is it off the agenda under your Government?

**The Hon. GREG PEARCE:** Nothing has changed.

**The Hon. LUKE FOLEY:** What about the alternative waste site in New South Wales that you mentioned. How is that going?

**The Hon. GREG PEARCE:** I will not make an announcement about an alternative waste site as there is no alternative waste site.

**The Hon. LUKE FOLEY:** There is no alternative waste site?

**The Hon. GREG PEARCE:** Kemps Creek is the site at which the majority of the material will be disposed of.

**The Hon. LUKE FOLEY:** So it will be Kemps Creek?

**The Hon. GREG PEARCE:** It is the one site that is available if that solution is selected. We have not yet made that decision.

**The Hon. LUKE FOLEY:** I take it from your answer that there are no other solutions?

**The Hon. GREG PEARCE:** The Hon. Luke Foley did not listen to the first part of my answer. He asked me what the options were. I think he made a note of them. If he goes back through them he will see that there are other options.

**The Hon. LUKE FOLEY:** Minister, in the past three minutes you told us that international and interstate disposal were off the agenda and that there is no alternative waste site in New South Wales. That narrows it somewhat to Kemps Creek, does it not?

**The Hon. GREG PEARCE:** It does, and it also narrows it to some sort of in situ treatment. We have not yet made a decision.

**The Hon. LUKE FOLEY:** I will move on to Sydney Water. Minister, why have you broken your promise regarding the provision of sewerage for Douglas Park, Yanderra and Wilton?

**The Hon. GREG PEARCE:** There the member goes again. Making an assertion does not make something true.

**The Hon. LUKE FOLEY:** Would the Minister like me to quote his election policy?

**The Hon. GREG PEARCE:** Absolutely; I would love the member to quote that policy. Why does he not take us through all our election policies?

**The Hon. LUKE FOLEY:** I quote from the sewerage connections, housing and planning policies of the New South Wales Liberal Party, which states:

The NSW Liberals & Nationals will fast track the delivery of sewerage by 1-2 years for 2,930 households in the following eight communities.

However, the new delivery year for Yanderra is 2014-15. The Minister will not meet that deadline, will he?

**The Hon. GREG PEARCE:** If the Hon. Luke Foley had paid attention to anything he would have noticed that several weeks ago I tabled in the upper House, which I think he will remember—

**The Hon. LUKE FOLEY:** Yes, on 26 August.

**The Hon. GREG PEARCE:** I think the Hon. Luke Foley is a member of the upper House.

**The Hon. LUKE FOLEY:** I have the date as 26 August.

**The Hon. GREG PEARCE:** I tabled the variation to the Sydney Water licence—

**The Hon. LUKE FOLEY:** It reveals that the Government will not meet its promise.

**DEPUTY-CHAIR:** Order! The Hon. Luke Foley will let the Minister conclude his answer.

**The Hon. GREG PEARCE:** I tabled the variation to the Sydney Water licence to enable us to meet the promise by delivering on those sewerage services. If the Hon. Luke Foley had taken the time to read that variation he would have seen that we are advancing on the delivery of all of those sewerage services. The Hon. Luke Foley had an opportunity to object to the licence conditions. He could have objected to those conditions.

**The Hon. LUKE FOLEY:** I objected to it last night on Channel 7 News but the Minister did not appear. I note his promise to sewer Yanderra by 2014-15, to sewer Douglas Park by 2012-13 and to sewer Wilton by 2012-13. The Minister's amendment to the Sydney Water operating licence states that he will not meet those dates, does it not?

**The Hon. GREG PEARCE:** No.

**The Hon. LUKE FOLEY:** Let me quote it for the Minister. The amendment to the Sydney Water operating licence tabled in the Legislative Council and to which the Minister has referred states that wastewater services will be provided to Wilton and Douglas Park by 30 June 2014, does it not?

**The Hon. GREG PEARCE:** Yes. What is your point?

**The Hon. LUKE FOLEY:** It states that Sydney Water will commence planning for Yanderra by 30 June 2015, does it not?

**The Hon. GREG PEARCE:** What is the member's point?

**The Hon. LUKE FOLEY:** My point is that it is a breach of the Minister's election policy. Can he not admit that?

**The Hon. GREG PEARCE:** The election policy set up a range of time frames to deliver on these programs.

**The Hon. LUKE FOLEY:** Time frames that the Minister is not meeting.

**The Hon. GREG PEARCE:** We got straight to work to deliver on these sewerage programs and we have delivered. We have changed the Sydney Water licence and have put in place policies for the delivery of these programs.

**The Hon. LUKE FOLEY:** Minister, what part of your election policy promises to sewer Yanderra by 2014-15 are you meeting in this amendment?

**The Hon. GREG PEARCE:** I know that the Hon. Luke Foley was not a Minister in the former Government—

**The Hon. LUKE FOLEY:** The Minister is breaking his promise.

**The Hon. GREG PEARCE:** —but even he must understand—

**The Hon. LUKE FOLEY:** That this is a broken promise.

**DEPUTY-CHAIR:** Order! The Hon. Luke Foley will let the Minister answer.

**The Hon. GREG PEARCE:** We have to go through these processes. I think delivering on that promise within six months is a pretty good outcome.

**The Hon. LUKE FOLEY:** The Minister could never deliver on this promise. He never had any intention of delivering on it.

**The Hon. GREG PEARCE:** I delivered on that promise within six months. As the Hon. Luke Foley indicated, I put the licence there on 26 August with the delivery of that promise.

**The Hon. LUKE FOLEY:** That tells us the Minister will deliver sewerage services two years later than his election promise. Why is that?

**The Hon. GREG PEARCE:** We have delivered on the election promise.

**The Hon. LUKE FOLEY:** The Minister's election promise was to sewer these communities by a certain date. However, what the Minister has tabled indicates that he will do it two years later. Why?

**The Hon. GREG PEARCE:** We are delivering on the promise by providing those sewerage services.

**The Hon. LUKE FOLEY:** Two years later than the Minister promised to deliver them.

**The Hon. GREG PEARCE:** No, we are delivering on the promise.

**The Hon. LUKE FOLEY:** Let us look at these eight communities. The Minister will meet his promise to sewer Cowan by 2013-14, will he not?

**The Hon. GREG PEARCE:** We have delivered on the promise.

**The Hon. LUKE FOLEY:** In what time frame will the Minister sewer Cowan?

**The Hon. GREG PEARCE:** Sydney Water will sewer Cowan and not me. As Minister I have delivered on what has to happen and Sydney Water will get on with the job.

**The Hon. LUKE FOLEY:** Could Mr Young assist me in this area? Under the new terms of the Sydney Water operating licence when will sewerage services be delivered to Cowan?

**The Hon. GREG PEARCE:** I do not think there is any point in badgering witnesses. The Hon. Luke Foley read out the dates—

**The Hon. LUKE FOLEY:** I am not badgering witnesses; but I will badger the Minister. I am simply asking the managing director a question.

**The Hon. GREG PEARCE:** The managing director will not have anything additional to add. We have delivered on the promise and Sydney Water will now do the work in accordance with the program.

**The Hon. LUKE FOLEY:** Is it not the case that the Minister will meet his election commitment? I am trying to cut the Minister a break and he should take it. He will meet his election commitment for Cowan, Galston and Glenorie, will he not?

**The Hon. GREG PEARCE:** We have delivered on the entire commitment.

**The Hon. LUKE FOLEY:** The Minister will sewer Glenorie by 2014-15, Galston by 2014-15 and Cowan by 2013-14? The Minister will meet his election commitment so he should take the rap.

**The Hon. GREG PEARCE:** I am having a bit of trouble trying to work out what point the Hon. Luke Foley is making. Within six months we have delivered on the policy. I have changed Sydney Water's licence to deliver on the provision of those sewerage programs. We are delivering those programs early. If the Hon. Luke Foley has some smart point to make about the range that was quoted in a policy document he should do so.

**The Hon. LUKE FOLEY:** What part of the election policy to sewer Yanderra by 2014-15 will the Minister meet?

**The Hon. GREG PEARCE:** We are meeting the entire election policy, which is to bring forward the sewerage programs.

**The Hon. LUKE FOLEY:** So the Minister will sewer Yanderra by 2014-15?

**The Hon. GREG PEARCE:** We will bring forward the sewerage programs.

**The Hon. LUKE FOLEY:** In what time frame will the Minister sewer Yanderra?

**The Hon. GREG PEARCE:** The Hon. Luke Foley is going around in circles.

**The Hon. AMANDA FAZIO:** Try answering the question.

**The Hon. GREG PEARCE:** As I have indicated, I have done what is required of me, which is to change the Sydney Water licence to enable these programs to be brought forward. I am very proud of that. If we look at the former Government's program it could prove very embarrassing for the Hon. Luke Foley because it did not get around to implementing any of these sewerage programs.

**The Hon. LUKE FOLEY:** I want to know in what time frame the Minister will sewer Yanderra, Wilton and Douglas Park. He should take the note that his advisers are giving him as it might help him. Will the Minister tell us in what time frame he will sewer Yanderra, Wilton and Douglas Park?

**The Hon. GREG PEARCE:** We have delivered on the policy which is to bring forward sewerage delivery in those areas. I have done the work that the Minister has to do, which is to change the licence. We could have done it in a number of ways. However, changing the licence seemed to be the most appropriate way to do it, and that has been done.

**The Hon. LUKE FOLEY:** What is happening to the subsidy that the Government pays Sydney Water for the priority sewerage program?

**The Hon. GREG PEARCE:** What does the member mean by that question?

**The Hon. LUKE FOLEY:** I am not sure how else to phrase it. What is happening to the subsidy? Is that increasing?

**The Hon. GREG PEARCE:** Does the Hon. Luke Foley want to know the details? Did he not say that he had read the licence?

**The Hon. LUKE FOLEY:** I am asking the Minister at a budget estimates hearing what subsidy the Government pays Sydney Water to fund the priority sewerage program. Is that increasing under the Minister's budget?

**The Hon. GREG PEARCE:** Is the member asking for the amount over a period?

**The Hon. LUKE FOLEY:** Is that increasing?

**The Hon. GREG PEARCE:** Is the member asking for the amount over each year? Is that what he is asking?

**The Hon. LUKE FOLEY:** I am asking the Minister what is happening to the funding.

**The Hon. AMANDA FAZIO:** Does the Minister not know?

**The Hon. GREG PEARCE:** Is the Hon. Luke Foley asking me for the amount?

**The Hon. LUKE FOLEY:** The Minister's election promise was to "double the subsidy paid to Sydney Water". Is the Minister doing that?

**The Hon. GREG PEARCE:** Is the Hon. Luke Foley asking for the numbers? Is that what the member is asking for?

**The Hon. LUKE FOLEY:** I am asking the Minister whether he is doubling the subsidy paid to Sydney Water.

**The Hon. GREG PEARCE:** So the Hon. Luke Foley is asking for the numbers?

**The Hon. LUKE FOLEY:** Yes.

**The Hon. GREG PEARCE:** I will get the numbers and I will get them to the member.

**The Hon. LUKE FOLEY:** Does the Minister not have them?

**The Hon. GREG PEARCE:** I am sure we have got them somewhere, but I do not want to hold up the Committee while we get the numbers.

**The Hon. LUKE FOLEY:** Mr Young, is the Government doubling the subsidy payable to Sydney Water for the priority sewerage program?

**Mr YOUNG:** I understand that that is locked in and that is what is paid as part of a government subsidy. My understanding is that there is a formula in place for that and that it was paid as part of a government subsidy and what is paid is part of Sydney Water and that is applied.

**The Hon. LUKE FOLEY:** Is the subsidy doubling?

**Mr YOUNG:** I do not have the details of that.

**The Hon. LUKE FOLEY:** Can you take that question on notice and provide the details to the Committee?

**Mr YOUNG:** The Minister said he would do that.

**The Hon. LUKE FOLEY:** Mr Young, can you update the Committee on the amendments to stormwater boundaries that have recently occurred?

**The Hon. GREG PEARCE:** Do you want to ask about a particular location? Are you talking about the entire Sydney Water coverage area, which is thousands of square kilometres? What are you talking about?

**The Hon. LUKE FOLEY:** I understand that 13,500 additional properties were added when the stormwater boundaries were remade by the Governor in late August. Is that correct?

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

**The Hon. LUKE FOLEY:** Mr Young, your submission to the Independent Pricing and Regulatory Tribunal for the new Sydney Water price determination goes into detail about the alterations to the stormwater boundaries and notes that they were remade by the Governor. What can you tell us about the alterations to the boundaries?

**The Hon. GREG PEARCE:** That is a good and detailed question. We would clearly need to provide a proper answer for that level of detail regarding thousands of properties. We will take that question on notice.

**The Hon. LUKE FOLEY:** Is it the case that approximately 13,500 property owners face new charges as a result of those changes to the stormwater boundaries?

**The Hon. GREG PEARCE:** Are you suggesting that they were placed on the sewerage system?

**The Hon. LUKE FOLEY:** You are the Minister, you tell us.

**The Hon. GREG PEARCE:** I am having trouble understanding the member's question. He is asking very vague questions and wants details of 13,000—

**The Hon. LUKE FOLEY:** It might be vague to you.

**The Hon. GREG PEARCE:** —individual properties across the Sydney Water space. We are happy to provide that information.

**The Hon. LUKE FOLEY:** Please.

**The Hon. GREG PEARCE:** Just make the question clear. I have said that we will take that question on notice and come back with the details.

**The Hon. LUKE FOLEY:** Minister, you went to the Governor and asked Her Excellency to remake stormwater boundaries that date back to the nineteenth century and you cannot tell us anything about that today.

**The Hon. GREG PEARCE:** It is clearly good management. Clearly Sydney Water has been managing its boundaries—

**The Hon. LUKE FOLEY:** You do not want to tell us because it is a secret charge.

**The Hon. GREG PEARCE:** There is nothing secret.

**The Hon. LUKE FOLEY:** Tell us about it.

**The Hon. GREG PEARCE:** First you indicated that we have been to the Governor about it. We certainly would not keep any secrets from the Governor.

**The Hon. AMANDA FAZIO:** You are keeping it secret from the public.

**The Hon. GREG PEARCE:** It is a matter of good management. Sydney Water regularly looks at boundaries to properties and works on maintenance. It does many things. When you ask me about 13,000 properties, obviously I will not have the detail of each property with me. As I said, it is good management by Sydney Water to address boundaries and to look at these things, to check the records and to ensure that they are up to date in terms of maps, plans and so on.

**The Hon. LUKE FOLEY:** So you will get back to us.

**The Hon. GREG PEARCE:** We will come back to you with the detail of that, and I am very happy to do so. It is a good question and it is interesting that you want that level of detail.

**The Hon. LUKE FOLEY:** Have you discussed water industry infrastructure with Infrastructure NSW since its establishment?

**The Hon. GREG PEARCE:** No, I have not. I have not had any discussion with Infrastructure NSW simply, I guess, because it has not had time to get to everybody. Obviously it is in the process of establishing its operations and getting people on board.

**The Hon. LUKE FOLEY:** But you will?

**The Hon. GREG PEARCE:** I am sure I will in due course. As you know, the role of Infrastructure NSW is very important, in particular it is about prioritising—

**The Hon. LUKE FOLEY:** And that includes sectoral infrastructure, like water? [*Time expired.*]

**The Hon. GREG PEARCE:** Yes. It is very important that on a network basis, and looking at the overall basis of how the State fits together, Infrastructure NSW looks at all the intersections between different infrastructure, growth areas, areas that need stimulation with infrastructure development and how we might be able to assist in urban, economic and regional development throughout the State. I am very pleased to say that I am sure it will be looking at water and I will be very happy to help it.

**Dr JOHN KAYE:** What was the total cost of the Tillegra Dam proposal? Can you divide that into recoverable costs and non-recoverable costs? How much is out there in assets that presumably will eventually be sold and how much went down the drain—and pardon the pun?

**The Hon. GREG PEARCE:** I do not have that detail. I am sure it would have been calculated and I will provide that information as soon as possible.

**Dr JOHN KAYE:** Mr Taylor, do you have that information?

**The Hon. GREG PEARCE:** No, he does not.

**Dr JOHN KAYE:** Do you have a rough estimate of that amount?

**The Hon. GREG PEARCE:** We will come back with that information.

**Dr JOHN KAYE:** So, Mr Taylor, as the acting managing director of Hunter Water you do not know the total losses, roughly speaking, to the nearest \$5 million for the Tillegra Dam proposal; is that correct?

**The Hon. GREG PEARCE:** The matter was dealt with some 18 months ago.

**Dr JOHN KAYE:** That is not correct.

**The Hon. GREG PEARCE:** It was 12 months or 18 months ago.

**Dr JOHN KAYE:** No, it was 11 months ago.

**The Hon. GREG PEARCE:** We will provide the detail.

**Dr JOHN KAYE:** Do you not think that is relevant information for a budget estimates committee?

**The Hon. GREG PEARCE:** It is not in this year's budget. We are talking about this year's budget and the forward estimates. You are asking about history, and you are perfectly entitled to do so. I am very happy to get that information. However, it is not in the current budget cycle.

**Dr JOHN KAYE:** We accept that there is a recoverable loss; that is, land was purchased and sooner or later Hunter Water will sell it. The second aspect is non-recoverable losses. How will they be paid for? What source of revenue will cover those non-recoverable losses? Will that be extracted from households or will it come from the Hunter Infrastructure Fund? Where will that money come from?

**The Hon. GREG PEARCE:** The expenditure occurred under the previous Government and it came out of Hunter Water's normal revenues. You might like to address that question to previous Premiers or Ministers because they made the decisions.

**Dr JOHN KAYE:** In no way am I blaming you, Minister.

**The Hon. GREG PEARCE:** The funds were expended out of Hunter Water revenues. Therefore, the consumers of the Hunter paid for it—and let us make no mistake about that.

**Dr JOHN KAYE:** Have paid or are paying?

**The Hon. GREG PEARCE:** They have paid. There was an adjustment to their rates when the dam was cancelled because there had been a forward price path to pay for the construction of the dam. In fact, a small rebate was issued last year. I cannot remember the amount, but I will provide it. There is an adjustment going forward for the money that would otherwise have been used to fund the construction of the dam. That is all in the past and it has all occurred. To the extent that we may in the future decide to sell the land that is the last remaining liability, if you like, of Tillegra Dam as far as I know. If the land is sold at a loss, again that loss has already been incurred. As I understand it, going forward there may be incoming revenue as land is sold, but the costs have all been dealt with. I am sure members of the previous Government would be very keen to answer that question.

**Dr JOHN KAYE:** Obviously I am not blaming you for the Tillegra Dam fiasco. However, it falls to your watch to clean up the mess left behind by a very ill thought out proposal. Mr Young might like to whisper some advice to Mr Taylor on this matter. Do I take it from that answer that if I am paying a bill in a Hunter Water franchise area none of the losses incurred by the Tillegra Dam proposal are involved?

**The Hon. GREG PEARCE:** That is my understanding, but I will double check that.

**Dr JOHN KAYE:** Mr Taylor, can you—

**The Hon. GREG PEARCE:** I have not finished my answer. As I said, my understanding when I looked at this issue—and obviously I was very concerned about it—to find out how the costs had been incurred and what had happened was that all the expenditure took place in past years. There had been a price path, which included the forward capital requirements to build the dam. That was built into the charges for consumers going forward. There was a redetermination to take into account the fact that the dam did not proceed, there was a rebate last year and in future years—

**Dr JOHN KAYE:** Minister, my time is limited and you are repeating what you said previously.

**The Hon. GREG PEARCE:** You asked the question again.

**Dr JOHN KAYE:** No, I did not.

**The Hon. GREG PEARCE:** In future years there is no cost for Tillegra Dam.

**Dr JOHN KAYE:** I am pleased to hear that, and we look forward to further details on notice about that matter. Minister, what is the delay in selling the land that was purchased to develop Tillegra? I am specifically talking about the land purchased since 2006, not the land that was held by Hunter Water from two previous abortive attempts to build Tillegra Dam.

**The Hon. GREG PEARCE:** The premise in your question is not correct. There is not a delay. Hunter Water initially had determined that it would hold the land on the basis that there was to be a new Hunter water plan prepared. It determined that it would maintain all its options, including holding the land. The Government has instructed Hunter Water that that will not be the outcome and has asked Hunter Water to look at the options in relation to the land that you are talking about. Hunter Water has been in negotiations and discussions with various of the owners over a period of time. In fact, I am going to meet the owners in a couple of weeks' time and we are hoping, certainly within a very reasonable period of time, to be able to make a final determination about what is happening.

**Dr JOHN KAYE:** That is with respect to the land that was purchased after the 2006 determination of the previous Government?

**The Hon. GREG PEARCE:** Correct.

**Dr JOHN KAYE:** There is other land that has been held for longer than that. What are your plans for that land? Is it your intention to sell that land as well?

**The Hon. GREG PEARCE:** Again, the priority is to deal with those owners or former owners affected since 2006.

**Dr JOHN KAYE:** Do you have no intention with respect to the other land?

**The Hon. GREG PEARCE:** We have not made any determination in relation to the other land.

**Dr JOHN KAYE:** Holding the other land means that you still believe there is a future for the Tillegra Dam proposal.

**The Hon. GREG PEARCE:** No, do not try to put words into my mouth. What I said was that our priority is to look at dealing with those who were affected after 2006. We have not made any decision because we have not turned our minds yet to the acquisition of the earlier land. It is in a different category. We will deal with those affected since 2006 first—that is the equitable thing to do—and then we will look at the remainder of the land.

**Dr JOHN KAYE:** Does the Government have an open mind about selling the rest of the land?

**The Hon. GREG PEARCE:** We have an open mind in relation to the whole thing. We are dealing with the issue before us, which is the land owned by owners affected since 2006, and we will then turn our minds and consideration to the other land.

**Dr JOHN KAYE:** Can we now turn to the development of the new Lower Hunter Water Plan that replaces the H250 document, which is largely a "build Tillegra" document?

**The Hon. GREG PEARCE:** Yes.

**Dr JOHN KAYE:** What was revealed by the documents that the Parliament ordered to be produced a week ago is that Hunter Water is in the driving seat. Hunter Water is developing a number of options, including freighting water either by iceberg or freighter into the Newcastle port, one of three proposed desalination sites at about \$1 billion and three dams. Why is Hunter Water, given that it was thoroughly discredited regarding the way it pursued the Tillegra Dam option, still in charge of developing options?

**The Hon. GREG PEARCE:** Again, Dr Kaye, you are not completely correct. First of all, we have a process for developing these plans that has been in place for a good eight or 10 years. It was established by the previous Government. There is a water regulatory environment in place, which has worked over the last eight or 10 years, and it was the environment that gave us the previous Hunter water plan, as you have indicated. In the time that we have been in government, it has not been feasible or possible to completely overhaul the water regulatory environment.

There has been a considerable amount of angst and concern about what is happening, particularly in the Hunter, so we have proceeded under the set of processes that were in place—the existing processes—in terms of getting these plans, with one exception, and that is that the water authority with the on-the-ground knowledge and data is engaged in the process to put together the data that is required and to look at options. Over that we have, or we are about to establish, an independent expert panel, which in consultation with the metropolitan water authority and all the other parties who get involved—

**Dr JOHN KAYE:** Metropolitan Water Division?

**The Hon. GREG PEARCE:** Metropolitan Water Division—I am sorry, yes. I am very pleased that you picked that up for me.

**Dr JOHN KAYE:** I thought you might have created a new authority.

**Mr COUTTS-TROTTER:** We have just been upgraded.

**The Hon. GREG PEARCE:** That is right.

**Dr JOHN KAYE:** We have that one in *Hansard*, Mr Coutts-Trotter.

**The Hon. GREG PEARCE:** Dr Kaye, as I have indicated to you, in particular, we are very reliant on that expert panel to ensure that the data is evaluated and there is proper consultation with all the authorities and with the community. In the case of the Hunter, we are going to appoint two additional experts to the panel who have specific knowledge of the lower Hunter and, as I have indicated to you privately, I would be very pleased to have your assistance in looking at potential people who might be able to take up those roles.

**Dr JOHN KAYE:** Thank you, Minister; I appreciate that. Are you not concerned that Hunter Water, which has clearly indicated a preference for large engineering solutions over the more modern approach of demand management, water efficiency and small recycling projects, will create data that supports its case for either a desalination plant at Stockton or Williamtown or somewhere else, or one of the three large dams? Are you not at all worried about that?

**The Hon. GREG PEARCE:** I am not worried that there will be some sort of conspiracy of data collection and storytelling by Hunter Water because Hunter Water management is management in which I have a great deal of confidence. We have just appointed a new chief executive officer who has broad experience in Victoria and Queensland and in other similar businesses. The integrity of that process will be clear; it will be very transparent. To the extent that some people within Hunter Water might have different views or preferences, I expect them to put those preferences forward and I expect them to debate them openly. The major reason for

having an independent expert panel and open consultation is to have all those options debated openly and transparently and get to a solution that is a merit-based, sensible solution in the end.

**Dr JOHN KAYE:** We wish.

**The Hon. GREG PEARCE:** We do wish and we will be working very hard, and I am sure that you will be assisting us.

**Dr JOHN KAYE:** We will be watching.

**The Hon. GREG PEARCE:** You will be assisting us by keeping a very close eye on this.

**Dr JOHN KAYE:** The papers reveal three dams—one at Chichester, known locally as the upper Chichester proposal, and what were the other two?

**The Hon. GREG PEARCE:** Lone dog or something—I always get it wrong, but it is something like that. There is upper Chichester, enlarged Mangrove Creek, enlarged Lostock and Native Dog—so I was wrong, it is Native Dog.

**Dr JOHN KAYE:** Where is Native Dog?

**The Hon. GREG PEARCE:** Native Dog Creek.

**Dr JOHN KAYE:** So there are four proposals?

**The Hon. GREG PEARCE:** You asked what was considered.

**Dr JOHN KAYE:** There were four dam proposals, not three. Is that correct?

**The Hon. GREG PEARCE:** That is what was considered before, yes.

**Dr JOHN KAYE:** In the current considerations for the new Hunter water plan there are four dams.

**The Hon. GREG PEARCE:** Yes.

**Dr JOHN KAYE:** You named Chichester—is that correct?

**The Hon. GREG PEARCE:** Yes, upper Chichester, enlarged Mangrove, enlarged Lostock and Native Dog, and it says other dams as well. There is no secret about this, it is all public information and, as I said to you, it is intended to be discussed. The options have been put forward.

**Dr JOHN KAYE:** On notice, could you give us more details about those four proposals?

**The Hon. GREG PEARCE:** What details do you want?

**Dr JOHN KAYE:** Where they are, their costings—

**The Hon. GREG PEARCE:** I do not think they are costed. They are simply options going forward that were identified.

**Dr JOHN KAYE:** I would like to know where they are, what size range you are considering and what steps have been taken to analyse their environmental and economic impacts on the Hunter.

**The Hon. GREG PEARCE:** Yes. That will be part of the process anyway.

**Dr JOHN KAYE:** While you are doing that you might also explain to us why you think a new large-scale supply option is required for the Hunter?

**The Hon. GREG PEARCE:** Again, you are framing your question with an assumption. I have not indicated at any time that I hold that view. As I have said numerous times now, both today and on other

occasions, the purpose is to look at all the options in terms of developing a plan for water security in the lower Hunter; it will be transparent. Dr Kaye, we encourage you to be very vigilant in your participation in the process, and we also encourage the community to be vigilant and to participate in the process. Obviously when we have set about looking at all the options we put them into documentation for people to consider them.

**Dr JOHN KAYE:** The encouragement is welcome but, I assure you, unnecessary. Minister, why is development of the new Lower Hunter Water Plan being taken out of the Hunter Infrastructure Fund rather than out of Hunter Water's revenue?

**The Hon. GREG PEARCE:** This is planning going forward with whatever infrastructure is required, and the Hunter Infrastructure Fund was set up for those purposes.

**Dr JOHN KAYE:** Who paid for the Sydney Metropolitan Water Plan? Was that paid for out of an infrastructure fund?

**The Hon. GREG PEARCE:** That was under the previous Government. I will have to take that question on notice because I do not know.

**Dr JOHN KAYE:** It seems unusual that it would be paid for out of that. Who paid for H250? Mr Young may be able to help us with that.

**The Hon. GREG PEARCE:** Again, it may be unusual but I do not know. It was done under the previous Government.

**Dr JOHN KAYE:** If it is unusual, why?

**The Hon. GREG PEARCE:** I did not say it was unusual. You said it was unusual. I said it may be but I did not know. We will get the information for you.

**Dr JOHN KAYE:** Who paid for H250? Who paid for the Integrated Water Resources Plan 2006?

**The Hon. GREG PEARCE:** I will take that on notice and get that information for you. It was under the previous Government.

**Dr JOHN KAYE:** Mr Young is sitting not 50 centimetres to your right.

**The Hon. GREG PEARCE:** Mr Young is here in his capacity as the Chief Executive Officer of Sydney Water.

**Dr JOHN KAYE:** Perhaps Mr Taylor would know. Mr Taylor was working for Hunter Water at the time these plans went through. Were they paid for by an infrastructure fund or were they paid for out of Hunter Water's revenue.

**The Hon. GREG PEARCE:** Do you know the answer to that?

**Mr TAYLOR:** It is my understanding that we did, but I would have to confirm that.

**The Hon. GREG PEARCE:** We will have to take the question on notice.

**Dr JOHN KAYE:** Mr Taylor, your understanding is—because you may not have been heard by Hansard—that it was paid for out of Hunter Water revenue, is that correct?

**The Hon. GREG PEARCE:** It will have to be confirmed.

**Dr JOHN KAYE:** I thought Mr Taylor just told you that he understood that was the case, but we will move on. I have one last question on Hunter Water and then we will leave them alone for a minute. The National Water Initiative laid down certain principles for water planning, which I think you would agree were comprehensively violated in the development of H250. Minister, what steps are you personally taking to make sure that the principles of urban water planning are conformed to in the development of this plan?

**The Hon. GREG PEARCE:** Dr Kaye, I love it when you invite me to join with you as the opposition in attacking the previous Government over its many misdemeanours—and certainly in the case of Hunter water planning we could have some real fun going after them—but we have moved. Obviously the principles will be applied in future planning.

**Dr JOHN KAYE:** What steps are you taking to make sure they are applied?

**The Hon. GREG PEARCE:** They are referenced in the documentation, I imagine. I will check.

**Dr JOHN KAYE:** You will get back to us on that?

**The Hon. GREG PEARCE:** If I need to.

**Dr JOHN KAYE:** I now turn to Sydney Water. My first question relates to the Streamwatch program, which is run by Sydney Water. Mr Young, what is this year's budget for Streamwatch and what was its budget last year? Is it true that Streamwatch has been cut substantially?

**Mr YOUNG:** Dr Kaye, I do not have the budget information in front of me. I am aware that it is under review and that it is currently being funded by Sydney Water.

**Dr JOHN KAYE:** It is currently under review. Does that mean that the number of schools engaged with Streamwatch has been reduced?

**Mr YOUNG:** To my understanding, no, but there have been discussions. The program is being funded by Sydney Water as it has been in the past.

**Dr JOHN KAYE:** Your understanding is there has been no change to the Streamwatch program, is that correct?

**Mr YOUNG:** That is my current information, yes.

**Dr JOHN KAYE:** So, roughly speaking, the same number of schools and the same amount of support is being provided currently as was provided one year ago, two years ago or three years ago?

**Mr YOUNG:** My understanding is that we are currently funding the Streamwatch program as we have done for a long time in the past.

**Dr JOHN KAYE:** You say it is under review. Will you give us some details on the way in which it is under review? Who is reviewing it and for what purposes? Is there an intention to axe it?

**Mr YOUNG:** Not to my knowledge, but we have been in discussions about the education aspect of Streamwatch. We are liaising with other potential partners that could become involved with Streamwatch. Those discussions are continuing.

**Dr JOHN KAYE:** My time has expired.

**DEPUTY-CHAIR:** I have just consulted with Opposition members. If you are able to finish your questioning of the water authorities they can then leave. Your time for questions will then be deducted from later in the hearing.

**Dr JOHN KAYE:** That makes perfect sense. Can I have another 10 minutes? Is that acceptable to everyone?

**DEPUTY-CHAIR:** Yes, then the water authority representatives can leave.

**Dr JOHN KAYE:** I turn now to the desalination plant. I understand that Sydney's storage is currently hovering around 78 per cent to 79 per cent.

**The Hon. GREG PEARCE:** That is good news, is it not?

**Dr JOHN KAYE:** It is great news. I understand it is doing so without a large amount of assistance from the Shoalhaven—the Tallawarra pumps have been largely turned off.

**The Hon. GREG PEARCE:** Dr Kaye, there are two things there, are there not? The first is that the desalination plant is in its ramped-up running phase for the—

**Mr YOUNG:** Proving period.

**The Hon. GREG PEARCE:** —proving period for two years. It is operating at 100 per cent. As you know, there was a moratorium on pumping from the Shoalhaven, which expires I think on—

**Mr COUTTS-TROTTER:** On 7 November.

**The Hon. GREG PEARCE:** At that time we will be moving to the longer-term process put in place by the previous Government, which involves reliance on both the desalination plant and the Shoalhaven pumping at different levels.

**Dr JOHN KAYE:** Both of which are to be turned off when water storage levels go above 80 per cent and are to be turned back on when they fall below 70 per cent.

**The Hon. GREG PEARCE:** That is not quite right. My understanding is, yes, you are correct that both will be turned off at the 80 per cent level, but pumping under the arrangements put in place by the previous Government in the Shoalhaven switches in at 75 per cent and the desalination at 70 per cent.

**Dr JOHN KAYE:** I appreciate we have a moratorium on the Shoalhaven and we have a running order on the desalination plant but if we did not have those right now, as we speak, both would be running flat out. That is not correct.

**The Hon. GREG PEARCE:** I am not sure what your hypothetical question is. It is 78 per cent—

**Dr JOHN KAYE:** That is not correct. They would not be running flat because we have not reached 80 per cent yet.

**The Hon. GREG PEARCE:** Correct.

**Dr JOHN KAYE:** So they will be run up to 80 per cent?

**The Hon. GREG PEARCE:** Correct.

**Dr JOHN KAYE:** How many natural inflow events have there been into Sydney's catchment since 1992 that have provided more than 20 per cent storage inflow in a period of less than a month?

**The Hon. GREG PEARCE:** That is an heroic question, Dr Kaye. I will take it on notice because we do not have that detail.

**Dr JOHN KAYE:** I am disappointed you find it heroic. Anybody who is an observer of Sydney through a drought and through floods would know that there have been three such inflow events.

**The Hon. GREG PEARCE:** I am very grateful for the lesson, I hope it is correct.

**Dr JOHN KAYE:** Therefore, are you concerned that sitting at 80 per cent, having effectively a pumping and desalination target of 80 per cent, is rather on the high side, given that we face the significant probability of an overflow event?

**The Hon. GREG PEARCE:** The problem is that we have what we have. That is what the Metropolitan Water Plan produced under the previous Government, and that is where we are.

**Dr JOHN KAYE:** You accept, then, that there is some valid criticism of the current Metropolitan Water Plan in respect of the pump marks on the desalination and the Shoalhaven scheme?

**The Hon. GREG PEARCE:** I agree that if we were starting over again that would be a very valid question to address. The problem is that we are not in a position to start over again. Whilst it might be an interesting discussion to have, we are where we were left by the previous Government. Decisions were made about water security. We obviously would not do anything that would in any way put at risk Sydney's water security. It is a very interesting discussion.

**Dr JOHN KAYE:** Minister, are you saying—I do not wish to verbal you—that you accept there may be some valid criticisms of the pump marks at those levels of operation? In fact, you are saying simultaneously that you are not prepared to review it.

**The Hon. GREG PEARCE:** No, I did not say that either.

**Dr JOHN KAYE:** Would you be prepared to review—

**The Hon. GREG PEARCE:** I said if we were at a position where we were starting all over again we would have a very interesting conversation about it.

**Dr JOHN KAYE:** It is more than an interesting conversation. There are several hundreds of millions of dollars of Sydney household bill payments at stake here. Water could easily flow over the Warragamba spillway and go out to sea that effectively comes from expensive pumping from the Illawarra and from operation of the desalination plant. Would you be prepared to review the metropolitan water plan? If evidence were presented to you that there is another view of how these plants should be operated, would you be prepared to review them?

**The Hon. GREG PEARCE:** Absolutely. In fact, we have taken the preliminary steps in initiate the next review of the metropolitan water plan. You know very well, with your expertise, that it is a very detailed, complex exercise. It will take several years to do. Yes, we will be asking those questions. But if you want me, in the course of a short hearing, to throw away a line that says that I am prepared to re-look at the current levels which give Sydney water security, obviously I cannot say that because I do not believe that. But what we are doing is commencing the next metropolitan water plan and there will be ample scope for everyone with any interest to participate in that process, and I encourage you, and I know you will be.

**Dr JOHN KAYE:** That plan would become active in 2015. Am I correct that they are five-year plans?

**The Hon. GREG PEARCE:** Four, is it not?

**Dr JOHN KAYE:** Is it 2014?

**Mr COUTTS-TROTTER:** The current plan expires in 2014 and the process—

**Dr JOHN KAYE:** July 2014?

**Mr COUTTS-TROTTER:** I would have to check. The process that the metropolitan water directorate will undertake, in reviewing the plan, as you would know, is utterly rigorous. It is open to scientific peer review. It enables a full range of views to be put and tested through models. I suppose the point that we must always bear in mind is that the past does not necessarily predict the future.

**Dr JOHN KAYE:** Indeed. My last topic is to do with the issue of outsourcing of activities of Hunter Water and Sydney Water. The previous Government outsourced a range of activities. I would be interested to hear Mr Young and Mr Taylor on this matter. Do you have plans for further outsourcing of activities?

**The Hon. GREG PEARCE:** It is a matter of government policy—and it has been for previous governments—to ensure that we deliver the services that the community requires in the most efficient and cost-effective way that we can. That has involved many decisions over many years which effectively are purchasing services from the private sector where the private sector can deliver those services more efficiently or more cost effectively than government can do it. It has been the policy of previous governments. It is our policy. When you ask me whether we have any specific plans at the moment in relation to Sydney Water or Hunter Water, no, but if as we review the operations of these organisations there are opportunities which do not involve any risk to security of data and effectively services which are not unique to government, then we will look at them, as previous governments have done.

**Dr JOHN KAYE:** Does Hunter Water, Sydney Water or another agency within your department currently have an active plan of reviewing services within Hunter Water or Sydney Water?

**The Hon. GREG PEARCE:** We inherited an incredibly detailed and expensive review process, a better value and services process, from the previous Government that has been going to 18 months. It has involved expenditure of many millions of dollars in going through every government agency in minute detail to look for savings and better ways to deliver services. All of the Ministers have been working through that process since we came into Government because it was, as I say, well into operation. Once that is finished, obviously we will focus more on our own reviews as to how agencies should operate.

**Dr JOHN KAYE:** Has that process looked at Hunter Water and Sydney Water yet?

**Mr YOUNG:** The better value process through government, yes, it did.

**Dr JOHN KAYE:** It has looked at both?

**Mr YOUNG:** Yes.

**Dr JOHN KAYE:** It has currently looked at both?

**Mr YOUNG:** Yes, it has.

**Dr JOHN KAYE:** Are you prepared to release the reports?

**The Hon. GREG PEARCE:** They are Cabinet documents.

**The Hon. ADAM SEARLE:** We do not have any water utility questions.

**The Hon. GREG PEARCE:** The Opposition is remarkably diminished.

**The Hon. ADAM SEARLE:** Not an original observation.

**The Hon. GREG PEARCE:** We have an answer to Dr John Kaye's question in relation to the write-off on Tillegra Dam, if you would like us to mention that.

**Dr JOHN KAYE:** Yes, please.

**Mr TAYLOR:** I have an answer to the question about the expenses for Tillegra Dam. It was \$25 million that was written off to pay for pre-construction type activities and studies for Tillegra. That resulted in a lower profit and dividend to government.

**The Hon. GREG PEARCE:** What year was that?

**Mr TAYLOR:** It was 2011.

**Dr JOHN KAYE:** So that is in the 2011 return to government, \$25 million. That does not include the recoverable losses, the land sale, because you have not sold any land?

**Mr COUTTS-TROTTER:** No, we have not sold the land yet.

**Dr JOHN KAYE:** That is \$25 million recurrent that has gone?

**Mr TAYLOR:** Yes, that is correct.

**The Hon. ADAM SEARLE:** My questions will relate to the compensation authorities or their area of responsibility. In Budget Paper No. 3, Chapter 5, page 58, WorkCover's key achievements for the last year included the national harmonisation of work health and safety laws, implementing the new Act or passing the new Act, and then going forward preparing for the new regulatory framework. Was it part of the harmonisation

process that you had to remove or dilute the jurisdiction of the Industrial Court for occupational health and safety matters? Were you required by the Federal Government to do that?

**The Hon. GREG PEARCE:** Yes, we were, in the sense that it was a requirement to determine the various jurisdictional matters which included the jurisdictions to hear those sorts of matter. So, yes. If your question is, "Did the COAG agreed harmonisation package say that in New South Wales the relevant jurisdiction to deal with those matters should be the District Court or the Industrial Relations Commission", no, it did not, because in various jurisdictions they have different courts and different tribunals.

**The Hon. ADAM SEARLE:** Could you have left the institutional arrangements the same?

**The Hon. GREG PEARCE:** It was not part of the determination of the Council of Australian Governments, but it was a matter for each of the jurisdictions to make their own determination. They were jurisdictional matters. So, yes, it was a requirement of the Federal process to make a determination and there was no—

**The Hon. ADAM SEARLE:** They did not require a particular act from you?

**The Hon. GREG PEARCE:** No, that is right.

**The Hon. ADAM SEARLE:** Before the election, in the specific context of discussing occupational health and safety reform, you said in the *Australian* on 11 March, "Our system will remain with WorkCover and the IRC playing their roles. We don't have any plans to go further than that." Then in May you proposed legislation that does something very different. You were not frank with the people of New South Wales before the election, were you?

**The Hon. GREG PEARCE:** It is an interesting thing that you choose to base your knowledge base on a report in the *Australian*. I enjoy reading the *Australian*—

**Dr JOHN KAYE:** You do not.

**The Hon. GREG PEARCE:** —on the few occasions that I get around to it. Perhaps Dr John Kaye is—

**Dr JOHN KAYE:** Projecting. Minister, are you saying that you never said the comments that were attributed to you?

**The Hon. GREG PEARCE:** I spoke on a number of occasions to interested parties, including at the Industrial Relations Society of New South Wales annual meeting in 2010 when I indicated that these matters were up for consideration. At that time no-one chose to ask me what detailed steps we were going to take—no-one from the then Government, rather, chose to ask that question. If anyone had, we could have had that discussion then. As for the *Australian* of 11 March or whatever it was, I do not know what the *Australian* wrote.

**The Hon. ADAM SEARLE:** So, Minister, you cannot remember what you said to the *Australian* on the 11 March. Is your memory that bad? Did you say that? Do you deny that you said those words?

**The Hon. GREG PEARCE:** If it did write that, it is a very interesting article. I have not got it in front of me so I could not tell you whether the words were right.

**The Hon. ADAM SEARLE:** Okay, Minister.

**The Hon. GREG PEARCE:** I am sorry, Mr Searle, you are quoting, you say, from some article of 11 March in the *Australian* and you expect me to confirm whether or not the words are right. I do not know; I have not got it in front of me.

**The Hon. ADAM SEARLE:** I will rephrase the question. When you made the determination to water down the jurisdiction of the Industrial Court you did so because you and the Government felt that the Industrial Court was too prosecution friendly—there were too many convictions. So you have chosen the mainstream courts because you assume that that will result in fewer occupational health and safety cases. That is the case, is it not?

**The Hon. GREG PEARCE:** Mr Searle, your question is full of hyperbole and argument and suggestions. When I was asked what my view is in terms of the correct jurisdiction to deal with serious criminal charges, my view—and perhaps it is because I ceased practising as a lawyer a while ago and I finished my law degree many years ago—was that if someone is charged with a serious criminal offence they should have the opportunity and the right to have that offence dealt with in the courts that are best equipped to deal with that sort of offence. They should have every opportunity to rely on the basic fundamentals of our system—that you are innocent until proven guilty and you have the opportunity to defend yourself. Frankly, Mr Searle, if you are saying the District Court or the Supreme Court are inappropriate venues to deal with those sorts of offences then you and I will just have to disagree.

**The Hon. ADAM SEARLE:** That is not what I am saying, Minister. In relation to the new regime you have put in place, there are different categories of offences—categories one, two and three—of varying seriousness. Category two offences will go to the District Court under the new legislation. Having regard to the experience of your agency as prosecutor, say over the last three years, do you have any idea of what the workload of the District Court is expected to be in relation to category two matters?

**The Hon. GREG PEARCE:** Yes, we do have those numbers. They are not in my head at the moment. We will come back to you with those numbers. I am sorry, there is a certain level of detail I carry around in my head but I do not have that.

**The Hon. ADAM SEARLE:** I understand. In relation to the matters that are to be heard in the District Court—you accept that that will lead to an increase in the workload of that court—have you had any discussions about that?

**The Hon. GREG PEARCE:** It will have an impact on the workload of the District Court, and the Chief Judge of the District Court was consulted by the Attorney General on several occasions in relation to this transfer of jurisdiction. As I understand it, the District Court is capable of dealing with the additional workload. I am not sure whether there are any additional resources to be provided because that is a matter for the Attorney General, but certainly there is no suggestion that the District Court will be overwhelmed or unable to deal with it, no.

**The Hon. ADAM SEARLE:** So you or your office has not been party to any discussions about the impact on the District Court. You say that that is a matter for the Attorney General.

**The Hon. GREG PEARCE:** We have had discussions with the Attorney but not directly with the District Court.

**The Hon. ADAM SEARLE:** Do you know whether any resources will be provided from WorkCover to underwrite any new resources that go to the District Court, if it does need extra resources?

**The Hon. GREG PEARCE:** I do have WorkCover in my portfolio and I have not heard of any suggestion along those lines.

**The Hon. ADAM SEARLE:** You are the Minister—presumably you would know?

**The Hon. GREG PEARCE:** I suppose I should say yes to that.

**The Hon. ADAM SEARLE:** It is a lifeline, Minister; you should say yes.

**The Hon. GREG PEARCE:** Yes.

**The Hon. ADAM SEARLE:** So you do not know what extra resources, if any, will be provided.

**The Hon. GREG PEARCE:** We will get the numbers, but in the most recent iteration in the transition legislation and the regulation that we have just been talking about I understand that somewhere between 85 and 100—that sort of order—of cases currently in the IRC will continue in the IRC that otherwise would be moved over. You would know better than me but, given that these court cases go on for several years, if there are only in the order of 85 to 100 it is not a huge burden. But we will get the numbers in case it is different.

**DEPUTY-CHAIR:** Morning tea is available now if we want to have a short break. We have 10 minutes of questions remaining.

**The Hon. GREG PEARCE:** We are having too much fun, are we not?

**The Hon. AMANDA FAZIO:** I do not want to have a break; I am fine.

**DEPUTY-CHAIR:** You have 11 minutes left.

**The Hon. ADAM SEARLE:** In relation to the new work health and safety regime, Minister, I think you indicated that the legislation will be supplemented by model regulations and model codes of practice. Are those the ones that have come out of the Council of Australian Governments [COAG] process or will there be any adaptation for the particular circumstances of New South Wales?

**The Hon. GREG PEARCE:** They are out of the Council of Australian Governments process. Obviously they would be adapted, to the extent that you need to, to make them apply to New South Wales. I know we are pretty close to finalising those, so you will have the joy of several thousand pages of material to go through no doubt very soon.

**The Hon. ADAM SEARLE:** When will stakeholders such as employers and the industrial parties have access to the drafts—or have they already had access?

**The Hon. GREG PEARCE:** I am not sure.

**Mr WATSON:** The draft work health and safety regulations at the national level are available on the Safe Work Australia website. They are, for all intents and purposes, the draft regulations that we are working towards in New South Wales. Clearly, as the Minister has indicated, there will be a need for various variations to allow the regulations to work within the New South Wales jurisdiction, similar to those variations that are within the Work Health and Safety Act to allow that Act to work within the New South Wales jurisdiction.

So if the stakeholders wanted to have a look at where the regulations are heading towards, the Safe Work Australia website clearly provides guidance. That website can be found by using the WorkCover New South Wales website to link through to it. We have a major program of work for the implementation of the work health and safety legislation of New South Wales, and there is an extensive level of information available for businesses in New South Wales to have a look at what the implications are for their particular line of business.

**The Hon. ADAM SEARLE:** To the extent that what is produced will be different—at least, slightly different—when will stakeholders get access to that information?

**Mr WATSON:** The process is being undertaken now. They will have access to it in ample time for the implementation of the legislation, on 1 January 2012.

**The Hon. ADAM SEARLE:** Minister, in relation to the WorkCover agency, have you had any discussions with any person about turning WorkCover into a State-owned corporation?

**The Hon. GREG PEARCE:** Yes, I have had discussions with lots of people about turning WorkCover into a State-owned corporation. It is an interesting concept and it is quite interesting that different stakeholders—a range of stakeholders—see it as one way to move forward. We have not made any decisions in relation to that sort of reform at the moment, but we are looking at all of the compensation authorities. In the case of WorkCover, as you know, we are very concerned about the blowout in the deficit and, whilst there was some work commenced under the previous Government to cut down on the duplication of boards, back offices and things like that, we think on a preliminary basis there are probably some more efficiencies and also better service delivery that can be gained by looking at that. So, yes, we are currently looking at it, but no decisions have been made.

**The Hon. ADAM SEARLE:** Do you have a time frame for when you might make a decision about whether to go down that path?

**The Hon. GREG PEARCE:** There is no timetable per se, but we as a government are very keen to find efficiencies to deliver better services as quickly as we can. If there is a course that stacks up, then we would like to pursue that as soon as it is reasonably practicable. So there is no particular timetable at the moment.

**The Hon. ADAM SEARLE:** State-owned corporations can pay a dividend to Consolidated Revenue. If you did make WorkCover a State-owned corporation, would you rule out the Government being able to direct a dividend out of the WorkCover Authority?

**The Hon. GREG PEARCE:** If we went the State-owned corporation model, the reason to do that is simply that there is already legislation in existence for State-owned corporations that sets up the structures, sets up the reporting mechanisms, and the auditing arrangements. It simply is the model that people have put forward as a pre-existing model that would not require us to completely reinvent the organisation. In terms of WorkCover, clearly it is not a profit-making and dividend-paying entity. It would not be set up with any dividend-paying arrangement. If there are any savings made, they either go back to employers in the way of reduced premiums, or they go to workers through better services and outcomes, better get-back-to-work programs and all of the rest of the things that WorkCover should be doing.

**The Hon. ADAM SEARLE:** In terms of what we were discussing earlier—the potential for combining compensatory authorities—are you only looking at that at an agency level, or are you looking at integrating the various compensatory schemes that they oversee?

**The Hon. GREG PEARCE:** Well, no. Again, this is at an early discussion level. It has been brought up by a number of stakeholders. Clearly, at this stage the WorkCover scheme is a completely different type of scheme from the motor accidents scheme, the lifetime care and the others. They are separate. To the extent that there would be an opportunity to rationalise, it is more about management and administration rather than the actual pools of money and the way they are dealt with. Any look at the benefits in the way that those pools of money are utilised is a separate exercise to the discussion we are having at the moment.

**The Hon. ADAM SEARLE:** So the discussions you are having now are only about potentially integrating the agencies that have responsibility?

**The Hon. GREG PEARCE:** Correct, and the investment arms, to make sure that the investments are as professional and as well managed as they can be.

**The Hon. ADAM SEARLE:** So you have no plans at the moment for looking at integrating the different schemes of compensation?

**The Hon. GREG PEARCE:** I do not see that you would ever integrate them as a single scheme. I think they are separate and it is probably not feasible anyway, given that WorkCover has that long tail of debt. Unless somebody comes up with a really brilliant idea, I just do not see how you could integrate those schemes. Would you like to break early so that I can have a cup of coffee?

**The Hon. ADAM SEARLE:** Yes.

**DEPUTY-CHAIR:** We will have a 10-minute break and then we will have questioning in this portfolio area until 11.15 a.m. and the Illawarra at around 11.15 a.m.

*[Short adjournment]*

**DEPUTY-CHAIR:** Opposition members have 4½ minutes.

**The Hon. ADAM SEARLE:** Minister, having regard to the wages policy provided for in the industrial relations amendment Act and the Industrial Relations Commission employment regulation, how many persons in New South Wales come within the definition of public sector employees according to your agency?

**Mr COUTTS-TROTTER:** I will take that on notice but obviously there are employees in RailCorp and the Ports Authority. I will need to check it.

**The Hon. ADAM SEARLE:** I am happy for you to take it on notice.

**The Hon. GREG PEARCE:** There is a public sector employee survey that is done but unfortunately when Premier Carr was still in office the previous Government ceased publishing those figures so I know I felt many years of frustration in not being able to get access to what you would have thought was a public interest set of numbers.

**The Hon. ADAM SEARLE:** The Government still collects that data?

**The Hon. GREG PEARCE:** Indeed. We do not have the numbers with us.

**The Hon. ADAM SEARLE:** I am happy for you to take it on notice.

**Mr COUTTS-TROTTER:** Just to clarify my point, wages policy applies regardless of the jurisdiction you are in. But your question was about which jurisdiction you are in?

**The Hon. ADAM SEARLE:** The question is particularly how many employees do you think will be covered by the regulation? The regulation covers a particular cohort of employees based on a definition. How many people do you think it is affecting?

**Mr COUTTS-TROTTER:** Yes.

**The Hon. GREG PEARCE:** It is less than the number that you have been quoting around the place.

**The Hon. ADAM SEARLE:** I am asking you the question, Minister. I am giving you the benefit of the doubt. Employers know where their employees live. Do you accept that?

**The Hon. GREG PEARCE:** Am I under cross-examination here? Most employees in the State were hired under the previous Government. I cannot give you any warranty or guarantee that the previous Government actually had the addresses of all of its employees, and accurately recorded them. To the extent that the proposition is that as an employer you would have an address, which you would expect to be their address, I am sure that we would have that sort of information but, as I say, I am not in a position to warrant that it is correct and complete.

**The Hon. ADAM SEARLE:** With that caveat, Minister—again I expect you to take these on notice—how many persons by address would come within the definition of a public sector employee in each of the 93 State electorates? I know that is a detailed question which you would have to take on notice.

**The Hon. GREG PEARCE:** I honestly think that if you really want to build up some sort of database to go electorate by electorate targeting some sort of scare campaign about how many public servants in this electorate or that electorate will be impacted by the wages policy you probably should do that work yourself.

**The Hon. ADAM SEARLE:** Do you refuse to take the question on notice?

**The Hon. GREG PEARCE:** No, I am saying you should do that work yourself. Get Mr Foley fired up about it and let him do the work.

**The Hon. Sophie Cotsis:** Why don't you just answer the question.

**The Hon. ADAM SEARLE:** I will put some questions on notice. The Government's wages policy is estimated to save \$2 billion over the forward estimates—Budget Paper No. 2, chapter 4, page 7. How has the \$2 billion savings been calculated?

**The Hon. GREG PEARCE:** It was based on the savings figures that were incorporated in the previous budget by previous Treasurers in the expectation that the wages policy of the previous Government would have been enforced and applied. It is the usual projection of those numbers from your own Government's policy and numbers for savings.

**The Hon. ADAM SEARLE:** In terms of the policy and the bill that you have brought forward, did your Government do any fresh modelling or did it just rely on the data you already had?

**The Hon. GREG PEARCE:** We were relying on the data that came from the previous budget, from Treasury, yes.

**DEPUTY-CHAIR:** Dr John Kaye has 10 minutes.

**Dr JOHN KAYE:** Is that my last 10 minutes before we deal with the Illawarra?

**DEPUTY-CHAIR:** You have another 20 minutes remaining.

**The Hon. GREG PEARCE:** I am happy for you to take up all your time with whatever you want to take it up with.

**Dr JOHN KAYE:** I want to ask about the Office of State Revenue, or more specifically the State Debt Recovery Office and the issue of services that it provides to local governments and other agencies collecting fines. Do you have any information on errors that might have been made in respect of some local government areas?

**Mr COUTTS-TROTTER:** Yes, there was a mistake made in the collections on behalf of Warringah Council and as a result of that the head of the Office of State Revenue, Tony Newbury, has undertaken a review of all other council collections to ensure that this was a one-off error and not a systemic problem. When I last spoke to him about it—the work is yet to be completely finalised—the work to date suggests that it is a one-off error and not a systemic problem.

**Dr JOHN KAYE:** How big was that error and in whose favour was it?

**Mr COUTTS-TROTTER:** It was in the favour of the council, so it had to pay the money. I think it ran to several hundred thousand dollars.

**Dr JOHN KAYE:** Are you sure of that figure?

**Mr COUTTS-TROTTER:** I will check it.

**Dr JOHN KAYE:** I would appreciate that. Do you not think it would be more than \$2 million?

**Mr COUTTS-TROTTER:** I will check.

**Dr JOHN KAYE:** Can you do that before the end of the session today because it is a material matter?

**Mr COUTTS-TROTTER:** Yes.

**Dr JOHN KAYE:** How did that error occur?

**Mr COUTTS-TROTTER:** I am awaiting the final report to understand what happened and why. I cannot answer that now.

**Dr JOHN KAYE:** Is the Warringah error the only error made?

**Mr COUTTS-TROTTER:** I think a \$6,000 error was identified at Sydney City Council.

**Dr JOHN KAYE:** In whose favour?

**Mr COUTTS-TROTTER:** I am not sure.

**Dr JOHN KAYE:** Is it possible that it was in favour of Warringah Council?

**Mr COUTTS-TROTTER:** No.

**Dr JOHN KAYE:** That is not possible; you do not think that money went to Warringah Council?

**The Hon. GREG PEARCE:** No. I understand that the councils and the other clients are discrete.

**Mr COUTTS-TROTTER:** Yes, they are.

**The Hon. GREG PEARCE:** They are siloed: there is no mixing of fines in the way you are suggesting. An error would not mean that money meant for Lithgow went to Warringah.

**Mr COUTTS-TROTTER:** I have been provided with some information. Warringah Council has been overpaid \$1.12 million for fines that should have been paid to the Roads and Traffic Authority. Therefore, the counter party is the Roads and Traffic Authority. The overpayment occurred over eight years, with the bulk occurring over the past two financial years. It did, as you so insightfully suggested, result from a computer account coding error that was not detected until May 2010. The State Debt Recovery Office [SDRO] has provided the council with full details of the overpayment and has had discussions with senior council officers to negotiate the repayment period, and those negotiations are continuing.

**Dr JOHN KAYE:** What was the total amount paid by Warringah Council to the State Debt Recovery Office for what I believe was a premium service?

**The Hon. GREG PEARCE:** We will take that question on notice. Given that this occurred for many years under the previous Government, I am sure we are very interested to know what happened. It is obviously an inconvenience to Warringah Council because it must pay back that significant amount. It is a great difficulty and I know that the Office of State Revenue is in discussions with the council to resolve the matter. As the director general indicated, we are awaiting a report. Subject to any reasons that relate to criminal matters or any other obvious significant reasons, I am happy to release that report when we get it.

**Dr JOHN KAYE:** Thank you. I understand that councils pay a substantial amount for services that they receive from the State Debt Recovery Office.

**Mr COUTTS-TROTTER:** Councils can choose to use the State Debt Recovery Office as a collection agency, they can collect revenue themselves or they can contract x, y or z corporation to do it for them.

**Dr JOHN KAYE:** So they can do it themselves.

**Mr COUTTS-TROTTER:** Yes, they can. They choose to buy a service from the State Debt Recovery Office; it is not mandated. The State Debt Recovery Office offers that service.

**Dr JOHN KAYE:** On a commercial basis?

**Mr COUTTS-TROTTER:** Yes. I am sure that in deciding whether the State Debt Recovery Office represents value for money councils would examine the costs of doing it internally, having another council do it or having a private provider do it.

**The Hon. GREG PEARCE:** It is a good example of many councils over many years deciding that outsourcing the collection of fines was a far better and more efficient way to do it for their ratepayers than building up their own collection facility. It is non-core work. The process is similar for the various customers. If a parking fine is issued in Lithgow or Manly it is much the same process to collect the money. Clearly, it is a good decision to outsource.

**Dr JOHN KAYE:** So both Lithgow and Manly have chosen the State Debt Recovery Office as their debt recovery organisation?

**The Hon. GREG PEARCE:** Yes.

**Dr JOHN KAYE:** But they might decide to do it themselves or choose a third party to do it. I understand that the State Debt Recovery Office charges a fee for the service.

**Mr COUTTS-TROTTER:** Yes.

**Dr JOHN KAYE:** And it is quite substantial, particularly if it is a premium service.

**Mr COUTTS-TROTTER:** I go back to my first point: People choose or do not choose to do business with the State Debt Recovery Office based on their assessment of value. So I assume that in choosing to deal with the State Debt Recovery Office many councils assess that the service represents value for money.

**Dr JOHN KAYE:** Given that a \$1.12 million error occurred over eight years, repayment of which will obviously cause Warringah Council substantial difficulty, has any consideration been given to discounting that amount by some fraction to account for the fees that the council paid?

**The Hon. GREG PEARCE:** With respect, Dr Kaye, I hope you do not have a proposal to put to us in relation to discounting. I am sure that the council if it wants—

**Dr JOHN KAYE:** At this stage you have identified errors affecting Warringah Council and Sydney City Council. These errors were made by the State Debt Recovery Office and they have led to a debt of \$1.12 million in the case of Warringah Council.

**The Hon. GREG PEARCE:** With respect, Dr Kaye, you are in commercial territory here. I will not speculate on what sort of commercial arrangements the State Debt Recovery Office and the council might be able to agree to, or if they can. It would be inappropriate in this forum to speculate on that. It is a live commercial issue and it is simply inappropriate to take that particular line any further.

**Dr JOHN KAYE:** You may say that and that is your call, but I am concerned about two aspects. The first is the impact on a local government authority, but the other is the potential impact on the State's revenue. The public has an interest in this matter. The public provides a service through the State Debt Recovery Office and it has made a spectacular error.

**Mr COUTTS-TROTTER:** The Office of State Revenue collects about \$13 billion a year on behalf of the State. It then collects hundreds of millions of dollars on behalf councils. This is an embarrassing error for which we and they are sorry. However, it must be considered in context. It is a high-performing organisation and this is one error involving one council accumulating over eight years. It is entirely regrettable and is the subject of negotiations at the moment.

**Dr JOHN KAYE:** What is the total amount of fees collected by the State Debt Recovery Office in respect of providing these services? I am not asking about the fines but about the money it makes?

**Mr COUTTS-TROTTER:** I would have to take that question on notice.

**Dr JOHN KAYE:** Do you have a ballpark figure?

**Mr COUTTS-TROTTER:** I would not guess.

**Dr JOHN KAYE:** But you will provide that?

**Mr COUTTS-TROTTER:** Yes.

**Dr JOHN KAYE:** I turn to the Motor Accidents Authority. Minister, have you given any consideration to the Motor Accidents Authority developing a method to claw back some of the super profits that have been achieved by insurers under the motor accidents scheme? Of course, I refer to the profits which were first identified by the Law Society and which have been the subject of substantial media interest.

**Ms HUNT:** The insurers are taking a forecast view and taking a risk in terms of future claims they will incur. The figure in the Motor Accidents Authority annual report is what has been realised after they have done their forecast. So the insurers have a substantial risk on their books. They have been impacted by the global financial crisis and they have to make investments in terms of future claims. At the law and justice committee hearing last week the Insurance Council of Australia made the point that the forecast number of claims they expected to incur was less and they felt that that impacted on their profitability.

The board and the Minister have been keen to review forecasting for the cost of claims going forward, and those changes can take seven years to materialise in full in terms of actual liability. What you are seeing in the annual report is a review only a few years after, so it is not necessarily a fulsome and clear view of the costs of those claims. Something we certainly want to focus on is reviewing that and we also want to get some more

transparency, and we have done some things over the last 12 months to see if we cannot get a better view on that.

**Dr JOHN KAYE:** I am sure you did not mean "fulsome" when you said that, but that is fine.

**The Hon. Dr PETER PHELPS:** Contemporary usage does allow its use in that sense. The *Macquarie* says it does.

**DEPUTY-CHAIR:** Thank you, Dr Kaye. We now turn to Opposition members for 20 minutes.

**The Hon. ADAM SEARLE:** Minister, is the \$2 billion wages figure for the wages policy referable entirely to the 2.5 per cent wages cap, unless there are offsets, or does it include a reduction in overall public sector employment?

**The Hon. GREG PEARCE:** It is just the wages.

**The Hon. ADAM SEARLE:** I understand that you are planning an estimated 5,000 voluntary redundancies and some other—not voluntary—redundancies?

**The Hon. GREG PEARCE:** Yes, we have budgeted for around 5,000 voluntary redundancies.

**The Hon. ADAM SEARLE:** Have you factored in any other savings from reductions in public sector employment through natural attrition? Have you put a dollar figure on those?

**The Hon. GREG PEARCE:** No, it does not work like that. What you have to understand in relation to the savings is that the budget that we had to go forward with included savings that had been factored into the last couple of budgets. So we have to achieve the savings that your previous Government used to sell its budgets but did not actually achieve. One of the most prominent of those was the failure to achieve the savings associated with the wages policy. That cost I think was \$910 million. Our starting position in our budget was that we were left with the obligation to achieve significant savings just to keep the baseline that the former Treasurer used in presenting the Labor Government's budgets.

The other factor that you need to consider is that the last few budgets were impacted by the Federal stimulus funds. Why we were so concerned about our budget position was that when you stripped out those Federal stimulus funds the budget was in deficit for two of the last three years, and in the one year that it was not in deficit there was only a very tiny surplus. The reality was that the Labor Party left the State of New South Wales with a recurring deficit budget and a requirement to achieve very significant savings which Labor had not been achieving.

**The Hon. ADAM SEARLE:** The answer to my question is that you have not put a dollar figure on the natural attrition of public sector employment?

**The Hon. GREG PEARCE:** No.

**The Hon. SOPHIE COTSIS:** In your document "Contract with NSW" you state that you will be honest and accountable. Prior to the election you made no mention of any of your industrial relations policies. Since your Government's election you have refused to pay social and community workers equal pay. You have submitted an application saying that the case must fail. You have watered down occupational health and safety. You forgot to appoint members on the Dust Diseases Board, which caused a delay in victims receiving payments. You have introduced draconian industrial relations laws and you have sacked 5,000 public sector workers—at this stage.

**DEPUTY-CHAIR:** Is there a question coming?

**The Hon. SOPHIE COTSIS:** Yes, there is. Minister, you have closed down five regional government industrial relations offices. You have fought retiring Crown employees from accessing their wage determination. You have transferred 13,000 TAFE employees to the Federal system. You are proposing to change employment protections for local government employees. Will you now admit that Barry O'Farrell's contract with New South Wales is invalid?

**The Hon. GREG PEARCE:** If you would care to hand up that question, I can refute every one of those lies that you have—

**The Hon. SOPHIE COTSIS:** No, you can't.

**The Hon. GREG PEARCE:** Every one of those lies that you have just perpetrated.

**The Hon. SOPHIE COTSIS:** No, you can't. You did not take—

**The Hon. GREG PEARCE:** We can start with a couple of them.

**The Hon. SOPHIE COTSIS:** You did not take the wages policy—

**The Hon. GREG PEARCE:** Would you like me to answer, or do you just want to have a little stunt?

**The Hon. SOPHIE COTSIS:** Prior to the election did you tell the people of New South Wales that you would cut their wages and conditions?

**The Hon. GREG PEARCE:** We have not cut their wages and conditions.

**The Hon. SOPHIE COTSIS:** You have.

**The Hon. GREG PEARCE:** You see—

**The Hon. SOPHIE COTSIS:** You have.

**DEPUTY-CHAIR:** The Hon. Sophie Cotsis, you have asked the Minister a question. It is now appropriate to allow him to answer that question as he sees fit.

**The Hon. SOPHIE COTSIS:** But he is bumbling. He doesn't know what he is talking about.

**DEPUTY-CHAIR:** I think that is a little unfair. Please allow the Minister some time to answer the question.

**The Hon. GREG PEARCE:** As I said, if you care to hand up the question I can go through each of the items you have mentioned, one by one, and expose the lies that they all are. Let us start with occupational health and safety. Many, many times—

**The Hon. SOPHIE COTSIS:** Minister, let me go back. The first thing that your Government did when elected was that you submitted to Fair Work Australia an application for the equal remuneration order regarding the Australian Services Union [ASU] pay case that the applicant's case must fail. You made a commitment prior to the election that you would fund a commitment. Now you are refusing. Why are you refusing?

**DEPUTY-CHAIR:** There are two lots of questions in there now.

**The Hon. GREG PEARCE:** There are about 30 questions in there.

**The Hon. SOPHIE COTSIS:** Answer them—

**The Hon. GREG PEARCE:** I am going to try.

**The Hon. SOPHIE COTSIS:** Because the people of New South Wales expect you, as the responsible Minister, to answer those questions. People are relying on your Government for their job security and certainty. You did not give them any of this information prior to the election. You have a responsibility and an obligation to the working people of New South Wales to be honest and truthful, as your contract with New South Wales states.

**The Hon. GREG PEARCE:** And you don't have an obligation to be honest, do you, Sophie? That is why you lie.

**The Hon. SOPHIE COTSIS:** My obligation is to hold you to account.

**The Hon. GREG PEARCE:** Everything you say is a lie.

**The Hon. SOPHIE COTSIS:** My obligation is to hold you to account.

**Dr JOHN KAYE:** Point of order: I thought they were great questions.

**The Hon. GREG PEARCE:** Exactly, so let me have a chance to answer some.

**The Hon. Dr PETER PHELPS:** Further to the point of order: It is incumbent upon members not to hector and badger witnesses, even if they are Ministers.

**The Hon. SOPHIE COTSIS:** Poor thing—too bad. He has to answer the questions. Do not be an apologist.

**DEPUTY-CHAIR:** I call the Hon. Sophie Cotsis to order. The member has asked a series of questions and I think it appropriate to allow the Minister to answer those questions without interruption or badgering.

**The Hon. GREG PEARCE:** Starting with occupational health and safety laws, leaving aside the fact that our parties on many occasions indicated that we supported the national harmonisation of occupational health and safety laws—in fact I saw Mr Michael Daley here a moment ago and I think he actually signed the Council of Australian Governments [COAG] agreement on behalf of the previous Labor Government to implement the occupational health and safety harmonisation laws, before Kristina Keneally got the union jits, because obviously a lot of union members were doing to her what you are trying to do to me.

**Dr JOHN KAYE:** Sorry, the union what?

**The Hon. GREG PEARCE:** The union jits.

**The Hon. ADAM SEARLE:** I think it is a term of abuse, Dr Kaye.

**The Hon. Dr PETER PHELPS:** Or endearment.

**Dr JOHN KAYE:** Are you calling union leaders jits?

**The Hon. SOPHIE COTSIS:** Don't worry, he has called them other names. He has called them leeches.

**The Hon. GREG PEARCE:** It is a disease. It is when you go shaky because the unions are abusing you.

**The Hon. SOPHIE COTSIS:** Maybe you are a bit shaky.

**Dr JOHN KAYE:** I do find that offensive.

**The Hon. GREG PEARCE:** No, you see—

**The Hon. SOPHIE COTSIS:** Okay, what about—

**DEPUTY-CHAIR:** The Hon. Sophie Cotsis has asked a series of questions. It would be incumbent on her to allow the Minister to answer in any way he feels fit.

**The Hon. GREG PEARCE:** You are prepared to concede that on the occupational health and safety front you were totally honest and open? Do you concede that?

**The Hon. SOPHIE COTSIS:** What about the other attacks on working people?

**The Hon. GREG PEARCE:** You concede that that part of your question was false?

**The Hon. SOPHIE COTSIS:** What about the wages policy?

**The Hon. GREG PEARCE:** We will go to the wages policy next.

**The Hon. SOPHIE COTSIS:** Did you tell 400,000 public sector workers that their wages would be cut in real terms?

**The Hon. GREG PEARCE:** No, because—

**The Hon. SOPHIE COTSIS:** Their wages will be cut in real terms.

**The Hon. GREG PEARCE:** Their wages are not being cut in real terms.

**The Hon. SOPHIE COTSIS:** They are.

**The Hon. GREG PEARCE:** And the reason we did not have to say anything—

**The Hon. SOPHIE COTSIS:** Inflation is 3.6 per cent.

**Dr JOHN KAYE:** Why did you not have to say anything?

**The Hon. GREG PEARCE:** The reason we did not have to say anything about the wages policy is because it was the Labor Government's wages policy.

**The Hon. SOPHIE COTSIS:** You didn't have to say anything?

**The Hon. GREG PEARCE:** Eric Roozendaal—remember him?

**The Hon. SOPHIE COTSIS:** So you went to the election and you did not put forward a wages policy?

**The Hon. GREG PEARCE:** He does still sit—

**The Hon. SOPHIE COTSIS:** Because you did not have to say anything?

**Dr JOHN KAYE:** Point of order: Hansard reporters are trying to record this and I think it is incumbent on us to respect them and to try not to talk over each other too much.

**The Hon. GREG PEARCE:** I am the one answering the questions, Dr Kaye—

**The Hon. SOPHIE COTSIS:** You just said—

**DEPUTY-CHAIR:** Order! The Hon. Sophie Cotsis, please allow the Minister to answer the question without interrupting, and I encourage the Minister to answer in such a fashion not to incite the Hon. Sophie Cotsis.

**The Hon. GREG PEARCE:** I think she was incited before I began.

**The Hon. ADAM SEARLE:** It is all your fault, Greg.

**The Hon. GREG PEARCE:** Yes, it is all my fault.

**The Hon. SOPHIE COTSIS:** Will you elaborate on the point that you made that you went to the election and you did not have to say anything?

**The Hon. GREG PEARCE:** Because the wages policy existed. The previous Government introduced the wages policy. You do not seem to get it. It was your wages policy.

**The Hon. SOPHIE COTSIS:** You are the Liberal Party. The Liberal Party went to the election with a set of policies.

**The Hon. GREG PEARCE:** Yes.

**The Hon. SOPHIE COTSIS:** You are saying that you did not have to put out your wages policy. You did not tell the people of New South Wales—

**The Hon. GREG PEARCE:** It was there.

**The Hon. SOPHIE COTSIS:** Where? Where was your wages policy?

**The Hon. GREG PEARCE:** It was in the budget. Eric Roozendaal announced it for us.

**The Hon. ADAM SEARLE:** You did not tell the people of New South Wales about the public sector conditions of employment legislation, did you?

**The Hon. GREG PEARCE:** Eric Roozendaal announced the policy for us several years before the election.

**The Hon. SOPHIE COTSIS:** You are not Eric Roozendaal. You are a Liberal Party Minister—

**Dr JOHN KAYE:** You, sir, are not Eric Roozendaal.

**The Hon. GREG PEARCE:** Thank you.

**The Hon. SOPHIE COTSIS:** As a Minister, and a former shadow Minister for Industrial Relations, you did not put forward a wages policy to the people of New South Wales. You have broken your promise. You have broken a contract with New South Wales. Will you now admit that you misled the public?

**The Hon. GREG PEARCE:** We went to the election with a costed set of policies. That costed set of policies included the assumption that your Government's wages policy would be continued.

**The Hon. SOPHIE COTSIS:** No, you didn't. You did not tell the 400,000 nurses, teachers, firefighters, child protection workers—

**The Hon. JENNIFER GARDINER:** Point of order: There is no question mark at the end of what the Hon. Sophie Cotsis is saying. The Hon. Sophie Cotsis should restrict herself to asking questions and allow the Minister to answer her questions.

**DEPUTY-CHAIR:** I uphold the point of order. The Hon. Sophie Cotsis should remember that whilst she may not like the answer given by the Minister, it is the Minister's answer. It is not appropriate to add commentary following the Minister's answer. The Hon. Sophie Cotsis is here to ask questions of the Minister.

**The Hon. SOPHIE COTSIS:** He has admitted that he did not take a wages policy—

**DEPUTY-CHAIR:** That is your interpretation of the way in which the Minister has answered the question. It is up to others to draw that conclusion, whether it is right or wrong. I encourage the Hon. Sophie Cotsis to proceed to another set of questions to make the most of the time set aside for this hearing.

**The Hon. GREG PEARCE:** I am happy to try to answer some of the other assertions that have been made.

**The Hon. SOPHIE COTSIS:** Madam Chair?

**The Hon. GREG PEARCE:** She does not really want me to answer them. The Hon. Sophie Cotsis wants to engage in a little grandstanding. Is John Robertson in the room? Is it John Robertson that the Hon. Sophie Cotsis is grandstanding for?

**The Hon. SOPHIE COTSIS:** No, it is because you have misled the public.

**Dr JOHN KAYE:** No, it is Imre Saluzinsky instead.

**The Hon. GREG PEARCE:** Oh, Imre. This is your fault.

**The Hon. SOPHIE COTSIS:** Since the Government has been in office it has attacked the working people of New South Wales. As I outlined previously, you cannot counter anything that I have said—

**DEPUTY-CHAIR:** Does the Hon. Sophie Cotsis have a question?

**The Hon. SOPHIE COTSIS:** Yes. Who did you consult regarding your wages policy prior to it being announced by media release?

**The Hon. GREG PEARCE:** We consulted Eric Roozendaal and your Government, because Eric Roozendaal introduced the wages policy. Sophie, you do not seem to understand this. I appreciate that you have not been here for very long but you were part of the previous Government. We went to the election with a costed series of policies and there were a number of assumptions underlying those policies—assumptions arising from the budget and from the forward estimates. The budget included the wages policy and the savings that were expected to be made from the wages policy introduced by Eric Roozendaal—one of the few good things that he did. That is how we moved forward with that policy.

You made some other unfounded assertions about the Australian Services Union [ASU] case. Can I point out to you that within a couple of weeks of winning office we were required to put a submission to Fair Work Australia in relation to the Australian Services Union case—that case had been running for a considerable period of time—and the submission we put up was based on the numbers prepared by one Michael Gadiel in Treasury. It was prepared by the previous Labor Government and we put up the arguments that were put forward by the previous Government.

**The Hon. SOPHIE COTSIS:** Minister—

**DEPUTY-CHAIR:** The Minister is answering the question.

**The Hon. SOPHIE COTSIS:** He is not answering the question.

**The Hon. GREG PEARCE:** In relation to dust diseases, yes, there was a one week delay at a point with some board members but your assertion that there was any delay in payments is a complete lie—

**The Hon. SOPHIE COTSIS:** I understand that it was three months.

**The Hon. GREG PEARCE:** It is a total lie. If you can support that in any way—

**The Hon. SOPHIE COTSIS:** Can you go and investigate?

**The Hon. GREG PEARCE:** I have already investigated and I am told that there was no delay.

**The Hon. SOPHIE COTSIS:** Can you provide us with information as to how long?

**The Hon. GREG PEARCE:** There was no delay.

**DEPUTY-CHAIR:** Order! The Minister has just answered the question of the Hon. Sophie Cotsis by saying he has investigated it and he has not been able to find any evidence to the contrary. The Minister has asked that if the Hon. Sophie Cotsis has information to prove that that is otherwise the case he would be happy to accept it.

**The Hon. GREG PEARCE:** If you have any information at all—other than your assertion—I am very happy to take it and obtain information.

**The Hon. SOPHIE COTSIS:** It is not my assertion. It was out in the public domain.

**The Hon. GREG PEARCE:** You said people were delayed payments. You should back up that assertion by giving me some information that supports your assertion, your lie, that people's payments were delayed.

**The Hon. SOPHIE COTSIS:** No, you have to answer the question. You are the Minister.

**DEPUTY-CHAIR:** Order!

**The Hon. SOPHIE COTSIS:** You stated that you went to the election with a costed policy. Where was the policy printed and can you show us where the costings appear?

**The Hon. GREG PEARCE:** Through the election campaign our costed policies were published.

**The Hon. SOPHIE COTSIS:** Where? Where is the document?

**The Hon. GREG PEARCE:** I can get your copy. I do not have it with me because it was six months or more ago.

**The Hon. SOPHIE COTSIS:** We would like to see that document.

**The Hon. GREG PEARCE:** You are a bit late. The election was held on 26 March.

**The Hon. SOPHIE COTSIS:** We would like to see that document.

**The Hon. GREG PEARCE:** It was published in the context of going to the election.

**The Hon. SOPHIE COTSIS:** We would like to see the document that discloses the wages policy.

**The Hon. GREG PEARCE:** If you really were interested in our policies perhaps you should have done it before the election. That might have assisted you to get a better result.

**The Hon. SOPHIE COTSIS:** We would like to see the document that discloses the wages policy. Will you provide a copy of the document that discloses the wages policy and costings?

**The Hon. GREG PEARCE:** I will tell you what I will do: I will organise a meeting for you and the executive director of the Liberal Party to have a look at the campaign because your party needs—

**The Hon. SOPHIE COTSIS:** You are the responsible Minister. I do not want to meet with your executive director.

**The Hon. GREG PEARCE:** —some help on campaigning.

**The Hon. SOPHIE COTSIS:** No, you need some help. You need some big help.

**The Hon. GREG PEARCE:** The policies were released by the Liberal Party as part of the campaign and, as I say, I am prepared to organise for a meeting with you and Mr Neeham to go through campaigning and how a successful campaign works.

**The Hon. ADAM SEARLE:** Do you say there is a policy document that you put out before the election that discloses your wages policy and the fact you were going to legislate for it? Do you make that assertion?

**The Hon. GREG PEARCE:** No. I have told you that we put forward a costed policy, which was based on a series of assumptions that were most of the assumptions in the budget. We were obviously not going to rewrite the budget and reproduce the budget. That has never been done. No Opposition ever does that. You are struggling to get yourself a political point here but the reality is the previous Government also went to the election, which it lost, with exactly the same policy as part of—

**The Hon. SOPHIE COTSIS:** So you will provide us with that document?

**The Hon. GREG PEARCE:** You are not listening to my answer, again. Just as there is no document from your party which says that that is the policy; it was one of the assumptions in the budget position—like many other assumptions in the budget. Both parties went to the election with those assumptions. We do not

rewrite the budget as part of our election documents. No-one would do that; no-one has ever done that. Your side had the same assumption in its numbers.

**The Hon. SOPHIE COTSIS:** Minister, I quote from a debate in the Legislative Council on 28 September 2006 in which you said:

The true facts about WorkChoices are that 175,000 new jobs have been created since WorkChoices began, of which 85 per cent were full-time jobs. In addition, industrial disputes are at the lowest levels ever recorded, as a result of WorkChoices, and real wages are continuing to rise.

Do you stand by your comments that WorkChoices saw real wages rise?

**The Hon. GREG PEARCE:** What am I meant to say about what happened in 2006?

**The Hon. Dr PETER PHELPS:** Five years ago.

**The Hon. GREG PEARCE:** Why don't you try and get into the present?

**The Hon. Dr PETER PHELPS:** Five years ago Kevin Rudd was still the parliamentary Labor leader.

**The Hon. SOPHIE COTSIS:** That is a serious question. I would like to know—

**The Hon. GREG PEARCE:** Was Kevin Rudd the leader then? I think he probably was. Sophie, why do you not get into the present and the future?

**The Hon. SOPHIE COTSIS:** I would like to know if that is the thinking that underpins your wages policy.

**The Hon. GREG PEARCE:** Why do you not think about the future, instead of the past?

**The Hon. SOPHIE COTSIS:** I would like to know if that is the thinking that underpins your wages policy.

**The Hon. GREG PEARCE:** If you are acknowledging that you have no future and your only respite is in the past, I feel very sorry for you.

**The Hon. SOPHIE COTSIS:** History is very important.

**The Hon. ADAM SEARLE:** Point of order: The Minister is resorting to cheap abuse, and that is unparliamentary. The Minister is not being generally relevant to the question.

**The Hon. SOPHIE COTSIS:** He is a cheapskate anyway.

**DEPUTY-CHAIR:** There is a bit of inciting going on from both sides.

**The Hon. SOPHIE COTSIS:** Does that thinking underpin your wages policy?

**The Hon. Dr PETER PHELPS:** Your wages policy.

**The Hon. SOPHIE COTSIS:** It is your wages policy.

**DEPUTY-CHAIR:** Order!

**The Hon. SOPHIE COTSIS:** It is the O'Farrell's wages policy.

**DEPUTY-CHAIR:** Order!

**The Hon. GREG PEARCE:** If you are quoting something—I have not got it in front of me but I assume you are telling the truth in reading that quote.

**The Hon. SOPHIE COTSIS:** You can check.

**The Hon. ADAM SEARLE:** You cannot remember.

**The Hon. GREG PEARCE:** No, I actually do not remember that particular paragraph but I am pleased to see that the Hon. Sophie Cotsis takes it as truth and is prepared to use it. If you are saying that that is what we were saying in 2006 and asking me the question as to how that relates to the wages policy, all I can say is that the Hon. Eric Roozendaal must have listened to me in 2006 and that is why he introduced the policy in 2009 in your budget. The Hon. Eric Roozendaal introduced the policy. Remember the Hon. Eric Roozendaal?

**The Hon. SOPHIE COTSIS:** Is that the thinking that underpins your wages policy?

**The Hon. GREG PEARCE:** Can anybody get the Hon. Eric Roozendaal to one of these hearings so that you might know?

**The Hon. SOPHIE COTSIS:** Why do you fantasise about the Hon. Eric Roozendaal? You are the Minister so you should answer the question.

**The Hon. Dr PETER PHELPS:** You are the one with the scrapbook collection of the Hon. Greg Pearce's comments.

**The Hon. SOPHIE COTSIS:** He made these comments. I would like to take you further to the debate—

**The Hon. GREG PEARCE:** Further into the past.

**The Hon. SOPHIE COTSIS:** —that you were having at that time because that underpins the thinking. This is what the people of New South Wales want to know. And the question is, and I will quote the Minister from that period— [*Time expired.*]

**The Hon. GREG PEARCE:** No, let us have the quote.

**DEPUTY-CHAIR:** Order! The Dr John Kaye has foregone his remaining 20 minutes of questions. As we have not had any questions on the Illawarra, I propose that we give another 10 minutes at least to Opposition members and then the Government will take 10 minutes. The remaining time is for the crossbench.

**The Hon. JAN BARHAM:** By leave, I am substituting for Dr John Kaye. My first question relates to railway infrastructure. What plans are there to complete the Maldon to Dombarton rail link? This link is about 35 kilometres long. Federal funding was obtained in 2009 for a pre-feasibility study.

**The Hon. GREG PEARCE:** The issue of getting freight into and out of Port Kembla is one that is vital to the Illawarra region. So we have always been supportive of any feasibility study being undertaken into the Maldon to Dombarton rail line. The study was completed some time ago. We have been very frustrated, as have the people of the Illawarra, over the last several years about the delays in the Federal Government proceeding and completing the feasibility study. It was something that was promised many times over the last several years by the Federal Labor Government. As I say, it has been a cause of great frustration in the Illawarra that that feasibility study was much delayed and has not even now, to my knowledge, been published. I certainly have not been provided with a copy of it. So although it has taken several years, cost millions of dollars obviously and is vital to the Illawarra, the Federal Government has not released the feasibility study yet.

What has happened though is that the current Prime Minister, Julia Gillard, last week at Regional Development Australia, a meeting of leaders in the region which I addressed and opened, made an announcement that \$25 million would be provided by the Federal Government for planning work on the Maldon to Dombarton railway. I have asked publicly for information and some detail on the Federal Government's announcement. Certainly, I have not been given any detail as to exactly what the \$25 million is to be expended on, what the time frame is for that expenditure, and what the outcomes are expected to be. At this stage we are not in any position to make an assessment as to the future viability or otherwise of the Maldon to Dombarton railway line. Like you, on behalf of the people of the Illawarra, we are very frustrated about it and very disappointed that it has not moved further.

**The Hon. JAN BARHAM:** My next question relates to a report earlier this year indicating that New South Wales Health is selling off \$4.5 million worth of publicly owned land in the Illawarra over the next five years. What consultation was conducted with the communities in the Illawarra regarding these lands, and what proportion of this money was directed back into land purchases?

**The Hon. GREG PEARCE:** That is a Health portfolio matter, but I am happy to take it on notice and get you some information.

**The Hon. JAN BARHAM:** Are there current plans to increase coal exports from Port Kembla? What is being done to minimise the environmental impacts at this port, particularly from dust, given the poor quality around the Newcastle loaders? What is being done to assess and minimise the social impact of any increase in the operations?

**The Hon. GREG PEARCE:** As I touched on in a previous answer, the port is a very important part of economic development in the Illawarra. I must say that we are in good hands in that the port chairman, Nick Whitlam, is performing very well for the people of New South Wales. Indeed, several months ago I had the good fortune to have a tour of the port. Mr Whitlam, as a dutiful chairman, turned up on the only occasion I could do it, which was a Saturday afternoon. I think he made a special trip into the port on a Saturday afternoon so that we could have a wonder around and look at it.

Certainly, we would love to see more coal exports through the Illawarra, but not at the expense of the environment. Obviously there are two ends to that: wherever the coal is being mined, which is not part of my responsibilities, but the port is a new facility, effectively. So if there is to be any expansion of coal exports of any significant degree, it will require either augmentation of existing facilities or new facilities, and they will be done to the most rigorous environmental standards, if they happen.

**The Hon. AMANDA FAZIO:** The Government information public access release of documents on the Premier's website on 29 July this year showed that you had spent \$5,276.56 on art work for your ministerial office. Will you provide a list of those paintings and the names of the artists?

**The Hon. GREG PEARCE:** I have made every attempt to ensure that the costs of furnishing my office have been kept to a minimum, after Labor trashed the office on its way out. It is a bit of a stretch to talk about what I have spent when those on the opposite side had no issue throwing taxpayers money about with extravagant office refurbishments, overseas jaunts and entertainment budgets. I am sure no-one will forget the now Leader of the Opposition, John Robertson, tried to get through a \$500,000 refurbishment of his office.

**The Hon. AMANDA FAZIO:** I asked you to provide a list of the paintings that you had bought and the names of the artists. That is the only information I am seeking from you at this stage.

**The Hon. GREG PEARCE:** Thank you. As I was saying—

**The Hon. AMANDA FAZIO:** No. I want to know—

**The Hon. GREG PEARCE:** —the now Leader of the Opposition, John Robertson, tried to get through a \$500,000 refurbishment—

**The Hon. AMANDA FAZIO:** —the names of the paintings—

**The Hon. GREG PEARCE:** —of his office when he became a Minister—

**The Hon. AMANDA FAZIO:** —and the names of the artists.

**The Hon. GREG PEARCE:** —only to be kyboshed at the last minute by then Premier Nathan Rees.

**The Hon. AMANDA FAZIO:** Are you ashamed of your taste in art?

**The Hon. GREG PEARCE:** My recollection is that the other new Minister at the time, Steve Whan, was a bit unhappy when he heard of this, considering that he had a much more modest office provided in Phillip Street.

**The Hon. AMANDA FAZIO:** You previously asked us to move into the future and get out of the past. Are you incapable of doing that?

**The Hon. GREG PEARCE:** Then there is Hon. Eric Roozendaal's trip to the United States in late 2010. The Treasurer, who dug New South Wales into a \$5.2 billion black hole, spent \$70,000 with three of his staff on a nine-day jaunt to New York, Washington, Dallas and Los Angeles—

**The Hon. AMANDA FAZIO:** If you do not have the information immediately available I am quite happy for you to take the question on notice.

**The Hon. GREG PEARCE:** —costing taxpayers almost \$8,000 a day. This came off the back of trips in 2008 and 2009—

**The Hon. AMANDA FAZIO:** Deputy-Chair, please ask the Minister to answer the question I have asked him?

**The Hon. GREG PEARCE:** You asked me a question about office expenses. I am going through an answer about expenses.

**The Hon. AMANDA FAZIO:** I asked you a question about the paintings that you bought, not office expenses.

**The Hon. GREG PEARCE:** The Hon. Eric Roozendaal's trips in 2008 and 2009 cost taxpayers almost \$100,000.

**The Hon. AMANDA FAZIO:** That is enough, thank you. I do not need to hear any more irrelevant answers.

**The Hon. GREG PEARCE:** Then we have the former New South Wales Premier, Kristina Keneally, who spent \$4 million in her first six months of office on privately chartered jets, entertainment and staff redundancies.

**Dr JOHN KAYE:** The minister is dissembling.

**DEPUTY-CHAIR:** I ask the Minister to at least attempt to answer the Minister's question in a more speedy manner so we can move on to other more important questions.

**The Hon. GREG PEARCE:** The art acquired for my two offices—the previous government had two offices for each Minister, not one, one in Governor Macquarie Tower and one in Parliament House—costs about \$1 a day each, and it is rented from the Federal Government's Artbank, a part of the Department of the Prime Minister and Cabinet, and Office for the Arts. Artbank is the largest repository of Australian contemporary art work provided on a short-term basis, with the money going to expanding the collection and further supporting Australian artists. I am prepared and very happy to publish the list of art works—I think there are 11 in total—which we have rented to encourage young and aspiring Australian artists, and I am sure the Hon. Amanda Fazio will enjoy having a look at the pieces. She is welcome to come up at any time and have a look at the pieces with me. I do not apologise for one moment for supporting Australian artists.

**The Hon. AMANDA FAZIO:** I actually prefer to buy work from young Australian artists rather than rent it, and you probably could afford to do so on your salary. Minister, are you refurbishing your parliamentary ministerial office?

**The Hon. GREG PEARCE:** No.

**The Hon. AMANDA FAZIO:** Do you have an office in the Illawarra?

**The Hon. GREG PEARCE:** No.

**The Hon. AMANDA FAZIO:** Do you have an adviser based in the Illawarra?

**The Hon. GREG PEARCE:** That is an interesting question. The previous Minister for the Illawarra did have an office in the Illawarra and under the previous Government the Department of Premier and Cabinet provided a unit in the Illawarra to support the Minister for the Illawarra. On coming to Government we closed the former Government's office, as it was a waste of money, and we are reviewing the regional support for regional Ministers, but in terms of my regional role I do not have any additional staff. My office provides all of the regional advice and work, and that is the answer.

**The Hon. AMANDA FAZIO:** Do you have any discrete staff in your office relating to the Illawarra, or do you have staff to multi task?

**The Hon. GREG PEARCE:** I have a great bunch of staff. They are very committed. They are all working very, very hard and we basically all pitch in together. But obviously some staff members have ongoing priorities and one or two of the staff spend quite a bit of time on the Illawarra.

**The Hon. ADAM SEARLE:** Minister, Budget Paper No. 3, page 5-2, states that Housing NSW asset management services are expected to be transferred to your department in October 2011 and I note from the questions and answers in the Legislative Assembly that the process of moving staff and assets from the Land and Housing Corporation to Finance and Services has at least commenced. Asset management services, does that term cover repairs and maintenance as well as upgrades to public housing stock?

**The Hon. GREG PEARCE:** That is a very good question and it is an important question because it has been a focus for us. It is not a simple area, I know that. Essentially it is born out of a conviction that we had in Opposition that public housing was failing the tenants. We have a very significant public housing asset, about 140,000 dwellings, about \$32 billion in assets, rapidly deteriorating; in many cases not necessarily used as well as they should be and, as honourable members would know, over the years public housing began pretty much as a leg up.

I sometimes say it was sort of like the First Home Buyers Scheme and obviously it assisted elderly people and some others. Now I think that 94 per cent or 96 per cent of tenants in public housing have other requirements, such as disability services, mental services or various other services that the State Government provides. As an Opposition we were talking to the community, looking how public housing was operating, and it became apparent to us that the model was not fulfilling anybody's needs. One of the things that was happening, which we thought was particularly difficult, was that public housing clients were being forced to have multiple assessments by different Government agencies: their needs were not being met.

**The Hon. ADAM SEARLE:** Minister, I do not mean to interrupt—

**The Hon. GREG PEARCE:** It is important that I give you the background and I will go straight to the guts of your question. We decided we would separate the tenancy model and the assets management model. The assets management side includes maintenance contracts, so I have responsibility for those and we are looking at how those contracts work. It includes all the disposals and all the renewals, and in particular we are making a real attempt to deal with estates by trying to look at them from an asset utilisation basis and an urban renewal sort of basis, not just as a repository for the clients. Out of that process we are hoping to get a much better utilisation of the estates to speed up the urban renewal of those estates, to integrate them with broader urban renewal and to try to get a much better outcome in terms of the facilities provided.

**The Hon. ADAM SEARLE:** Just to be clear, your responsibility includes maintenance and repairs, as well as upgrades to existing assets as well?

**The Hon. GREG PEARCE:** In terms of actual client delivery they will still go through housing officers but the responsibility for the contract and the implementation of it is over with me.

**The Hon. ADAM SEARLE:** You mentioned the importance of maintaining and repairing existing social housing stock, which is a very important social obligation. Would you accept that?

**The Hon. GREG PEARCE:** Absolutely.

**The Hon. ADAM SEARLE:** Your government and I think you as Minister are responsible for legislation that effects a nearly \$300 million reduction in gaming tax over the forward estimates, do you remember doing that?

**The Hon. GREG PEARCE:** Yes.

**The Hon. ADAM SEARLE:** And that is almost exactly the same as the repair and maintenance backlog for social housing, is it not?

**The Hon. GREG PEARCE:** The repair and maintenance backlog that your Government left us with.

**The Hon. ADAM SEARLE:** I know you have said in Parliament that there is a backlog of about \$300 million.

**The Hon. GREG PEARCE:** Yes, there is.

**The Hon. ADAM SEARLE:** So you have given away the equivalent amount of money in gambling taxes—do you accept that is a misplaced priority?

**The Hon. GREG PEARCE:** No. It is a nice try, but the reality is that over 16 years you had a Government, the Labor Party had a Government that did not address these very difficult issues; it allowed the maintenance backlog to grow and become a major problem. We are starting to address that maintenance backlog. The first part of it is to actually understand the maintenance contracts that the previous Government put in place and there is a question mark in my mind over the whole way that the planned maintenance works, and the responsive maintenance works, but a lot of it is not just about maintenance because the other part of your Government's legacy was that a large proportion of the stock has deteriorated to the point where no maintenance can fix the problems.

In my time as Opposition spokesman I saw some horrendous homes that public sector tenants asked us to look at because the previous Labor Government Ministers refused to talk to them. Housing NSW was not able to deal with them. There were terrible things. I remember one house in Maitland where the steps out the front had collapsed and they had not been replaced. We went into the living room—it was a fibro 1950s house—and there was mould half way down the wall and in the bedroom there was mould half way down the wall. You could see that the roof was collapsing. That is not just a maintenance problem, it is a systemic problem that your Government left us with, and I do not pretend for a second that we are going to fix that in 10 minutes.

**The Hon. ADAM SEARLE:** What is your time frame for repairing what you say is the backlog?

**The Hon. GREG PEARCE:** We do not have a time frame yet. We are working our way through that. If we could have got a time frame in the few months that that we have had, and if it was as simple as that, we would have done it.

**The Hon. ADAM SEARLE:** It would have been easier without the gaming tax giveaways, would it not?

**The Hon. GREG PEARCE:** I am sorry?

**The Hon. ADAM SEARLE:** It would have been easier without the gaming tax giveaways, finding the resources to attack the backlog?

**The Hon. GREG PEARCE:** You can make that assertion, but there is no link.

**The Hon. ADAM SEARLE:** I have a question about Budget Paper No. 4 at 3-17. It states that about \$195 million will be provided for upgrading of existing public and community housing. The description states, "A combination of planned work and improvements to maintain a portfolio ...". Does that include routine repairs and maintenance?

**The Hon. GREG PEARCE:** No. That \$195 million is renewal.

**The Hon. ADAM SEARLE:** It is just renewal money, is it?

**Mr COUTTS-TROTTER:** I am advised that the maintenance budget—and bear in mind that we took administrative responsibility for the Land and Housing Corporation on 4 or 5 October—is \$398 million for responsive and planned maintenance and upgrading of homes, which is about a 10 per cent increase on last year.

**The Hon. ADAM SEARLE:** Where would I find that in the budget paper?

**Mr COUTTS-TROTTER:** To be honest, I cannot give you the reference, but we will take that on notice and find it for you.

**The Hon. GREG PEARCE:** It is actually in the Land and Housing Corporation. You need to dig further. But I am happy to give you a breakdown of those because I must admit I had trouble understanding others as well.

**The Hon. ADAM SEARLE:** Just on that \$195 million figure, that is a reduction from the previous year's expenditure in the area of upgrading.

**The Hon. GREG PEARCE:** I suspect that is because of the Federal Government stimulus money. You will see going forward it is around about that \$200 million figure each year.

**The Hon. ADAM SEARLE:** On page 3-19 it shows the figure for upgrade and improvements was \$256 million, which included \$30 million of Federal money, which leaves \$226 million of State money. So you are spending less in that area this year.

**The Hon. GREG PEARCE:** Look, those figures bump around a bit. They were essentially in the system already. It is around that \$200 million a year.

**The Hon. ADAM SEARLE:** Last year it was above.

**The Hon. GREG PEARCE:** Yes.

**The Hon. ADAM SEARLE:** But you are proposing to spend less?

**The Hon. GREG PEARCE:** Well, as I say, they bump around a bit. If you look over the forward estimates, it is around about \$200 million a year.

**The Hon. ADAM SEARLE:** It is at least a \$30 million reduction if you take out the Federal money, is it not?

**The Hon. GREG PEARCE:** Yes, if you take out the Federal money.

**The Hon. ADAM SEARLE:** Would you say so, Mr Coutts-Trotter? You said it was \$398 million for routine repairs and maintenance.

**Mr COUTTS-TROTTER:** It is \$390 million for responsive and planned maintenance and \$398 million all-up. We can give you a breakdown of the sub-elements of that, but I should do it on notice, I think.

**The Hon. ADAM SEARLE:** I am happy for you to take that on notice. Minister, do you have any responsibility for the building of new housing stock?

**The Hon. GREG PEARCE:** Yes.

**The Hon. ADAM SEARLE:** Industry bodies such as the Australian Housing and Urban Research Institute and the Urban Development Institute have said that New South Wales is building only something like 25,000 to 30,000 new dwellings or new houses each year, but it needs to be 40,000.

**The Hon. GREG PEARCE:** That is right.

**The Hon. ADAM SEARLE:** I note that in New South Wales 2020-21 at page 13, you are the Minister with accountability for facilitating the delivery of the 25,000 new dwellings. Is that the same 25,000 new

dwelling that already have been built, or are you proposing to facilitate another 25,000 on top of what the economy is already producing?

**The Hon. GREG PEARCE:** The economy is not producing 25,000 dwellings. That is the problem.

**The Hon. ADAM SEARLE:** How many do you say are being produced?

**The Hon. GREG PEARCE:** I will have to get you that on notice.

**The Hon. ADAM SEARLE:** But my understanding is that the economy is producing 25,000 a year and it needs to be producing 40,000. It is producing something like 25,000 to 30,000 a year.

**The Hon. GREG PEARCE:** Look, I do not have those numbers with me. I am happy to have that discussion with you at some stage.

**The Hon. ADAM SEARLE:** In terms of your responsibility or your version of the State Plan, New South Wales 2020-21, you have responsibility for facilitating the delivery of 25,000 new dwellings. That is over and above what the economy is producing. That is your target?

**The Hon. GREG PEARCE:** That is to get it back up to 25,000 new dwellings. The new dwelling number is way down on that at the moment. As I say, I will just have to get you the numbers. I just do not have them in my mind at the moment.

**The Hon. ADAM SEARLE:** Just to be clear, you want to make sure that the economy is producing 25,000. You are not proposing an extra 25,000.

**The Hon. GREG PEARCE:** I would love to have an extra 25,000, but you see the problem is we have had 16 years old Labor governments which have driven new housing building down to 50-year lows. For us to just recover to a sustainable position is going to take a significant effort. I am very pleased to have that target to monitor and deliver through a 2020-21 plan.

**The Hon. ADAM SEARLE:** What are you personally doing to facilitate the development of these new houses? What is your area of ministerial responsibility?

**The Hon. GREG PEARCE:** Well, it is across a range of things, but the first thing is we have established a housing delivery and affordability subcommittee of Cabinet so that we can start to look at it on an overall government basis and make sure that our policies across the board are facilitating new housing delivery. There is a whole range of specific things we are doing. Some of them are in my portfolio and some of them are across portfolios. For example, one of them is that we are currently conducting a review of State infrastructure levies. The State infrastructure levies were implemented by one of the previous Labor Treasurers and they caused a roadblock in the development of new greenfield lots of land, particularly in the north-west and south-west growth centres. The levies were completely mismanaged over a period of time. They were reduced. Calculations as to how they were determined were all over the place.

One of the early things we are doing is revising those levies to see whether they do serve any purpose in terms of delivering infrastructure. At this stage, in five years since they were introduced, instead of the billions of dollars that were anticipated, I think they raised \$6 million, so nothing, plus some in-kind construction of around about \$100 million, which obviously is not to be sneezed at but is not anywhere near what was intended. So, you know, there are a number of specific things like the infrastructure levies review, which I am undertaking.

**Mr COUTTS-TROTTER:** On the supply side, you have the extension and expansion of the empty-nester concession. It is a concession to get people out of houses that are too big for them into new built homes. That is sort of working on supply and demand. You have a review of the planning system. You have a review of the special infrastructure contribution. On the demand side, you have Landcom being charged to accelerate the release of 10,000 new home lots. You have tax cuts on the Torrens assurance levy and we are also kicking off an infrastructure utilisation task force to look at the Government's land holdings on the supply side to see if there are any that are suitable for support for residential development.

**The Hon. ADAM SEARLE:** In relation to social housing stock, the management of those properties is now being transferred from Housing New South Wales to Finance. Is that correct?

**Mr COUTTS-TROTTER:** The ownership of the public housing portfolio has travelled with the move to the Housing and Land Corporation into the Department of Finance and Services. A range of social housing units is owned by community housing providers, or social housing is provided by way of assistance in the private rental market. That remains with Family and Community Services.

**DEPUTY-CHAIR:** That concludes the Opposition's 80 minutes.

**The Hon. JAN BARHAM:** Minister, I would like to follow on from that social housing question. Now that that stock has been transferred over, are you able to provide information as to the last decade's delivery of social housing?

**The Hon. GREG PEARCE:** In the last decade?

**The Hon. JAN BARHAM:** The last decade, just the numbers that were provided.

**The Hon. GREG PEARCE:** I would be happy to do so. I just do not have those numbers with me, so I will take that on notice.

**The Hon. JAN BARHAM:** It is difficult to find, and I think it is important to see the trending.

**The Hon. GREG PEARCE:** Of course there is a spike in it with the Federal stimulus money, but if we look at the trend, obviously that is quite important.

**The Hon. JAN BARHAM:** In relation to the task force or whatever assessment is being done, can you tell me whether or not you are giving any attention to where local government is able to be a housing provider, considering in some cases they also have some land ownership but there are impediments to their being able to deliver?

**The Hon. GREG PEARCE:** We are very keen to work in concert with both local government and the community housing sector. Look, frankly, this is a bipartisan area of concern. We obviously want to get the best out of the housing stock that we possibly can. We want to help as many people who are deserved and need assistance as possible. By working together we might be able to unlock more opportunities and that is why we have taken the asset function away from looking after clients, which is in itself a significantly intensive activity for the State and we felt we had a separate focus on trying to renew assets. Obviously there are service obligations and links between the two but certainly if we increase the housing stock by cooperating with local government and the community sector we feel we are more likely to be able to get those wins, or by having that been done by a group that will focus on the assets.

**The Hon. JAN BARHAM:** The other area of interest is incentives for smaller housing. Australia has the largest houses in the world with fewer people living in them. Smaller lots and smaller housing, and incentives might be one way to increase stock and availability.

**The Hon. GREG PEARCE:** This is not Government policy but it is my view: when you look at all the demographics and the increase in numbers of people living alone and the price levels to get into home ownership we really have to break through some of the old notions of what is appropriate to build as accommodation. We need to be a bit more open to some smaller lot sizes. People are much happier to buy a brand new home on a 300 metre lot and actually be able to move in with kids, or partners, or whatever than to be searching around and not able to afford it and renting one room at the back of their parents' house. Those sorts of options need to be looked at. We need to look at that whole mix, particularly given the additional problem of the cost of infrastructure. Where we have existing infrastructure we need to utilise that infrastructure rather than forever just look at the one solution of going out and building on greenfield sites.

That is one of the factors that supports our very strong push into our decade of decentralisation, and the need to maintain the vitality and growth in our regions. We have a whole bunch of regional towns and cities with infrastructure and social infrastructure that is a very important part of communities; all of those elements point to the need to be much more flexible about our thinking. One of the problems has been that a lot of councils are very fixed with their requirements. Anything you can do to encourage local councils to become a

little more flexible and think through some of these things will be most appreciated. I am sure I am speaking on behalf of the entire New South Wales population, but I can see that The Greens can make a major contribution to some of those things.

**The Hon. JAN BARHAM:** We have heard about the idea from government of losing significant farming lands or ecological area for housing expansion rather than the contra, coming back and looking at more sustainable living: smaller houses that will improve affordability as well as keep people closer to the existing centres to save duplication of infrastructure. I just hope to see some of that thinking around government investment, being smart, showing the way that the industry might travel.

**The Hon. GREG PEARCE:** Absolutely, and I invite you to join in passing various pieces of legislation that might facilitate some of these very admirable objectives of The Greens and the Government.

**The Committee proceeded to deliberate.**

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