

GENERAL PURPOSE STANDING COMMITTEE No. 5

Friday 29 September 2006

Examination of proposed expenditure for the portfolio areas

WATER UTILITIES, REGIONAL DEVELOPMENT, SMALL BUSINESS, ILLAWARRA

The Committee met at 10.00 a.m.

MEMBERS

Mr I. Cohen (Chair)

The Hon. A. Catanzariti
The Hon. R. H. Colless
The Hon. G. J. Donnelly

Ms S. P. Hale
The Hon. D. T. Harwin
The Hon. H. S. Tsang

PRESENT

Department of State and Regional Development

Mr L. Harris, *Director-General*

Ms J. Scott, *Executive Director, Small Business Development Division*

Mr M. Cullen, *Executive Director, Regional Development Division*

Department of Energy, Utilities and Sustainability

Mr M. Duffy, *Acting Director-General*

Sydney Water

Dr K. Schott, *Managing Director*

LOFTUS HARRIS, Director General, Department of State and Regional Development, and

JULIE SCOTT, Executive Director, Small Business Development Division, Department of State and Regional Development, and

MICHAEL CULLEN, Executive Director, Regional Development Division, Department of State and Regional Development, and

MARK DUFFY, Acting Director General, Department of Energy, Utilities and Sustainability, and

KERRY SCHOTT, Managing Director, Sydney Water Corporation, on former oath and former affirmation:

CHAIR: 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 focus 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 support staff or the Committee clerks. Witnesses are reminded that they are free to pass notes and refer directly to their advisers while at the table. I remind everyone to turn off their mobile phones. The general agreement and precedent for the estimates committee hearings is that answers to questions on notice be provided within 21 calendar days from the date on which they are sent. Do you think that will pose any difficulties?

Mr HARRIS: No, we will certainly seek to comply.

CHAIR: I remind all witnesses that they are giving evidence on former oath or affirmation. I declare open the proposed expenditure for the portfolios of Water Utilities, Regional Development, Small Business and the Illawarra. Do any of the witnesses want to make a brief opening statement before questions commence?

Mr HARRIS: Not from my point of view.

Ms SCOTT: No.

CHAIR: I refer to an answer given in the last budget estimates hearing on the Water Utilities portfolio when it was stated, "A project such as this would have a total capital cost of almost \$4 billion", referring to Sydney's capability to achieve high levels of waste water recycling. According to the Metropolitan Water Plan fact sheet 5, entitled "Sea Water Desalination Compared to Recycling" the projected cost is \$2.845 billion. Will you enlighten the Committee as to the discrepancy between these figures?

Dr SCHOTT: I can be more precise if I take it on notice. I am not sure what the \$4 billion precisely referred to. But the \$2.845 billion would refer to a 500-megalitre recycling plant, which is sufficient to provide almost all of Sydney's water supply. With the desalination plants, as the Committee would be aware it is really an insurance policy. There is no intention to construct a desalination plant unless dam storage levels fall to around 30 per cent. It is rather like having an insurance policy in your back pocket, and you only claim on it if that happens. The \$4 billion for waste water, I am not sure what that is referring to.

CHAIR: My understanding is that it was referring to Sydney's capability to achieve high levels of waste water recycling. It was stated that \$4 billion would be needed to look at that side of the project. My understanding of fact sheet 5 entitled "Sea Water Desalination Compared to Recycling" is that the projected cost is \$2.85 billion.

Dr SCHOTT: For a very large a desalination plant.

CHAIR: I understand the fact sheet was looking at the cost of recycling as well. I understand there is a discrepancy between what was said at the last Committee hearing of some \$4 billion for Sydney's capability to achieve high levels of waste water recycling. I understand that was the projected amount stated at the last hearing that the Government was looking towards investing in recycling capabilities. Perhaps I have it wrong. But that is my understanding of it.

Dr SCHOTT: I do not recall the number. I will take it on notice and check it. It is the case that we have a number of major recycling projects at various stages of development, and we are anticipating that by 2011, or thereabouts, about 13 per cent of our water supply will be replaced by recycled water.

CHAIR: Mr Campbell told the Committee, "For Sydney to achieve high levels of waste water recycling, the waste water disposed of to the ocean would have to be treated to a quality that is fit for drinking. It would then need to be pumped to, and stored in, Warragamba Dam. Sydney Water has developed a costing of 500-megalitre a day in direct potable reuse project to transfer highly treated waste water from the ocean sewerage treatment plants to Lake Burragorang, which is behind the Warragamba Dam wall. A project such as this would have a total capital cost of almost \$4 billion." In a chart on the fact sheet, which is entitled "Sea Water Desalination Compared to Recycling" it says "Recycled Water from Ocean STP to Lake Burragorang" specifically in the heading, not desalination, which has a target of \$2 billion, but it has "capital costs include greenhouse gas mitigation of \$2.845 billion".

Dr SCHOTT: There is no confusion. The reason I was missing the point was that there is no intention to treat the effluent at the ocean outfall plants and the reason for that is that there is no way that we can use the volume of effluent near those plants. If we were to recycle the effluent from those plants, the only physical way in which that can be done, is back through the water supply and to treat the effluent, and to then pipe it back behind the Warragamba wall somewhere. That would be of the order of \$4 billion. Other recycling projects per kilolitre are much more impressive. For that reason Sydney is moving to a network of recycled projects but they are all of a much smaller scale.

There appears to be, amongst our customers, no consensus that they wish to drink recycled water, whatever its scientific purity, and until that changes the strategy would be to continue with replacing rainwater and our usual drinking supply with recycled water for industrial use and for use as grey water in households. Just to recap, the desalination plant, if it is a large one and it is 550 megalitres a day, is around \$2.8 billion, and the cost of taking effluent from ocean outfalls and piping it all the way back behind the Warragamba Dam wall is of the order of at least \$4 billion, largely because of the cost of pumping and pipes.

CHAIR: There seems to be two things. The first is the total cost of what is an incredibly intensive project of pumping effluent from outfall all the way back to behind the Warragamba Dam. That again smacks to me of a culture that we have to have a massive pipe to A and B and nothing in between. I am surprised that there cannot be more localised projects. I know recycled projects are being undertaken but to actually mine that effluent, before it gets to the point of ocean outfall or to the actual coast and turn it around even a lesser distance to go back, do we have to measure things in terms of one massive project to undo another massive project that has been historically there which is many kilometres of piping to ocean outfalls from quite significant inland areas?

Dr SCHOTT: The strategy you have just outlined is the strategy that Sydney Water is pursuing. The recycling projects that are under way are pursuing exactly that strategy. If I could draw your attention to the Western Sydney recycle project that will replace water flows from the Warragamba into the Hawkesbury/Nepean river system that is picking up sewage before it gets transported any distance very much and treating it to very high levels and then recycling it in developments in Western Sydney, and then replacing environmental flows in the Hawkesbury/Nepean river system.

Similarly the Camellia recycling project that we are currently in the marketplace with, will provide recycled water to Camellia and Smithfield industrial areas. It is likely to develop into quite a major recycling system. It will have the capacity to take treated effluent from Liverpool Sewerage Treatment Plant and others that are currently anticipated to put that treated effluent into the Liverpool/Ashfield pipeline. I will explain to the committee that the Liverpool/Ashfield pipeline that

is currently being constructed will initially have raw sewage and treated effluent together in it going through to ocean outfall plants.

CHAIR: No, the raw sewage will be coming from the existing pipeline.

Dr SCHOTT: Yes, that is right. And the treated effluent is coming from sewerage treatment plants where it is currently treated to high levels. That is a temporary measure. Once we have got everything in that pipeline we can then attend to, and fix, the Georges River network sewer pipeline which is currently running at 70 to 80 per cent full and is heavily corroded. We will fix that up and both finishing Liverpool/Ashfield and fixing up the Georges River network will take us five years. We will then put sewage down the Georges River pipeline. It will be at a lesser level because the treated effluent from the plants out there will go into the recycling schemes. That is a strategy that will provide more treated effluent, lessen the untreated sewage going to the ocean outfall, and provide highly treated effluent for use in recycling and for further treatment, if needed, for recycling.

CHAIR: Do you say that the Liverpool/Ashfield pipeline has been constructed and is delivering treated effluent?

Dr SCHOTT: And sewage and treated effluent.

CHAIR: Delivering on the actual Liverpool/Ashfield pipeline section various levels of treated effluent?

Dr SCHOTT: When the Georges River sewer has been fixed, the sewer going to the ocean outfalls will go through that pipeline, and the treated effluent will be in the Liverpool/Ashfield pipeline. That will be available for new developments down Parramatta Road, for example, and also for industrial developments basically everywhere to the west of that pipeline and all along it.

CHAIR: When will the Liverpool/Ashfield pipeline be delivering treated effluent?

Dr SCHOTT: Just treated effluent without any sewage in it?

CHAIR: Just treated effluent, five years?

Dr SCHOTT: Five years, yes.

CHAIR: And it will be five years to complete the Georges River pipeline repairs?

Dr SCHOTT: No, two years for the Georges River pipeline repairs and three years for Liverpool/Ashfield. We have got to do one to allow us to then do the other. At the moment we cannot get into the Georges River network because its capacity is at 70 to 80 per cent. Because of developments in Western Sydney it is highly constrained at present.

CHAIR: Is the Georges River pipeline conveying untreated sewerage and effluent to an ocean outfall?

Dr SCHOTT: Mainly to Malabar but some to Bondi.

CHAIR: The only really significant treatment is still happening at Malabar and Bondi?

Dr SCHOTT: With that pipeline, yes.

CHAIR: When will we see a reduction of that level of untreated sewage going that distance?

Dr SCHOTT: The Western Sydney Sewerage Treatment Plants are increasingly treating sewage to the tertiary level, and the Liverpool Sewerage Treatment Plant at the moment, it is tertiary treated sewage which is suitable for recycling after a very small amount of additional treatment, is currently getting mixed up with raw sewage and being transported towards the east and similarly Fairfield.

CHAIR: Is that going to the Georges River pipeline at the present time?

Dr SCHOTT: Currently it is, yes.

CHAIR: Perhaps we could have the percentage of treated and untreated effluent going down those pipelines and the potential for its reuse, with perhaps a schedule so that we have an idea when that will come into play.

Dr SCHOTT: Yes.

CHAIR: That leads me to another aspect of this whole debate. It has been said a number of times before in committee hearings that the public, regardless of the reality of the situation, will not accept the idea of drinking recycled effluent, no matter what standard it is brought to, and that that in itself necessitates indirect potable, and therefore it is a massive engineering project to get further mixing down behind Warragamba Dam. Why is it that this idea is so unacceptable? What has Sydney Water done about that as a strategy, given what is happening in Singapore and what London tells us about it going through four sets of kidneys before it gets to the sea, and my conversations with German conservationists who say it is an accepted practice all along that country's major rivers, including the Rhine—all indicating that there is virtually total potable reuse? Why is it acceptable in those places yet so unacceptable here, when we have a much greater problem with our primary water source and lack of rainfall and so on?

Dr SCHOTT: Rather than imagine why it is unacceptable, might I respond by saying that I think Sydney's water supply characteristics are a little different from those of Europe, and indeed other Australian cities, come to that. The attitude that people are taking here is actually sensible in its ranking of public health characteristics. While Malcolm Turnbull is, to an extent, right in saying that it is not the history of the water that matters but its quality at the time, public health people will tell you that is true but there is still a risk in the history of the water and—

CHAIR: Is there a lack of capability to treat that water to a point where there is no risk?

Dr SCHOTT: No.

CHAIR: I understand it can be treated to that extent. There may be financial constraints, but I understand that can be done and is being done in places like Singapore and in many parts of Europe.

Dr SCHOTT: Just in terms of recycling in Singapore and elsewhere: in Singapore the extent of recycling for potable use is quite small. Sydney's water supply is very variable. Over the past 100 years we have had three prolonged droughts—in the 1890s, in the 1930s and 1940s and the one we are currently in. We also have periods when we get spills and dams run over. Sydney's water supply, unlike anybody else's, is highly variable. For that reason, we have very big storages. We have more stored water per person than any other city in Australia. That allows us to get through those periods of prolonged drought. Because of that I think, through our strategy of using quite high volumes of recycled water for non-potable use, and the extent to which that is so excessively being implemented, we are actually not doing too badly on that front and we are going to get to targets that are quite impressive. This does mean that Sydney is blessed, frankly, in being able to have excellent water quality, and there is really no immediate reason to push too hard on the indirect potable envelope. I think it is a case of horses for courses. Sydney is in a very advantageous position with the quality of its water supply.

CHAIR: Could it not be argued, Dr Schott, that that is really part of a culture of working on massive storage utilising the primary material and not looking at recycling strategies for many years?

Dr SCHOTT: It is part of a culture in the sense that—

CHAIR: Your department could have turned it around and come out with a radically different strategy, even back in the 1980s, when the ocean outfall extensions—

The Hon. GREG DONNELLY: Point of order: The witness is entitled to answer the question before you cut her off and give her a lecture.

CHAIR: I am asking a question.

The Hon. GREG DONNELLY: No, you are not. You are asking a series of questions and not allowing the witness to answer.

CHAIR: I think the witness is quite capable of answering the question.

The Hon. GREG DONNELLY: I object to Dr Schott not being allowed to answer the question.

CHAIR: Your objection is noted. Dr Schott, you may answer the question as you see fit.

Dr SCHOTT: I think our forebears served us very well in Sydney by leaving us a very extensive metropolitan dam system, with the Warragamba Dam and other dams in the Shoalhaven. I suggest these issues would be better raised with the Sydney Catchment Authority, but it is true that we have a large engineered system. Frankly, that is a legacy that we should feel proud of. Whether or not efforts to push the recycling envelope should have started sooner is a moot point, but we really are now moving extensively along that curve and making great progress.

A couple of weeks ago we moved to commission the BlueScope Steel plant in Wollongong, which will provide BlueScope Steel with 20 megalitres a day of recycled water. They are our biggest industrial customer. They, with Sydney Water, have worked to drop their water use, and have come down from a use of about 57 megalitres a day to something like 25 megalitres a day. The 20 megalitres a day of recycled water that we are supplying them is 20 per cent of the Illawarra's water supply. That means we can leave that amount of water in the Avon Dam and not use it. Frankly, it makes me quite frustrated that the work that business and Sydney Water are doing together on this issue is not recognised. We are making tremendous progress.

CHAIR: In what way are you saying it is not recognised? I think we all applaud the media attention given to the opening of that project. I think the only concern was the hold-up with the firefighters union and perhaps the health department.

Dr SCHOTT: The media coverage on that was extraordinarily limited and largely local—and bless the local media! However, the general tone of the press and the line of questioning would suggest that there is not an appreciation of the extent of the recycling projects that are under way and have happened. On another tack, Rouse Hill is the largest residential recycling project in Australia; it has 16,000 dwellings, and we are about to add another 10,000. We have some really massive recycling projects, residential and industrial, under way.

CHAIR: I appreciate that.

Dr SCHOTT: I am sorry, Chairman, but I feel quite strongly about this matter.

CHAIR: I think that is quite reasonable. I think you will find support in many quarters, including mine, when recycling projects are up and running successfully. I think it is part of the historic process that there are those who feel these projects should have been undertaken a lot earlier but, I put on record, are very happy with the fact that they are commencing. There is a sense that perhaps we are also seeing a cultural change in the way that industry and government agencies are dealing with these big issues. I certainly appreciate that. But we seem to be acting when in dire straits, even though people have been calling for these actions for a long time. But I do appreciate what you are saying. You mentioned that Singapore's recycling for potable water is relatively small. They also have their supply from Malaysian dams and a relatively regular rainfall regime.

In Europe, with its fairly constant and bountiful rainfall regime, we are still seeing a culture of allowing effluent from sewage treatment plants to be recycled back into the major river systems and extraction of potable water at certain stages of the river system. That is something that has been very much accepted in Europe. Do you think it is something that we could accept? I know you answered by saying that we have quite a massive functioning system here and that we should look at how well we are doing that storage, but do you not think it would be advantageous if we could get to that point? If I

can paraphrase what has been said by Malcolm Turnbull, it is not the source of the water but its quality at the point of use that is important. Would that not be a helpful direction for your organisation to be working towards?

Dr SCHOTT: I think people may get to that point when it is necessary, but I think the point really is that with the Sydney system, it is not necessary at this current time. We do not expect that it will be necessary for at least the next decade. In Europe, it is more necessary than in Sydney because of the density of the population. I might say that the quality of their water is, as a general statement, nowhere near as good as the quality of water in Sydney, which is why they are so keen on bottled water.

CHAIR: We are pretty keen on bottled water in Australia, too, which is another issue, and extracting water from various aquifers is another issue again.

Dr SCHOTT: Much of it is Sydney water in a bottle.

CHAIR: I would agree with you in terms of the overall ecological footprint of that industry. You are saying that European water is not the same standard of water that we have here, but nevertheless, in terms of public health and safety, it would be.

Dr SCHOTT: Its public health and safety characteristics I am sure are adequate but the point is that Europe is extremely densely populated. It has people all along its rivers and it is almost impossible for them to supply water that is not indirect potable, frankly.

CHAIR: Does that not add to my argument, perhaps, rather than Sydney Water's argument? It can be done under such intense conditions and it works appropriately in the European setting and a much bigger population accept it. Surely we should be able to get acceptance in the Australian context, or is there some difference?

Dr SCHOTT: That may be, chairman, but I think it is 10 years away or more, and when Sydney's population is double what it is now, sort of thing.

CHAIR: Does that not behove your department to seriously campaign on that, given the other perspectives you have and the potential—

The Hon. GREG DONNELLY: Point of order: The issue of campaigning seems to add the question of policy which is a matter, that seems to me, more appropriately directed to the Minister.

CHAIR: The Minister is not here. What am I supposed to do?

The Hon. GREG DONNELLY: I understand that.

The Hon. RICK COLLESS: The Minister is not here.

The Hon. GREG DONNELLY: I understand that the Minister is not here, but I am saying you are asking Dr Schott to comment on what is, in effect, Government policy, and you need to take that into account.

CHAIR: Dr Schott, you have actually expressed strong and effective perspectives on the various recycling initiatives that currently are in progress and projected. You have indicated a number of quite revolutionary projects that are delivering water. My concern is that while you say that we have greater capability here and it might be a problem in 10 years time, it seems to me that we are confronted with quite significant problems right now in terms of potential climate change and a lack of rainfall in catchments and such like that have been identified in recent times. Does it not concern you that we should be actually looking forward to that 10-year future and working on those other strategies, particularly when there are those who are very concerned, for example, about transfer of water from the Shoalhaven, or desalination with its massive power usage and environmental impacts? Would it not be a reasonable position historically that we look at those necessities, given that we will be an ever-expanding population in Sydney?

Dr SCHOTT: I think those broader policy issues and the question of what to do some years out are really not Sydney Water's principal concerns. We like to have an input into the more immediate policy concerns but our principal focus is on day-to-day water and sewerage service delivery, as you would appreciate.

The Hon. RICK COLLESS: Dr Schott, are you an employee of Sydney Water, or a member of the Sydney Water board?

Dr SCHOTT: I am both. I am a member of Sydney Water board by way of being appointed as the managing director and I am an employee of Sydney Water by way of being its chief executive officer.

The Hon. RICK COLLESS: What were the circumstances surrounding your appointment?

Dr SCHOTT: The circumstances surrounding my appointment were that David Evans, the previous managing director, had moved to Sydney Water for a short appointment only. The understanding with Mr Evans and the board was that he would stay for around two years, maximum. The reason for that was a personal one on David's behalf. He did that. As the end of the two years was approaching, the board, as I understand it, commenced—and at that stage you will appreciate I was not a member of the board—a search process. From that search process, the board decided to offer me the job. It was a job that I took with great pleasure, frankly. I am nearing the end of my working life. I have spent most of that working life in the private sector. I have always wanted to run a corporation. Sydney Water is a very large company. I know quite a lot about water and I am an expert in infrastructure provision. I think I can bring skills to Sydney Water that will greatly assist it at this time.

As we have just been discussing, the water industry is going through interesting times at the moment. It has debates going on about the price of water. It has debates going on about private sector participation within the water industry. It has fantastic new technology coming on for detecting leaks in pipes, and it has a lot of decentralised types of water projects that are moving the industry away from the big engineering solutions that it used to see. Without saying that I am irreplaceable, I do actually believe I am the right person for the job at this time. The sort of questions that are being asked about my appointment I frankly think are unnecessary.

The Hon. RICK COLLESS: Thank you for that. The 2004-05 annual report states that advertising for nominations to the board is a requirement under section 50 of the Sydney Water Act. Advertising ensures that broad composition and candidacy are sourced widely. Does that same principle also apply to the position of chief executive officer-managing director?

Dr SCHOTT: That provision of the Act does not apply, no.

The Hon. RICK COLLESS: Was your position advertised?

Dr SCHOTT: No. I have answered that question previously and the answer is no. If I might just comment on that, it is actually quite unusual for major corporations to advertise for their chief executive officer, as you would appreciate. When I was previously on the board of Sydney Water, we did just that. I think the experience of the board over that period of time has suggested to the board that it is generally a waste of money doing that and it is also a waste of money using head-hunters. The reason for that is that the public sector tends to pay, as you would appreciate, about a quarter of what the private sector pays. Getting good candidates in that circumstance means that you are looking for people like me and David Evans, who are slightly eccentric.

The Hon. HENRY TSANG: And capable.

Dr SCHOTT: And capable.

The Hon. RICK COLLESS: Dr Schott, how much are you paid? What is your total?

The Hon. GREG DONNELLY: Point of order: A question like that would be more appropriately directed to the Minister.

The Hon. RICK COLLESS: We would, if the Minister were here.

The Hon. GREG DONNELLY: The Minister has decided not to come, so I take exception to that question. Dr Schott is not under any obligation to answer that question.

CHAIR: Dr Schott can make that decision.

Dr SCHOTT: What I am paid and what the managing director of Sydney Water is paid is in the annual report every year, not directly, but it does not take a genius to work it out. I am paid \$400,000 a year. David Evans was paid slightly more. That is about par for the course for a chief executive officer of a major public corporation.

The Hon. RICK COLLESS: The most recent annual report that is available lists the top paid director of Sydney Water as earning more than \$490,000. Who would be the top paid director of the board?

Dr SCHOTT: The top paid director of the board is the managing director.

The Hon. RICK COLLESS: Is that your position?

Dr SCHOTT: Yes. The amount you have referred to, as I explained, relates to David Evans, who was paid more than I am. There are two reasons for that: one is that I have just arrived and I would not anticipate being paid as much as David was, at this time; secondly, David was based in Newcastle. He came from the Hunter and he had considerable travelling expenses because his family was in the Hunter and that was commuted into his remuneration.

The Hon. RICK COLLESS: Dr Schott, are you a member of the Labor Party?

Dr SCHOTT: No.

The Hon. RICK COLLESS: Have you ever be a member of the Labor Party?

The Hon. GREG DONNELLY: Point of order: I do not think that is a question that the witness is required to answer.

CHAIR: Within reason, Mr Colless; Dr Schott has answered that she is not currently a member of the Labor Party; that is enough to pursue along that line.

The Hon. TONY CATANZARITI: To the point of order: This line of questioning is not really what this hearing is about. We are wasting time.

CHAIR: I can appreciate the sensitivity.

The Hon. GREG DONNELLY: We will take our half hour of questioning, and waste your time.

CHAIR: That is your choice. The question was asked and a point of order was taken. I am suggesting to Mr Colless that the answer to the question of whether Dr Schott is currently a member of the Labor Party was sufficient along that line.

The Hon. DON HARWIN: As we are in the middle of our allocated time, I will take my half. On 30 July, Premier Morris Iemma stated, "We have always assumed the public are not ready for drinking recycled water". Has the Government done any studies into this? Was the Premier's assumption just based on a guess?

Dr SCHOTT: I do not know the answer to that question. You probably need to put it to the Minister or the Premier.

The Hon. DON HARWIN: Has Sydney Water done any studies on whether the public is ready for drinking recycled water?

Dr SCHOTT: Not to my knowledge. It is not the sort of thing that we would do surveys about.

The Hon. DON HARWIN: You say not to your knowledge, which is fair enough. Are you prepared to take the question on notice and check?

Dr SCHOTT: Yes, certainly.

The Hon. DON HARWIN: Do you believe the public is ready for drinking recycled water?

Dr SCHOTT: I can answer that for myself and I would be quite happy to do so. I say that with a caveat: I much prefer to drink the water we have in Sydney at the moment. I cannot see any reason why we should try to accelerate history.

The Hon. DON HARWIN: A lot of Sydney Water customers are already drinking recycled effluent, are they not?

Dr SCHOTT: If you are referring to the effluent that is discharged around the North Richmond region, the answer is yes. If you are referring to the effluent that goes from the Wingecarribee Sewage Treatment Plant and others that discharge into the upper reaches of the catchment, the answer is yes.

The Hon. DON HARWIN: And there are nine of those plants, including the Wingecarribee plant?

Dr SCHOTT: I will have to take that on notice. There are a lot of kangaroos and others too helping with the quality of the water.

The Hon. DON HARWIN: Indeed. Would it be correct to say that waste water makes up about 2 per cent of the water flow into the Hawkesbury-Nepean catchment?

Dr SCHOTT: The waste water?

The Hon. DON HARWIN: The waste water from that plants, and you have agreed to Wingecarribee.

Dr SCHOTT: I am not sure of the percentage. Obviously it would depend greatly on the flow of the river, whether it was normal or in drought condition. The Department of Natural Resources [DNR] would be better at answering that question. I can take it on notice if you wish. DNR monitor the flow of the river quite carefully.

The Hon. DON HARWIN: The building at No. 1 Martin Place receives some support from the Water Savings Fund. How much stormwater will the project at No. 1 Martin Place harvest?

Dr SCHOTT: I am not sure. I will take that on notice.

The Hon. DON HARWIN: How much money from the Water Savings Fund was given to No. 1 Martin Place?

Dr SCHOTT: I will have to take that on notice. A large number of recycle projects and water efficiency projects go through our Every Drop Counts Program, and Sydney Water recently received an award in Stockholm for our work with business on the more efficient use of water. I assume that the No. 1 Martin Place project would come under the More Efficient Use of Water in Office Buildings Program. It is largely concerned with the way that cooling towers are operated.

The Hon. DON HARWIN: Dr Schott, or Mr Duffy, why were the details of the grants to No. 1 Martin Place not detailed on the Department of Energy, Utilities and Sustainability [DEUS] web site?

Mr DUFFY: I will take that on notice, but I do not know if we give out the details, apart from funding. I will take advice on that; no, I will take it on notice.

The Hon. DON HARWIN: Dr Schott, or Mr Duffy, in regard to the funds, to date 9.3—

Dr SCHOTT: That sounds more like a DEUS matter.

The Hon. DON HARWIN: To date \$9.3 million has been spent in round one, with \$24 million spent in round two. \$3 million was spent from the fund on the Government's \$4.1 million Water for Life advertising campaign. That adds up to \$36.3 million, when the fund totalled \$40 million. Where is the other \$3.7 million of the fund?

Mr DUFFY: The fund provides a maximum for a period, and I think probably in the first round in particular, because of the timing of the announcement and the quality of the projects coming through, what happens with the money that was not allocated is that it continues on in the fund. Whatever has not been spent will be of continuing availability to the fund going forward.

The Hon. DON HARWIN: Is it being saved for advertising? Can you categorically rule out the fact that this money will be spent on advertising in the lead-up to the State election?

Mr DUFFY: I think there is a clear criterion. There is a committee that provides recommendations on the submissions that are made. To my knowledge there is no requirement or suggestion that any money is being put aside for advertising.

The Hon. DON HARWIN: In the last hearing one of the questions that was asked was whether all the recommendations that were made by the committee for round one of the water savings grants were approved by the Government. In response to the question, which I think was taken on notice, the answer referred only to round two of the water savings grants. Can you advise whether all the recommendations put to the Minister in round one were approved? If not, could you outline where, if at all, the grants differed from the advice given to the Minister by the committee?

Mr DUFFY: My understanding is that everything that was put to the Minister was approved. I will take that question on notice and have a further look at the answer to the question to which you just referred to establish whether it needs further support on that point. Further to that, I am advised that all projects put to the Minister received funding in round one.

The Hon. DON HARWIN: So you will not need to take that question on notice?

Mr DUFFY: I will not need to take that question on notice. Everything that was put to the Minister received funding.

The Hon. DON HARWIN: Dr Schott, what do you think of the proposal that would start at the eastern treatment plant at Carrum in Victoria where a 115 kilometre pipeline will be built to recycle 115 billion litres of water?

Dr SCHOTT: I am not familiar with more than what I have read in the newspapers about that project.

The Hon. DON HARWIN: Do you think we could do this in New South Wales?

Dr SCHOTT: I think we canvassed the recycling strategy in earlier questions. We are open to recycling projects. The ones that tend to be most commercial in Sydney are centred around industrial sites and also new major residential developments. You will find that the projects we have running in Sydney, and that will come into operation over the next few years, will be the equivalent of the sorts of initiatives that are happening in Victoria and in other places. But for each place what happens depends largely on geography and where we can use the recycled water.

The Hon. DON HARWIN: Is Sydney Water giving consideration to the interrelationship between the use of water at electricity plants in Lithgow, the Warragamba catchment and in the Blue Mountains for the greater use of recycling beyond the limited amount that is already being done?

Dr SCHOTT: The power stations are outside our area of operations but I am aware that there has been some examination of them.

The Hon. DON HARWIN: What is its status?

Mr DUFFY: I think the businesses are looking, plant by plant, at ways of dealing with water treatment. That question would probably be better asked of the Minister for Energy. As a general proposition all the generating companies are looking at ways of dealing with a sustainable water supply, for obvious reasons, particularly in the summertime when you need cooling capacity. So each generator has its own specific approach to sustaining its capacity to cool its plant.

The Hon. RICK COLLESS: With the chronic skill shortage in regional New South Wales why does your department's payroll incentive scheme not apply to any town or area west of the Great Dividing Range where there are some of the highest unemployment rates in New South Wales?

Mr HARRIS: The payroll incentive scheme has been devised essentially around Australian Bureau of Statistics [ABS] statistical areas of high unemployment. In relation to the statistics, those are the areas that have been chosen by us in conjunction with Treasury. I admit that there are pockets of individually high unemployment, but it is the ABS statistical areas that we have chosen.

Mr CULLEN: Just to add to that, they are based on statistical divisions by ABS and they will be reviewed to establish what areas are in the scheme each year when the ABS figures come out. Those statistical divisions have had an unemployment rate that has been above the State average for a sustained period of two years.

The Hon. RICK COLLESS: I have lived in regional New South Wales virtually all my life. When there are population increases on the coast or in areas east of the Great Dividing Range, with the comparative population declining in western areas of New South Wales, we should be looking at regional development programs that will encourage employment in those sorts of areas. Do you not see as your role promoting things like the payroll incentive scheme to apply in western New South Wales?

Mr HARRIS: I make the observation that the payroll incentive scheme is aimed at addressing an unemployment issue before an industry development aspect. It is using and supporting industry to create jobs in areas where, as we said, there are statistically high unemployment numbers. Referring to the department's core role in pursuing business growth, a number of schemes apply. The Regional Business Development Scheme [RBDS] is one scheme that applies throughout the State. By far the majority of those funds and those individual activities occur probably west of the Great Dividing Range. I would have to look at that and tell you.

When we look at the number of investment projects that are assisted we find that, in the last year, we assisted about 16 or 20 projects in the metropolitan area that were considered eligible for assistance and more than 100 in regional areas. By far the majority of that support goes to the regions. The other thing that applies virtually only west of the Great Dividing Range is the drought scheme. We provide support to businesses in country towns that have been affected by the drought. I know that a number of schemes, both Federal and State, apply to assist people involved in agriculture and pastoral activities.

One of the concerns that we have had touches on the very point that you raised, that is, the plight of small and medium enterprises that often are dependent on the surrounding agricultural economy. We have schemes that provide support to those small and medium enterprises largely to retain employees who otherwise would tend to drift away. There are numerous examples. One of the examples that I often think of is an agricultural aerial spraying operation. Obviously, as there was a decline in agriculture in the region there was no business, the planes stopped flying, and the people who were doing the mechanical and avionics servicing on the aircraft were in grave danger of moving

away. We always believe that if they move they probably will not come back. So it is those sorts of schemes that we have applied in the regions in addition to the RBDS and the payroll scheme.

The Hon. RICK COLLESS: A number of businesses have suffered as a result of the drought, not just aerial spraying businesses. The other thing that has impacted severely on regional areas is the Government's Brigalow decision. Small businesses in towns like Baradine and Gwabegar have not received any assistance under the restructuring program through the Department of Natural Resources. Is your department looking at businesses like that to find ways in which they can be brought back into some sort of realistic program of earning a living?

Mr HARRIS: I will ask Michael Cullen whether he wants to comment on this as well. In the broad, most of the schemes that we run are really designed to assist business growth. Essentially, we do not have a broad enough range of capabilities, and nor does any jurisdiction, to provide support to companies that are in all the circumstances of difficulty that one could imagine. So our programs are aimed at working with companies that look to have growth prospects, which have identified an opportunity to grow their business and which are facing impediments that we can help them overcome. We are essentially in the business growth business.

Mr CULLEN: In terms of that, our local officers there are certainly aware of some of these businesses. But, as Mr Harris said, it is very much about those businesses developing new opportunities where they can, et cetera. When that comes up we will certainly be able to look at helping those businesses with some growth prospects.

The Hon. RICK COLLESS: Mr Harris, the Premier has offered his in-principle support for expanding daylight saving by approximately one month a year, making a total of six months daylight saving. Are you aware of the impact that that has on border and western communities in relation to their business dealings?

Mr HARRIS: Only on a personal basis. I have had no discussions with the Premier about that at all.

The Hon. RICK COLLESS: What is your view on that? You say you have a personal view. What is your view of the impact that that will have on businesses in border and far western areas of the State?

Mr HARRIS: I think my personal views are probably less important than those of these companies, to be honest. That is something that will have to be canvassed by jurisdictions on both sides of the border before such an activity is undertaken.

The Hon. RICK COLLESS: A Tweed property sales agent has revealed that it is cheaper to buy a typical new home site in southern Queensland than in northern New South Wales due to the New South Wales Government and council charges. He was quoted in the *Daily News* as saying that these charges have added \$100,000 to the cost of house blocks in the Tweed. What is the Government doing to try to reduce the fees and charges levied on people who buy land in northern New South Wales to build a new home? We must keep them in New South Wales.

Mr HARRIS: I have to say that residential property is not an area about which the department claims any particular expertise. I guess you would have to discuss the matter with the Minister for Planning or perhaps even with the Treasurer if it is to do with charges.

The Hon. HENRY TSANG: Rick, maybe you and I can work on getting more GST money from Canberra for the State of New South Wales.

The Hon. RICK COLLESS: You can do that. You can ask your mate Peter to give it back to us.

The Hon. DON HARWIN: Dr Schott, you would obviously be aware of the Australian Governments \$2-billion water fund that is used to support innovative, nationally significant water projects. Has Sydney Water applied to use this money for any projects? If so, how much and where, and if not, why not?

Dr SCHOTT: The applications to that particular fund are co-ordinated through the Cabinet Office and the metro water people within it. I am aware that there are several projects that Sydney Water is running—they will not necessarily be Sydney Water projects at the end of it all—that are on the list. But I would prefer to take that question on notice and co-ordinate a response through my colleagues in the Cabinet Office. It is something that they run and I am not intimately involved with, apart from putting projects on the list.

The Hon. DON HARWIN: Is Sydney Water looking at greater utilisation of the Botany aquifer?

Dr SCHOTT: We have had discussions for some time with academics who have done a lot of work in this area—I am told that it is the most studied aquifer in the world. We have been speaking to some academics who have done a lot of work on it and we have been approached by Malcolm Turnbull about the matter. There is work going on. You would also be aware that the Government recently stopped bores being used in certain areas of the aquifer at the lower end due to quite severe contamination. There is a project based in Centennial Park that uses the Centennial Park ponds, which are the surface evidence of the aquifer at that end. There is some use of stormwater recycling there. I will also get details of that for you.

The Hon. DON HARWIN: Thank you very much.

Mr DUFFY: I wonder whether I might take the opportunity to offer some clarity on the Martin Place question. My further advice is that No. 1 Martin Place has not received funding under either round one or round two of the Water Savings Fund.

The Hon. HENRY TSANG: I have a question for the Director General, Loftus Harris. During the last estimates hearing you were asked about your new location in the MLC building. Have you allocated space for the Country Embassy? How do you plan to look after businesses in country New South Wales as well as Sydney businesses?

Mr HARRIS: Thank you for that question. You are quite right, Mr Tsang: that issue did come up at the previous estimates hearing. As we explained then, the Country Embassy is now located on level 47 of the MLC building. The department had previously maintained the country Embassy on level 44 of Grosvenor Place. The Country Embassy is an integral part of what is called the Trade and Investment Centre. It has been established in 1995 and is used throughout the year to assist companies in New South Wales that are seeking to promote their products or generate interest in their activities. We make that space available for free to companies from regional areas and country towns and to councils and economic development boards—any organisations that can bring benefits to regional New South Wales.

We have relocated the Country Embassy, with the Trade and Investment Centre and the rest of the department, to level 47. From day one the Country Embassy has been clearly identified by a sign outside the doors and the lift well on level 47 that says, "Trade and Investment Centre—Country Embassy." We have divided up the floor space differently simply because we have had the opportunity to come up with a more efficient layout. The area has been used over the past year, and the trend continues. About 25 per cent of all the activities that take place in the Trade and Investment Centre related directly to country-based industries, companies and activities. We have not only re-established the Country Embassy without interruption in the MLC building but renamed a number of the rooms and the facilities we use—through a competition, actually, that involved a lot of the staff in the department—after early explorers, Aboriginal traditional names and a number of rivers in western and northern New South Wales. We feel that this has given it a real country flavour and recognises the aims of the Country Embassy.

At level 44 of Grosvenor Place we also had a large mural in place that depicted a number of rural activities, and in the finishing touches to the Country Embassy a similar mural will be installed in a couple of rooms. The area has been used in recent times since the move for a cool climate food and wine showcase from the Orange region. More than 200 people were attracted to the event, which featured the produce of the Orange area. We have also used it for the planning and conduct of Country Week, something we have done in conjunction with Mr Bailey and his group from the Tablelands. We

have used it for meetings of the Local Government and Shires Associations in terms of their concerns with economic development issues. We have had a seminar that was addressed by the Dean of the Macquarie Graduate School of Management on growing Australian regions, and we have continued to attract strong bookings. The only thing I would say in conclusion is that the Country Embassy and the Trade and Investment Centre as a whole over the last half a dozen or so years have increased throughput of usage.

Some years ago we would see about 9,000 or 10,000 people in here going through the Country Embassy and the Trade and Investment Centre. In the last financial year that number had reached 30,000. We estimated 25,000 for this coming year because we thought we would suffer a bit of a disruption as we moved into the new premises, but it has picked up, and picked up really quickly. There has been rarely a break. Although the budget papers show that 25,000 is our estimate, I think we will get very close to 30,000 again and we will probably exceed that next to you.

The Hon. TONY CATANZARITI: Dr Schott, you mentioned an award that Sydney Water recently won. Could you tell me more about it?

Dr SCHOTT: We run a program called the Every Drop Counts program through which Sydney Water partners with various businesses to save money. It ranges from the work that has been done with BlueScope, which I mentioned earlier, but we have also worked with Lion Nathan, which has saved an enormous amount of money through an audit we did for it looking at its water use on its plant. That has been so successful that it is now using those techniques in its other plants in Australia and offshore. It also looks at the use of water in office towers, and how buildings can save water through better use of water in cooling towers, waterless urinals and various other installations. The area of Sydney Water that runs the work had rather naively got on with doing it. One of the managers who was involved in running it noticed that the water industry globally has an award for innovations of this kind. We applied for the award, almost serendipitously, and the outcome was that we won the award. It is fair to say that at the time Sydney Water did not appreciate the importance of the prize. The chairman happened to be in Scandinavia on holidays, so she went to collect it and the manager who was responsible for putting in the award went to Scandinavia to collect it.

When they got there they found that the award was given out in the hall in which the Nobel Prize is given out. The Royal family was present. The Australian ambassador was present, and when asked whether he would come to these things fairly frequently he said, "Never. It is because you are here." It transpired that it is an extraordinarily important award. It is the first time an Australian company has won, and the first time that a Government-owned company anywhere has won. The previous winner was Proctor and Gamble, which won for a technical development of a little sachet that is used in underdeveloped countries to purify water in refugee camps and places where it is quite difficult to get water purity. There has been a long history of private sector companies winning this award. We do not actually have it yet because it is quite difficult to transport. It is a large glass sculpture made by Orrefors, or one of those top companies, in the shape of a water drop. I am told it is a truly amazing object. We are very proud to have won it. It is not just kudos for Sydney Water. The most important part of it is for Australian business and the work that companies have done with Sydney Water in saving water. There have been some tremendous ideas and innovations.

The Hon. TONY CATANZARITI: Congratulations!

Dr SCHOTT: Thank you.

The Hon. GREG DONNELLY: Yesterday I noted there was a report about a water leak in Goulburn Street. Will you tell us what Sydney Water does with leakages in the system?

Dr SCHOTT: I will attend first to the Goulburn Street leak. We were notified of a water main break on the corner of Goulburn and Sussex streets at 8:30 a.m. yesterday. The crews got there at 9.15, and we shut the water off at about 10 o'clock. It appears that the cause of the break was road repairs under way at the time. The people doing the road repairs damaged the main or caused the break. We are still investigating that. The cause is unknown. It was great footage on the web site of the *Sydney Morning Herald* yesterday. The awning of the Star Hotel, which is nearby, was damaged. It would have been a bit of a shock for the Star Hotel because I think it is an early opener. We had 100 properties without water, including restaurants and shops. That went on for most of the day, until half

past four. We had people there informing restaurants and shops what was happening. The Sydney Water crew did site restorations so that everything was safe and the roads could be used. We will return to construct a new main box after the long weekend.

In terms of leaks more generally, we have reduced our leakage from about 10 per cent in 2004-05 to 8½ per cent last year, which is a saving of about 18 billion litres a year. It is still a lot of water that we are losing, but we are now inspecting 18,000 kilometres of mains every year with basically quite little floating camera devices and that is helping us find leakage. It sounds like a tremendous amount of leaks, but if you look at other countries and other cities 8½ puts us among the better-performing cities. In London leakage is about 12 to 15 per cent. The only city we have looked at that seems to have a better leakage record than us now is Singapore, which is about 5 per cent. We will reduce our leakage rate further as our fancy little gadgets go through the system. Recently a new gadget called Sahara has gone into 3,000 kilometres of very large mains in a trial run to see whether it is suitable for us to use in our bigger pipes. Innovations in leakage detection means that we can address these leaks below ground and we can see much more effectively than we could in the past.

The Hon. GREG DONNELLY: Mr Harris, in answer to a question you gave earlier you used the figure of 200 to describe the number of people who went through Country Week. Did you mean 200,000?

Mr HARRIS: No. That was the number of people who actually attended that one particular event. There was one event. The number of people through the Country Embassy in any year is now at 30,000 in total, but for the Orange Wine and Food presentation about 200 people attended that.

The Hon. HENRY TSANG: Often Australians do not appreciate how good they are with recycling and saving water. Will you advise the committee whether Sydney Water helps to train or advise visitors from Asia to look at how Australia recycles? Are there any programs to assist our neighbouring countries?

Dr SCHOTT: I am aware that we do various ad hoc things but I will take the substance of that question on notice and get back to you. One of the things I am currently aware of is a device in the Every Drop Counts Program that we have developed which is a water-saving wok.

The Hon. HENRY TSANG: It is very successful.

Dr SCHOTT: Yes. In Asian restaurants I understand that the cooking is done through a wok system which uses an enormous amount of water.

The Hon. HENRY TSANG: Continuous water.

Dr SCHOTT: A continuous water flow. We have developed a waterless wok which basically uses air to do the same thing that water used to do. It is being put in place in a lot of the Asian restaurants in Hurstville. Asian restaurants throughout the city are much taken with it because it pays for itself over about 18 months, just in the water it saves. It costs a couple of thousand dollars. It is more expensive than the wok that they currently use but it does pay for itself very quickly. All of the Asian restaurants in which we have fitted the wok have said "Tell people offshore about it" and "Everybody in Asia ought to be using these things." So some effort is being done by the people who make those waterless woks to sell them offshore.

The Hon. HENRY TSANG: Mr Harris, would you take one of the projects on one of your trade missions to Asia?

Dr SCHOTT: Or to country areas.

Mr HARRIS: Yes. I think it is a terrific idea. I did not know how it worked. I had heard of the waterless wok but I must say I had not spent an enormous amount of time thinking about it. I think it is terrific and because we do run trade missions into Asia, and because we do—again with the country embassy and the Trade and Investment Centre—provide briefings to a lot of visiting trade missions from throughout the region, I would be really interested in it. I think it is a great idea.

Ms SYLVIA HALE: I am not sure to whom to address questions about Hunter Water?

Dr SCHOTT: I doubt I can answer questions about Hunter Water because I am Sydney Water. I would suggest you try me and if I do not know the answer we can take it on notice.

Ms SYLVIA HALE: Hunter Water owns land at Minmi in the Stockton area. It is land that was formerly used as wastewater treatment works, is flood prone and is zoned 7B environmental protection. I understand Hunter Water wishes to sell that land and the Valuer General has put a valuation on it of \$100,000. The land also adjoins land at the Hexham Swamp which is under the control of the Hunter Central Rivers Catchment Management Authority. The Catchment Management Authority has offered Hunter Water \$100,000 for it, but Hunter Water has rejected that offer and says it wants more. It is one government agency trying to extract an undue amount of money from another government agency. I want to know whether the Minister will intervene to instruct Hunter Water to sell that land to the Catchment Management Authority.

Mr DUFFY: That is probably a question that we can more appropriately take on notice for you and come back to the committee on.

Ms SYLVIA HALE: First, whether they will instruct Hunter Water to that effect and, second, if so, when will it be likely that the land will be transferred. My next question is in relation to the Illawarra. To whom should I address that?

Dr SCHOTT: If it is water—

Ms SYLVIA HALE: No, it is not water. It is about the Maldon Dumbarton Rail Link.

Mr HARRIS: Yes.

Ms SYLVIA HALE: Mr Harris, will you tell me if the department or the Minister has been in any negotiations to create a public/private partnership to complete the Maldon Dumbarton rail link?

Mr HARRIS: I am not aware that the department has been involved in any such activity. I will take the question on notice and refer it to the Minister.

Ms SYLVIA HALE: In particular, would you ask the Minister if there have been any talks with Toll or with the Walker Corporation in that regard? If so, what was the substance of those talks and will any announcement be made in relation to the completion of the Maldon Dumbarton line?

Mr HARRIS: I will certainly convey the question.

CHAIR: Dr Schott, given the debate about the capacity of water storage as opposed to re-use strategies, how do you view the fact that we have fairly serious water supply problems but the only relatively consistent flow, regardless of climatic problems, is effluent or sewerage outflows. Does that in itself entice your department to place greater reliability on that consistent flow for projected re-use projects?

Dr SCHOTT: That is exactly what is happening under the Metropolitan Water Plan. Given the variability in Sydney's water supply taking a very long view of it, we do need to maintain our water supply and demand in balance by doing more recycling, and that is occurring.

CHAIR: How much has the Government spent in the past year on water infrastructure for the delivery of recycled water?

Dr SCHOTT: I will need to take that on notice and give you a little explanation of the projects in the answer because you would appreciate each of them are in slightly different development phases. While we may not have to date spent very much on some because we have just finished the planning, we will start ramping up the spend over the next year or so.

CHAIR: At the same time would you provide detail on how much is intended to be spent on that infrastructure in the coming year?

Dr SCHOTT: Yes, and I will also put the estimated re-use volumes so you can see the replacement of the potable water which is the important facet of it.

CHAIR: You mentioned leaks in quite some detail. Do you still have problems with infiltration at different times? Does that pose a problem with re-use strategies with stormwater? Is there an ongoing mix particularly in older pipes in inner city areas between sewerage and stormwater pipes?

Dr SCHOTT: On the sewerage side the leak problem in dry weather is almost entirely associated with trees getting into sewer mains, usually in private yards of households. We have a program going on to address that and we are likely to extend it further. We have cut back dry-weather sewer overflows considerably, and are attempting to do more. The extent of recycling that is going on with wet-weather overflows will assist with those efforts because we are taking greater volumes from sewers, thereby reducing overflows.

CHAIR: The Federal Government has made a commitment to the recycling of not only sewage but also stormwater. How much of the 70 billion target for water recycling in New South Wales is a target for sewerage, and will you commit to expanding this target to include recycling stormwater?

Dr SCHOTT: The 70 billion target is for sewerage effluent. The reason that Sydney Water does not have a stormwater target is that we only own about 3 per cent of the stormwater assets. Most stormwater is the responsibility of local councils. For that reason, getting co-ordination is quite difficult. There is some very informal discussion within Sydney Water about stormwater projects and speaking with councils and encouraging them to join with us to do something on this issue.

CHAIR: I thought it was the other way round. I understood there was enthusiasm in councils for these projects. I know Marrickville council is enthusiastic about stormwater projects and has a massive tank area near Sydenham railway and that type of thing. That has been brought up at different inquiries.

Dr SCHOTT: We are working on a stormwater project in Sydney Park with Marrickville council and TransGrid. It involves a quite large stormwater capture, and it will also considerably improve the quality of the water in the Alexandria canal.

CHAIR: I understand that the Howard Government recently announced a \$2.6 million stormwater harvesting project for the Central Coast. Though there have been some recent heavy rainfalls along the coast and in urban areas of New South Wales, there has been a continuing lack of rain over the Sydney catchment area. Could you explain to the Committee what plans the New South Wales Government or your department has regarding stormwater harvesting, particularly in light of this movement of the catchment?

Dr SCHOTT: I can take on notice the stormwater projects going on at the moment. I think the question should be addressed also to Mr Duffy, because the Water Savings Fund has a number of stormwater projects going on within it.

Mr DUFFY: The question has been largely answered. Councils can apply to the Water Savings Fund for assistance with stormwater recycling. The department certainly is seeking to promote, through the Water Savings Fund, any of those marginal projects that the Water Savings Fund can help become operative.

CHAIR: There has been mention of the famous Chinese waterless wok. Perhaps I am coming from another angle, but there was mention of several thousand dollars being set aside for those. I am wondering why that does not get some financial support across industry, given that it is such an effective water-saving mechanism. Given that we have seen a claimed movement—I think it is reasonable to say movement—of the catchment, why are we not seeing a greater financial encouragement for the use of rainwater tanks and greater incentives for rainwater tanks installation? I acknowledge that we often hear the reply that rainwater tanks are expensive to supply and install and

that this is not the most efficient method of water supply, but does the department take into account the fact that, once installed, these tanks operate virtually free of cost for at least 20 to 30 years?

Mr DUFFY: We did support the waterless wok in round one of the Water Savings Fund.

CHAIR: So there is a financial incentive?

Mr DUFFY: There was some financial support to get one of the projects up and running—to bring it to market, basically.

Dr SCHOTT: It is also supported by Sydney Water. We provide a loan through our billing system. Restaurant owners repay the loans from their water savings. We find the loans are repaid over 18 months or two years.

CHAIR: That is a good initiative. Similarly, what is the position with rainwater tanks?

Dr SCHOTT: We are providing rebates on rainwater tanks, as you would be aware. I am looking for the number of rainwater tanks that we are up to, but it has been a very successful initiative. There is no doubt they are very popular.

CHAIR: Some say that these sorts of water saving projects are the domain of the wealthy, as installation is quite expensive. That concerns me, given that once installed rainwater tanks can be a fairly constant source of additional water supply in domestic situations.

Dr SCHOTT: At the moment, we have had 26,000 rebates for rainwater tank. We have also focussed on rainwater tank rebates for schools, and as at the first of this month 170 schools had rainwater tanks installed.

CHAIR: What is your department doing to resolve issues with the Department of Health over the use of rainwater for human consumption?

Dr SCHOTT: The Department of Health has been working on this issue. The basic issue is that water that comes off roofs, as far as public health goes, is quite high quality, but there are public health issues relating to rainwater runoff from roads because that water does tend to pick up a large number of heavy metals and particulates left by motor vehicles. Insofar as there are rainwater projects taking water from roofs directly into drinking water sources, the Department of Health would be more amenable to thinking about those than it would be regarding just straight stormwater runoff.

CHAIR: I appreciate that. I was referring to roof catchment, domestic rainwater tanks and some substantial resistance on the part of the Department of Health to people being able to use those waters for potable purposes.

Dr SCHOTT: I had not picked up that there was that resistance. I am aware of a project close to the M7 that is being examined. It is a rainwater runoff project, and I know that the Department of Health is looking at that. I am not getting any sense of major issues associated with it.

CHAIR: The Government recently released a discussion paper proposing to allow Sydney permanent access to the water of the Shoalhaven River. How much money is the Government committing to this scheme?

Dr SCHOTT: Sydney Water is not part of that matter; it is a Catchment Authority matter. Mr Duffy might be able to answer that.

Mr DUFFY: I will take that on notice.

CHAIR: Thank you, Mr Duffy. What research has been done on the level of greenhouse gas emissions, and what did this research find? In the *Sydney Morning Herald* of Saturday 26 August there were claims that two tonnes of greenhouse gases are released for every million litres of water pumped from the Shoalhaven. Can you clarify that?

Mr DUFFY: As I am informed, we have not done specific research work on greenhouse gases. The movement of water in the catchment authority area is probably a question that is best directed to the catchment authority. It may well have done some work in that area, but the Department of Energy and Utilities has not done any analysis of that.

CHAIR: As the Department of Energy, you would not have an idea of what the consumption rates actually are?

Mr DUFFY: I do not have anything with me. I suspect you could do some analysis that would give you a ballpark figure, but I do not have that in front of me.

CHAIR: Perhaps you could take that on notice.

Mr DUFFY: Yes.

CHAIR: Thanks, Mr Duffy. I am not sure whom to ask, but I am wondering what research the Government has done into the potential effects of pumping from the Shoalhaven on the people and the environment of the Shoalhaven. What, if any, steps have been taken to alleviate these conditions?

Dr SCHOTT: That is a Catchment Authority issue and they have done quite a lot of work on it.

CHAIR: This also might be for the catchment authority, but I understand, and perhaps you could agree or disagree with these figures, that Sydney uses some 634 thousand million litres of water each year. If Sydney consumption per household was the same as the Shoalhaven, it would save some 66 million litres per year. Would you like to comment on that at all?

Dr SCHOTT: I will comment further on notice, but the amount of water that Sydney used in 2005-06 was 527 billion litres. We have cut our water usage down from about 620. Of that, round about half would be in permanent demand management programs, such as recycling, and some would be related to the level three water restrictions that are currently in place because of the drought, so they would be an even more temporary kind of measure.

CHAIR: I know that there has been some talk from the Government wanting to lift those restrictions. Do you think there is an advantage, along with education of the community, in maintaining those restrictions?

Dr SCHOTT: I think there is an advantage for both business and households to use water efficiently, and I see that as a permanent measure, but I think that water restrictions are a temporary drought response measure.

CHAIR: Do you see an advantage in maintaining those restrictions, even when the dam levels are high, to add to the buffer levels against future droughts?

Dr SCHOTT: No, chairman. I would see the water restrictions not as part of permanent measures to reduce demand but as a temporary drought response.

CHAIR: Do you think, in view of what you are saying, if it was a permanent measure, there would be a hardening of attitude that would not effectively reduce demand to the same degree?

Dr SCHOTT: I cannot answer that question, really. There are permanent measures to get supply and demand in balance, whatever the state of the climate we happen to be in, and at the moment, because we are in the longest and most prolonged drought for 100 years, it is not amazing that we have water restrictions in place.

CHAIR: Did you discuss projects that have been funded under the Water Saving Fund?

Dr SCHOTT: Mr Duffy went through those issues. I think there were a number of questions on notice.

CHAIR: I have just one question on the Shannon Creek dam development. Does anyone cover that area?

Mr DUFFY: I think there were some questions asked of the Minister last time. I do not know if we took anything on notice on that, but I think it was covered with the Minister in the last estimates committee.

CHAIR: In June 2004, the then Minister for Utilities, Frank Sartor, wrote to a constituent claiming, "The estimated cost of the Shannon Creek dam is in the order of \$35 million to \$40 million, and not \$110 million, as suggested in your letter". I am just wondering whether you could let the Committee know the projected cost of the Coffs-Clarence regional water supply?

Mr DUFFY: I think that probably the best thing to do is to take that on notice because I cannot recall exactly what the Minister told this Committee last time. I am happy to take that on notice.

CHAIR: Also, perhaps you could take on notice whether that water treatment in those projections includes the water treatment to deal with algae.

Mr DUFFY: Yes.

The Hon. RICK COLLESS: Mr Duffy, correct me if I am wrong, but earlier I think you said that No. 1 Martin Place had not received any Water Savings Fund grants under either round one or round two. Is that the case?

Mr DUFFY: That is my advice.

The Hon. RICK COLLESS: The Minister stated on radio 2GB on 12 September, "No. 1 Martin Place, for example, is a building that has received some support from the Water Savings Fund to do some of these sorts of projects."

Mr DUFFY: If my answer is not consistent with the Minister's answer, then I will take it back on notice and confirm.

The Hon. RICK COLLESS: Could you just check that because there is a bit of a conflict there.

Mr DUFFY: Sure. I understand that No. 1 Martin Place has been required to submit a water savings action plan, which is a requirement for large users to basically analyse their usage and see if they can identify ways of saving, but I am informed that they have not received any financial support under the Water Savings Fund. I will confirm that back to the Committee.

The Hon. RICK COLLESS: Thank you. Dr Schott, just going back to the amount of water that Sydney uses each year, you have just told us that in 2005-06 it was 527 gigalitres. You stated that the leaks had reduced from 10 per cent to approximately 8.5 per cent. I think that was the figure you quoted.

Dr SCHOTT: Yes, that is right.

The Hon. RICK COLLESS: Which is a saving of approximately 1.5 per cent. That 1.5 per cent is 80 gigalitres, or 80 billion litres, did you say? Did you say that 1.5 per cent would be equal to 80 billion litres?

Dr SCHOTT: I think so, yes. I am sorry, 18.

The Hon. RICK COLLESS: Eighteen was what you said.

Dr SCHOTT: Yes.

The Hon. DON HARWIN: Mr Duffy, in one of your previous responses to Mr Cohen's questions on the issue of harvesting and reuse of stormwater, we were talking about councils being able to apply to the Water Savings Fund. Dr Schott, in one of your answers, you spoke about the limit to what Sydney Water can do because only 3 per cent of the stormwater assets are within your direct control. Mr Duffy, I would like you to explain what the Government is doing to actually proactively encourage stormwater harvesting, rather than just waiting for councils to apply for funding from the Water Savings Fund.

Mr DUFFY: I think the Metropolitan Water Plan identified some practical programs. My officers are involved in discussions with a range of significant private sector organisations and we are working through projects and looking at the economics of stormwater harvesting and how that may be used from there. I would anticipate that a number of new projects would be in public discussion in due course. So I think the short answer is that DEUS [Department of Energy, Utilities and Sustainability] is taking a very active role in assisting and helping private organisations to develop these projects up, where there is a potential to do so in an economic manner.

The Hon. DON HARWIN: What is the expectation in terms of the time line? When do you think we might actually start? Rather than just the aspirational statements that are in the Metropolitan Water Plan, when do you think we might actually get some concrete announcements? What sort of detail can we expect? What sort of programs can we expect?

Mr DUFFY: It is not a good idea for me to speculate on time lines, except to say that there is some very earnest work going on with significant projects. As they come to the point of announcement, that is when they will be announced.

The Hon. DON HARWIN: Dr Schott, as I understand it, just \$94 million of the minimum \$120 million spend on desalination has been provided for in IPART's recent determination, in terms of the cost of desalination. Where is the rest of the money coming from?

Dr SCHOTT: Effectively the short fall was to come from Sydney Water. In the annual accounts of this year you will find that we take a small amount of write-off for the money that we have spent on desalination. Between IPART and accounting conventions we needed to write off about \$12 million, or something, in that order.

The Hon. DON HARWIN: Given that has come from within Sydney Water, will that lead to more price rises for Sydney and Water consumers?

Dr SCHOTT: No, the IPART determination last year about pricing is in place for the next five years. The price increases that were granted at that time will remain in place for that period and not be revisited until there is another price determination in five years time.

The Hon. DON HARWIN: Given if the full plant is built, how much will water cost if the full 125 megalitre a day plant is needed? Have those figures been calculated?

Dr SCHOTT: They would have been calculated and there is absolutely no way that IPART will review its determination until such time as the plant is constructed and it is clear what the water will cost. In that context, the operational cost of the desalination plant could be very small, because, as I mentioned earlier, it is there as an insurance policy. If we build it, it will be because the dam levels are down around 30 per cent. If, while we are building and we are past the no-stop date, we would leave the desalination plant fairly underutilised and keep it effectively as a going concern so we can turn it off and on as needed. It becomes the contingency supply for Sydney when our dam levels get down very low and it does fit in as a response to the very highly variable water supply that we are coping with.

The Hon. DON HARWIN: Is it not a fact that if it were not for the Shoalhaven water transfers we would be below that 30 per cent figure already and that, in fact, the massive increase in water transfers from Shoalhaven have been so that the desalination plant can be put off until after the 2007 election?

Dr SCHOTT: The impact of the Shoalhaven transfers is an issue for the Sydney Catchment Authority, we can add it to the questions on notice to be dealt with by them.

The Hon. DON HARWIN: The desalination plant is clearly a matter for you.

Dr SCHOTT: Yes.

The Hon. DON HARWIN: It beggars belief that you have not have discussions with the Sydney Catchment Authority about that issue and that, therefore, you cannot comment on this to the Committee.

Dr SCHOTT: Sydney Water certainly does not have discussions with the Catchment Authority about the Shoalhaven transfers. Our role with it is as a water purchaser. We have discussions about the security of the supply that we are facing, but how the Catchment Authority manages that security with the water that it has is a matter for the Catchment Authority.

The Hon. DON HARWIN: On 15 September Sydney Water invited tenders for the design and construction and operation of an oceanographic current monitoring station—it just happened to be east of Kurnell. Is there a relationship between that current monitoring station and the desalination plant?

Dr SCHOTT: I will take that on notice, but I imagine that there is a very direct relationship. We have two what we call pilot plants operating at Kurnell as I speak. They amount to no more than two containers, which are currently doing a great deal of testing of water quality on such things as currents and things of that nature.

The Hon. DON HARWIN: What do you need to monitor the currents for?

Dr SCHOTT: We need to monitor the currents for two reasons. Both the inflow pipes for a desalination plant and also for any discharges.

The Hon. DON HARWIN: What is the expected cost of the monitoring station?

Dr SCHOTT: I do not know, I will take that on notice.

The Hon. DON HARWIN: Which companies comprise the consortia that have created the pilot desalination plants?

Dr SCHOTT: They are owned by two companies; one is GE and the other is Veolia.

The Hon. DON HARWIN: Is Macquarie Bank involved in either of them?

Dr SCHOTT: Not to my knowledge. They are both global water companies. GE does do other things, but it does have a major water company.

The Hon. DON HARWIN: Do you rule out any knowledge of Macquarie Bank involvement in the desalination plant?

Dr SCHOTT: What those two companies are doing with Macquarie Bank is up to them. To Sydney Water's knowledge they are not involved.

The Hon. DON HARWIN: Dr Harris, as the Government has recently released an occupational health and safety discussion, which brings in a duty of care for employees as well as employers, is the department still committed to that document, and supports it?

Mr HARRIS: This is an issue you will have to raise with the Minister for Industrial Relations. It is not really to do with business development.

The Hon. DON HARWIN: Is your department coming under pressure from the trade unions to remove the duty of care proposals?

Mr HARRIS: No.

The Hon. DON HARWIN: Has it made any representations to the Department of Industrial Relations in relation to the document?

Mr HARRIS: I am certainly not aware of any pressure brought directly to the department to intervene on any discussions that one has with all businesses, to be honest, from time to time. But they are very general and there has been no pressure brought on the department.

The Hon. DON HARWIN: Have you made any representations to the department on the status of the duty of care for employees?

Mr HARRIS: No.

The Hon. RICK COLLESS: Mr Harris, does your department have any guidelines on how to handle allegations of serious misconduct?

Mr HARRIS: Absolutely.

The Hon. RICK COLLESS: Can you give a brief outline of what they might be?

Mr HARRIS: The guidelines are contained in the departmental handbooks. They are also available on the department's intra web site. All employees of the department undertake a complete background on these issues when they join the department. There are regular updates. People are required to do this as part of their induction course. It is all readily available.

The Hon. RICK COLLESS: You said it is on the department's intranet. Would you be able to provide the Committee with a copy?

Mr HARRIS: Certainly. Departmental guidelines are available and I would be able to do that.

The Hon. RICK COLLESS: I ask a generic question: What do you see as the challenges for small business in New South Wales?

Mr HARRIS: There is a huge range of challenges for small business. It is a fascinating question. At the moment the sorts of issues we are seeing in regional areas are as a result of the drought. It has been a big issue for small and medium enterprises. We have talked about that before.

The Hon. HENRY TSANG: Petrol prices and interest rates?

Mr HARRIS: Petrol prices have been a huge issue. Interest rates are always a concern, the honourable member is absolutely right. The change in the economic landscape has also been a huge issue. The move away from small and medium enterprises has been traditional. Employees have moved to a number of lifestyle companies where small businesses are being established. The employers, or the owners of the business, are interested in running the business but not necessarily growing it. Often that is changing the pattern of the workplace. Outsourcing is an issue that touches on all small businesses. A lot of large companies have chosen to go to greater degree of outsourcing, which in some instances is also forcing small businesses to go to outsourcing. It is changing the economic landscape in which they work.

The changes and the shape of the economy, and the move to a service-based industry economy that we are seeing have also challenged a lot of traditional small business activities. It is interesting to think that now in New South Wales agriculture, mining and all the primary industries constitute possibly a little more than 3 per cent of total gross State product. It is an extraordinary figure, but it is a trend that we are seeing. Over 80 per cent of the economy lies in services. Those are challenges for small businesses to grow and to keep up to speed with new trends. Globalisation is an inevitable issue for small and medium enterprises. The changes we have seen in China particularly

affect manufacturing businesses. As China becomes virtually the factory of the world, there is a race to the bottom on a number of commoditised manufacturers.

Whilst that is not a harbinger of gloom and doom, it requires small to medium enterprises to change the way they do things and to look more at being involved in the design and innovation side of their businesses rather than necessarily relying on simple production. I suppose it is that difference between production and manufacturing as a broader activity that we are addressing today. It is a broad issue, which I think it is fascinating.

The Hon. RICK COLLESS: You obviously have a very good understanding of all those challenges. What programs does the department have in place to try to meet some of those issues?

Mr HARRIS: We have a range of them. I will ask Julie Scott, one of my colleagues, to comment on that in a moment. We run a number of activities. Increasingly, in most business departments—and in some ways we are at the leading edge of some of it—we are certainly equal with our contemporaries. We have moved increasingly towards mentoring programs to activities that involve opportunities for business to learn and develop new techniques rather than simply providing subsidies to support activities of businesses. Again, that is a recognition of reality. Small business and dealing with small businesses, to be brutally frank, is often a numbers game. There are over 400,000 small businesses in New South Wales, so from time to time we have to develop activities that can deal with large numbers of people with specific interests.

One of the most successful things we have done—and I have seen it followed around the country—has been Small Business Month. Some years ago we began Small Business September with, I think, about 60 different events for businesses in the course of the month, in collaboration with economic development agencies, employer groups and industry associations. This year, in Small Business September, which finishes today, we have had—and Julie will know the numbers—hundreds of events. I expect that more than 30,000 business owners and operators have been involved with this. It has been an amazing activity.

Ms SCOTT: During Small Business September about 355 events were registered. We still have number of events happening not only today but also over the weekend. To date about 32,000 or 33,000 people have gone through. We expect that figure to reach the 40,000 mark when we have finished. What we are trying to do through September is also get input and feedback from the clients who have gone through to establish how they can access our programs and how we can improve our programs. We have programs that go through the entire business lifecycle—everything from the start-ups, when businesses are first starting, right through to the more mature businesses that go through to the export and global fields. We are packaging up a raft of programs to meet all the needs in the community.

The Hon. RICK COLLESS: With Small Business September, one of the issues that I am sure you are aware of—I understand that it does not fall directly within your portfolio—is the issue of replacing the green cards that people need. We have information to suggest that up to 100,000 workers in New South Wales have not yet replaced their green cards, despite the fact that they were due on 1 September. So those people are subject to a penalty of up to \$1,100 if they do not have a current green card. Does it concern you that that whole process is in place and are you concerned about the impact it has on small business?

Mr HARRIS: I do not entirely understand your question. What is the green card?

The Hon. RICK COLLESS: The green card is an authority that they have to replace every 12 months for the specific skills-based training that they need.

Mr HARRIS: And by whom are they issued?

The Hon. RICK COLLESS: As I understand it, by the Office of Fair Trading. I know that this is not directly in your portfolio but the problem is that these things have to be renewed at a cost to small businesses. They have to have a day's training and it then costs the employer or the business a day's production as well as the cost of the training. A lot of those sorts of impacts on small business in New South Wales are becoming a big burden on them. Do those sorts of things concern you? Do you

talk to your colleagues about ways of making those sorts of issues easier for small businesses to manage?

Mr HARRIS: It is an interesting issue. I will not comment directly on in the green card issue because it involves another portfolio area. One of the things we have been involved in is a red tape review in conjunction with a number of industry associations. As you are aware, three reviews are going on—one involving Treasury, one involving the Independent Pricing and Regulatory Tribunal, and one involving my department. The red tape reviews that we have been undertaking have been undertaken very much from a practitioner's point of view. We have worked with permanent members of consulting panels such as AIG Australia, Australian Business Ltd, and various industry associations.

As we have chosen different areas of activity, for example, the automotive industry which we looked at fairly recently we have spoken broadly with industry associations specialising in that instance with automotive trades. Over a period of about 16 weeks we have worked with them to determine any issues of concern to them. We have been able to distil those and provide them to Minister Campbell after consulting again broadly with the panels. He has made recent announcements on a number of those issues.

For instance, in relation to the automotive business, we found an instance where the Department of Commerce, I think through the Office of Fair Trading, was specifying the tools that were required in mobile service vehicles. Industry wondered why it needed to have a tool list determined by someone else when in some instances it was suggested to us they would not even fit in the vans. We were able to raise that issue and it has been pursued actively through that ministry. The answer to your question is, yes, we are. Whenever we determine these issues we take them forward.

The Hon. DON HARWIN: I have one follow-up question relating to the monitoring station at Kurnell that, as you said, is very much related to the desalination plant. As I understand it, the tender closes on 12 October, the contract period is eight months from the beginning of November 2006, with the possibility of a contract extension incorporated into tender submissions. If the desalination plant does not need to be on line until 26 months after dam levels fall to 30 per cent, why is it so important to have this station, which obviously is integrally linked to the desalination plant, operational by July 2007?

Dr SCHOTT: It is part of the planning and design work that is being done to ensure that we are in a state of readiness to be able to build a desalination plant, if we are required to do so. I think that the current monitoring station title is probably giving it rather more presence than it probably has. I have taken it on notice and I will get the details of it. My understanding is that it is a sophisticated measuring device for both current and temperature and other water qualities. But I do not think it is anything more than a small gadget on a stick, if I can put it in colloquial terms.

The Hon. DON HARWIN: That may be so. I am interested to know why it needs to be operational so soon by July 2007.

Dr SCHOTT: The dam levels at the moment are at 41 per cent. They have been hovering around the 40 per cent mark for some time.

The Hon. DON HARWIN: Thanks to the Shoalhaven water transfers. Otherwise it would be 25 per cent.

Dr SCHOTT: I am not party to that. We are obliged to be in a state of readiness to be able to build the desalination plant. Normally just going according to plan from start to finish it would take between three and four years to build.

The Hon. DON HARWIN: Is that the desalination plant or the monitoring station?

Dr SCHOTT: A normal desalination plant for 125 megalitres would take in the order of three to four years if you were not planning it in the way that we are. We are planning to cut the construction time down by making sure the design and blueprint and the preliminary monitoring are done, which is also happening in the pilot plants at the moment. We are doing all of that so that we are

ready in case we need to do it. Because of that earlier work it means that we can delay the construction of the desalination plant until around 30 per cent, otherwise we would need to be seriously doing it a little earlier.

The Hon. DON HARWIN: The current monitoring station is not needed at all for the pilot projects, is it?

Dr SCHOTT: It may be part of some of the pilot projects because they are doing quite a lot of monitoring of the water quality.

The Hon. DON HARWIN: Are you saying that the assessment of the pilot projects cannot take place without this current monitoring station?

Dr SCHOTT: No, I think they are separate events. But the two pilot plants that are out there are doing a lot of monitoring themselves for the particular sorts of systems that they have. We have an obligation, of course, when we build the plant to minimise any environmental impacts both on land and at sea. For that reason we are greatly interested in currents and temperature of the water and the like.

The Hon. DON HARWIN: It is taking 26 months from go to whoa when the green light is actually given to build the desalination plant. Since it is not integral to the current monitoring station, what does it need to be up and running by July 2007?

Dr SCHOTT: It is just a monitoring station. The construction of a desalination plant is a major exercise of tunnel boring and so on.

The Hon. DON HARWIN: I appreciate there is a big difference between the two. Does it have a role other than for desalination?

Dr SCHOTT: No, but it will provide information to the Department of the Environment and Conservation and others about the ocean at that point, which no doubt somebody might find helpful at some distant point in time. I will get back to you with the further information that you requested about the monitoring station.

The Hon. DON HARWIN: Thank you very much.

Mr DUFFY: Mr Chair, could I have an opportunity to clarify an answer I gave to the Hon. Don Harwin in relation to stormwater reuse?

CHAIR: Yes, certainly.

Mr DUFFY: I guess I was contemplating what work we are currently doing on projects that have not actually hit any announcement or funding stage because we are working on projects that are going through funding and have been approved for funding. If I could just clarify, in 2004-05 the New South Wales Government partially or fully funded a range of stormwater harvesting reuse projects. It was saving around about 95 million litres a year. We have also announced in round one of the Water Savings Fund a range of projects that will, when complete, provide 400 million litres a year. I will take on notice the proposals that have been identified in round two and give you further details on those, as I will give you a complete rundown of the projects that were agreed under round one. We are opening round three of the Water Savings Fund. I did not want to leave you with the impression that there is no stormwater harvesting, because there is a huge amount going on and there is a huge amount in the pipeline.

The Hon. DON HARWIN: Mr Duffy, I appreciate your clarification. My point was that Sydney consumes 10 billion litres of water and you are talking about stormwater harvesting initiatives that come to about 400 million litres of water. I appreciate out of the Water Savings Fund there are initiatives that are being funded following the application of councils. My concerns were in terms of proactive leadership and massively upping. Obviously a lot more than 400 million litres worth of rain falls on Sydney.

Mr DUFFY: I thought Dr Schott made the point, and I certainly had this conversation with the Catchment Authority, that it does not come for free if you have to treat water that has run over, say, Ashfield and picked up animal faeces and other things. You are looking at places where you can economically capture the water and use it effectively. Tragically, the water that everyone sees every day running down our drains is not free goods before it can be useful. I guess the Water Savings Fund is trying to find the highest productivity projects that can be brought to an economic conclusion. None of these things is free. It is a question of finding ways of bringing the best projects to the fore. I suppose the other point to make about this is stormwater reuse is just one part of a suite of finding new ways of supplying the catchments.

CHAIR: The Opposition's time has expired. We will have one question from Ms Sylvia Hale, one question from the Government and the Opposition will have the rest of the time.

Ms SYLVIA HALE: Dr Schott, returning to the issue of the pilot desalination plant, you said it was part of a planning in readiness work, given that a government may decide to proceed with a desalination plant. What other activities are being undertaken? For example, is any work being done to determine the route of the pipeline? Has it been determined whether the pipeline will be underground or on the surface? What range of activities are you investigating or doing work on?

Dr SCHOTT: To get into that state of readiness we are focusing on planning and blueprint design-type works. The sorts of matters that you have just mentioned we are looking at. The aim of this exercise is to defer building a desalination plant if we can. Given that it may be required, we are doing what we need to do to be ready before major construction works commence.

Ms SYLVIA HALE: Does that mean, for example, you are entering into discussions with Sutherland Shire Council or Marrickville council as to the route of the pipeline?

Dr SCHOTT: There has been close consultation both with the community at Kurnell and the local council. We are also preparing planning approvals. So the issues that one goes through with a major construction, the preliminaries of that are being conducted. When we have completed that we will then stop and in the meantime pray for rain.

Ms SYLVIA HALE: Planning approvals have a limited life expectancy. So is it not premature to be doing that work now when, if you received approval tomorrow, for example, that approval would presumably expire in five years? Would such an approval have an indefinite life expectancy?

Dr SCHOTT: Because this is critical infrastructure and is being approved under that particular section of the Act and, given the nature of the way that we are looking at the desalination plant as an insurance policy, my expectation is that once we get planning approval it would be contingent on two things. The first is the dams getting down to a particular level. Secondly, I expect that the planning approval would stay on foot for sometime. Exactly how long is up to the Minister for Planning, but it would be a period of five to 10 years so that if at any time during that time we were to hit the trigger point at the dam level, then we would commence.

Ms SYLVIA HALE: Can I confirm that while the pilot desalination program has been under way you have also been in active discussion with affected councils about aspects of the project and you are not just referring to discussions that might have occurred prior to the announcement by the Minister to defer the major desalination?

Dr SCHOTT: Yes. You would appreciate that I am not as close to the detail of this as some of my staff. But I will get the detail on that and come back to you. Mr Chairman, I brought a couple of pictures of the two pilot plants with me because the last time the Committee met I think there was an impression left that the pilot plant was a very large operation that was a bit like a recycling plant, sitting somewhere and sucking water out of the bay. They are actually largely two testing facilities and, with your permission, I will pass these pictures around.

CHAIR: Yes. That is fine. Thank you.

The Hon. GREG DONNELLY: My question is also for Dr Schott. She may need to take it on notice. I understand that in Western Australia a desalination plant south of Fremantle has either commenced operation or is about to come on stream relatively soon. Can you make any comments or general observations about that project that has been funded by the Western Australian Government?

Dr SCHOTT: Because of the situation in Sydney we have been paying close attention to the desalination plant in Perth and also the mooted one on the Gold Coast, which I gather is not that far away either. The plant in Western Australia is taking its water from Cockburn Sound, which is a relatively still waterway. That is causing more difficulty to the operations of the plant than a plant in Sydney would have. We would be taking water from what appears to be a fast-running current off a rocky reef whereas in Cockburn Sound they are in still water and sucking in water that has a lot of sand, and therefore associated turbidity. My staff who are working on this matter have been over to speak to the people in Western Australia about their experiences. They are commencing the commissioning of that plan.

The Hon. GREG DONNELLY: Thank you.

The Hon. RICK COLLESS: Dr Schott, how much does Sydney Water pay to the New South Wales Government in dividends each year?

Dr SCHOTT: I think last year we paid \$193 million.

The Hon. RICK COLLESS: So \$193 million goes from Sydney Water as a dividend to the New South Wales Government. Is that the case?

Dr SCHOTT: Yes, that is correct.

The Hon. RICK COLLESS: That is extraordinary. Do you think it is fair that Sydney residents are reducing their water use—keep in mind that we have gone from about 630 gigalitres to 530 gigalitres in the past few years—yet we are paying an extra \$193 million to the State Government? Is that a fair and reasonable way to be treating Sydney residents?

Dr SCHOTT: We are set up as a corporation under a quite commercial Act, which the Greiner Government brought down. Our underlying profit before tax for 2005-06 was \$251 million. In a private operating company you would be expected to pay some return to your shareholders and that is the way in which the dividend is approached. It is government policy to run the corporation like that basically to encourage us to be efficient and not internally lazy and the like. I suppose it is a model that you can question, as you are, but it is what we have got to work with.

The Hon. RICK COLLESS: Who determines the extent of that dividend? Does the Government give you a bill or do you declare a profit and then pay a dividend? How does it work?

Dr SCHOTT: It is determined by the board which, amongst other things, looks at our cash cover ratio to ensure that our rating does not fall below investment grade. At the moment our rating is an A rating and we will do everything to protect its falling below triple-B plus, which is investment grade rating. The board determine what they think is an appropriate dividend, taking into account the financial strength of the organisation and our significant capital expenditure program. They then have discussions with the shareholders. We have two shareholder Ministers: Ministers Costa and Della Bosca. The dividend is then determined.

The Hon. RICK COLLESS: Do those Ministers tell you how much they want?

Dr SCHOTT: They tell us what they think would be a fair dividend to have as shareholders and the board tells them what they think would be a fair dividend given our capital expenditure and the financial strength of the company.

The Hon. RICK COLLESS: Given that you are running Sydney Water on a corporate basis, do other corporations that you have worked with operate in the same way or do they declare a profit and then decide how much dividend they will pay to their shareholders?

Dr SCHOTT: If they are private companies with two large shareholders they do what Sydney Water does. If they are a listed company with lots of small shareholders, such as the Commonwealth Bank or AMP, they go and speak to their major institutional shareholders to get their views on life in general, dividends and other matters. But they would be well aware of the views of those major shareholders when the board made their decision.

The Hon. RICK COLLESS: It appears to me that Ministers Costa and Della Bosca tell you that they want \$193 million and you are obliged to come forward with it, and you then bill the water users of Sydney accordingly as a result. Is that not a tax?

Dr SCHOTT: No, that is not the way it works completely because the board has not inconsiderable influence over the dividend. I cannot envisage a situation where those shareholders would push the board into something that was not in the financial interests of the company. If they were to do that, they would have to give the board a direction that would have to be written and tabled in Parliament.

The Hon. DON HARWIN: How many staff from your department are seconded to the office of Minister Campbell?

Mr HARRIS: I think we have one. I will have to check.

The Hon. DON HARWIN: How many are seconded to other Ministers? I am talking about the ministerial staff, not the departmental liaison officers.

Mr HARRIS: The number is extremely small. I will have to check.

The Hon. DON HARWIN: You have taken both questions on notice.

Mr HARRIS: Yes, for all four Ministers.

The Hon. DON HARWIN: Other than the four Ministers who have a direct role, can you tell me how many staff from your department are seconded to Ministers other than those four?

Mr HARRIS: I do not believe there are any, but I will take that on notice.

The Hon. DON HARWIN: In terms of all departmental staff who have been seconded to any Minister, and therefore have a right of return to jobs in the Department of State and Regional Development, can you provide me with details of the jobs that they currently perform within those ministerial offices, details of the level of the job to which they have a right of return and a description of the grades and those details?

Mr HARRIS: I can certainly provide the second part of the information. In relation to the specific tasks performed in ministerial offices, I would have to check.

The Hon. DON HARWIN: I am seeking the specific job titles.

Mr HARRIS: I will seek that from the Ministers' offices.

CHAIR: Thank you all for your attendance today.

(The witnesses withdrew)

The Committee proceeded to deliberate.
