

GENERAL PURPOSE STANDING COMMITTEE No. 5

Friday 22 June 2001

Examination of proposed expenditure for the portfolio areas

INFORMATION TECHNOLOGY, ENERGY, FORESTRY, AND WESTERN SYDNEY

The Committee met at 1.00 p.m.

MEMBERS

The Hon. R. S. L. Jones (Chair)

The Hon. M. I. Jones
The Hon. C. J. S. Lynn
The Hon. D. J. Gay
The Hon. D. F. Moppett

The Hon. D. T. Harwin
The Hon. A. B. Kelly
The Hon. Janelle Saffin
The Hon. I. M. Macdonald

PRESENT

The Hon. K. M. Yeadon, *Minister for Information Technology, Energy, Forestry and Western Sydney*

Department of Information and Technology

Mr W. Watkins, *Director-General*

Ms K. Livingstone, *Senior Policy Adviser*

Ministry of Energy and Utilities

Ms J. AcAloon, *General Manager*

Ms M. Sahore, *Departmental Liaison Officer*

Mr D. Halliday, *Policy Adviser*

Sustainable Energy Development Authority

Mr M. Fogarty, *Executive Director*

State Forests of NSW

Mr B. Smith, *Chief Executive Officer*

Mr P. Payne, *Departmental Liaison Officer*

Office of Western Sydney

Ms M. Ryan, *Executive Director*

Mr D. Munro, *Departmental Liaison Officer*

CHAIR: I declare the proposed expenditure open for examination.

Mr YEADON: Mr Chairman, before we commence could I clarify whether the Committee's decision involving Information Technology and Sydney Water is definite? If that is the case, I would prefer to have my staff from those areas withdraw because they have better things to do than sit here for no reason.

The Hon. DUNCAN GAY: Mr Chairman, the Minister has raised Sydney Water and Information Technology. The Committee made a decision about Sydney Water, and included Information Technology in that decision, because of the size of the Minister's portfolio. On further consideration, I would be willing for the Committee to consider Information Technology today because I understand that the director-general has travelled to Sydney from Bathurst. It would be an impost for him to travel to Sydney again. Therefore, whilst Information Technology was part of our motion, I would be willing to allow questions in that regard.

CHAIR: Would you like to amend the motion?

The Hon. DUNCAN GAY: I move:

That Information Technology be considered during this hearing so that the director-general does not have to travel from Bathurst again.

Mr YEADON: If the Committee is not going to consider Sydney Water today, can I ask those staff to withdraw?

CHAIR: Yes. We will commence with questions.

The Hon. DUNCAN GAY: Minister, I refer to Energy and full retail contestability. Has a decision been made as to the type of metering that will be used once full retail contestability is implemented?

Mr YEADON: Yes, a decision has been made. We have sought to maintain as much flexibility as possible in that area. Customers will have the ability to take what is generally termed a low-profile approach, which makes an estimate of customers' bills and then reconciles them at a later date. We are adopting that approach because if we did not we would have to outlay capital expenditure on equipment to real-time meter, which could be regarded as an inhibitor to market flexibility or to market choice for customers. In other words, they would be reluctant to make that type of capital expenditure to enter the market. Therefore, we are adopting low profiling.

But, as I indicated earlier, the Government is trying to ensure the maximum amount of flexibility in the market because it is committed to seeing a national electricity market function in the best way possible. The people of New South Wales, the customers of New South Wales, will then gain the greatest benefit from it. Therefore, if customers at any level decide—even the smaller residential customers—that they wish to take up the purchase of a real-time meter, or make some other arrangement, they will be able to do so. In other words, the Government will not be precluding people from buying real-time meters but I would suggest to you that the overwhelming approach for small customers will be low profile.

The Hon. DUNCAN GAY: Minister, are you aware that Pareto and Associates, a respected consultancy firm, has recently released a report that comes to the conclusion that New South Wales and other jurisdictions have got it wrong in opting for profiling versus so-called smart meters? It has reached that conclusion based on the experiences of other countries that are rolling out smart meters at the relatively low cost of under \$100 per home.

Mr YEADON: My agency and other Government agencies, such as Treasury, have examined this issue very closely. We have availed ourselves of all the available literature. I am sure it includes the report you have mentioned—although I cannot precisely indicate whether it does. In any event, we have looked at these issues in a comprehensive way. As Minister, I have met with a range of organisations that have come forward with claims that they are able to provide real-time meters for reasonable prices. However, on further questioning and examination those people's claims have not held up; they have not been substantiated. Therefore, the actual cost is not cut and dried. It is an area of great debate, which is why the Government has decided to take the most flexible approach in relation to these issues.

We will use the very valid mechanism of low profiling, which we have examined in great detail. We are confident that it can fulfil the needs of the market and customers. Clearly, if a vendor or other organisation is able to market

real-time meters at a price that is attractive to customers they will take that up. As I said earlier, the Government will not be precluding that. Instead of the Government entering into some arrangement that it will have to take responsibility for—and any consequences of the provision of meters, which ultimately customers would have to pay for—it will look to the market. If companies can provide a proposition to customers that is attractive they will take it up, and the Government will not preclude that.

The Hon. DUNCAN GAY: Will you have an overseeing role in that area? You often indicate that that is part of your role as customer protection.

Mr YEADON: Absolutely. It would be for the customers to decide whether the price of the meter suited their needs. We would have a role in relation to the integrity of the meter—that it is able to undertake the function that is claimed by the vendor. As you are no doubt aware, we already do that in a range of areas—for example, gas appliances. Standards are in place to ensure that plant and equipment reaches a minimum level of performance. We would certainly be looking at that area.

The Hon. DON HARWIN: Minister, is the Government heading towards a scenario whereby the Sustainable Energy Development Authority [SEDA] will be self-funding?

Mr YEADON: When the Sustainable Energy Development Authority was established it received budget funding. However, when the authority was established it was made clear in its charter—its terms of reference, if you like—that it would seek to be self-funding as much as possible. In other words, it would not remain a drain on the taxpayers of New South Wales. The other consideration was that many of the initiatives that can be developed to reduce greenhouse gases and other energy emissions can be achieved through a range of market mechanisms and partnering with business and the community. The Government is keeping a watching brief on SEDA in relation to its budget funding and its own funding mechanisms.

I am pleased to say that SEDA is certainly moving down that path. It has recently developed a four-year plan for its activities. The money required for those activities will be a combination of budget funding and its own funding. That was always the approach to be adopted by SEDA; it was there when it was first established. I am pleased to say that it is doing a reasonable job in that regard. More importantly, its primary function, its core function, is looking at sustainable energy development. I am delighted to say that it is one of the key planks in the Government's approach to this area, and it is one of the reasons why New South Wales is leading the nation in relation to renewable energy and energy emission reduction.

The Hon. DON HARWIN: Why is the Government pushing SEDA away in terms of funding while, at the same time, promoting energy efficiency through campaigns such as Living Thing?

Mr YEADON: The campaigns are about reducing energy emissions. I reject your claim that the Government is pushing SEDA away. It is not. As I said from the outset, the approach with SEDA was to endeavour to have it self-funded as much as possible. We are happy with how it is undertaking that residual function, if you like, and with how it is undertaking its core function of sustainable energy development. The Government is not pushing it away in any way, shape or form.

The Hon. DUNCAN GAY: Minister, I refer to carbon trading and greenhouse reductions. One of your spokesmen stated in the *Sydney Morning Herald*:

A purely punitive regime that sets higher fines if you do not meet the targets does not encourage industry to meet targets.

Do you agree with Premier Bob Carr's push, which he took to the Premiers' conference, for a penalty scheme for retailers who fail to meet their greenhouse emission reduction targets? Did the Premier consult you, given the comments made by your spokesman, before he went to the Premiers' conference?

Mr YEADON: To answer your last question first, I was intimately involved in the development of the policy that the Premier took to the last Council of Australian Governments [COAG] meeting. To answer your first question, I think you have taken the comments of my spokesperson out of context. I have told you that we are making great advances with energy reduction programs via the Sustainable Energy Development Authority, et cetera. This State is a national leader in relation to renewable energy in whichever area you want to look at—wind, hydro and solar. We have

low emissions activity as well. We are looking at a whole range of initiatives involving biomass and other low emission approaches. We clearly have our runs on the board.

We have a good record in relation to dealing with these sorts of issues. You will note from the wide range of programs and approaches that I have mentioned that the Government clearly believes that there is no one single bullet to resolve greenhouse gases and global warming. It will be incumbent upon all of us—the community, governments, business, everybody—to put our shoulder to the wheel in a range of ways to deal with these issues. The policy the Premier took to COAG last week was an indication from New South Wales—the national leader in this regard—to the rest of the country that, despite the efforts that have been undertaken in New South Wales and to a much lesser extent in every other State, we are simply not dealing quickly and effectively with greenhouse gas emissions.

The Premier was therefore arguing that we need to bring a new component into the armory of dealing with these issues—that is, penalties. In the past, we have primarily dealt with education, inducement and incentives. The Premier is now indicating that whilst they must be maintained and progressed, it is also time to look at penalties. The best way to look at what the Premier put on the table last week is not a contradiction of what has gone before but a supplementation of what has gone before.

The Hon. DUNCAN GAY: Minister, you will be pleased to know that the other Premiers agreed with your spokesman.

Mr YEADON: But I am sure that they have misunderstood that wider context that I just put it into. Like you, perhaps they have read it out of context.

The Hon. DON HARWIN: Minister, have the problems identified last year at Integral Energy—for example, late bills—been addressed? If so, what measures have been taken?

Mr YEADON: Once the problem became apparent a year or so ago Integral Energy—under my close monitoring of my staff—sought to rectify that issue. They certainly put a major commitment into that work and the situation has improved outstandingly at Integral Energy. There are no late bills any more. Additional call centre staff were employed at that time to deal with the increased level of activity and inquiry by customers. A key issue in relation to that was the IT systems. The new IT systems were in place and subject to commissioning within Integral Energy. Additional work was done to deal with a number of problems that were in that system. It is my understanding they have now been rectified. I, however, continue to receive monthly reports in relation to that issue within Integral Energy. I am satisfied that it is progressing well.

The Hon. DUNCAN GAY: Minister, before we highlighted it in Parliament, were you aware that Integral Energy employed a new manager to its retail division who was also the director of a private energy trading company in Victoria? The person appointed to the position had to leave Integral Energy after just two weeks. Minister, was that of concern to you? Is that an indication of continuing management problems at Integral Energy?

Mr YEADON: Integral Energy is a State-owned corporation. I do not have responsibility for the day-to-day running of it, particularly in relation to the matters that you have raised. I would put it to you in the first instance that that is an issue for the chief executive officer and the board of that organisation. If you are not satisfied with that, I indicate to you that the next port of call would be the shareholder Ministers.

The Hon. DUNCAN GAY: But would you be happy with a situation like that?

Mr YEADON: It is not of relevance to me. It is a matter for another Minister to deal with. It is a shareholder Ministers issue. It is outside my jurisdiction, Mr Chairman.

The Hon. DUNCAN GAY: Minister, does the Ministry of Energy and Utilities have any input into the work of the Market Implementation Group [MIG]? If so, what is that role? If not, do you not think it would be appropriate for the Ministry to have a say in the energy policy that is formulated by the MIG?

Mr YEADON: Yes. The Market Implementation Group works for and with a number of agencies within the Government, including Treasury—through whom it is contracted—and my agencies. My officers work with MIG in relation to areas that are my responsibility—primarily customer protection.

The Hon. DUNCAN GAY: Minister, does your Ministry provide any grants or contributions to the running of MIG? If so, can you specify the amount?

Mr YEADON: No, we do not. As I indicated in my earlier answer, MIG is contracted and remunerated by Treasury. I just get the benefit of its existence.

The Hon. DUNCAN GAY: Minister, does your Ministry provide any energy policy development for the Government and, if so, is there an overlap in the work of your Ministry and the work of MIG?

Mr YEADON: We undertake such work, and there is a complementarity between the work that my agency has undertaken and that of MIG in some areas—those areas that are my responsibility, which is regulation and customer protection.

The Hon. DUNCAN GAY: As Minister for Energy, are you happy with the situation that appears to exist now—that energy policy is more or less dictated to you out of MIG by State Treasury?

Mr YEADON: You must be on a different planet to me! MIG has not dictated anything to me. I might have dictated a few things to it along the way. You will have to indicate the meeting where it has dictated things to me, I can not recall it.

The Hon. DUNCAN GAY: Are you happy with the level of policy input you get?

Mr YEADON: Yes, I think they are some of the most informed people in the energy sector in the nation; there is no doubt about that.

The Hon. DUNCAN GAY: Minister, I refer to utilities investment. An amount of \$1.068 billion in utilities investment for electricity, water and sewerage has been allocated in this budget. That is a great figure.

Mr YEADON: Thank you.

The Hon. DUNCAN GAY: Is that an acknowledgment from the Government that improvements have been neglected in your previous budgets? Are you playing catch up in this regard?

Mr YEADON: We are playing catch up, Mr Chairman, but it depends on how you look at it. It is not catch up on ourselves; it is catch up on the regime of the previous Coalition Government, which gutted these areas. We have substantially increased our capital outlay and we have done that over time since coming to office in 1995. We are not catching up ourselves; we are filling in the gaps left by the previous Coalition Government.

The Hon. DUNCAN GAY: Minister, the utilities investment projects listed at page 25 in the rural and regional budget highlights booklet includes electricity projects specific to the companies that will become part of Country Energy next week. Can you guarantee that the funding will remain available to Country Energy once that company begins its operations? Can you further guarantee that the very good recommendations of the State Development Committee will be fulfilled?

The Hon. IAN MACDONALD: Thank you for that vote of confidence.

Mr YEADON: They are committed projects. The only rider I would put on that is that that organisation is starting on and from 1 July this year. There will be a new CEO over the entire entity and that CEO will have some input into the organisation's running and will relay comments and views to the Government. Whether there are some modifications as a result of what he may relay back to the Government remains to be seen. That is the only rider I would put on what I say. I understand that it is a committed and funded project.

The Hon. DON HARWIN: Mr Chairman, could we go to a couple of the Information Technology questions before you ask your questions?

The Hon. DUNCAN GAY: We are going back to Energy now.

The Hon. DON HARWIN: Is that okay?

Mr YEADON: I have a lot of people here with me—my IT people will have to come in, and my Energy people will have to go out.

The Hon. DUNCAN GAY: We can do the Information Technology at the end.

Mr YEADON: It is easier for us.

CHAIR: You have only seven minutes of this particular segment.

The Hon. DON HARWIN: Can we have seven minutes of Information Technology after you have dealt with your questions?

CHAIR: Minister, I commend you and your Government for your support of sustainable energy production. However, why was the Broadwater biomass plant given a \$1 million grant from the Sustainable Energy Development Authority when it does not meet renewable energy guidelines for wood waste?

Mr YEADON: Mr Chairman, SEDA provided financial assistance to the New South Wales Sugar Milling Co-operative in the most recent round of its renewables investment program—in May this year—in the form of a low-interest loan for \$1 million. The money was provided for a project to enable the collection and transport of cane trash or leaf to the proposed new power station for use as fuel. You will be aware that that trash is normally burnt off in the field and that it emits gases. The project will have high positive outcomes for the greenhouse and the environment. The collected trash will generate a lot of renewable energy, displacing coal fire electricity. The trash will reduce the need for more environmentally sensitive fuels, such a wood waste. Collecting the trash will eliminate the practice of burning off, benefiting the local environment and the community.

SEDA has provided loans to the New South Wales Sugar Milling Co-operative twice, both resulting in significant positive greenhouse outcomes. In 1998 SEDA provided loans totalling \$1.05 million to expand the existing co-generation power plant at Broadwater from four megawatts to 10 megawatts. The fuel for this plant consists of sugar cane waste, bogasse, from the sugar milling process. The expansion resulted in a decreased quantity of coal-fired electricity. Last year SEDA lent \$242,000 to another part of their cane trash collection project, so that this waste could be utilised as an alternative fuel, again displacing coal-fired electricity. Mr Chairman, this Government is concerned not about purest philosophical argument in these areas but about what is going to have an impact on the bottom line of greenhouse gas emissions.

That project certainly achieves those results. At the moment all of that sugar cane leaf is burnt off in the field and, therefore, emits greenhouse gases for no discernible outcome, for no result. If that waste is taken and substituted for coal to produce energy then we are getting exactly the same amount of emissions from the sugar waste to generate that electricity without burning the coal. You get a significant reduction in overall gas emission. That is what this Government is concerned about. It is concerned about results rather than just spending the next decade having a purest philosophical argument while we all choke on greenhouse gases. I am sure you appreciate that, Mr Chairman, as someone who is so committed to the environment.

CHAIR: I appreciate the sentiment entirely. Can you give the Committee an idea of the funding breakdown for the project: Federal, State, Delta, New South Wales Sugar Milling Co-operative and so on?

Mr YEADON: My understanding is through SEDA we have the one low-interest loan for \$1 million. I would have to get further information.

CHAIR: Could you take that on notice?

Mr YEADON: Sure. The only rider I put on that is that it is a commercial project, so there may be issues of commercial in confidence. Notwithstanding that, I have no problem providing you with that information.

CHAIR: If taxpayer's funds are involved, would you allow that?

Mr YEADON: We will tell you about our side of it where taxpayers funds are involved. However, if other people have money in it and want commercial in confidence that is a matter for them.

CHAIR: How can you guarantee that there will not be a budget blow-out and taxpayers will not incur extra costs as a result of that?

Mr YEADON: As a result of what?

CHAIR: If the project has a cost blow-out, how can you be sure we will not have a commitment to funding part of the cost blow-out?

Mr YEADON: My understanding is that our commitment is the low-interest loan. As I indicated, it is a commercial venture. We have committed to the low-interest loan, and I am of the understanding that we will not be contributing further funding or taxpayers money.

CHAIR: Is Delta Energy a stakeholder?

Mr YEADON: Yes, I understand that is right.

CHAIR: Do you know what the profit percentage will be for Delta?

Mr YEADON: No, I do not. I can provide that information to you. I indicate to you that on most of these projects the electricity that is produced is not as commercial as coal fire generation. Clearly, that is why historically this State has put such a large investment into coal fire generation—it is our natural advantage, if you like. Our major urban areas are located near some of the best coalfields in the world—the Hunter to the north and the Illawarra to the south. The coal provides for very cheap power because it is high grade and in close proximity to the population that uses the energy generated from it. It is difficult for renewables, which are often in their early stages of technological advance or progression. They are often not competitive in a straight play against coal fire generation, as I am sure you are aware. Beyond that, in relation to Delta's commitment to it, obligations and the like, I suggest that you put that question to the shareholder Minister. It is really an issue for the shareholder Minister.

CHAIR: I have a number of questions that I will put on notice rather than go through them all now.

Mr YEADON: Mr Chairman, if it is more appropriate that they be answered by the shareholder Minister I will forward them on to him.

CHAIR: Can you tell us whether the plant will take only bogasse or whether it will also take material from native forests?

Mr YEADON: It will overwhelmingly be bogasse. I can not preclude the fact that some wood waste could be used at some point in the project's life.

CHAIR: How effective has SEDA been in encouraging the take up of photovoltaic energy production, now that Martin Green's technology is available? I will place my other questions on notice.

Mr YEADON: It has been good indeed. SEDA has been involved in a whole range of projects and, more importantly—or as importantly—it has been working with other players in the field. It has worked with organisations such as Integral Energy and so forth. They have undertaken programs such as the schools photovoltaic program, where we have put photovoltaic operations in place at schools. That is done very deliberately because it is recognised that schools are a community environment. Children are obviously at school, but parents visit schools on a regular basis and therefore it is a great area to showcase that type of technology. Kids learn about it as they grow up with it, and their parents can get an introduction to it by visiting the school. We really do well in that area.

I think the other key barometer or indicator in this area is Federal grant funding for photovoltaic technology. New South Wales takes the overwhelming share of Federal grants for photovoltaic. We take the lion's share, and that is an indication of the sort of activity that SEDA is conducting on a whole range of fronts. As a result of education and awareness in the community, people are taking up that technology and it is reflected in that Federal grant structure.

CHAIR: Do you have a graph that shows how much the take up is increasing by? Is it 40 per cent a year, 50 per cent a year, 100 per cent a year?

Mr YEADON: No, I do not. We can get that information for you. I must say that photovoltaic is not a huge slice of the renewable area, if you like. I think in terms of its total State generation it is about 6.4 megawatts or it might be 4.6 megawatts—it is one of the two. It does not make up a huge amount of the renewable energy that is produced in New South Wales, and clearly the cost is a primary issue. We have sought to deal with that, as have other governments, through grant programs and so forth. Even with those grants, it remains quite expensive for your average household to pick up photovoltaic. We remain very encouraged in this area.

Pacific Solar, an organisation within which the New South Wales Government has an interest, has recently entered into a joint venture or collaboration—almost an amalgamation, I suppose—with an European organisation that has a very solid marketing base within Europe. I think in the future we will have the ability to market photovoltaic very strongly in Europe and start to receive some of the benefits of economy of scale out of photovoltaic. Also Pacific Solar is leading the world in relation to the technology and bringing the cost down. It has introduced things such as plug and power, which makes it easy and convenient for people to pick up the technology. Also, in relation to the internal workings of photovoltaic—it is a silicon film—it has developed the most advanced and efficient photovoltaic film known in the world today. I am encouraged by it. However, I have to say that photovoltaic is not leading the world in relation to renewables, and cost is a key issue.

The Hon. MALCOLM JONES: Minister, given that the aim of your Ministry is to provide environmentally responsible energy works, I would like to ask you about TransGrid's clearing in the Brindabellas. Was any of the clearing taking place over Forestry areas?

Mr YEADON: Yes, it did occur in some State Forest tenure.

The Hon. MALCOLM JONES: Did TransGrid contravene the understanding between it and your Ministry?

Mr YEADON: That matter is currently the subject of an investigation—the entire area is—by regulatory agencies in New South Wales and the Australian Capital Territory. The matter is currently being considered by an upper House inquiry. I think further questions and indeed the matters of fact pertaining to that incident are more appropriately dealt with through those processes.

CHAIR: That is true.

The Hon. MALCOLM JONES: Are you therefore compiling a submission to these inquiries?

Mr YEADON: We will respond to the inquiry in an ongoing way. As you are no doubt aware, the inquiry has only just been established. We will wait to see what the committee requires from us. I do not know what it will require at this point in time. We have been very open in releasing TransGrid's interim report. An internal report was conducted by TransGrid, but you will understand that that can go only so far—TransGrid cannot be its own investigator given that it was the perpetrator of the action. Therefore, it is appropriate that regulatory agencies undertake a more thorough and comprehensive investigation—one that is open to a prosecution of either individuals or organisations at the end of the day. I think it is appropriate that we leave it until that investigation and the upper House inquiry have concluded.

The Hon. DUNCAN GAY: Minister, I refer to Pacific Power International [PPI]. How many staff does Pacific Power International employ? What projects are under way?

Mr YEADON: Mr Chairman, I am not sure whether PPI is a part of my budget papers. I think it is outside the jurisdiction of the Committee.

The Hon. DUNCAN GAY: Is that a yes or a no?

Mr YEADON: If you have some specific questions, I will take them on notice and we will get back to you. It is not part of my budget papers.

The Hon. DUNCAN GAY: Could you take on notice: How many staff are employed by PPI? What projects does it have under way? Has any Government decision been made on its privatisation as yet?

Mr YEADON: I can certainly answer the last question: the answer is no. I shall take the other two questions on notice.

The Hon. DUNCAN GAY: In the general area, I draw your attention to Budget Paper No. 3, Volume 2, page 10-25. Other revenue for the Ministry is budgeted to fall from \$157,000 in 2000-01 to \$80,000 in 2001-02. What will cause this fall?

Mr YEADON: Mr Chairman, the revenue variance is a result of a number of factors, including the following. First, there was a reduction in property search requests and associated income of \$127,000 owing primarily to reduced real estate market activity, but that is for this year. Second, there was a reduction in gas meter testing fees of \$100,000. The responsibility for collecting the fees was transferred to the Department of Fair Trading so it is appropriate that the funding does not remain with us. Third, there has been the inclusion of a revenue provision for administrative services provided by the Ministry to other agencies and organisations. No such services are expected to be provided this year, which results in a \$47,000 shortfall compared to the 2000-01 budget.

Fourth, there is an increase in cost recoveries of \$76,000 for providing cathodic protection testing services. Fifth, there is an increase in applications for energy labelling registration as a consequence of the introduction of a new label format, resulting in increased fee collection of \$40,000. In addition, we received a contribution from the Australian Capital Territory for the gas retail contestability project, that is \$65,000. There is research and development related income of \$32,000, which was received earlier than anticipated. And, finally, there was greater than expected income from other research and development projects in the order of \$8,000.

I shall now look at next year, the 2001-02 budget, and the \$80,000 you indicated. First, there is an anticipated income reduction of \$40,000 in that year from research and development projects. The 2000-01 income figure was inflated by unexpected income of \$32,000, which will be not repeated in 2001-02. There is also an anticipated income reduction of \$40,000 in 2001-02 from energy labelling registration. As I said earlier, 2000-01 was inflated by a once-only increase arising from the introduction of a new label format.

The Hon. DUNCAN GAY: Minister, I draw your attention to Budget Paper No. 3, Volume 2, page 10-28, program 51.1.1, Energy Management and Utilisation, Metropolitan Water Quality. It shows a decrease in staffing for this program of one person, yet employee related expenses for 2001-02 increases by \$542,000. Why?

Mr YEADON: Mr Chairman, the Ministry is undergoing an organisational realignment to meet the priorities of Government and the emerging issues arising from the changing energy and urban water industries within the constraints of the forward budgets. The Ministry's alignment is expected to be substantially completed, or realignment is expected to be completed, by July of this year. That realignment is mainly an internal restructure within which some new positions will be established and final establishment is expected to be approximately the same as an existing establishment.

The Hon. DUNCAN GAY: My question referred to the loss of one staff member, but an extra \$542,000. Are there going to be pay increases or bonuses? What accounts for it? I will leave it on notice.

Mr YEADON: We are going through a realignment process. We are carrying eight people for a period through that process. They are in addition to the final numbers. In that sense, there is a blip as they are rationalised to their various locations. For a period we will carry more than we will ultimately carry.

The Hon. DON HARWIN: Our last questions for this session relate to Information Technology. Minister, I have a couple of questions about the department's web site. I understand that the department's web site is still undeveloped; is that correct?

Mr YEADON: Are you talking about the Government's over all portal or Information Technology's web site?

The Hon. DON HARWIN: The department's web site.

Mr YEADON: Yes, it is still under development. You may be aware that a whole range of agencies were brought together under the banner of the Department of Information Technology and Management and that integration progress is occurring over time. That is reflected in the web site in that it is still being developed; it has many components to it. Our approach is to comprehensively deal electronically with many of the issues within my department relating to land management in its widest form—Land Titles Office, the Valuer General and the like. We are moving to the electronic delivery of those services. It will be a first-class operation when it is completed.

The Hon. DON HARWIN: Was it last updated on 2 January 2001?

Mr YEADON: That may be the case; I am not sure. I have not visited it recently.

The Hon. DON HARWIN: Could you check that please?

Mr YEADON: Sure.

The Hon. DON HARWIN: What services will the department's web site offer the public?

Mr YEADON: As I said, it is moving to offer government services that have historically been provided by the Land Titles Office, the Valuer General and the Land Information Centre. Those three organisations were brought together under Land and Property Information [LPI]. The web site will handle matters such as deposited plans and change of title information—it will all be available on line. That is an example of the sorts of things that will be available. Of course, it is right across the board. You may be aware that the Land Information Centre in Bathurst, an outstanding organisation in terms of dealing with the cadastre, is leading the world in that area.

It is terrific that most of its information is in a digital form. That work has been undertaken over a considerable period of time, involving successive governments. We are moving to ultimately provide on line all that cadastre information, it will be available in layers. You can lay down the natural landscape and build feature landscape over the top of that. It will be an invaluable tool for a whole range of interests in the community—from people who deal in land titles, through to local councils and resource management agencies, to people with an interest in that area. A profound resource will be available.

The Hon. DON HARWIN: When will those services be offered? Are you able to advise us in that regard?

Mr YEADON: You may be aware that we have a commitment to have all appropriate services on line by the end of 2001. We will be progressively rolling those issues out over the next—

The Hon. DON HARWIN: The Land Information Centre?

Mr YEADON: The Land Information Centre. The cadastre and all its components may not be available by the end of the year. However, the legal side of it, land titles and that type of thing will be electronically available to the community by the end of the year.

The Hon. DON HARWIN: So you are confident that the cadastral and that sort of information, everything else, will be available by the end of June or the end of the year?

Mr YEADON: Yes. Cadastral is a very big job. The legal and titling area will be done by the end of the year—that is, the stock and trade services that solicitors and other people with an interest in property title deal with. The property title information will be on line by the end of the year.

The Hon. MALCOLM JONES: Minister, I refer to the electronics waste recovery facility in western Sydney. What does that facility do? How much does it cost? When was it first considered?

CHAIR: Was it the one referred to in your press release entitled "Dial before dumping - mobiles help reduce waste"?

Mr YEADON: That is right. We have established the Western Sydney Environment Task Force. We are doing a whole range of exciting things in western Sydney. We established that task force to do a number of fundamental things. First, to take a whole-of-region whole-of-environment approach to the environment in western

Sydney. Second, to take a partnership-collaborative approach to the environment in western Sydney. Third, we want to bring as many players together to add value in a particular chain to get results. Finally, we want to take the most innovative approach we can to dealing with the environment. The initiative to which you refer has come out of the Western Sydney Environmental Task Force. In fact, I met with them this morning in Parramatta. I had the opportunity to sit down with them for an hour or so to review some of the initiatives they are going through. That is one of them.

It is a great project; it is going to pick up superseded and disused IT equipment, telephone equipment and the like. It is not simply confined to computers. We will reuse those components, which may mean breaking down the particular machines to take components or materials out of them. That initiative will be up and running as soon as possible. It is being developed by the waste working group of the western Sydney task force, in consultation with the National Information Technology Industry Association and Environment Australia. The formal proposal was endorsed by the task force this morning. We will roll it out as soon as possible.

The Hon. MALCOLM JONES: Is it part of a dump?

Mr YEADON: As I indicated earlier, it is about recycling. When they sell these things they distribute them to customers. It will be setting up a mechanism to allow that distribution to come back into the centre so they can be demolished, reconstituted and recycled. There will need to be a place where they are marshalled, if you like, but I would not call it a dump. If you call a dump a big hole in the ground somewhere, then the answer is no—otherwise someone will have to go down there to drag it out and disassemble it.

The Hon. MALCOLM JONES: I asked this question of the Minister of Fair Trading in June 2000. I wanted to see if it is filtering through the system. Video screens are a particular problem. I had hoped that you could give us a little bit more information about whether it is part of a disposal process, particularly for video screens. Will we find down the track that an establishment dollar has been put on it? Do you have a more specific time frame?

Mr YEADON: No. This is one of the great things about what is occurring.

The Hon. MALCOLM JONES: Will you answer the question, please?

Mr YEADON: Yes, I will. You listen. You just hang in there. You did not listen to what I said earlier to the Committee. It is bringing together people as partners and collaborators to add value so that the constituent parts create a bigger whole. We are not simply throwing taxpayers' money at this proposition. Business gets a lot of this stuff out there, and business is becoming very conscious of what is being called the triple bottom line in the twenty-first century world economy. The traditional bottom line is financial. You always have to watch your profit, but you have to be aware of your social bottom line and your environmental bottom line. The community, particularly through new information technology, is taking a very dim view of organisations that do not fulfil those two bottom lines of social and environmental responsibility.

That task force is bringing business and government together to say that these issues are out there not only for government but for business as well. Therefore, we are working with all the people that I spoke to you about—the waste working group, Environment Australia and business. The final figure will depend on who brings what to the table in terms of running that program. As I said, we have endorsed the program. Everybody has agreed to get on board, but we have not worked out the detail of who is going to put what into the proposition. Of course, it needs to fit in with initiatives on a national level, but it is not simply a case of how much the Government is going to put in here. We are taking an innovative and collaborative approach to these issues. It is different to traditional types of approaches. It is worth having a look at.

The Hon. MALCOLM JONES: I heard what you said, but perhaps you did not hear what I said. That is, are we far enough down the road to put a dollar value on it—which you have answered—and when is it likely to take off? One is dependent on the other, I would have imagined.

Mr YEADON: Yes. This is the first of these initiatives. It is not ready to go yet. As I said, I was with the task force this morning. It has decided that it will go ahead with it. It will need to come back to me in relation to the logistics of doing that. No, I cannot put a dollar figure on it. I cannot give you a precise starting date. The important point is that New South Wales and western Sydney are the first to get on with this sort of approach—it is ahead of anything anyone else is doing nationally.

CHAIR: Minister, I have been informed by the computer industry that it is well up to date now. It is ready to go on everything, except the plastic industry will not take back its plastic. The rest of it is all organised. I would like you to think about that. We will now move on to Forestry and Western Sydney.

The Hon. DOUG MOPPETT: Minister, State Forests' annual report for 2000 states that one of the highlights of the year was:

Implementation of initiatives to attract new participants to the plantation sector including private landholders and larger corporations.

Could you outline what initiatives have been implemented to attract new participants to plantation forestry, including private landholders and larger corporations?

Mr YEADON: Certainly. From the outset, let me make it absolutely clear that the Government recognises that the major means of addressing the impact of global warming will be a reduction in greenhouse gas emissions at their source. We have put considerable effort into developing plantation and attracting players to it right across the board. One of the key ways of doing that has been to link it up with the impact of greenhouse gas emissions. We have recognised the ability to develop plantation very effectively with commercial underpinning as a result of the global warming issue. For a number of years we have been promoting plantation as carbon sinks.

We have been very successful in that regard—we have led the world in that area. I am sure that you are familiar with the TEPCO agreement, which over the next decade or so will put in place considerable plantation development which will see both carbon sinking and timber production occurring. We are also talking to other international players. The Government is hopeful that in the immediate future it will be able to announce another plantation deal on the basis of carbon sinking. That is at the top end, if you like. We would then move all the way down through the value chain for plantations, I suppose. Landholders are key players in New South Wales.

We see major benefits coming to those landholders. While the corporation, international or otherwise, that might invest in plantations for forestry sinks gets its benefit from it, farmers can get extraordinary benefit from it as well. They can get an alternate source of income for their property. They can multiple land use. Once you have a plantation to a few years of age you can under graze it. You will not get the same dry sheet equivalent [DSE] grazing rates on it, but you can certainly use it effectively for grazing. Importantly, planted in the right location, that plantation can have a major environmental arresting role as well, particularly in relation to salinity and soil erosion.

State Forests has been working with landholders in New South Wales, often on the basis of aggregating land for plantation purposes, either for their own purposes or for clients such as TEPCO. Clearly, those international players do not have the right information and relationship with local landholders to bring about those sorts of land aggregation developments or to get a pool of farmers to join together to go into a particular investment. That is important for economy of scale and so forth. You do not want your plantations spread too widely. You want it closer, where it is ultimately going to be milled and the like. We worked right across the board with a whole range of players. There are many other players involved. The timber industry is involved. To facilitate plantation investment, we have been working on legislation to make it easier—or more straightforward—to establish, maintain and harvest plantation than it has been in the past in New South Wales.

The Hon. DOUG MOPPETT: Minister, you referred to international players. I am sure you and your department would be aware of a company called Plantations International?

Mr YEADON: I think I have heard of it.

The Hon. DOUG MOPPETT: It established 6,000 hectares a year in three States. A representative of that company has agreed to allow me to quote from correspondence it entered into. It stated:

New South Wales has the most structural impediments in place and is the state least attractive to invest in. As a result our company has taken the decision to minimise its activities in New South Wales due to government over-regulation.

This suggests that the initiatives I was asking about have not been successful so far. How would you address the concerns of a company like that?

Mr YEADON: To say that a range of our initiatives has not been successful can be put to bed as inaccurate simply on the TEPCO deal alone. You will hear from the Government in the not too distant future about similar proposals to the TEPCO proposal. I have also indicated that we are looking at legislation, the Plantations and Reafforestation Act. We are further refining the regulatory regime that will exist under that legislation. I am confident that we will address concerns expressed by the company that you mentioned today.

The Hon. DOUG MOPPETT: In 1999 the Auditor-General's report stated that the targeted increase of 10,000 hectares in hardwood plantations was not met in 1998-99 and that 6,700 hectares was planted. At the time of that report the Government had not met its targeted increases in the time it had been in office. The Auditor-General's report to Parliament 2001, Volume 1, indicated that the targets for 2000 would decrease to 5,000 hectares, with 5,300 hectares retained. Why were the targets decreased despite your rosy picture of what is going on? If, as the Auditor-General's report suggests, this illustrates a move to private sector investment rather than New South Wales Forests, how many hectares of private hardwood plantations are currently in New South Wales? Can you provide us with a database of private investors?

Mr YEADON: I will address the last part of your question first. As your question indicates, that is a private resource. We do not keep a database—private, public or otherwise—of other people's property, so you would have to seek that information from peak organisations that represent those growers, and they are certainly out there. I am sure they will provide you with that information if you seek it from them, if they have it. The Government made a commitment to plantation establishment when it came to office, and money was committed to that. The Government has created more hardwood plantation in this State than any other government in the history of the State—it has significantly increased the plantation stake. The roll out of that plantation establishment did not always track precisely with the proposed program, by and large due to logistical difficulties.

State Forests has to be cautious when it is seeking the purchase of land. If its activity becomes too widely known in a particular geographic area—if word gets out on the bush telegraph or on the grapevine—it can experience an increase in land values, because people drive harder bargains and so forth. State Forests has to be cautious in the way it approaches that activity so it does not disadvantage itself in the market. I refer also to its ability to find a range of suitable properties. It is subject to a wide range of regulatory controls in New South Wales, quite rightly. Properties that have too much existing native vegetation or the like on them are not suitable for plantation, and it is not suitable for State Forests to go in and clear that native vegetation to simply put up plantations.

Finding the right property can take some time. The important point to make is whilst there may have been some slippage in the establishment of plantation on a year-to-year basis, the Government's overall commitment remains. As I said, we have created more plantations than any previous government. But, that being said, our long-term view was always to move it to a commercial basis. When it came to office in 1995, the Government's approach was to put significant resources into plantation development—which it certainly did—to demonstrate to the private sector that there would be a minimum base level of timber harvesting activity in this State.

We indicated to the private sector that it could go out and get involved in this type of investment. We indicated that there was no need for it to fear that there would be no industry or other infrastructure around to deal with the resource when it became available for harvesting. We have been very much of the view that the long-term solution to the provision of plantation in New South Wales will involve the private sector to a lesser or greater degree. At the present time we are focusing on getting private sector investment into this area. As I said, we are looking at commercial solutions to environmental problems and the like. The more we can encourage plantation investment by the private sector the better.

The Hon. DOUG MOPPETT: You mentioned the two leagues of forest plantation aims and objectives, being timber and carbon credits.

Mr YEADON: Also regional and rural development through diversified income for farmers, multiple use income for farmers. There have been major advances on a commercial basis for dealing with environmental problems, of which there are some profound problems. Salinity is at the top of the list in New South Wales. That is the beauty of it. It has so many dimensions to it that add up to a win-win-win situation for many sectors in the community. For my money, it has to be pursued as a policy agenda.

The Hon. DOUG MOPPETT: In your earlier remarks, you laid a fair amount of emphasis on the carbon credit side of it.

Mr YEADON: Certainly.

The Hon. DOUG MOPPETT: In August 2000 the Sydney Futures Exchange [SFX] announced that it had abandoned its proposed carbon sequestration contract. What is the current status of the project? Could you tell us that? Given that the Government has invested considerable resources in it, do you now regard that as money wasted? What is the future for people who have invested in forestry on the basis of its carbon credits?

Mr YEADON: Certainly, that investment has not been wasted in any way, shape or form. We collaborated with the Sydney Futures Exchange in the early days of the development of our carbon sequestration policy. SFX was enthusiastic about it for a range of reasons that were beyond the Government's control. That had to do with leadership at the SFX and other matters. We did part company. At this stage of the game, SFX has not indicated that it has gone for good, but it is not ready to proceed at this point in time. SFX may come back, it may not. If it does we will be happy to collaborate with it again. If not, we have put a whole range of work into this area which is of great value to us. It will be used by us in the future.

Whether that is with another organisation, apart from SFX, remains to be seen. Certainly, nothing has been lost. When you are undertaking such an innovative policy approach it is fair to say you may not always stay to your initially determined time line. However, a lot of the processes, the intellectual property and so forth that were developed with SFX remain with us. It certainly is not wasted money. It is very valuable information. We still have a long-term approach to establishing what we talked about with SFX, which is an instrument trading forum for carbon credits. We are still looking at that, but we are also looking at other avenues for carbon trading.

The Premier announced on 25 March that New South Wales would test the carbon market in the second half of this year by offering for sale 250,000 tonnes of carbon dioxide equivalent which is stored in our existing plantations. That is the first commitment period under the Kyoto Protocol, which of course runs to 2008-12. These plantations are fully compatible with article 3.3 of the Kyoto Protocol because they have been established since 1990 on land that was cleared prior to 1990. We will have a reserve on it; we will not let it go for just anything. Indeed, one of the things we will be seeking out of this sale will be a price discovery to see what the interest is in the market and what sort of money people are prepared to pay, but we will have a floor on it. We will have a reserve. But it will further position New South Wales as one of the leading locations in carbon trading markets within the international negotiations on global warming and the Kyoto Protocol.

I am immensely proud of my Government because of what it has done in this area. I am immensely proud of State Forests, which has put in some fantastic intellectual grunt. We lead the world in this area, and we will continue to do so. The short answer to your question is that it is such an innovative and progressive area that things will change from time to time. As we move through the process our anticipations or expectations will not always be fulfilled. But, in the longer term, the overall process will bring extraordinary things to New South Wales on many levels: including the environment, rural economy, and a major trading centre internationally for environmental instruments. I hope that in the future we will not just be involved in carbon trading but environmental instruments across the board, similar to the NASDAQ in America which deals with tech stocks. We hope to deal with environmental service stocks in Sydney. We have quite a way to go, but it is a very exciting policy area.

The Hon. DOUG MOPPETT: I acknowledge, from my experience, the excellent work New South Wales Forests did in advising people and helping to it push it along. I think it is a situation we all regret. But just getting back to the amount of forest activity, you would be aware of the Auditor-General's comments about the discrepancy between the stipulations of the Forestry Act as to the amount of forestry areas in New South Wales that are required and that which actually exists. I think you have described these as breaches of the Act which you believe are due to changes in community standards and a change in community view. Do you stand by your intention to disregard the wording of the New South Wales legislation as far as it sets down its aims for the amount of dedicated State forests? If legislation is no longer relevant or practical, what actions have been undertaken by you to have a wholesale revamp of the Forestry Act?

Mr YEADON: Certainly, the Forestry Act needs attention. However, I put it to you that in recent years this Government has been more concerned about getting practical outcomes and results on the ground. In other words, it has been ensuring that we have a highly technological advanced and value-added native timber industry, or

hardwood timber industry, in New South Wales. We have been working with industry, as you know, over the last five or six years to bring that about. We have had fantastic results. We have been undertaking major conservation initiatives, under the national forest policy statement.

That work was necessary for the timber industry so it could get to a situation where it was no longer constantly under political siege from environmental forces and others. We have achieved all of that. It has taken a lot of work to get those outcomes in place but, clearly, that activity has changed—a range of things are reflected in an Act that goes back to 1916. We have now done the hard practical yards, if you like. It is now time to review the Forestry Act so that it reflects, and is keeping with, what is happening on the ground as a result of the Government's reform program.

The Hon. DOUG MOPPETT: Not only native forest is out of whack; the exotic confers are also out of whack. Would you see that as something in the not too far distant future?

Mr YEADON: I recognise that something needs to be undertaken across the board, not just for native or hardwood timber and plantation, but also for the softwood sector.

The Hon. MALCOLM JONES: Minister, following the transfer from State Forests to the National Parks and Wildlife Service of large tracts of land, what is the status of developments of timber mills and plantations in the Tumut area? Are the production targets being met? Are employment levels being met?

Mr YEADON: I assume that you are referring to projects such as Visy and the presence of Wyhausen and so forth in that region. In relation to our contractual obligations, or State Forests' obligations, everything is on track—if that is the thrust of your question.

The Hon. MALCOLM JONES: I am primarily concerned about levels of timber production and the adverse effect the failure to meet targets could have on the cost of timber. Therefore, you must have planned for production targets?

Mr YEADON: Certainly we are aware of the requirements of industry and organisations in that region. We can fulfil the obligations that State Forests has entered into. Indeed, State Forests is doing a lot of work in the region to increase timber production or growth production. There is also ever-increasing private interest in that region for softwood plantation production, and we are talking and collaborating with those people. We are confident about the situation in Tumut. In fact, it has a bright future, in my view. It will be one of the key timber regions of the nation.

The Hon. MALCOLM JONES: Part of the question you have not answered is that part of the carrot for pushing it through was the employment that could be created in the region by private industry. Are those employment levels being achieved?

Mr YEADON: It is my understanding that Visy is on track with its project and has hired the people that it indicated—it has hired the number of people it indicated it would hire at this particular point in the development of its project. The same situation applies with Wyhausen. The only other issue probably involves a long-standing player within the industry in that area. It may have some questions as to its future, or what it is doing with one of its mills. That has not been determined as yet. I cannot give you an indication of where that is up to because it is a private mill. I am not privy to where it is at the present time. There are some indications that the present owner of the mill would like to sell. Beyond that, I am aware of no problems in relation to the development of employment.

CHAIR: Minister, are you aware whether your Government is going to take a lead in proposing an international forests convention?

Mr YEADON: That has not been before Cabinet yet. It is still being considered and it needs to be considered in a national context, because it then goes international.

CHAIR: I presume it will be announced when Cabinet meets to discuss this?

Mr YEADON: I would think so.

CHAIR: It is quite an exciting initiative, do you not think?

Mr YEADON: Yes.

CHAIR: I had better not jump the gun on that one.

Mr YEADON: I cannot talk about matters coming before Cabinet—as much as I would like to share it with you.

CHAIR: I understand that there are six proposed wood-fired power stations for New South Wales—three in co-operation with the New South Wales Sugar Milling Co-operative and three proposed by the Forest Products Organisation, each to consume in the order of 250,000 tonnes of woodchips per annum. Which of these proposals has State Forests agreed to supply? Over what time frame? What percentage of the supply is genuine sawmill waste? What percentage is proposed to come from native forest logging operations? What assessments have been conducted by State Forests as to which proposed wood supply is best? Can you guarantee that no wood supply will come from areas mapped as candidate old growth?

Mr YEADON: We could have a three-hour debate about what is "candidate old growth". The New South Wales Government is recognised world wide for its role in encouraging and promoting the development and use of renewable energy technologies. Over the past couple of years the Government has introduced a number of important initiatives aimed at promoting the consumption of renewable energy in this State. The green power marketing program by SEDA has achieved a great deal in providing electricity consumers with opportunities to participate in renewable consumption. That program has now been implemented around the nation, which demonstrates its significance.

The Government has also introduced new legislation that provides additional incentives to New South Wales electricity retailers to use municipal wood waste, domestic green waste and certain forest wastes in renewable energy generation. The Government has acted to ensure that all forestry and sawmill residues that are used in electricity generation are sourced in an ecologically sustainable manner. The supply of residues from native forest harvesting operations is underpinned by the framework for the sustainable harvesting of native forest, which was established under the regional forests agreement process.

The process has resulted in the creation of 1.4 million hectares of new national parks and reserves, which is an extraordinary level of conservation. In New South Wales a specific set of rules for environmentally sustainable timber harvesting is provided through the integrated forest operations approval [IFOA], and that is under the Forestry and National Parks Estate Act 1998. The important point is that not only do we make a lot of park in this regional forest agreement process but we have also ensured that we have sustainable forestry operations. That was done through the integrated forestry operations approval. The IFOA encompasses the roles of the National Parks and Wildlife Service, the Environment Protection Authority, New South Wales Fisheries, and the Department of Urban Affairs and Planning. They evaluate, monitor and review timber harvesting operations in this State.

In short, we have an impeccable sustainability regime that is oversighted by a whole range—not simply one—of external agencies. The IFOA framework of rules applies when a forest residue material is used for bio-energy or any other purpose. The use of biomass assists greenhouse gas reduction in several ways. First, biomass is regarded internationally as greenhouse gas neutral for energy production—whether it is sourced from native forest, plantations or agricultural practices. Electricity generated from biomass can be used to displace electricity generated from coal. Therefore, it reduces the total production of greenhouse gases for a given quantity of production of electricity.

Second, the use of biomass to produce energy rather than it simply being burnt by bushfires or at a sawmill improves the net greenhouse outcome from a land management point of view. Finally, the creation of a market for biomass to be used for electricity production helps finance additional tree planting schemes, which is very important. The creation of a market for smaller sized logs in western New South Wales is a key requirement for underpinning broad scale tree planting to combat dry land salinity. Large logs for traditional uses, such as sawn timber, cannot be grown within economic time frames in those more challenging climate conditions. The market for timber products can then be combined with developing markets for environmental services that I have spoken about.

This combination of revenue streams produces a much more commercial approach to driving land use change, which will result in environmental improvement in many areas of regional New South Wales. Therefore, it is much more likely to be adopted by landholders. That is a key issue. We are trying not to dictate to the landholders, telling them, "You must do this, you must do that"; we are trying to create a situation where landholders recognise that it is in their financial interest to do this. Therefore, if they do it for their self-interest, their financial interest, we get terrific outcomes for the whole community in relation to environmental restoration and the like. If we put a number of these revenue streams on top of each other, it is an incentive for landholders and they can go out and do it. I am optimistic that electricity generators and retailers will participate directly in planted forest investment for biomass, as one of their initiatives to meet their greenhouse gas emission benchmarks introduced by the Government.

The Government considers that its recent initiatives, coupled with those of the Commonwealth Government in relation to renewable energy, will provide a sound basis for progressing the development of renewable energy industry in the State. In relation to the wood-fired power plant proposed by the Clean Green Energy Company for Grafton, Raymond Terrace and Batemans Bay, the company has approached State Forests and initial feasibility discussions have been undertaken. If this project were to proceed any wood supplied would be drawn from regional forest agreement areas, which is under the IFOA regime. It is harvested sustainably and it will be supplied at a full commercial and unsubsidised rate.

We are looking at that project, we are discussing the feasibility of it, and the Government recognises that it has the ability to provide us with good environmental outcomes. The only commitment by State Forests is to harvest camphor laurel, which is regarded as a noxious weed in this State, for the sugar mill in Tweed Heads. We spoke about that earlier. It is a project combined with Delta and the Australian Greenhouse Office. Of the three proposals you have identified at this stage, State Forests is involved only in initial feasibility discussions; it has not started any real leg work.

CHAIR: What price per tonne would they be charging for timber?

Mr YEADON: That would come out of the feasibility study. It is my understanding that we have not had a close enough look at it.

CHAIR: Are you aware of a report by PBA Consulting Engineers that states that combustion of green wood using this proposed technology will produce five times more greenhouse emissions than coal? How can you call it environmentally responsible?

Mr YEADON: Mr Chairman, as I indicated earlier in relation to a similar question, we examine all the literature that is available in relation to these issues. I am uncertain as to whether that particular piece of research has been examined—it probably has been. I am more than happy to get that reference from you and I will ensure that State Forests is cognisant of it. You will appreciate, as I do, that there is a whole range of views in relation to this matter. A range of studies has been conducted, some of them better than others. Some of the studies I have looked at indicated a high incidence of gas emission or other carbon emission, even on plantation establishment. It can really be quite questionable. We look at all of it and we ensure that we stay close to what is being deliberated upon in Kyoto. We ensure that we are internationally aligned and that we are inside the right framework and paradigm.

CHAIR: I have quite a few questions that I would like to place on notice—there are about 30 or 40.

Mr YEADON: How much time did you think you were going to have?

CHAIR: Can you take them on notice?

Mr YEADON: I am happy to take them on notice.

CHAIR: Is State Forests objecting to the edification of wilderness areas on State Forests tenure which are included in protected forest management zones [FMZs] and are, therefore, unavailable for logging? They meet wilderness criteria that were nominated prior to January 2000. What grounds could State Forests possibly have for objecting to such areas when they do not contribute to timber supply but are immensely valuable as wilderness areas?

Mr YEADON: Discussions have taken place within the Government in relation to FMZs, in particular. When you say “wilderness” it conjures up the idea of vast expanses of land.

CHAIR: It could be a very small area of wilderness.

Mr YEADON: I do not think you can class a backyard as wilderness—although some people might. It is fair to say that FMZs are contained within State Forests tenure, which is the result of the regional forests agreement. The tenure has been identified for timber production, but recognises that there are areas within that broader tenure that have environmental values that must be preserved. Simply by their nature inside that tenure, they are not large tracts of land. Some people could argue that it has difficulty constituting a wilderness. I indicated earlier that the FMZ areas within State Forests are continuing to be discussed within the Government generally. Mr Chairman, irrespective of their status of wilderness, FMZs or reserves will be protected. That is bottom line fundamental. They have been recognised through the regional forests process as having environmental or recreational value, or value beyond straight timber production. That is why they are in those areas, why they require environmental protection. They will receive that protection within that tenure.

CHAIR: Thank you for that assurance.

The Hon. MALCOLM JONES: What is an FMZ?

Mr YEADON: A forest management zone.

The Hon. MALCOLM JONES: You are talking about FMZs that have an environmental significance?

Mr YEADON: There is nomenclature for them, some have environmental values and some have recreational values. If FMZs have a range of recreational values we have made that information and those areas available to the public—people can go four-wheel driving or motorbike riding in those zones without causing detrimental effects. The top end of it is a forest reserve, which is almost at the level of a national park. In my view, it is as good as a national park. However, it is not a national park because it is of such a small nature within a wider forestry area that you cannot get a contiguous border with another national park. Is managed as a discrete isolated area.

CHAIR: Minister, would you be prepared to go a little beyond the allotted time so we can get deal with Western Sydney now? How long could your people spare?

Mr YEADON: We can stay until 3.10 p.m..

The Hon. CHARLIE LYNN: Minister, page 3 of the Western Sydney Budget Statement for 2001-02 states that the Office of Western Sydney will be funded to the tune of \$2.324 million. In contrast, Budget Paper No. 3, Volume 2, page 10.2, refers to a total budget of \$3.1 million. Which is the correct figure?

Mr YEADON: The amount of \$3.1 million is the total budget; \$2.514 million is the net cost of the service. In other words, it then deducts the differences received from sponsorship and other revenues by the Office of Western Sydney. Sponsorship is one of its key initiatives. Indeed, you will find another figure of \$2.324 million, which is the net figure equal to the controlled cost of service. In other words, the difference is payroll tax, worker's compensation and other outgoing payments.

The Hon. CHARLIE LYNN: The \$751,000 is what you received in sponsorship?

Mr YEADON: No, \$550,000 for sponsorship and the other revenue.

The Hon. CHARLIE LYNN: Can you provide us with the details of those sponsorships? You may need to take that question on notice?

Mr YEADON: I will answer it, subject to commercial in confidence. In other words, if the company has a problem with it, I will not be able to answer it.

The Hon. CHARLIE LYNN: How many people are employed in the Office of Western Sydney?

Mr YEADON: At the moment there is an average of 14 full-time equivalent employees. In the coming year, as a result of increased activity, enhancements and so forth, we will be moving to 20 full-time equivalent positions.

The Hon. CHARLIE LYNN: What are their roles?

Mr YEADON: The 14 or the 20?

The Hon. CHARLIE LYNN: The 14. And why the extra six?

Mr YEADON: A SES 3 officer runs the Office of Western Sydney. Four staff are grade 11 or 12 officers. Other senior officers work in the key initiative areas—they are currently involved in the Western Sydney industry awards, the western Sydney technology initiatives, the Western Sydney Budget Statement, corporate partners for change, and the western Sydney environment strategy. New projects to come on line include the western Sydney knowledge region initiatives, the western Sydney environmental initiatives—which involves the task force I spoke about earlier—and the social entrepreneurs program. We are continuing with technology initiatives as well.

The Hon. CHARLIE LYNN: Does the Office of Western Sydney publish an itemised balance sheet and profit and loss statement, including all the expenditure and income made by the office?

Mr YEADON: An audit is conducted of all the sponsorship and it is reconciled. The way in which the Office of Western Sydney has audited its operation has been recognised as best practice.

The Hon. CHARLIE LYNN: Is this information publicly available? Are you able to provide a copy to us?

Mr YEADON: Information is available from the annual report that is compiled by the Department of Information Technology and Management.

The Hon. CHARLIE LYNN: It includes that information?

Mr YEADON: It covers the Office of Western Sydney—it covers sponsorship, yes.

The Hon. CHARLIE LYNN: Employee related expenses are expected to rise from \$1.084 million in 2000-01 to \$1.89 million in 2001-02, which is almost double the previous year's figure. Is that the result of the increase in staff from 14 to 20?

Mr YEADON: Yes. The Office of Western Sydney has been doing some great things. The Government has recognised that and, as a result, it is enhancing and embellishing that office.

The Hon. CHARLIE LYNN: I refer to the Western Sydney industry awards, which receives sponsorship of more than \$300,000. You have agreed to supply details of those sponsors, subject to commercial in confidence?

Mr YEADON: You can get the names of the sponsors from the awards publications. People who sponsor awards want to get recognition for it—they do not want to hide their banner under a table. If you look at any of the publications of the awards you will see the sponsors loud and clear—that is what they want. If that does not satisfy your question, you are welcome to go to page 46 of the Department of Information Technology and Management annual report 1999-2000, where major sponsors are listed. At our functions we quite publicly and openly acknowledge sponsors in plaques and other items of recognition, to thank them for their contribution to the awards.

The Hon. CHARLIE LYNN: Are sponsorship funds received from companies that nominate for the awards? If so, how is the sponsorship amount calculated?

Mr YEADON: We have a transparent process: we advertise for sponsors and it is open to people who want to come along. We try to find who ever we can because we want people to support our initiatives. Once they come along, we have a defined contractual policy and process for our sponsors. I am pleased to tell you that it was developed in conjunction with the Independent Commission Against Corruption, which has ticked off that policy and that process. In fact, we are listed in ICAC's best practice database on how we manage our sponsorships. I do not know whether ICAC has a web site—you might want to have a look. We are listed as having best practice.

The Hon. CHARLIE LYNN: Is there a perceived conflict between a company that gives a sponsorship and a company that receives an award in that division?

Mr YEADON: No, it is a separate process. The sponsors contribute money or in kind support to get themselves branded—in other words, they get recognition. The people who make that contribution are not those who judge the participants. They are different and independent. We ensure the integrity of that. The awards are overseen by a steering committee, of which the majority of the members represent the private sector, not government. The membership includes individual companies through to large peak employer organisations, such as the Australian Industry Group. Sponsorship, judging and application arrangements are governed by a clear policy and guidelines. As I said, they were developed by the Office of Western Sydney in conjunction with an approved body and ICAC. We have been very conscious of the potential for difficulties in this area, which is why we have gone to a lot of trouble to ensure that its integrity is absolutely impeccable. We have done that in conjunction with ICAC.

I also indicate that judges are selected from advice received by the steering committee and the award category committee. You might be aware that Mr Ross Cameron, MP, the current Federal member for Parramatta—he is certainly not of my political persuasion—has been the only political figure involved in the establishment and development of the awards. He is a member of the inaugural Western Sydney industry awards committee. We are trying to be quite open, transparent and bipartisan—I think we have dropped him off since then, just in case people like yourself make the accusation that it is politically biased or something.

The Hon. CHARLIE LYNN: Now that the awards have been established, that they are up and running and the process has been established, do you see the need for the running of the awards to be tendered out to private enterprise?

Mr YEADON: The private sector has found that State government involvement gives the awards the prestige and authority they want when they use them as a marketing tool. Many of the businesses in Western Sydney are pitching their main market focus at Asia and South East Asia. I do not know how much you have travelled through that area.

The Hon. CHARLIE LYNN: I was in Vietnam in 1967.

Mr YEADON: It was not to do business.

The Hon. CHARLIE LYNN: It was.

Mr YEADON: Depends on the business! If you have ever had any experience marketing business in Asia you would know that a government logo or imprimatur on awards and so forth immediately conveys integrity to Asian clients. They use that as a major barometer—that this person is not making it up, that this person is not some fly-by-nighter who has got a QC's advice or some other recommendation that has been cooked up. Once the Asian clients see the government logo they are comfortable that what they are looking at has integrity and is not false. Award participants and everyone else have constantly said that they want State government involvement for that reason, if for no other reason.

The Hon. CHARLIE LYNN: Given the importance of the Parramatta to Chatswood rail link to the economic development of the Parramatta central business district and western Sydney, why has the Government decided not to spend the \$145 million allocated to the Parramatta to Epping stage to link the west with the northern suburbs, and rather start on the Epping to Chatswood section?

Mr YEADON: That question involves a program that is the responsibility of the Minister for Transport, and Minister for Roads. I suggest that you put that question directly to him.

The Hon. CHARLIE LYNN: I would have expected that your office or your Ministry would have represented the interests of western Sydney in getting the Parramatta to Epping link established first. Did you lobby to get that done?

Mr YEADON: I have had discussions with the Minister for Transport in relation to that project, but he has made a decision in relation to that project and he will articulate the reasons for that decision.

The Hon. MALCOLM JONES: Minister, what is the South Western Sydney Outdoor Recreation Project? What does it entail?

Mr YEADON: I will take that question on notice. Where is it in the budget papers?

The Hon. MALCOLM JONES: Page 36.

Mr YEADON: It certainly is not OWS; it must be the responsibility of another agency. I will seek to find information about it and convey it to you. Is there anything else you wish to know about it?

The Hon. MALCOLM JONES: I am curious about it. I would like to know how much it costs and whether it will be ongoing?

Mr YEADON: That is the responsibility of the Premier's Department. You might ask the Premier in his estimates committee—it is not my jurisdiction. We are very close to 3.10 p.m., Mr Chairman. I think we have time for one more question.

CHAIR: Given the level of importance placed on agribusiness to western Sydney's regional economy and a message from you on the Office of Western Sydney's web site, how will you ensure that agriculture in the area is not put at risk by the introduction of genetically engineered crops that then contaminate organic or non-GE crops? Are you aware that there is a significant demand for organically produced food, which has grown by 20 to 30 per cent annually in Australia? Are you aware that the western region is well placed to realise a portion of this demand? Do you have any initiatives to promote sustainable agricultural in the region?

Mr YEADON: I have spoken about the western Sydney environmental task force, which will do a whole range of good things for the environment in western Sydney. A range of those activities will impact on the agribusiness sector. Genetic engineering and modification of whatever size, shape or form are not the direct responsibility of, nor in the jurisdiction of, the Office of Western Sydney. As these issues come before Cabinet I will give a perspective on them in relation to western Sydney—it is more of a national issue than a State issue. From time to time, it will come before Cabinet and I comment on initiatives that the Government puts forward in relation to all my portfolio areas.

CHAIR: Hawkesbury Council recently voted to go GE free. It is a big area for growing food for the Sydney region. Perhaps you could bear that in mind?

Mr YEADON: I do not think I am an advocate of banning genetic modification in any way, shape or form. There is a lot of debate around that, and potentially a lot of good things could come out of it.

CHAIR: It potentially is a disaster. We have run out of time. Minister, a number of questions have been put on notice. Can you give us an idea of when you will be able to answer those questions? Will you be able to do it in 35 days?

Mr YEADON: Yes, 35 days will be sufficient.

The Hon. IAN MACDONALD: Are you talking about the ones asked so far?

Mr YEADON: Which includes the Chairman's 40?

CHAIR: We will try to be reasonable.

Mr YEADON: If you arrive with a truckload of questions, it will take a truckload of days to answer them—bear that in mind.

CHAIR: We will supply written questions on notice to you in the next couple of days.

Mr YEADON: I am nervous that I am going to be inundated with an avalanche of questions. It is always open to you to write to me outside of estimates on any area that interests you.

CHAIR: Do you know whether you will be available for a hearing with Sydney Water? We have not fixed the time yet; we would obviously invite you.

Mr YEADON: Thank you. I record again my objection to and disappointment with the approach taken by estimates committees. I do not know why estimates committees have set times if they can then rejig those times at their will. I am not aware of it occurring in other committees. It is a cost to taxpayers. I have brought a lot of people here today, and I had no idea that there was going to be a problem with the proposed schedule. My office went to some trouble to talk to the Committee about scheduling to avoid these types of issues. However, I will need to check my diary. I will be more than co-operative in trying to find a mutually convenient date.

CHAIR: I apologise for that. On behalf of the Committee, I thank you for your attendance today.

The Committee proceeded to deliberate.