

# GENERAL PURPOSE STANDING COMMITTEE No. 5

Monday 28 August 2006

Examination of proposed expenditure for the portfolio areas

## WATER UTILITIES, REGIONAL DEVELOPMENT, SMALL BUSINESS, ILLAWARRA

The Committee met at 1.00 p.m.

### MEMBERS

Mr I. Cohen (Chair)

The Hon. A. Catanzariti  
The Hon. Duncan Gay  
The Hon. Kayee Griffin

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

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### PRESENT

**The Hon. Mr David Campbell**, *Minister for Water Utilities, Minister for Small Business, Minister for Regional Development, and Minister for the Illawarra*

**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*

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**CHAIR:** I declare this hearing open to the public. Minister, I welcome you and your officials. The Committee will examine the proposed expenditure for the portfolios of Water Utilities, Regional Development, Small Business and the Illawarra. Before we commence I will make some comments about procedural matters. In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation is placed on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door.

Any messages from attendees in the public gallery should be delivered through the chamber and support staff or the Committee clerks. Minister, you and the officers accompanying you are reminded that you are free to pass notes and to refer directly to your advisers while you are at the table. I remind everyone that mobile phones must be turned off. Minister, the Committee has agreed to examine the portfolios of Regional Development, Small Business and the Illawarra first for one and a half hours, if you are comfortable with that. We believe that more time might be spent dealing with the Water Utilities portfolio.

**Mr DAVID CAMPBELL:** I am comfortable with it for other reasons, but that is fine.

**CHAIR:** The comment was made that we had to go to water, but I hope we will not go that far in this hearing.

**Mr DAVID CAMPBELL:** The Director-General is required to attend another Estimates Committee hearing later in this afternoon. That is why I am comfortable. The arrangement suits us fine.

**CHAIR:** It is good to hear that; we are off to a flying start. Minister, the Committee has resolved to request that answers to questions on notice be provided within 21 calendar days, not the usual 35, of the date they are sent to your office. Do you anticipate that that will pose any difficulties?

**Mr DAVID CAMPBELL:** I give an undertaking to provide replies to any questions on notice as soon as possible.

**CHAIR:** Thank you. I understand that some Committee members submitted a number of proposed issues for questioning before this hearing. Are you familiar with those issues?

**Mr DAVID CAMPBELL:** I am happy to take questions on them, yes.

**CHAIR:** All witnesses from departments, statutory bodies or corporations will be sworn in prior to giving evidence. Minister, you do not need to be sworn because you have already sworn an oath when taking office as a member of Parliament.

**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, sworn and examined:

**CHAIR:** Thank you. I declare the proposed expenditure for the portfolios of Water Utilities, Regional Development, Small Business and the Illawarra open for examination, starting with a combination of Regional Development, Small Business and the Illawarra. Minister, would you like to make a brief opening of statement?

**Mr DAVID CAMPBELL:** I am happy to take questions.

**The Hon. DUNCAN GAY:** Minister, I note that your Government identifies Parramatta, Liverpool and Penrith as regional cities. Would you concede that most people in New South Wales would regard cities like Tamworth, Dubbo, Queanbeyan and Lismore as regional cities, not Parramatta, Liverpool, and Penrith?

**Mr DAVID CAMPBELL:** There are undoubtedly a number of significant cities in regional New South Wales—Dubbo, Orange, Wagga Wagga, Tamworth, Albury and so on. There is also no doubt that the greater metropolitan area includes regional centres such as Parramatta and Liverpool.

**The Hon. DUNCAN GAY:** What is the answer?

**Mr DAVID CAMPBELL:** I have just given the answer. There are exciting, vibrant and significant cities throughout New South Wales.

**The Hon. DUNCAN GAY:** My question was why your Government would include Parramatta, Liverpool and Penrith as regional cities. You obviously do not.

**Mr DAVID CAMPBELL:** There are certainly regional cities within the context of planning for the broader metropolitan area.

**The Hon. DUNCAN GAY:** What do you define as a regional city then?

**Mr DAVID CAMPBELL:** The large and important centres in the greater metropolitan area are defined as regional city and centres. Those towns and cities in regional New South Wales that have designated status of "city" are also regional cities.

**The Hon. DUNCAN GAY:** Would Parramatta, Liverpool and Penrith be part of the greater metropolitan area?

**Mr DAVID CAMPBELL:** I think I have indicated at least twice, perhaps three times, that in the context of the greater metropolitan area they are important city centres and are considered to be regional centres within that context.

**The Hon. DUNCAN GAY:** The Department of Planning has set up a cities task force to create new city centre visions and planning documents for the regional cities of Wollongong, Gosford, Parramatta, Liverpool, Penrith and Newcastle.

**Mr DAVID CAMPBELL:** And the first of those strategies was released by the Premier and the Minister for Planning in Wollongong a fortnight or three weeks ago and it received positive coverage by the local media and a great deal of support from a cross-section of individuals.

**The Hon. DUNCAN GAY:** Has any funding from the Regional Department portfolio been spent on Parramatta, Liverpool and Penrith?

**Mr DAVID CAMPBELL:** In terms of the regional planning issues that you have just referred to, the short answer is no.

**The Hon. DUNCAN GAY:** So it is not a regional centre.

**Mr DAVID CAMPBELL:** In terms of the regional cities and regional centres aspects of the greater metropolitan planning process, they are considered to be regional centres and regional cities and the details of those plans are certainly more appropriately put to the Minister for Planning. But in terms of that planning process, there has been no expenditure from this portfolio.

**The Hon. DUNCAN GAY:** Will you admit that this is a mistake?

**Mr DAVID CAMPBELL:** Is that a real question or a rhetorical question?

**The Hon. DUNCAN GAY:** It is a real question.

**Mr DAVID CAMPBELL:** The answer is this: The New South Wales Government led by Morris Iemma has a plan for the whole of New South Wales and will take those planning decisions that are necessary to secure land supply and employment opportunities in the greater metropolitan area. We will work damned hard, as we have done for a long time, to take those issues and those decisions as they relate to country areas as well.

**The Hon. DUNCAN GAY:** And Parramatta, Liverpool and Penrith are regional centres.

**Mr DAVID CAMPBELL:** In terms of the planning for the broader metropolitan area, they are regional central business districts—regional centres.

**The Hon. DUNCAN GAY:** Minister, given that you stated previously in the House this year that regional New South Wales is open for business, why was the Country Embassy abolished under you less than two months ago?

**Mr DAVID CAMPBELL:** It was not. That is just a false premise. It looks like we are going to go down the road we travelled last year and get questions from The Nationals that are just wrong in basis and in fact. I can simply say that it is just not true.

**The Hon. DUNCAN GAY:** So you are telling me that the Country Embassy is still at Level 44, Grosvenor Place?

**Mr DAVID CAMPBELL:** No, the Country Embassy—

**The Hon. DUNCAN GAY:** What are you telling me?

**Mr DAVID CAMPBELL:** I am telling you that the Country Embassy exists.

**The Hon. DUNCAN GAY:** Where?

**Mr DAVID CAMPBELL:** At the MLC centre, where the department has moved to. That is an own goal for The Nationals. They have taken their eye off the ball; they do not know what is going on. I have to feel a bit sorry for the Hon. Duncan Gay, whose research is very poor. The Country Embassy exists.

**The Hon. DUNCAN GAY:** In what form?

**Mr DAVID CAMPBELL:** In a similar form but in a different location.

**The Hon. DUNCAN GAY:** Why did you need to move it from the premier location?

**Mr DAVID CAMPBELL:** Because the lease had expired.

**The Hon. DUNCAN GAY:** But you are still using that area.

**Mr DAVID CAMPBELL:** Which area?

**The Hon. DUNCAN GAY:** Level 44.

**Mr DAVID CAMPBELL:** Where?

**The Hon. DUNCAN GAY:** Grosvenor Place.

**Mr DAVID CAMPBELL:** No.

**The Hon. DUNCAN GAY:** According to my information you are.

**Mr DAVID CAMPBELL:** We have just demonstrated that your information is wrong. Maybe you should give up. Mr Chair, I think that shows us that the Opposition does not understand the basics of developing strong and robust regional towns and villages. Our approach is about boosting regional business and promoting the goods and services domestically and internationally. The Opposition's promise to axe 29,000 jobs of workers in our State will decimate the people and programs that provide the on-the-ground assistance to regional business owners and operators. Those people work with local businesses in the regions to create jobs and wealth. For example, the Opposition's harebrained scheme to move 100,000 people to rural New South Wales by offering a bribe of up to \$20,000 is just ridiculous. People choose to live in our unique country areas when they have good jobs and prospects for their children. The Iemma Government has real programs in place that provide direct assistance to local government organisations, to entrepreneurs, to business owners and operators, and indeed to local community chambers of commerce and local community organisations.

**The Hon. DUNCAN GAY:** What question are you answering, Minister?

**CHAIR:** The Minister can answer as he sees fit.

**Mr DAVID CAMPBELL:** In the last year alone the Iemma Government's initiatives have resulted in more than \$1.9 billion in investment and more than 6,300 jobs in regional areas. I challenge the Opposition to give an ironclad guarantee to country New South Wales. I challenge the Opposition to commit to delivering the services and support that country business owners and operators want and deserve and to stand up to Canberra on the issues that really count: the spiralling cost of fuel and the Howard Government's failure to constrain interest rates. Mr Chair, I think what my comments demonstrate that we will get on with the job while The Nationals continue to sell out the regions by focusing on the city. Can you imagine what communities throughout country New South Wales would be thinking if they knew that The Nationals were asking questions about office space in Sydney rather than the programs and projects that we have in regional New South Wales?

**The Hon. DUNCAN GAY:** Point of order: The Minister is answering a question that was not before the Chair. There have been no questions asked about The Nationals. I ask you to draw the Minister back to the questions before the Chair.

**CHAIR:** Mr Gay, you raised certain issues about the siting of accommodation and the Minister has the right to answer questions as he sees fit.

**The Hon. DUNCAN GAY:** Well, he can stay here as long as he likes if he is going to go down that track.

**CHAIR:** That may well be the case. I think the Minister has finished what he was saying. Mr Gay, would you like continue your questioning?

**The Hon. DUNCAN GAY:** Thank you. Minister, I note that at last year's estimates you stated that the whole purpose of having a Department of Regional Development was to encourage business investment and jobs growth in the regions. Given this statement and in light of the chronic skills shortage in regional New South Wales, why does your department's Payroll Tax Incentive

Scheme not apply to any town or area west of the Great Divide, where there are some of the highest unemployment rates in New South Wales?

**Mr DAVID CAMPBELL:** New South Wales is Australia's largest, most diverse and dynamic economy, with a good track record in attracting interstate and overseas business. In the 12 months to March 2006 business investment in New South Wales rose in real terms by 17.1 per cent to \$39.8 billion. According to the Australian Securities and Investments Commission, approximately 39,000 new companies registered in New South Wales in fiscal 2005-06, ahead of Victoria, with just over 38,000, and well in front of Queensland, which recorded fewer than 25,000 new company registrations in the same period. However, we cannot afford to become complacent. Premier Morris Iemma has made it clear to me, to our Cabinet colleagues and to the business community. We can, and must, do more to ensure our continued success.

That is why the Iemma Government will work hard with existing business partners and as we welcome new companies, big and small, to secure our future wealth and prosperity. We have recorded some great wins for metropolitan Sydney and for our regions over the past 12 months. In fiscal 2005-06 alone, the Iemma Government helped to facilitate more than \$1.9 billion in investment, resulting in 6,300 jobs. On the Central Coast Brisbane-based Trussmaster (NSW) Pty Ltd is building a timber frame and truss manufacturing facility at Somersby. Thanks in large part to the Iemma Government's Regional Business Development Scheme, this \$7.6 million project will create 100 jobs to service home building markets in Sydney, the Central Coast and Newcastle. Melbourne-based company SalesForce Australia Pty Ltd opened a 230-seat call centre in Ultimo.

In March Gold Coast based Azzura Yachts signed a 10-year deal with the Newcastle Port Corporation to establish a superyacht building facility in the Hunter. Azzura's decision to expand into Newcastle could ultimately generate up to 400 new jobs for the region. It is the second superyacht builder this year to select Newcastle as its growth base, following New Zealand based Sensation Yachts, which has already taken its first order. Superyacht construction and maintenance is a fast-growing niche market requiring world-class skills and Newcastle is a boat-building centre of excellence.

In another strong move to support businesses relocating to, or expanding in, New South Wales, Premier Morris Iemma announced a \$95 million Payroll Tax Incentive Scheme as part of the economic and financial statement on 23 February this year. The scheme commenced on 1 July 2006 and will be open to new applicants until 30 June 2009. This is a practical, sensible measure that will create wealth and build stronger communities in Australian Bureau of Statistics divisions that are recording high levels of unemployment. The scheme provides a rebate to eligible businesses, including start-up businesses in their first year of operation, businesses wanting to relocate from interstate or overseas and growing businesses liable to pay payroll tax in New South Wales for the first time.

For fiscal 2006-07, the eligible ABS statistical divisions are: Richmond-Tweed, which includes Ballina, Byron, Kyogle, Lismore, Richmond Valley and Tweed; mid North Coast, which includes Bellingen, Clarence Valley, Coffs Harbour, Greater Taree, Hastings, Kempsey and Nambucca; Hunter, which includes Cessnock, Lake Macquarie, Maitland, Newcastle, Port Stephens, Dungog, Gloucester, Great Lakes, Muswellbrook, Singleton, Upper Hunter Shire and Liverpool Plains Part B, formerly Murrurundi; Central Coast, which includes Gosford and Wyong; Illawarra, which includes Kiama, Shellharbour, Wollongong, Shoalhaven and Wingecarribee; and Sydney, which includes Fairfield, Liverpool, Bankstown, Canterbury, Camden, Campbelltown and Wollondilly.

In another of its unfortunate attempts to talk New South Wales down, the Opposition suggested that the Iemma Government had ignored the regions in this scheme. Nothing could be further from the truth. The scheme will be reviewed, and if necessary other areas may become eligible for assistance. I am proud to represent regional New South Wales as both Minister and member of Parliament. As all sensible MPs and MLCs can appreciate, we want to see our regions growing, with more jobs and better career paths, rather than to remain eligible for a leg-up from this scheme.

Information about the scheme has been circulated to potential applicants, business intermediaries, advisers and economic development agencies across New South Wales and into Victoria and Queensland. The scheme has also been promoted extensively in local and statewide

newspapers, and on local radio in New South Wales and parts of Victoria and Queensland. All businesses registering for payroll tax in New South Wales will receive information on the scheme as part of their registration package.

In addition, the Department of State and Regional Development and the New South Wales Office of State Revenue are holding seminars on the scheme. To date, 21 information seminars have been held in the Sydney central business district, at Sans Souci, Parramatta, Campbelltown, Newcastle, Gosford and Wollongong. More than 700 business owners, operators and advisers attended these sessions.

I am pleased to advise the Committee that our efforts are continuing. Seminars will be held shortly in the Tweed and at Lismore, Merimbula, Batemans Bay, Nowra and Coffs Harbour as part of Small Business September 2006. I suggest that the members for Bega, Coffs Harbour, Lismore and South Coast listen to the views of the people attending these seminars. They might learn something and stop bagging their own communities.

The response to the scheme from business owners, operators and advisers has been encouraging. More than 600 firm inquiries have been received in just two months. One of the first companies to be formally accepted into the scheme is an earthmoving machinery repair company based in Cardiff South, in Lake Macquarie. The business currently has 10 employees and plans to increase its work force to 26 employees within five years.

The Department of State and Regional Development is assessing applications from businesses in a diverse range of industries, including food processing, marine, energy, construction and digital media. The five-year scheme offers eligible companies a full refund on New South Wales payroll tax to a maximum of \$144,000 a year for three years, a two-thirds refund to a maximum of \$95,904 in year four, and a one-third refund to a maximum of \$47,952 in year five.

Under the scheme an eligible New South Wales-based company with a wages bill of up to \$3 million will receive a full payroll tax refund for three years, whereas a similar company would pay \$126,000 a year in Victoria and \$127,000 a year in Queensland. While Queensland's payroll tax system rate is set at 4.75 per cent with an exemption of \$1 million, it uses a sliding scale threshold that leaves growing companies facing an expanding payroll tax burden. That is punishing companies for growth and success—the companies we are pursuing vigorously.

In Queensland, for every \$3 of wages over the \$1 million exemption threshold, the threshold is reduced by \$1. So when wages reach four times the exemption threshold, or \$4 million, the deduction hits zero. This means that a Queensland company with a \$4 million wages bill pays payroll tax on the entire amount—a \$190,000 slug.

In New South Wales, companies are not eligible for payroll tax until their payrolls reach \$600,000—and that threshold does not evaporate like Queensland's threshold does. If that same Queensland company expanded or relocated to the Tweed, for example, under the Payroll Tax Incentives Scheme that company would pay \$60,000 a year for the first three years. This is a strong incentive for expanding businesses to invest in New South Wales and why we steal a march on Queensland and Victoria.

We have a comprehensive Payroll Tax Incentive Scheme that encourages investment in the small business sector and encourages growth right across the regions in respect of which information is taken from ABS statistics regarding unemployment levels.

**The Hon. DUNCAN GAY:** Well read, Minister. It is a pity you could not listen as well. You read an answer that did not relate to the question. The question was: Why does your department's Payroll Tax 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 DAVID CAMPBELL:** As I said, it is targeted at regional areas where ABS statistics show there has been an average rate of unemployment that is higher than the national average for two years. It is a policy effectively structured with some fact—rather than the grab bag of empty promises we continue to see rolled out by the New South Wales Opposition.

**The Hon. DUNCAN GAY:** Why have you deliberately not applied the scheme west of the Great Dividing Range? Why is it only applied east of the Great Dividing Range?

**Mr DAVID CAMPBELL:** The same comment applies: It is a program based on regions where there is an unemployment rate higher than the national average. When you visit regional towns and cities in country New South Wales, one of the first things the local mayor, the local Chamber of Commerce and the local business people say to you is, "Isn't it so unfortunate that we see the National Party continuing to talk down our local area?" People have had a gut-full of the lack of representation. It is always a negative complaint; it is never anything positive or constructive.

That is what they tell you. They tell you that all they get from the National Party is a sense of trying to tear the place down—when it is going well, when the local people are putting in a big effort and the local business people are working hard, despite increasing fuel costs that the Commonwealth will not do anything about and despite increasing interest rates. The small business people out there, who are working 25 or 26 hours a day, will say to you, "The local National Party just talks the place down, and we are sick of it."

**The Hon. DUNCAN GAY:** Would you accept that the following areas could do with a little more help from this initiative: Albury, with an unemployment rate of 7.6 per cent; Barraba 6.5 per cent, Bogan 6.2 per cent, Bourke 7.5 per cent, Brewarrina 12.4 per cent, Broken Hill 8.5 per cent, Coonabarabran 7.2 per cent, Cootamundra 7.9 per cent, Glen Innes 6.7 per cent, Greater Lithgow 6.8 per cent, Gunnedah 6.7 per cent, Guyra 7.2 per cent, Inverell 6.2 per cent, Junee 8.1 per cent, Leeton 6.5 per cent, Manilla 7.2 per cent, Moree 6.5 per cent, Nundle 6 per cent, Tamworth 6 per cent, Temora 6.3 per cent, Tenterfield 6.2 per cent, Tumut 6.3 per cent, Walgett 8.5 per cent, Wellington 7.8 per cent and Wentworth 9.7 per cent?

**Mr DAVID CAMPBELL:** I did not have to give the previous answer: that is an exact example of it. There again you have the National Party talking down all those regional towns.

**The Hon. DON HARWIN:** What a lot of nonsense. They are just statistics. Why do you not answer the question?

**CHAIR:** Please allow the Minister to answer the question, as you suggested.

**Mr DAVID CAMPBELL:** My previous answer stands.

**The Hon. DUNCAN GAY:** In light of your comments regarding the Coalition not listening to small business, why were no Chamber of Commerce representatives invited to the State Plan meeting last week?

**Mr DAVID CAMPBELL:** There were several State Plan meetings. Whoever wrote you that note might give you clarification.

**The Hon. DON HARWIN:** I presume you are happy to answer questions in relation to the Illawarra Regional Strategy?

**Mr DAVID CAMPBELL:** In a broad sense, but the details of the strategy rest with the Minister for Planning.

**The Hon. DON HARWIN:** The Illawarra Regional Plan claims there are 535 hectares of vacant employment land already zoned, of which 478 are in the Wollongong local government area. In particular, I want to explore with you Minister the area that relates strongly to the economic development of the Illawarra so there is a heavy crossover with your actual portfolio. I refer to the statistics about available employment land and the approximately 500 acres I mentioned in the plan. Exactly where is the land? How much of it is actually available for economic development? How much would be available today if an investor turned up wanting to locate, rather than it being tied up with just one owner or not available for other reasons?

**Mr DAVID CAMPBELL:** If it is zoned and serviced and it is on the market then you would have to assume that it is available. It may well be that someone owns the land but does not want to sell it. Mr Chairman, I think it would be unrealistic to expect me to sit here and talk about every single parcel of land of that status that is in private ownership.

**The Hon. DON HARWIN:** I have not suggested that you should. Are you concerned about the supply of available employment land in the Illawarra? Do you think it is adequate?

**Mr DAVID CAMPBELL:** I think the supply of available employment land is an important issue, that is why it is mentioned, referred to and has a priority in the Illawarra Regional Strategy. I might say that the Minister for Planning has released a draft regional strategy on which he has asked for some community advice and comment. It is there for consultation in draft form at this stage.

**The Hon. DON HARWIN:** The document talks about the fact that the Department of Planning and the Premier's Department are producing guidelines and doing future works on studies on employment land in the Illawarra. How long have they been doing that? Are the studies available to members of the public and business?

**Mr DAVID CAMPBELL:** I think it would be best to ask the Minister for Planning and the Premier questions that specific about the activities of those departments.

**The Hon. DON HARWIN:** They are not "that specific"; I am just asking in terms of work being done by government departments on the availability of employment land.

**Mr DAVID CAMPBELL:** Chairman, the question was specifically about two other government departments for which I do not have ministerial responsibility. I do not believe it is appropriate for the Committee to seek to drill down to that level of detail. I said I will answer some general questions.

**CHAIR:** You indicated what you could answer. The Hon. Don Harwin is free to ask whatever question he wants, but it is also the Minister's prerogative as to whether he can answer it.

**The Hon. DON HARWIN:** I am asking the Minister for the Illawarra, within whose purview he has economic development responsibilities, who also has responsibility for, in part, the Department of State and Regional Development, a question about employment lands in the Illawarra. In terms of his advocacy role both as Minister for Regional Development and Minister for the Illawarra I would have thought it was not unreasonable at all to ask him how long the work that the Department of Planning and Premier's has been taking place into the availability of employment land in the Illawarra and whether the studies are publicly available—not difficult questions at all.

**Mr DAVID CAMPBELL:** In regard to strategic planning for the Illawarra, as I indicated, the Iemma Government recently released the draft Illawarra Regional Strategy which is on public exhibition until 6 October. The strategy takes a co-ordinated and well thought out approach to development and sustainability to address the needs of the growing Illawarra region. It provides for 38,000 new homes, which we anticipate will be needed for the region by 2031 to house a predicted 47,600 additional residents. For that reason it places a strong emphasis on economic development and employment growth to meet the needs of those additional people. The plan focuses on providing an adequate supply of employment land in strategic locations in the Wollongong/Shellharbour and Kiama council areas. This includes development in the Wollongong City Centre, the Wollongong University Innovation Campus at Kembla Grange, the Shellcove Marina site and the Illawarra regional airport. The plan, along with other initiatives, will help create capacity for an estimated 30,000 new jobs in the Illawarra.

It also anticipates a reduction in commuter rates to Sydney. As we all know, the Illawarra is one of Australia's most significant commuter corridors. As pressure on roads and transport increases the plan is to provide for more employment outside Sydney's heart and in areas such as Wollongong. The Government is also working with councils and landowners on employment opportunities at the Tallawarra Power Station site and the Bombo quarry site in the Kiama local government area. These jobs will build on strengths in existing manufacturing sectors, the trade opportunities presented by the

port at Port Kembla, as well as in supporting areas of business, finance, information technology, transport and logistics.

The expansion of Port Kembla is undoubtedly one of the most exciting projects in the region's history. This major initiative is part of the Government's ports growth plan, which will see the transfer of the vehicle shipping trade and general and containerised cargo from Sydney Harbour to Port Kembla by 2008. Work has now started on two major projects that are pivotal to a \$140 million transformation of Port Kembla's inner harbour: construction of the container terminal and berth number three. These works will make Port Kembla Australia's leading car import centre, with an anticipated 400 ship visits to Port Kembla each year, and will provide for approximately an extra 100 direct and indirect jobs—one of the first major employment generating projects in the region as described in the strategy.

While the port is a significant employment generator the strategy tackles the need for employment across industries and the geographic region. One such growth area is the development and revitalisation of Wollongong City Centre. Wollongong has been identified as one of six regional cities within the greater metropolitan region that are critical to the economic growth of this State. Increasing investment in the city centre will create more jobs and high-density housing. This strengthens the status of Wollongong as the major regional centre servicing the needs of the wider community, and supporting the growth and development of other centres, including Shellharbour city.

The new Wollongong city centre plan is now on public exhibition. Premier Morris Iemma and Minister Sartor visited Wollongong to launch the city centre plan, a strong indication of the Government's support for the growth and development of Wollongong and the region as a whole. The new central business district plan provides a framework for 10,000 new jobs and 6,000 more people. Outside the central business district, a critical component of the strategy is the demand for new housing. Under the regional strategy the development of more than 19,000 new homes at West Dapto is a key element. I am pleased to say that the Government is working closely with Wollongong City Council to unlock this important new release area, and associated employment lands at Kembla Grange.

Eventually West Dapto will be its own community. It will be a city roughly the size of Wagga Wagga. It will include new town centres, improved public transport opportunities, land to boost employment and state-of-the-art water infrastructure, including stormwater harvesting and re-use. Transport will not only be critical for West Dapto but for residents throughout the growing region. The strategy includes plans to monitor demands placed on our transport infrastructure. It protects significant transport corridors, including the Princes Highway, the F6 extension, Maldon Dumbarton rail link and the Unanderra to Moss Vale rail line.

While current projections indicate that the road and rail networks can sustain growth in the near future, the Government will continue to monitor demand based on population growth, commuter numbers and freight movements to and from our region. This is sensible planning which ensures that when the growth does happen we are indeed ready. The regional strategy is a very important document that will shape a strong, vibrant and economically sustainable region. It builds on the good work which has already been achieved by the Iemma Government in the Illawarra. In the past year alone, the Iemma Government has delivered an impressive list of infrastructure investments in the region: \$180 million north Kiama bypass, \$49 million Seacliff Bridge, start of construction on the \$140 million Port Kembla expansion, just to name a few.

**The Hon. DON HARWIN:** Again, the Minister is answering a question that was not asked. Rather than taking up the Committee's time talking about roads, the question was about employment lands. I suggest you call him to order.

**Mr DAVID CAMPBELL:** This Government continues to support the University of Wollongong Innovation campus, where \$24 million has been invested.

**CHAIR:** Minister, I ask you to shorten your answers.

**Mr DAVID CAMPBELL:** The Illawarra Advantage Fund has now helped more than 50 local companies generate jobs for more than 1,500 local people.

**CHAIR:** Minister, I request a degree of brevity with your answers. I would prefer it if we did not have to have further hearings. I would like to get through the material that the Opposition and crossbench have in this hearing. If you could appreciate our need to be able to ask our questions in the time, otherwise I can imagine the Opposition particularly would like to have you back, which is a significant inconvenience for members and staff and yourselves. If you could keep that in mind I would appreciate it.

**Ms SYLVIA HALE:** I would like to take up the question of regional planning strategies and your role as Minister for Regional Development. Most of my questions could be answered with a yes or a no, and that would be more than satisfactory. Was your department involved in the development of population projections for the Lower Hunter Regional Strategy?

**Mr DAVID CAMPBELL:** I believe that population figures would have been the purview of the Department of Planning.

**Ms SYLVIA HALE:** So your department had no input or involvement in the estimated population growth?

**Mr DAVID CAMPBELL:** The estimates of population growth I believe would have been the purview of the Department of Planning.

**Ms SYLVIA HALE:** Does your department or do you support the strategy's population projections of an additional 125,000 residents in the area over the next 25 years? It is projected that there will be an additional 125,000 people. Does your department endorse that figure?

**Mr DAVID CAMPBELL:** I make the point that this is a question that should be directed to the Planning portfolio.

**Ms SYLVIA HALE:** So your department has had no input into that figure. Have you or has anyone in your department met with business leaders in the Hunter about the Lower Hunter Regional Strategy?

**Mr DAVID CAMPBELL:** I would ask Mr Harris to indicate whether anyone from the department has.

**Mr HARRIS:** I would imagine that there would have been general discussions about that, but there has been nothing of the nature you are alluding to.

**Ms SYLVIA HALE:** If you could take on notice, therefore, whether there have been any meetings with any people and when those meetings took place? In the strategy there is a forecast increase of 50,000 jobs over the next 25 years in the Lower Hunter region. Was your department involved in any discussions about how those additional 50,000 jobs would be provided?

**Mr DAVID CAMPBELL:** I am advised by Mr Harris that no, there was not formal consultation.

**Ms SYLVIA HALE:** So you or your department has no idea as to how many jobs would be created in mining, agriculture, construction, tourism, transport or IT?

**Mr DAVID CAMPBELL:** I think the answer is, in terms of the projections in regional planning, the department has not had input into those projections.

**Ms SYLVIA HALE:** I now turn to the closure of the Coles distribution centre at Gosford. Have you or any members of your staff—again yes or no answers would be more than adequate—met with Coles Myer regarding the closure of their distribution centre at Somersby on the Central Coast? If so, how many times and when?

**Mr DAVID CAMPBELL:** In regard to the closure, on 11 July 2006 Coles Myer announced that closure with 440 job losses. The 440 staff, I am advised, were offered jobs in new distribution

centres being developed in Goulburn and Eastern Creek. Staff not wishing to take up this offer will be offered by Coles up to six hours counselling from outside specialists in careers and financial planning in addition to being provided full severance rights and entitlements. The Department of State and Regional Development has been liaising and assisting Coles Myer over the past two years on the development and implementation of a logistics strategy in New South Wales, and this has resulted in a new distribution centre in Goulburn and two in Eastern Creek near Blacktown. Coles Myer's original plans included a new distribution centre on the Central Coast to replace the Somersby facility, however, Coles Myer chose not to proceed with this. Due to the establishment of the new distribution centre in Goulburn and two in Eastern Creek, Coles Myer has advised that there will be no net job losses in New South Wales.

**Ms SYLVIA HALE:** You may have said there will be no net job losses in New South Wales, but the loss of 440 jobs in a regional centre such as the Central Coast surely falls within your portfolio responsibilities and should be of concern to you?

**Mr DAVID CAMPBELL:** Certainly attracting investment into New South Wales is of interest to us and we have worked with Coles Myer to attract investment. As a consequence of their own business model they did not undertake a redevelopment on the Central Coast as had been anticipated. Of course, the loss of 440 jobs directly in a community such as the Central Coast is of concern to me as the Minister. It indicates a need for the Government to continue to work with other new investors to generate employment on the Central Coast. It is an indication as to why the Central Coast is one of the regions that is supported by the payroll tax incentive scheme, for example, that I mentioned earlier.

**Ms SYLVIA HALE:** Minister, how many of the 440 jobs that are to be allocated elsewhere in New South Wales will go to Goulburn and how many will be located at the Eastern Creek M7 hub?

**Mr DAVID CAMPBELL:** They would be questions best directed to Coles Myer. But, according to the advice we have, there will be no net loss to New South Wales of jobs. That is not to say we do not have a concern about people who want to stay on the Central Coast.

**Ms SYLVIA HALE:** But as Minister for Regional Development surely you are concerned about the numbers of jobs—that very few jobs may go to Goulburn and very many jobs may go to the M7 hub? Surely as a Minister concerned with regional development that is a question you should have explored with Coles Myer?

**Mr DAVID CAMPBELL:** I think I indicated that I am concerned about the loss of 440 jobs on the Central Coast and that is why we will, as a Government, continue to focus on encouraging investment on the Central Coast.

**Ms SYLVIA HALE:** Minister, can I ask you some questions that overlap between your responsibilities as Minister for the Illawarra and your responsibilities as Minister for Water Utilities in relation to Port Kembla? Who monitors the quality of water being delivered from the Sydney Water Port Kembla recycling plant to BlueScope Steel?

**Mr DAVID CAMPBELL:** To make it clear, I think there is no overlap between the two portfolios—it is a direct responsibility under the Water Utilities portfolio.

**Ms SYLVIA HALE:** So you would prefer these questions addressed—

**Mr DAVID CAMPBELL:** I am happy to give an answer now.

**The Hon. DON HARWIN:** I have quite a lot of questions on this issue as well, so we could leave it until later.

**CHAIR:** The question was asked, if you would like to answer it now. But we will certainly come to all the questions later. If you are happy to answer the question, Minister, please go ahead.

**Mr DAVID CAMPBELL:** If there is going to be a range of questions on the Illawarra Waste Water Strategy and recycled water it is probably better to answer them in block rather than answer this question now and Mr Harwin's questions later.

**CHAIR:** In that case, perhaps we should continue on the other portfolios we are looking at at the moment.

**Ms SYLVIA HALE:** Minister, last year you said there was no market demand for developing the Maldon-Dumbarton rail link and that there was a cargo-cult view of that potential rail line. Do you still hold to that view?

**Mr DAVID CAMPBELL:** I do.

**Ms SYLVIA HALE:** Is the best way to plan infrastructure based on market demand or on efficiency, logistics or environmental considerations?

**Mr DAVID CAMPBELL:** The Maldon-Dumbarton rail line corridor, as I indicated in an earlier answer, remains reserved and the need for it remains under review. There is a need to take a range of factors into account and many of those relate to efficiency, availability and environmental concerns. Equally, if government is going to invest in a piece of infrastructure that is not going to be used—if there is no market for that piece of infrastructure—that does not make sense either. This comes up as a consequence of the Ports Growth Plan, which provides for a \$140 million infrastructure plan to transform Port Kembla into Australia's leading port centre.

**Ms SYLVIA HALE:** Minister, that is not your portfolio area, is it?

**Mr DAVID CAMPBELL:** The existing Illawarra transport networks are able to handle the forecast increase in rail and road movements likely to be required by expanded port operations. At this time there is no viable business case for the completion of the Maldon to Dumbarton rail line. However, I will be continuing to liaise with port authorities and the Department of Planning regarding future demands for this item of infrastructure.

**Ms SYLVIA HALE:** Minister, are you aware of claims that it cost as much to transport cars from Port Kembla into the Sydney metropolitan area as it does to freight them by container from Japan?

**Mr DAVID CAMPBELL:** I have not been made aware of those claims before.

**Ms SYLVIA HALE:** Do you support the Government's position of developing Port Kembla and Newcastle ports only after Port Botany has reached capacity?

**Mr DAVID CAMPBELL:** Certainly, in my capacity as Minister for the Illawarra, I very strongly support the expansion of freight through Port Kembla. I have argued very strongly that more ships coming to the port means more product over the berth, and that means more local jobs. I have argued that strongly publicly and within government. I certainly support the Ports Growth Plan that the Government has in place to ensure there is sufficient movement of product, whether import or export, through the major ports of New South Wales. That is all part of a plan and a strategy to ensure this State maintains a very strong and vibrant economy.

**Ms SYLVIA HALE:** So you would therefore be happy or not perturbed by the announcement last week to build a fifth dock at Port Botany?

**Mr DAVID CAMPBELL:** The Government's Ports Growth Plan is well documented, debated and explained. There is an integrated approach to ensure that the manufactured goods from New South Wales that are exported, the primary products that are exported, the commodities that are exported, get out of the ports as efficiently as possible, and that equally the product that is imported, product that families use in New South Wales, is imported efficiently. The Ports Growth Plan is all about ensuring infrastructure is in place so that both export and import can be undertaken in a competitive manner and in a timely manner to support the families of this State who earn a living from export and to utilise imported goods.

**Ms SYLVIA HALE:** Minister, you would be aware of course that, from the importers' point of view, they aim to import cargo into ports that are the cheapest for them to use, rather than into ports that are either closest to the ultimate destination or those goods or ports which might be producing an environmentally more sustainable outcome. Do you believe that should be the rationale underling the ports' growth?

**Mr DAVID CAMPBELL:** I think the rationale that underpins the Government's Ports Growth Plan is sensible. It ensures investment in two of our ports and ensures proper planning and subsequent investment in our third port.

**Ms SYLVIA HALE:** I turn now to Country Week. Your department funded Country Week in 2004 and 2005, and I understand it has done so again this year. What has been the extent of this year's funding of Country Week?

**Mr DAVID CAMPBELL:** The Department did support Country Week 2006, the Tree and Sea Change Expo, which was held on 11 and 13 August at Rosehill Gardens in Sydney to showcase country and regional New South Wales. Country Week provided an opportunity for Sydneysiders to find out what the benefits of living and working in country and regional New South Wales are about. Country and regional areas offer professional and skilled trades as well as businesses a wide variety of opportunities.

**Ms SYLVIA HALE:** Excuse me, Minister. I did ask you the amount of funding provided to Country Week.

**Mr DAVID CAMPBELL:** Country Week 2006 built on the success of the expos in 2004 and 2005, and over 27,000 people have attended the expos. Exhibitors at the previous expos indicated that they received a large number of genuine inquiries from people living in Sydney who wanted to move to country areas. Some participating local councils reported almost immediate relocations of skilled people to their areas. The New South Wales Government, through the Department of State and Regional Development, was a major sponsor of Country Week 2006, proving \$100,000 towards the event.

**CHAIR:** Minister, I continue on from questioning by Mr Gay earlier about payroll tax. I was not quite sure whether you covered in your earlier answer the issue of whether the Government is considering bringing back payroll tax reduction incentives for small businesses to actually relocate from the city to regional and rural areas to reduce the pressure on facilities in Sydney itself.

**Mr DAVID CAMPBELL:** Earlier I spoke about the payroll tax incentive scheme. But the regional business development—

**CHAIR:** You did. But it was not a city/regional thing.

**Mr DAVID CAMPBELL:** The Regional Business Development Scheme remains a program of the Government. It provides support for business that is growing in a regional location, perhaps relocating from Sydney to a regional location. One of the ways that that program might be used to assist a business in that circumstance might be, if it is liable for payroll tax, to offer some reduction or rebate of payroll tax, subject to—we do not just give it away—in that instance, an agreed number of jobs being generated in the local community. So the short answer is: there is such a scheme available, and that is available to locations outside the Sydney metropolitan area.

**CHAIR:** On that tack, could you also inform the Committee of work that your department has done, or any success with business incubators in regional and rural areas to assist in the establishment of small businesses?

**Mr DAVID CAMPBELL:** There are a number of instances where we work across country areas to do that. The Clusters Program, I think, is one in particular that provides that opportunity. The Clusters Program would bring like businesses in a regional location under an umbrella and encourage them to work together. I think a typical and topical example of that is work that we have done using the Regional Economic Transition Scheme in Nambucca, where there are a number of vehicle

building businesses in place. There is Custom Coaches and as well a truck body building business, the name of which escapes me for the moment. They work together and share each other's workers. They contract with each other and build the capacity there. They support each other in training skilled staff. So in those couple of instances we see businesses working together to employ apprentices and trainees. So I think the Clusters Program is particular evidence of encouraging the growth of small businesses in regional locations.

**CHAIR:** Regarding advice to small businesses, can you give the Committee any idea of the number of one-stop shops giving advice to small businesses that have been established in rural and regional New South Wales? If so, could you indicate how many such facilities your department has established, and what success they are having?

**Mr DAVID CAMPBELL:** I can certainly talk about the business advisory services. There are 18 organisations that have contracts from the New South Wales Government to provide business advisory services through 55 locations across New South Wales. That provides good access for small business people in metropolitan and regional areas. The business advisory services program encourages successful business start-ups, enhances the competitiveness and profitability of existing businesses, and increases the capacity of businesses to expand and generate new jobs.

The contracted providers of the program deliver information, advice and training to small business clients across their region. In the first 21 months of the new four-year contracts, which commenced in October 2004, the 18 contracted providers of the program delivered a total of 370,514 services to their clients. This represents a significant increase on the number of services that were expected to be delivered in a full two-year period.

During the 12 months to June 2006 the program helped create a total of 3,369 jobs in both new and existing businesses, so the business advisory services program typically would provide, with that sort of access, those issues that you talk about. Small business people can contact the small business advisory services through a 1300 number or by going into their office at those 55 locations across New South Wales. Business advisory services will, in many instances, be partners with the Government for the more than 300 events that will be part of Small Business September, which commences on Friday 1 September.

**CHAIR:** What assistance is the New South Wales Government giving to small businesses, particularly in regional and rural New South Wales, which are producing products and services designed to reduce the impact of global warming? Has your department looked at that side of things?

**Mr DAVID CAMPBELL:** Although not reporting to me as the Minister for Regional Development, but through the State Development aspect, the Australian Technology Showcase may well support businesses of that nature.

**CHAIR:** May well or does? Is this something that is a directive from your department?

**Mr DAVID CAMPBELL:** The Australian Technology Showcase is about demonstrating best practice in technology in New South Wales. Although it is part of the State Development side of the portfolio, all of the regional offices of the department are aware of it and they can encourage their clients or the businesses that they are aware of in their region to be in contact with that. The programs of the business advisory services are available to businesses that work in the field you refer to. The general work of the business managers scattered throughout the regions would also support and encourage those businesses that work in the area that you talk about.

**CHAIR:** For example, has the Government given specific support to the manufacture and distribution of solar panels, solar hot water systems and rainwater tanks?

**Mr DAVID CAMPBELL:** In terms of their regional development programs, businesses of that nature, where they qualify for the programs, would be considered as a business—not necessarily one that is involved in green industries but involved in the business of manufacturing—so they would be generally supported in that regard.

**CHAIR:** But there is no specific greenhouse target or encouragement for industries that are obviously working in that direction?

**Mr DAVID CAMPBELL:** The Government, across government and in other portfolios—

**CHAIR:** Does your portfolio have those targets?

**Mr DAVID CAMPBELL:** In terms of regional development, we do not discriminate between businesses of a particular nature. Our focus is to encourage investment and encourage jobs growth across regional New South Wales.

**CHAIR:** Given the vital role that agriculture plays in terms of regional development and that it is central to many of the greenhouse issues in New South Wales, would it not be reasonable that your department, along with other departments, look at industries that actually support greenhouse mitigation initiatives?

**Mr DAVID CAMPBELL:** I just make the point that where those businesses are working to encourage jobs growth, where they are expanding or investing and there will be jobs growth, the department will support them.

**CHAIR:** But not on the grounds of an advantage in terms of the Government's greenhouse objectives, which have been the point of some debate and some statements by the Premier in recent times? I am surprised that you do not have a strategy in place, given that it is the rural areas that are really at the forefront of dealing with a lot of the greenhouse issues?

**Mr DAVID CAMPBELL:** The department's charter and strategy is to encourage jobs growth in regional New South Wales.

**CHAIR:** But you do not factor in greenhouse issues?

**Mr DAVID CAMPBELL:** We factor in jobs for families in regional New South Wales.

**CHAIR:** I appreciate that, but also looking at clever industries, green, clean industries that can also create jobs for families and also mitigate rather disastrous greenhouse issues.

**Mr DAVID CAMPBELL:** Clean and green industries would be, and are, supported by the regional development programs of the Department of State Development.

**CHAIR:** But not specifically because they are clean and green?

**Mr DAVID CAMPBELL:** Because they are businesses. Our charter is for businesses.

**CHAIR:** So something in the coal industry would be on an equal footing to something that is in the solar technology industry?

**Mr DAVID CAMPBELL:** Our charter is to encourage investment and jobs growth and if that investment in jobs growth is in a clean and green industry, it will be supported, subject to it meeting the other guidelines.

**CHAIR:** I appreciate that. I am very interested because I think it is mutually beneficial.

**Mr DAVID CAMPBELL:** Sure.

**CHAIR:** We are looking at the growth of industries that are actually seen to progress what is a pretty strong aim to minimise greenhouse gas emissions and environmental degradation and it is something I would like to see us working together with the Government on.

**Mr DAVID CAMPBELL:** Perhaps I can give you this example and refer to a business called Wireless Monitors Pty Limited, which markets the cent-a-meter remote power consumption measuring device. They have won export contracts, with assistance from the Australian Technology

Showcase Export Support Council grant. This business has contracts valued at \$500,000 with the United Kingdom power utilities, Powergen, Npower and British Gas and a contract with a United States power utility valued at \$200,000. The company is in negotiation with another United Kingdom company, with an order valued at over \$500,000. It is a business that seeks to achieve what you are talking about and it has been supported by the Australian Technology Showcase program. I think it is an example that there are programs that encourage the sort of investment that you are talking about.

**CHAIR:** I am looking at a few other more pointed situations. I appreciate what you say but what is your department doing to ensure that biodiesel is promoted and available in regional New South Wales particularly, which I would suggest is an ideal opportunity, both from a clean and green perspective but also from a job and industrial generation perspective as a very effective way ahead in regional areas?

**Mr DAVID CAMPBELL:** I would point to the Premier's announcement last week—

**CHAIR:** That was ethanol.

**Mr DAVID CAMPBELL:** —about biofuels and just make the point that when there is a proposal for an investment in a biodiesel or biofuels industry in regional New South Wales, again subject to it meeting the other normal business hurdles, our regional business development programs would support and encourage that investment.

**CHAIR:** Similarly, what is the Government doing to assist the production, marketing and exporting of products, particularly in rural and regional areas, to supply the increase in demand for organic products, both here and overseas?

**Mr DAVID CAMPBELL:** The same applies.

**CHAIR:** So purely on a business, and job and wealth creation basis, without any priority for the worth of the production, with respect to environmental, social and greenhouse issues?

**Mr DAVID CAMPBELL:** the work of the Department of State and Regional Development is focused on investment that is going to be sustainable and will generate employment.

**CHAIR:** Is not "sustainable" environmentally sustainable, and would it not make these industries all the more important?

**Mr DAVID CAMPBELL:** Sustainability comes in various forms.

**CHAIR:** I am aware of that.

**Mr DAVID CAMPBELL:** One of them certainly is environmentally sustainable and one of them is being economically sustainable.

**The Hon. TONY CATANZARITI:** What is the State Government doing to promote and develop New South Wales businesses to export into international markets?

**Mr DAVID CAMPBELL:** The export programs are very strong, and I have mentioned some examples of that. As I have said before, New South Wales is open for business and it is certainly open for international business. The State Government is committed to helping New South Wales companies grow and expand into international markets. One in five jobs in New South Wales results from exports. One in four country jobs results directly from export.

Last year New South Wales companies exported goods and services worth nearly \$45 billion, an 11 per cent increase on 2004. Exports benefit individual companies, create jobs and bring prosperity for everyone in our State. That is why the Iemma Government has increased our support for programs encouraging New South Wales companies to explore new market opportunities. In the next 12 months the State Government's new Export Opportunities Program is providing \$1.6 million to help firms acquire the planning, knowledge, skills and connections required to succeed in overseas markets. It will target the world's major markets of India, China and the United States of America.

Also on the trade promotion calendar is the growing market of the United Arab Emirates. We will also target countries where Australia has agreed to free trade agreements, like Singapore, Thailand and, again, the United States of America. Our targeted trade programs are a practical way for the Government to invest in future business growth. We want the world to know that here in New South Wales we mean business.

Participants in the New South Wales Government's trade promotional activities say they gain access to key decision makers in these countries that would be difficult, if not impossible, to achieve if they were to go it alone. Being part of a State Government-organised visit provides credibility. The first trade mission for 2006-07 went to China, visiting Shanghai and Guangzhou. In July, seven companies from the ICT and creative media industries took part. Those taking part anticipate export sales of almost \$5 million in the next 12 months. This year the New South Wales Government has boosted our New Export Opportunities Program by \$300,000. This will help give greater support to those taking part in trade missions.

In 2005-06, 40 New South Wales companies helped to undertake export preparation and develop market entry strategies. Some 108 companies participated in 14 group trade missions and market visits, and 33 individual market visits to 20 countries. The companies reported sales of \$803,000 during the missions and visits, and a further \$33.2 million projected in the following 12 months. The New South Wales exporters network is a dedicated, interactive web site where members can communicate with each other, as well as gain access to a host of export-related information and links. Almost 700 companies were registered on the network in 2005-06, an increase of 14 per cent on the previous year.

The exporters network is a great way for new and experienced exporters to share advice and information, and to learn from each other. Service exports—which include architecture, design, education and training, legal services and software, along with IT—are becoming increasingly important exports for New South Wales. Over the past 10 years this has grown at an annual rate of about 6 per cent. In 2005 the value of services exported from New South Wales reached \$16.3 billion, or 44 per cent of all Australian services exports.

Last financial year more than 600 companies took part in seven export workshops and three seminars for design, information and communications technology, professional and general services sectors. Some 34 companies attended information sessions on pursuing opportunities with multilateral organisations, such as the World Bank and the Asia Development Bank. The New South Wales Government, through the Department of State and Regional Development in conjunction with partners such as Austrade, the Australian Institute of Export, Australia Post and industry associations manage a further 76 events and seminars.

It is important to point out that the area of trade is one where there is a strong co-operation between Austrade, the Federal Government agency, and the New South Wales Government agency. It is true to say that there is a great deal of collaboration and co-operation to encourage people to export. During Small Business September 2005, 34 trade events were held and about 1,400 businesses took the opportunity to learn more about exporting.

In addition, our network of regional export advisers encourages regional companies to enter new overseas markets or expand their existing markets. The clients assisted under this program reported new export sales of \$8.6 million in 2005-06, bringing the total new export sales reported since 2000 to \$257.5 million. The prestigious New South Wales Premier's Export Awards continue to recognise the competence of our exporters in an ever-changing and very competitive global environment.

In 2005 New South Wales firms won five of the 11 national categories, and New South Wales provided the overall winner, which was a service business, believe it or not. It was the Wiggles. I had the opportunity to meet Dorothy the Dinosaur at one of the State presentations. There is no doubt that there is a focus on exports, whether it is commodities, technology or services. The trade missions and market visits program is the cornerstone of those efforts and initiatives from the New South Government.

**The Hon. TONY CATANZARITI:** With regard to small business, what is the New South Wales Government doing to encourage business confidence and growth across the State?

**Mr DAVID CAMPBELL:** There are 440,000 small businesses in the New South Wales and between them they employ more than one million people. It is for that reason that the New South Wales Government works hard to ensure strength of business confidence. Since his election as Premier just over 12 months ago, Morris Iemma has made it clear that New South Wales is open for business. He has also made it clear that we need to work harder to attract investment, create jobs and encourage growth. That is why he has taken personal responsibility for the critical State Development portfolio, and it is why I am very proud to work alongside him as Minister for Small Business and Regional Development.

The Iemma Government has a strong focus on driving the New South Wales economy, and in generating jobs and investment. We are making it easier and more attractive to do business in New South Wales. We have adopted an unashamedly aggressive approach to building business confidence—an equally weighted average of expectations for trading performance, profitability and employment. They include the New South Wales Women in Business campaign.

Business and economic growth for New South Wales is a top priority for this Government. This campaign promotes the great advantages of doing business in New South Wales. The campaign is aimed, firstly, at our existing businesses in New South Wales to encourage them to expand, and to ensure they are getting the information and help they need to do so. Response from the campaign is very positive. It has led to genuine expansions and jobs growth, including a confectionery manufacturer currently in Sydney that is relocating to Medford in the Hunter region, which will create 40 new jobs in that area.

An internationally successful digital media company is looking to relocate from Parramatta to the Central Coast, and is likely to employ between 40 and 60 people in high-end jobs. A Sydney-based construction company is expanding in the Hunter, with an estimated \$1 million investment and up to seven new jobs. As well as New South Wales business, the campaign targets interstate businesses to encourage them to relocate to New South Wales, especially now that the payroll tax incentive scheme offers a better deal for companies relocating here.

Events were recently held in Brisbane with initiatives to attract young professionals to Sydney, and a series of meetings with Queensland-based companies. The event was hosted by the Premier, and included key financial industry leaders. The event attracted 150 people, and feedback was extremely positive. A series of one-on-one meetings was held the following day with companies considering relocation. They were briefed on the business opportunities in New South Wales and assistance across a range of programs.

The Department of State and Regional Development is following up a significant number of leads, and we propose to conduct a similar We Mean Business event interstate. The campaign is an essential part of the New South Wales Government's priority for jobs and investments, such as a business promotion campaign that has not been around since the Sydney Olympics. The national and international business world is more competitive and we cannot rest on our laurels. We have to work harder to attract jobs and investment for New South Wales. The initiative is supported by the Premier's business round table and the New South Wales business community. Australian Business Limited State chamber welcomed the campaign as proactive, and Glenn Thornton of the Newcastle and Hunter Business Chamber said:

If the campaign changes perceptions then it will be a worthwhile investment.

The campaign features six world-class companies from a range of locations and industries in New South Wales which all tell of their success in this State. One example is Casella Wines based near Griffith—perhaps the Hon. Tony Catanzariti knows of that business—which exports more wine to the United States of America [USA] than France exports to the USA, for example. Fidelity International chose Sydney for its service centre against rival Asian countries. Proteome Systems, for example, is a leading biotechnology company based in Ryde. Peregrine Semiconductors in Homebush manufactures a unique silicon-on-sapphire chip that is used in satellites and the Mars rover. Cowan Manufacturing is a Hunter-based recompression specialist whose largest client is the US navy. Andrew Corporation is a leading information technology company based in Wollongong.

The campaign features billboard advertising at Melbourne, Brisbane and Sydney domestic airports, as well as Sydney international airport, and promotion within ethnic media to reflect the strength of New South Wales multicultural business community. Since the campaign commenced, visits to the business web site, *www.business.nsw.gov.au*, increased in May by 10,000 or 26 per cent and that level has been sustained through June and July. On occasions during the television campaign visits to the web site increased by 90 per cent.

The Iemma Government will maintain its commitment to promote business growth within New South Wales and business attraction from interstate and overseas. We will continue the business promotion campaign in September. This phase will include international advertising, firstly with the *Forbes* magazine to coincide with the Forbes global CEO conference being held in Singapore this year. The Iemma Government will also advertise in the *Financial Times* supplement on Australia to promote Sydney's financial strength.

We know that the small business community is hurting from the double whammy of higher interest rates and fuel prices. Despite this, companies are expanding and creating jobs. As Minister for Regional Development, I am pleased to report to Committee members that business confidence outside metropolitan Sydney is very high. In the Hunter region economic indicators June 2006 report, the Hunter Valley Research Foundation stated, "Business investment appears to have been the main force driving the economy."

Hunter businesses' expectations for trading, profitability and employment were better in June 2006 than in the corresponding period last year. That confidence carries through over the next three months, with 36 per cent of Hunter businesses expressing greater confidence and 50 per cent maintaining the same level of confidence in the economy. As the foundation states, these are the people who drive the region's economy.

Over the next 12 months the story gets better, with 44 per cent of businesses indicating greater confidence and 45 per cent maintaining the same level of confidence. The Central Coast research foundation's March 2006 economic indicators survey suggests that business confidence over the short and medium terms is slightly higher than at the same time last year, with 35 per cent of businesses expecting improved conditions. The Western Research Institute's Reliance Credit Union regional business survey for the June 2006 quarter includes the responses of 445 businesses across eight statistical divisions in regional New South Wales and provides a good indication of regional business sentiment. The survey looks at current performance and indicates expectations for the coming quarter. Regional businesses are expressing confidence in the New South Wales economy and there are some interesting statistics.

**CHAIR:** The statistics can be taken on notice. Committee members are keen to ask questions. Additional time taken in answering questions would mean a recall of the Committee. I am simply letting you know that that is probably what will be needed, so I am keen for us to get through our questions.

**Mr DAVID CAMPBELL:** From your earlier comments it was clearly decided before we even got here.

**CHAIR:** It is a work in progress to which you are contributing.

**Mr DAVID CAMPBELL:** Given that the Government maintains a triple-A credit rating for the State, and the Government works very closely with the business community, we have some strong programs to encourage the small business sector. As the research I have just referred to shows, there is every reason for our small business community, and the regional small business community in particular, to have a sense of confidence that the State Government is focused on what they want to do and that it is prepared to support them.

**The Hon. HENRY TSANG:** Earlier you mentioned fuel prices. How is the skyrocketing price of fuel impacting on regional business and communities?

**Mr DAVID CAMPBELL:** I just made the point about the sense of confidence in the business sector generally, but there is no doubt that the small business community is particularly concerned about the impact of skyrocketing fuel prices and the fact that the Prime Minister and the Federal Treasurer will not do anything about it. We see fuel prices leap before just about every holiday period. We saw that just before the recent June long weekend: fuel prices across the State increased overnight on the Wednesday-Thursday by 10¢ a litre.

That has an impact on small businesses in regional areas, particularly small businesses that might be home based, such as a bed-and-breakfast within a reasonable drive of Sydney. Families from Sydney that were planning on going away for the weekend simply do not go because the Australian Competition and Consumer Commission [ACCC] does not have the power to monitor the price movements by oil companies.

That is one anecdotal example. We know that fuel goes up just before every long weekend. One does not need a crystal ball to identify that there will be a spike in fuel prices just before the forthcoming October long weekend. It happens all the time, and at a time when the major oil companies are recording record profits. Everybody, apart from the ACCC, the Prime Minister and the Federal Treasurer, thinks there is a problem.

Surveys undertaken by the NRMA, Dunn and Bradstreet and the National Australia Bank indicate that increasing fuel prices are front and centre the issue that concerns the small business sector in New South Wales. They know it will impact on their customer base because as families spend more on fuel the customer base will have less discretionary money available to spend on services so it impacts on them. Also, it impacts on the bottom line of small businesses through increased costs, including freight costs to get their product into their business or perhaps to get their product out of their business.

Fuel prices is the issue that most concerns small business. As I said, it seems that most people believe there is a problem, but the Prime Minister and the Federal Treasurer do not think there is a problem. That is evident from debates in the lower House, when Opposition members speak for small businesses in New South Wales during debates on this issue.

**The Hon. DUNCAN GAY:** Earlier you indicated quite strongly that the Country Embassy has not been abolished. In light of those strong statements, how do you explain an inquiry that was made less than half an hour ago when the New South Wales Parliamentary Library tried to contact the Country Embassy and your department indicated it has no such facility?

**Mr DAVID CAMPBELL:** The Country Embassy and Trade Investment Centre are as one and they continue to operate.

**The Hon. DUNCAN GAY:** Is there a Country Embassy?

**Mr DAVID CAMPBELL:** The Country Embassy and Trade Investment Centre continue to operate.

**The Hon. DUNCAN GAY:** Why would the Parliamentary Library be told there is no Country Embassy, full stop?

**Mr DAVID CAMPBELL:** I do not know what the question was. I will not speculate on the question or the answer. The question here is, "Does the Country Embassy operate as part of the Department of State and Regional Development?" The answer is yes.

**The Hon. DUNCAN GAY:** Minister, in response to the New South Wales Coalition's policy announcement on red tape reduction for small business, Mr Tripodi stated that the Coalition had copied Government policy once again, whereas you stated on the same day that the policy which was supposed to be a copy of your Government's position would "erode work conditions and workers' safety." Could you please inform the Committee if Mr Tripodi is wrong again, whether you are, or whether you both are?

**Mr DAVID CAMPBELL:** Can I just say that the small business regulation review task force, announced by the Premier in January 2006, has concluded its first sector review, which focused on the motor vehicle retailing and services sector and covers motor dealers, repairers and fuel retailers. Its report on that sector has been adopted by the budget committee of Cabinet. The task force's report includes a number of recommendations that are aimed at reducing the time, effort and money that small business spends on complying with government regulation. These recommendations cover areas such as simplifying and reducing licence categories and requirements for motor dealers, discontinuing equipment lists for motor repairers, streamlining the registration of business names and ABNs, sharing information across government agencies and improving practices in compliance inspections by local councils and government agencies, such as WorkCover. The task force recommendations will make a significant difference in the day-to-day running of businesses in the motor vehicle sector.

**The Hon. DUNCAN GAY:** Who was wrong, you or Joe?

**Mr DAVID CAMPBELL:** The small business regulation review task force is part of a three-pronged approach that the Government has to looking at—

**The Hon. DUNCAN GAY:** Do you have a hearing problem?

**CHAIR:** Please ask your questions, Mr Gay.

**The Hon. DUNCAN GAY:** I have asked the questions and the Minister—

**CHAIR:** We do have insight.

**The Hon. DUNCAN GAY:** —reads a prepared statement and refuses to answer any of our questions.

**CHAIR:** I suggest that you take the opportunity to ask it as a question, please.

**The Hon. DUNCAN GAY:** I have asked it as a question.

**CHAIR:** It is not a question that is relevant to the portfolio, which you will appreciate.

**The Hon. DUNCAN GAY:** Out of the number of questions that we have asked that he has answered, he reads a statement which has nothing to do with the question.

**CHAIR:** That may be the case but I think the time is valuable. I ask you to ask questions on the subject matter and not just personal—

**The Hon. DUNCAN GAY:** That is why I have asked this: time is valuable.

**Mr DAVID CAMPBELL:** It seems that Mr Gay has the same short attention span as the Leader of the Opposition.

**CHAIR:** Minister, if you want to curtail the member's inappropriate questions, inappropriate comments do not help.

**Mr DAVID CAMPBELL:** That is right. That sense of a personal attack from Mr Gay is most unfortunate.

**CHAIR:** If you could answer, please, Minister.

**Mr DAVID CAMPBELL:** The answer is that the Government has a three-pronged approach to business regulation and red tape review. With the small business regulation review task force, which I am chairing and to which I have just referred, Mr Tripodi is leading a project to look at red tape across government departments and internal red tape and regulation. The Independent Pricing and Regulatory Tribunal is looking at some intergovernment and whole-of-government issues. The Government has a comprehensive policy of reviewing red tape and reducing it. We are doing that in

the small business sector and the small business portfolio in collaboration with businesses. We are talking to people at the enterprise level and we are working with the business associations. The fact that the Commonwealth's WorkChoices makes life a lot more difficult for small business is undeniable.

**CHAIR:** The time being 3.30 p.m., we will move to Water Utilities. We will come back to other questions if time is available.

**The Hon. DUNCAN GAY:** I think there was an indication from the Minister that the Regional Development staff had to go to another meeting. Is that correct?

**Mr DAVID CAMPBELL:** No. I indicated that the director general needed to go.

**The Hon. DON HARWIN:** Mr Harris has to go to the Premier's estimates hearing, presumably, at four o'clock.

**Mr DAVID CAMPBELL:** In terms of the small business sector and the small business division and the regional development division, I have the support of Ms Scott and Mr Cullen, but the director general will need to go to the estimates for State Development and the Premier.

**CHAIR:** It is just that I am dying to ask a question of the Minister on the Water Utilities side of it now.

**Mr DAVID CAMPBELL:** If we are going on to Water Utilities, we will need to swear some staff from the Department of Energy, Utilities and Sustainability [DEUS] and Sydney Water.

**The Hon. DUNCAN GAY:** Can I indicate that very few questions were asked, but even fewer were answered out of the few estimates questions. Almost certainly that will indicate that we will have to come back to them.

**CHAIR:** I appreciate that. That is why we will have a deliberative meeting at the end. I think that message has got across.

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

**KERRY SCHOTT**, Director General, Sydney Water Corporation, sworn and examined:

**CHAIR:** Minister, before we proceed with this section, I am wondering in terms of your portfolio what areas you would be prepared to answer questions on in relation to water issues and how far your portfolio extends here.

**The Hon. DON HARWIN:** In terms of the catchment issues.

**Mr DAVID CAMPBELL:** Could I just explain that Mr Duffy is the Acting Director General of the Department of Energy, Utilities and Sustainability, and Dr Schott is the Managing Director of Sydney Water. In terms of catchment issues and dam storage, the Sydney Catchment Authority has responsibility for that and it reports to Minister Debus. In terms of environmental flows, those issues are the responsibility of the Minister for Natural Resources, Mr Macdonald. I suspect that there may be some overlap in the questions and some issues surrounding that. As always, I will try to be helpful to the Committee.

**CHAIR:** Of course. I appreciate that.

**Mr DAVID CAMPBELL:** But if it is not an area that I have information on or responsibility for I will advise the Committee of that.

**CHAIR:** Thank you. I would just like to ask a few questions in relation to a particular interest of mine, which is the desalination plant. I wonder if you could tell the Committee how much has been spent so far on preparatory work for the proposed plant. I understand it is in excess of \$400 million, which is well above the \$120 million by the end of 2006 stated in the Metropolitan Water Plan. Would you indicate to the Committee exactly how much money has been spent so far and what the money has been spent on?

**Mr DAVID CAMPBELL:** The issue of desalination is an important one. Of course it is an issue that I think this Committee looked at very closely in a particular inquiry, but certainly during a committee that you chaired. I might give a fairly comprehensive response on desalination.

**CHAIR:** I appreciate that. If it could include those costs and those discrepancies, I would be very interested to know, Minister.

**Mr DAVID CAMPBELL:** The Government has confirmed that it is not necessary to proceed with the construction of a desalination plant at this time. This is because of the current water storage position and the other action the Government is taking to secure Sydney's water supply. This includes implementing recycling schemes that will increase water reuse to 70 billion litres by 2015, including a major scheme for Western Sydney to provide recycled water to homes, industry and agriculture, as well as to protect the health of our rivers; subsidising the purchase of rainwater tanks, washing machines and water saving devices for households; harvesting new sources of underground water to provide a buffer of drinking water in the event of a sustained drought; and installing new pumps to reach deeper into Sydney dams to use previously inaccessible water, increasing supplies by around 40 billion litres.

Government independent consultants had advised that the ability to construct and operate a desalination plant is a necessary component of the plan to secure Sydney's water supplies in the event of severe and sustained drought. I liken that to buying an insurance policy. Most people insure their houses against fire. They do maintenance of the house and a range of things to ensure there is not a house fire. The Government is doing that with water, but if there is a catastrophe we need some capacity, and it is in that context that we continue to have some desalination plans as a contingency emergency measure.

Sydney Water has undertaken detailed environmental and engineering assessment, procured a site at Kurnell, applied for planning approvals and will be undertaking pilot plant testing. The Minister for Planning is expected to make a decision on the conditions of approval in the near future. The

Government is ensuring that sufficient planning work is being done in advance so that, if necessary, a plant could be built in around two years from the start of construction. Under the 2006 Metropolitan Water Plan construction of a desalination plant will only commence in the unlikely event that critical dam levels of around 30 per cent are reached. This is now unlikely because the overall storage capacity, including access to the deep storages, the new recycling schemes and ground water have helped secure our water supplies. Also, independent experts have advised that there is an increased probability of rainfall. Deferring commencement of construction of a desalination plant until dam levels reach around 30 per cent can deliver substantial financial savings while fully guaranteeing security of supply for the first time.

Sydney Water is continuing to work to ensure that should storages fall to around 30 per cent a desalination plant can be built quickly. A capital project of the magnitude of a desalination plant would ordinarily require at least four years to deliver. However, should there be a severe water shortage in Sydney a solution would need to be implemented more quickly than this. As a result of the work that Sydney Water has undertaken, together with the work that will be completed by the end of this year, Sydney Water will be in a position to build a desalination plant in around two years from the time of a contract is awarded, should that become necessary. This is a sound insurance policy to ensure there will be adequate water supplies for Sydney if severe drought conditions return.

The cost of this insurance policy is around \$120 million. This includes \$3.5 million already spent to demonstrate that desalination is a feasible option to secure Sydney's water supply—that aspect of the insurance policy is complete; \$47 million has already been spent or committed to acquire a 45-hectare site at Kurnell and for site works—the site has been acquired; \$13 million for an environmental assessments and to secure planning approval which is expected in the near future, as I indicated; \$27 million to complete engineering geotechnical studies and prepare the design blueprint—that work is under way; \$30 million for project management and procurement, legal and commercial costs and contingencies; \$94 million of the \$120 million a budget has already been provided for in IPART's recent price determination.

Of the \$120 million, around \$70 million has already been spent or committed. First and foremost, the Government is committed to maximising recycling and water savings but we will also ensure that we are ready to switch on a desalination plant well before Sydneysiders face dangerously low dam levels. The New South Wales Government released the 2006 Metropolitan Water Plan in May 2006. It outlines plans to secure Sydney's long-term water supply. As a result, the Government has decided, as I said, it is no longer necessary to proceed with the construction of a desalination plant at this time. You can see we have a budget of about \$120 million and, of that, we have spent or committed about \$70 million.

**CHAIR:** So there is no truth that there is in excess of some \$400 million involved so far in the development of this?

**Mr DAVID CAMPBELL:** I do not know where the claim comes from. What I am able to say to the Committee is that we have a budget of \$120 million and around \$70 million of that has already been spent or committed.

**CHAIR:** Has work been done on the site itself so far?

**Mr DAVID CAMPBELL:** The site has been acquired but we do not have development consent yet.

**CHAIR:** You say the site has been purchased?

**Mr DAVID CAMPBELL:** That is right.

**Ms SYLVIA HALE:** Minister, I asked you earlier who monitors the health quality of the water being delivered from the Sydney Water Port Kembla recycling plant to BlueScope Steel?

**Mr DAVID CAMPBELL:** Again, I think this is an important issue so perhaps I will take some time to give some background to the project.

**Ms SYLVIA HALE:** Could that be about one minute? Unfortunately I have to attend another Committee meeting.

**Mr DAVID CAMPBELL:** I will do my best—maybe a minute and a half. The Illawarra wastewater strategy includes upgrading the five Illawarra sewerage system plants at Bellambi, Wollongong, Port Kembla, Shellharbour and Bombo to cater for population growth. It includes the option to supply up to 20 million litres of highly treated effluent per day to BlueScope Steel, saving a volume of water equivalent to the water consumption of Wollongong. This strategy will also reduce discharge of wastewater to the ocean. The Wollongong sewage treatment plant has been amplified and upgraded to provide more advanced secondary treatment facilities, deep bed sand filtration, ultraviolet disinfection of effluent, an advanced storm-flow treatment plant, a water recycling plant and a one-kilometre ocean outfall. Dry weather wastewater flows from Bellambi and Port Kembla sewage treatment plants were transferred to the Wollongong plant in December 2004. The current approved budget for the Illawarra wastewater strategy is \$251 million. This compares to the original budget of \$235 million, which was approved in 2001. The Government is in a position to begin supplying BlueScope Steel with recycled water, and that water will be monitored, reported on and tested frequently.

**Ms SYLVIA HALE:** Who will do that monitoring and testing?

**Mr DAVID CAMPBELL:** Sydney Water will do the testing in its NATA-accredited laboratories and will report back on its web site, as I understand it.

**Ms SYLVIA HALE:** Has any monitoring taken place to date?

**Mr DAVID CAMPBELL:** Yes.

**Ms SYLVIA HALE:** How frequently does it take place?

**Mr DAVID CAMPBELL:** Dr Schott, would you be able to say how frequently it occurs?

**Dr SCHOTT:** No, I would need to take that on notice. The plant is currently being commissioned, so the testing of the water at the moment is in line with what is happening with the commissioning of the plant.

**Ms SYLVIA HALE:** Will the results of that monitoring be made public?

**Dr SCHOTT:** They will be, and they are currently within the guidelines that have been set and in line with the New South Wales Department of Health and the national health guidelines.

**Ms SYLVIA HALE:** I understand the Fire Brigades Employees Union, whose members are expected to come into contact with his water or use water from this source, has requested that there be a written guarantee as to the water's safety. Will such a written guarantee be provided to the union?

**Mr DAVID CAMPBELL:** I think it is well known there has been a concern by the union. The Government has been working with it. That work continues, to give the union the comfort and satisfaction it requires before the Industrial Relations Commission in a conciliation hearing.

**Ms SYLVIA HALE:** Will you provide a written guarantee to the union as to water safety, as it requested?

**Mr DAVID CAMPBELL:** We will provide the information that is needed to ensure that they have comfort.

**Ms SYLVIA HALE:** Is that a guarantee?

**Mr DAVID CAMPBELL:** That has been facilitated by the Industrial Relations Commission.

**Ms SYLVIA HALE:** Are you saying that if the Industrial Relations Commission required there be a written guarantee, you will provide one, otherwise you will not?

**Mr DAVID CAMPBELL:** I am saying that there is an industrial dispute about this, which the Government is working to resolve and which I believe the fire brigade union is working to resolve. The final process of that is being facilitated using the Industrial Relations Commission.

**Ms SYLVIA HALE:** You are saying that you will not issue a written guarantee at this stage.

**Mr DAVID CAMPBELL:** No, I am not saying that at all.

**Ms SYLVIA HALE:** Okay. What are the financial arrangements between BlueScope Steel, Veolia Water and Sydney Water in regard to Port Kembla?

**Dr SCHOTT:** BlueScope Steel paid Sydney Water for recycled water, as they would for any other water that they take. Veolia are the constructors and operators of the recycling plant for Sydney Water.

**Ms SYLVIA HALE:** Can you provide details of those payments?

**Dr SCHOTT:** We would prefer not to provide details of the price that BlueScope is paying to us for recycled water because it is commercial in-confidence between Sydney Water and BlueScope. The reason that BlueScope is reluctant to allow us to inform you of that price is, as you would be aware, there are a number of recycled water projects going on and the prices are being negotiated in the market at this time.

**Ms SYLVIA HALE:** When will the plant that was under construction revert to public ownership?

**Dr SCHOTT:** The Wollongong sewage treatment plant that provides the effluent to the plant that Veolia have working is owned by Sydney Water and will remain so.

**Ms SYLVIA HALE:** When will it revert to Sydney Water's control?

**Dr SCHOTT:** When it is commissioned and working appropriately.

**Ms SYLVIA HALE:** Are there any penalties for failure to provide water of suitable quality to BlueScope Steel?

**Dr SCHOTT:** While the water through the recycled plant is going through the testing processes—and it is currently up to about 12 megalitres a day instead of the anticipated 20 megalitres, which it will get to when working to capacity—in the interim we will provide water to BlueScope Steel from Avon Dam in an unfiltered form. There is a penalty paid by Veolia to Sydney Water for the plant not reaching performance targets if they do not get there at a particular time. That is all quite a normal part of things.

**Ms SYLVIA HALE:** What is that time?

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

**Ms SYLVIA HALE:** I understand the bulk of construction was carried out by Walter and Veolia in a joint venture. Given that Walter Constructions went into voluntary administration in 2005, has that represented any delay to the project?

**Dr SCHOTT:** It contributed a little to the delay when Walter went into voluntary liquidation and we were sorting out taking over, the step-ins for Veolia, and the extra responsibilities that they took on. It was all handled as part of the contract, and quite smoothly in the scheme of things.

**Ms SYLVIA HALE:** How many treatment plants does Veolia control or own within New South Wales?

**Dr SCHOTT:** I will take that on notice, but they are a major water company and they would run or own hundreds of plants.

**Ms SYLVIA HALE:** That would be useful, thank you.

**The Hon. DON HARWIN:** In relation to the Coniston facility, which is about to be connected and which will provide recycled water, what consultation was there at all with the firemen's union prior to deciding to commission this project and provide the volume of wastewater that is going to be provided to BlueScope Steel?

**Dr SCHOTT:** I will have to take that on notice. It would be a consultation concerning the health guidelines around the water. They currently have guidelines for water quality for firefighting and, of course, Sydney Water would provide water that suited those guidelines.

**The Hon. DON HARWIN:** Minister, when did you first become aware that that the firemen's union had concerns about the wastewater that is going to be used from the Coniston plant?

**Mr DAVID CAMPBELL:** I was sworn in as Minister for Water Utilities on 17 February this year, so relatively soon after that.

**The Hon. DON HARWIN:** What meetings have you had to try to progress a resolution of this issue? Have you met with the union?

**Mr DAVID CAMPBELL:** Yes.

**The Hon. DON HARWIN:** On how many occasions, and when?

**Mr DAVID CAMPBELL:** I have met with the union to try to progress this. As I said, there has been a subsequent decision to seek some support from the Industrial Relations Commission in negotiating a settlement to the industrial issue.

**The Hon. DON HARWIN:** Minister, I asked a specific question about the number of meetings and when. I appreciate that you may not be able to answer that today, but would you take that on notice and provide an answer to the Committee?

**Mr DAVID CAMPBELL:** Sure.

**The Hon. DON HARWIN:** Thank you. It is now, of course, going to the Industrial Relations Commission. What will the legal costs and other costs be to the taxpayer, or the cost to Sydney Water if you like, the cost to New South Wales, of this dispute going to the Industrial Relations Commission? Is there an estimate at the moment?

**Mr DAVID CAMPBELL:** I will get that information. I take that question on notice.

**The Hon. DON HARWIN:** When is the case due to be heard at the Industrial Relations Commission?

**Mr DAVID CAMPBELL:** There have been a couple of conciliation sessions so far, and it is ongoing.

**The Hon. DON HARWIN:** Thank you. Minister, through you to Dr Schott, when did Sydney Water first become aware that the fire brigades union was going to place a ban on the use of industrial wastewater from Coniston?

**Dr SCHOTT:** I will have to take that on notice. It would be about the same time as the Minister was aware of it.

**The Hon. DON HARWIN:** Are the figures that have been quoted widely of 20 million litres a day that is being wasted in the drawdown from Avon Dam accurate? Has it been a consistent 20 million litres a day that is being drawn down, or is the figure variable at present?

**Dr SCHOTT:** Because of the commissioning of the plant the amount of Avon Dam water that we could have replaced is of the order of 12 million litres a day rather than 20 megalitres. We are edging up towards 15 and 16 megalitres a day at the moment. I would expect that in a short time we would be up to about 20.

**The Hon. DON HARWIN:** Can you tell the Committee the day on which wastewater from Coniston could have commenced being used by BlueScope?

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

**The Hon. DON HARWIN:** Yes, please. Therefore, could you also provide the Committee with the amount of drinking water that has been drawn down from Avon Dam since then because of this dispute?

**Dr SCHOTT:** I can do that. I should make it clear to the Committee that what is being used from Avon Dam to replace the recycled water at present is unfiltered water. It is not water that has been treated to potable levels. It is purely water out of Avon Dam.

**The Hon. DON HARWIN:** Presumably it could have been potable water.

**Dr SCHOTT:** That is correct, and had the recycling plant been at a level where it was providing around 20 megalitres a day, then we would not be drawing water down from Avon Dam.

**The Hon. DON HARWIN:** Mr Chairman, are you happy for the Opposition to go on to questions on Water Utilities?

**CHAIR:** Yes, I have given you 30 minutes.

**The Hon. DUNCAN GAY:** Minister, my question relates to the Director-General of the Department of Energy, Utilities and Sustainability. Why is David Nemtzow no longer the Director-General of the department?

**Mr DAVID CAMPBELL:** Because he resigned from that position to travel back to live in the United States. He came from the US to take up the job. I understand that his partner had the opportunity to take up a new role back in the United States and as a family they made the decision to return to the United States.

**The Hon. DUNCAN GAY:** He left voluntarily—

**Mr DAVID CAMPBELL:** Absolutely.

**The Hon. DUNCAN GAY:** —he was not forced to move on? Is he still on the public payroll?

**Mr DAVID CAMPBELL:** I do not believe so.

**The Hon. DUNCAN GAY:** Could you find out for sure?

**Mr DAVID CAMPBELL:** Just to make certain it is absolute, yes, we will find out. But I am very confident that he is not. He resigned and that was effective from a given date. But I will make sure that we take it on notice for absolute clarification.

**The Hon. DUNCAN GAY:** Did he get a payout?

**Mr DAVID CAMPBELL:** He would have received entitlements. So if he had accrued leave that he had not taken he would have had that. It was a straight resignation. I do not believe that there

was any sort of remainder of contract payout. I make the point it was a resignation of his own accord for family reasons to return to the United States.

**The Hon. DUNCAN GAY:** Could you find out for certain if there is any payout and provide us with the detail?

**Mr DAVID CAMPBELL:** This was a person who worked diligently for the Government and I do not want to have any sense that there is any controversy around this. So I will make sure that it is clarified in writing for the Committee. He deserves that respect as a public sector employee.

**The Hon. DUNCAN GAY:** I note that Mr Duffy is currently working in the capacity of Acting Director-General. Mr Duffy is certainly well known but less well known for having an expertise in energy and utilities. Perhaps you could explain the background to Mr Duffy's expertise in energy and utilities.

**Mr DAVID CAMPBELL:** Mr Duffy has had a long period of public service. He was a senior public servant in other government agencies. There was a decision taken to second him to act in the role after Mr Nemtzw left giving notice but at relatively short notice. There is a recruitment process under way for a permanent appointment to the position of Director-General. The Government took the opportunity to second a senior public servant then in the Department of Planning to fill the role on an acting basis as the CEO of the department.

**The Hon. DUNCAN GAY:** Do I understand from your comments that this position was not advertised at that stage?

**Mr DAVID CAMPBELL:** It is an acting role. As is usual practice there has been a secondment into that role.

**The Hon. DUNCAN GAY:** When will a permanent Director-General be formally appointed?

**Mr DAVID CAMPBELL:** As I said, there is a recruitment process under way. The position has been advertised and the normal recruitment process is under way. My understanding is there have been no interviews conducted at this stage.

**The Hon. DUNCAN GAY:** Will there be interviews?

**Mr DAVID CAMPBELL:** I would be confident that there will be.

**The Hon. DUNCAN GAY:** Could you tell me the salary range?

**Mr DAVID CAMPBELL:** I will take that on notice. I do not have that figure on hand.

**The Hon. DUNCAN GAY:** Did the Government advertise the position of Managing Director of Sydney Water?

**Mr DAVID CAMPBELL:** The board of Sydney Water has responsibility to recruit that position and to seek my concurrence with their recommendation. Dr Schott was appointed by order of the Governor in accordance with the requirements of the State Owned Corporations [SOC] Act. That process is well known. As I say, it is a matter essentially for the board of Sydney Water in regard to the SOC Act.

**The Hon. DUNCAN GAY:** I am getting hard of hearing, Minister. I did not hear you answer whether you advertised that position or not.

**Mr DAVID CAMPBELL:** The board of Sydney Water undertook the recruitment process.

**The Hon. DUNCAN GAY:** Was that position advertised?

**Mr DAVID CAMPBELL:** We will take that on notice.

**The Hon. DUNCAN GAY:** Perhaps Dr Schott could answer that.

**Mr DAVID CAMPBELL:** I have indicated we will take it on notice.

**The Hon. DUNCAN GAY:** Dr Schott has filled that position. We are entitled to ask Dr Schott whether she applied for that position through an advertisement or not. Surely she knows that.

**CHAIR:** I think it is a fair question, Minister.

**Mr DAVID CAMPBELL:** Chair, I again make the point that the recruitment is the responsibility of the board of Sydney Water.

**The Hon. DUNCAN GAY:** What are you trying to hide, Minister?

**Mr DAVID CAMPBELL:** Nothing.

**The Hon. DUNCAN GAY:** Why will you not let Dr Schott answer what is basically a very simple question whether she applied for the job through an advertisement or not?

**Mr DAVID CAMPBELL:** I am happy to.

**Dr SCHOTT:** The point that the Minister is trying to make is that this is a position which is in the purview of the board of Sydney Water and not in this instance a Minister's position or SES in the general government sector. The position was not advertised. I was interviewed by the board on a number of occasions. They may have interviewed other people as well, I am not aware of it. You would need to have somebody ask the board that question.

**The Hon. DUNCAN GAY:** Minister, do you believe that this follows best practice guidelines?

**Mr DAVID CAMPBELL:** Yes.

**The Hon. DUNCAN GAY:** Why?

**Mr DAVID CAMPBELL:** Because the board is made up of people from outside the Government and people with experience in managing large corporations and strong experience in managing a large organisation. I am confident they followed best practice. You would be confident that their committee structure and the board process filtered potential candidates. As Dr Schott has indicated, she was interviewed. I am confident that it is a recruitment process that accords with corporate best practice standards.

**The Hon. DUNCAN GAY:** Minister, you indicated you think, you understand, but you do not know, do you? You cannot tell me whether anyone-else was interviewed or not. You cannot tell me why you would be confident that Dr Schott is the best person for the job, given that you do not know what process was put in place, by your own admission.

**Mr DAVID CAMPBELL:** I have confidence that the board of Sydney Water has recruited the best candidate for the position.

**The Hon. DUNCAN GAY:** How do you know?

**Mr DAVID CAMPBELL:** Through my discussions with the chair of the board.

**The Hon. DUNCAN GAY:** In those discussions did they tell you whether the position was advertised, whether other people applied and whether other people were interviewed?

**Mr DAVID CAMPBELL:** I have absolute confidence that the board has followed best corporate practice and recruited the best person for this position.

**The Hon. DUNCAN GAY:** A simple yes or no, Minister. Did they tell you those things or not?

**Mr DAVID CAMPBELL:** Chair, the same question can be asked, I will just give the same answer.

**The Hon. DUNCAN GAY:** So you do not know, do you?

**Mr DAVID CAMPBELL:** The answer is I have confidence that the board followed best practice and I have confidence that the best candidate has been recruited for this position.

**CHAIR:** Thank you, Minister. That is your answer, Mr Gay.

**The Hon. DUNCAN GAY:** Thank you, Mr Chairman. My question through you to Dr Schott: How were you involved in the Cross City Tunnel project?

**Dr SCHOTT:** I was not at all involved in the Cross City Tunnel project. When I was Deputy Secretary in Treasury heading the Office of Asset Management, I appeared before the committee of inquiry undertaken by this Parliament. I was there in that position, and the project was commenced and completed well before I got to Treasury.

**The Hon. DUNCAN GAY:** So you were not involved in the planning of the Cross City Tunnel project at all?

**Dr SCHOTT:** No.

**The Hon. DUNCAN GAY:** As chairman of the Environment Protection Authority [EPA] in 2003 you stated that the EPA, with Sydney Water and the New South Wales Government, was developing a proposal for a similar scheme to address unsustainable levels of water consumption in the Sydney Basin and that demand management solutions were cheaper and more sustainable than committing to major new infrastructure. Do you still believe that demand management solutions are more sustainable than new infrastructure?

**Dr SCHOTT:** In a general sense, yes. The Metropolitan Water Plan demonstrates that there is not simply one answer; there are myriad answers to our water issues. One of the major responses is demand management. If through measures like demand management and recycling we can avoid building major desalination plants at major cost and resulting in major energy use, it has to be sensible.

**The Hon. DUNCAN GAY:** You just indicated the connection with desalination. Did you believe those statements at the time you were involved in the planning for the desalination plant?

**Dr SCHOTT:** I have not until this month been involved in the planning for the desalination plant. However, the comments I made in that address to the Sydney Institute to which you refer were partly aimed at replacing the use of potable water for irrigation with recycled water and other schemes. As you are aware, desalination was not on the horizon at that stage because we had not had years of drought.

**The Hon. DUNCAN GAY:** Do you still believe that there are unsustainable levels of water consumption in the Sydney Basin?

**Dr SCHOTT:** I think that at the time I said that I was particularly referring to the heavy uptake in irrigation, which was the big growth area for water consumption. With the measures that have been put in place to take more water out of dams and various things that the catchment authority is doing, the answer is no and that we do have a sustainable water supply out to 2029 or so. However, you would be better addressing those issues to the Sydney Catchment Authority.

**Mr DAVID CAMPBELL:** It is important to point out that the Metropolitan Water Plan includes significant recycling projects, reducing demand and increasing supplies through deepwater access. The Government has a comprehensive plan that covers a range of strategies. That is the plan

released by the Premier on 8 May 2006 and it is in line with the Government's policy position as outlined in the Metropolitan Water Plan.

**The Hon. DUNCAN GAY:** Dr Schott, under your tenure will Sydney Water reform its practices and be more environmentally friendly?

**Dr SCHOTT:** Under my tenure Sydney Water will do what it must do to maintain its operating licence and meet the conditions imposed by the Independent Pricing and Regulatory Tribunal, which in turn takes those issues into account.

**The Hon. DUNCAN GAY:** What will it do about the ocean outfalls?

**Mr DAVID CAMPBELL:** Perhaps I can talk about ocean outfalls, because it is an important issue given the circus that went on elsewhere today. The total volume of water discharged from Sydney's ocean outfalls is about 1,068 million litres a day. There is not enough recycled water demand to recycle all the water that is discharged from Sydney's ocean outfalls. I note that the Liberal Party member is not at all interested in this matter.

**CHAIR:** I think he is. To leave the room is more indicative of a related issue.

**Mr DAVID CAMPBELL:** The current total use by Sydney Water's non-residential customers is about 470 million litre a day. However, there are also significant limits on the extent to which recycled water can replace the use of potable water in the commercial and industrial sectors. Once drinking of recycled water and other uses for which the water is not suited are excluded, the total demand for recycled water in Sydney is about 70 billion litres. That includes 21 billion litres of recycled water used by industry, 4 billion litres used for irrigation, 15 billion litres used on gardens and in toilets in new growth areas and 30 billions litres used for environmental flows. That is why the Metropolitan Water Plan will see Sydney recycling 70 billion litres of water a year by 2015.

For Sydney to achieve higher levels of wastewater recycling, the wastewater 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 preliminary costings on a 500-megalitre a day indirect potable reuse project to transfer highly treated wastewater from the ocean sewage treatment plants to Lake Burragorang, which is behind Warragamba Dam wall. A project such as this would have a total capital cost of almost \$4 billion. Given that through the Metropolitan Water Plan Sydney's water supply is secure in the event of extreme drought, there is no need to spend that much money to supplement our drinking water supply. It is also not feasible or practical to implement large-scale residential recycling schemes in existing suburbs. That would entail spending billions of dollars to replicate the existing 21,000-kilometre network of water mains with recycled-water pipes, not to mention the major disruption as streets are dug up to lay new mains and the cost to customers of laying a new set of pipes on their properties.

The Government has a comprehensive plan to increase recycling in Sydney and many new projects are already underway. The Government will pursue feasible and practical opportunities to recycle water. The essential point is that more than 1,000 million litres of water flows to ocean outfalls. If we exclude non-residential customers—unless, of course, the New South Wales Opposition has a secret plan to have Sydneysiders drink recycled sewage—the likely market is only 470 million litres if every industrial user took up the option. If the Opposition does not have a secret plan for Sydneysiders to drink recycled water then we need to reduce that 470 million litres used each day by food manufacturing businesses, health care and hospital facilities and nursing homes, which are not residential users. It is a fantasy to suggest that that 1,068 million litres a day can be suddenly put back into Sydney's water supply without the Opposition having a secret plan for people to drink it.

**The Hon. DUNCAN GAY:** How much water is recycled at each of the three main ocean outfalls in Sydney?

**Mr DAVID CAMPBELL:** Significant amounts are used at those sites.

**The Hon. DUNCAN GAY:** How much?

**Mr DAVID CAMPBELL:** I will get the exact figure for each site for the Committee.

**The Hon. DUNCAN GAY:** Do you believe it is a reasonable amount or do you see it as too low?

**Mr DAVID CAMPBELL:** The Government's Metropolitan Water Plan encourages recycling. Expressions of interest have been invited for the Western Sydney recycling program, which will replace environmental flows with recycled water and build on the Rouse Hill recycling project. Rouse Hill is the largest residential use of recycled water in Australia. We already have that in place in New South Wales; in other words, New South Wales is leading the way. We have three consortia short-listed for the Camellia industrial re-use project in the Parramatta area, as a means of taking water out of the ocean outfall system and using it for recycled water.

The Water Savings Fund has supported investment by Caltex and Continental Carbon at Kurnell, in a project that will see six million litres of fresh water a day replaced by water from the Cronulla sewage treatment plant. So there is a strong focus—through the Water Savings Fund, water savings plans, legislation, and the Metropolitan Water Plan—to encourage sewer mining, to encourage re-use where it is safe and feasible to do so, and certainly, as part of that re-use where it is safe and feasible to do so, to continually and continuously encourage recycling.

**The Hon. DON HARWIN:** Minister or Dr Schott, you have touched on the issue of environmental flows from the sewerage stream. What is the total environmental flow that is required for the Hawkesbury-Nepean system?

**Dr SCHOTT:** I think that is probably a question that would be better aimed at the Department of Natural Resources when you meet with them. It does vary according to the season. From our point of view, what we are focusing on is the environmental flows from Warragamba Dam that the Western Sydney recycled water initiative would replace. By 2015, because of the growth in housing in the Western Sydney region that serves that recycled water plant, we would anticipate saving around 27 billion litres of water a year, which is quite significant.

**The Hon. DON HARWIN:** So Sydney Water's role is simply to replace some of the environmental flows that are coming out of the catchments?

**Dr SCHOTT:** Correct.

**The Hon. DON HARWIN:** Are you able to comment on whether the catchments have been meeting their environmental flow targets?

**Dr SCHOTT:** You had better direct that question to the Sydney Catchment Authority and the Department of Natural Resources.

*[Short adjournment]*

**The Hon. DUNCAN GAY:** Minister, how much money was spent on accessing deep water from our dams and how much extra water will this deliver?

**Mr DAVID CAMPBELL:** The Sydney Catchment Authority has responsibility for that project. Therefore the question should be directed to Minister Debus, who has responsibility for the Sydney Catchment Authority.

**The Hon. DUNCAN GAY:** Perhaps the second part, at least, would come into your or your department's understanding?

**Mr DAVID CAMPBELL:** No, the second part relates to the volume of water in the dams, which comes under the Sydney Catchment Authority. You would be best to get it in one package, so I think it is best to ask the question in another forum.

**CHAIR:** Minister, I was interested to hear you say that there was not a need for re-use of ocean outfall effluent, that there were sufficient other sources. Could you indicate whether the

environmental flow rate to the Hawkesbury River has been adequate over, say, the last four or five years?

**Mr DAVID CAMPBELL:** I think I would want to clear up any misunderstanding. The Government has a view that there is a need to use recycled water, and the Government has a number of programs to encourage that. What I said was that the Government does not have a view that there is a need to use ocean outfall water for drinking water, and I have a concern that the Opposition has a secret plan to do that.

The Government certainly sees that it is sensible, appropriate, wise and useful to encourage recycling—certainly to encourage recycling for industrial use and for other purposes. We are working very closely through the Water Savings Fund, for example, with a number of local government authorities in Sydney, where they are using recycling and sewer mining, for example, to replace fresh water to prepare golf courses and other areas of public recreation. So to make it clear, the Government does see that recycling is appropriate but we do not see that there is a need for a rush to using recycled effluent for drinking water purposes in Sydney.

**CHAIR:** When you say "a rush", I appreciate that, but are you completely negating the potential for any reuse of effluent if it is properly treated to go into the drinking water supply?

**Mr DAVID CAMPBELL:** The Metropolitan Water Plan makes it clear that there is no need for indirect—or, for that matter, direct—potable reuse for drinking water for Sydney.

**CHAIR:** What investigations have been undertaken into the possibility of using existing disused infrastructure for the provision of recycled water into our dams for indirect potable reuse? Will the Government commit to exploring the use of this existing infrastructure?

**Mr DAVID CAMPBELL:** The Government, as I said, made it clear that it does not see there is a need for indirect potable reuse. There might be some existing infrastructure of some kind that can facilitate reuse and recycling for industrial or other purposes—as I said, public gardens and golf courses. The Government will look at existing infrastructure.

**CHAIR:** Can you indicate for the Committee any assessment on the environmental health of the Hawkesbury and environmental flows into the Hawkesbury River?

**Mr DAVID CAMPBELL:** I think that is a question for the Department of Natural Resources.

**CHAIR:** But does this not interest your department in respect of augmenting flows of the Hawkesbury River, which have been seen to be at a critical state in recent years, particularly with the low water flow and the drought?

**Mr DAVID CAMPBELL:** Sure. I will get Dr Schott to answer it. I think substantially though it is a matter for Natural Resources.

**Dr SCHOTT:** As part of the Western Sydney recycling scheme the Department of Natural Resources has been doing some modelling of the Hawkesbury Nepean River system because from Sydney Water's point of view we would not want to be discharging recycled water into the river system if it was not going to improve the health of the river, if I can put it like that. You are better off asking them about general environmental flows and the general health of the river. However, from the modelling that has been done to the river system following the Western Sydney recycling initiative there is an improvement in the health of the river, as indeed you would expect there to be.

**CHAIR:** An improvement from dire or disastrous. From the information you have from your department, is the river now in a healthy condition?

**Dr SCHOTT:** It is not a matter that is our responsibility and you really should direct your question to the Department of Natural Resources, which monitors the river. We truly do not have the science or capacity to monitor environmental flows along the Hawkesbury Nepean system.

**CHAIR:** But surely there is an interest from your department in respect of any assessment as to what has to be added in terms of environmental flows. That is part of an argument as to whether the sewage outfalls are needed in terms of augmenting environmental flows. Has that not been investigated?

**Mr DAVID CAMPBELL:** From the perspective that environmental flows at the moment require a certain amount of water to be released from Warragamba Dam in terms of volume?

**CHAIR:** Do you know?

**Mr DAVID CAMPBELL:** I do not know the detail of that.

**CHAIR:** Perhaps you can take on notice and provide the Committee with details of what has been released.

**Ms SCOTT:** We do not know. It is a DNR charter.

**Mr DAVID CAMPBELL:** To make the point, if water is released from Warragamba Dam for environmental flow purposes in the Hawkesbury-Nepean system, if that can be replaced by treated water and the fresh water can remain in the dam for use by families, that is, if you like, the "interest" that Sydney Water has and if you replace one volume with another volume from that perspective, that is the interest that Sydney Water has. The total required for environmental flows, whether the current environmental flows are adequate, too much or whatever, are issues for the Department of Natural Resources.

**CHAIR:** Do you have any frustration that such a vital infrastructure as water supply, which has been under both acute pressure and scrutiny to the point of desalination plant options and many other major infrastructure issues being raised, is under the auspices of so many Ministers and so many different departments? How do you actually work together to create a strategy that is going to succeed and optimise a very limited resource? I think you would realise that whatever way you see it, it is an extremely limited resource and the Sydney Basin depends on a proper co-ordinated approach, yet in these vital areas you have to refer to other Ministers. Is this not an acute frustration? I cannot understand how you cope with dealing with so many different departments and different Ministers to administer such an important asset.

**The Hon. DON HARWIN:** Perhaps it would be helpful to describe the policy architecture? That would be a useful thing to put on the record.

**Mr DAVID CAMPBELL:** I think the metropolitan water plan demonstrates that the Government is able to take a whole-of-government approach to secure the water supply for Sydney.

**CHAIR:** Could I just suggest that your department is dealing with the ocean outfalls and a major effluent disposal option? You have said, as I understand, that some 450 megalitres a year is not needed for other purposes, yet we are hearing so much about acute shortages and about a Shoalhaven water transfer, which, I understand, is as costly in terms of energy consumption as a desalination plant. We have all these different issues running that seem to me to be extremely wasteful not only of the resources itself but resources of government, both to build and administer the different processes. I see a bits and pieces approach that really is of grave concern. Could you comment on that?

**Mr DAVID CAMPBELL:** I think the metropolitan water plan demonstrates that there is a co-ordinated, whole-of-government approach to securing the water supply for the Sydney Basin and, notwithstanding that there are different departments and different Ministers who have responsibility, the information has come together to prepare and have that plan in place, but the details of some aspects of it, the specific details of the issues that have led to the questions, rest with other Ministers. But at the end of the government process it comes together under the aegis of the Cabinet to show that there is a detailed, comprehensive, workable and achievable plan known as the metropolitan water plan.

**CHAIR:** As an example, there is the Ashfield reuse pipe, but I understand that Sydney Water has a proposed Liverpool to Ashfield pipeline that takes quite highly treated waste water from the

Liverpool sewerage treatment plant. There is a pipe—although I am not sure whether it has been commissioned, but I understand it is in the building process—that takes it to Ashfield, where it dumps it into a sewer containing raw sewage that then goes out to the ocean outfall. Is that not reverse recycling and a terrible waste of a valuable resource coming from south-western Sydney at Liverpool, that is going to be dumped into the main sewerage trunk line and then dumped into the ocean? Does that make sense and is that not a classic case of lack of co-ordination?

**Mr DAVID CAMPBELL:** Let me tell you about the Liverpool to Ashfield pipeline, which is part of the \$180 million South-western Sydney Sewerage Scheme. The pipeline project has three objectives: providing additional transferred capacity for waste water generated by the population growth in south-western Sydney, reducing dry weather flow in the north Georges River submain to ensure satisfactory operation and maintenance, and enabling the future options for effluent reuse to be considered.

Sydney Water has awarded a \$131 million contract to Leighton Contractors Pty Ltd for the design and construction of the project. The Liverpool to Ashfield pipeline contract consists of construction of a 24-kilometre pipeline to transfer treated waste water from the Liverpool sewerage treatment plant at Warwick Farm to an existing sewer main at Ashfield; construction of two new pumping stations and other essential infrastructure at Liverpool sewerage treatment plant and Fairfield storm sewerage treatment plant to allow the transfer of waste water to Ashfield; and improvement works at Liverpool sewerage treatment plant to provide for increased waste water flows resulting from urban growth. This project is about ensuring the infrastructure is in place to cope with the effluent of a growing population and to ensure that there are options to reuse that water in industrial circumstances where there are customers to take that recycled water.

**CHAIR:** But are there specific plans in place to use the pipe for this purpose? Can you give detail to the Committee? You are engaged in a massive infrastructure project of taking what is a high level of treated effluent. What are the specific plans in place to use that effluent? Do you have specific targets, whether it be industry or local council, that you can say that this justifies, other than being a diverter, another de facto, ocean outfall? Do you have a specific use for that high level treated effluent?

**Mr DAVID CAMPBELL:** It is important to point out that the effluent from the Liverpool sewerage treatment plant goes through the network and ends up in the ocean outfalls—

**CHAIR:** That is right.

**Mr DAVID CAMPBELL:** —before this project.

**CHAIR:** But it is a higher level of treatment, is it not, than what it meets at Ashfield in the original trunk line?

**Mr DAVID CAMPBELL:** I cannot be certain of that.

**CHAIR:** I would suggest to you that it is a higher level and that you are dumping it back in, in a type of reverse recycling. I think you would agree that there are better treatment and facilities; indeed you have raised the issue and extolled the virtues of treatment facilities like Camellia that are bringing effluent to a level that makes it very suitable for industrial and other reuse. I agree that despite my criticisms of much of what Sydney Water has developed over the years, that is a plus. However, you are getting that highly treated effluent and dumping it back into the old system to go to the ocean outfalls. Surely that is a terrible waste of resource?

**Mr DAVID CAMPBELL:** First, this Liverpool to Ashfield pipeline is part of investing in infrastructure to make sure there is capacity to deal with the waste water from a growing population. Second, it is making sure that there are opportunities for flexibility to serve customers with recycled water where they can occur.

**CHAIR:** Prove to me that this is more than just a pipe dream. What are the directions for this effluent? Where is the option to mine the effluent and reuse it? Surely if you put a piece of infrastructure in—and this is the criticism I have had of Sydney Water for generations: that

infrastructure goes in with no forward thinking about proper reuse and proper utilisation of the resource and it ends up in the ocean outfall.

**Dr SCHOTT:** Putting in water infrastructure is very long-term planning. You are not putting in things for what you can do in 12 months time but what you can do over a decade. One objective of the Liverpool to Ashfield pipeline, as the Minister said, was to allow us to develop further options for effluent reuse. At the moment with the growth in Western Sydney those options are being investigated and they are growing. We are not ready to rock and roll there yet, if I can put it like that, but we anticipate that we would be in the future. That is one reason why that pipeline has been put in, and I am sure that it will lead to greater recycling in later periods.

**CHAIR:** Can I put it to you another way? That infrastructure gets developed because of the old habits of Sydney Water; it is easier to put it in a system out to ocean rather than face the responsibility of recycling, and that is the direction that this Government is still taking.

**Mr DAVID CAMPBELL:** I do not think that is accurate because customers for recycled water do not appear simply because you say you will have a recycled water plant. You must have a use for recycled water. What I am saying is that this pipeline gives us the opportunity, the flexibility, to continue to chase those customers. That is part of the planning for this project. It is coping with the increased demand of a growing population. Just because you have a recycling plant or you have some recycled water does not automatically find you a customer. You must continue to work to those customers. To this point there has been some reluctance in the market from those customers, and Sydney Water and the Government generally are out there chasing it all the time. That is why we have the water savings fund, for example, to encourage—

**CHAIR:** I will give you an example. Duck Creek would have to be one of the most polluted waterways in Sydney. Do you not have the capacity to get that highly treated effluent and put it into environmental flows, rather than put it out in the ocean, where it is a waste and detrimental to the environment?

**Mr DAVID CAMPBELL:** As we have been talking about with the Western Sydney recycling scheme, we are continuously looking at those opportunities. I suspect though that Duck Creek probably ends up flowing into the ocean.

**The Hon. DUNCAN GAY:** They all do.

**Dr SCHOTT:** No, some go into the Hawkesbury Nepean. The future possibilities for recycling in a strategic sense in terms of the source of effluent are more likely to be inland and in places like the Liverpool to Ashfield pipeline than at the ocean outfall at the end of the flow, if I can put it like that, because it saves an enormous amount of energy not having to pump it back up the hill again. To be crude about it, if you catch it closer to the top of the hill than the bottom of the hill, it is more energy efficient.

**CHAIR:** I am well aware of that, but can you see the absurdity of having highly treated effluent being set up to flow to the ocean outfall in this day and age? I agree with what you say. Surely there is an imperative to reuse that material in the west and south-west before it flows downhill, and then you have to go to the problem of pumping it back up. I agree with you 100 per cent.

**Mr DAVID CAMPBELL:** The Government sees the logic of encouraging that. That is why the water savings fund and water savings plans are in place.

**CHAIR:** Are there specific projects for that material?

**Mr DAVID CAMPBELL:** Yes, there are. Earlier I mentioned the Caltex project. We talked for some time—

**CHAIR:** Again, that is on the coast, is it not?

**Mr DAVID CAMPBELL:** We talked about the Blue Scope project at Wollongong and we talked about Camellia, but there is another part of government policy that I want to point out and that

is the area of third party access. The Government and the Independent Pricing and Regulatory Tribunal did a review of this. Earlier this year we published a discussion paper and conducted some community consultation. I have indicated that in this session of Parliament legislation will be introduced which will break down Sydney Water's monopoly on the sewer system and the water system. We will be saying to the private sector, which continues to have a view, that it can do things better, "here is your opportunity, put your money where your mouth is, recycle this water, find the customers". We are doing it that way in advance of what the Commonwealth is doing. Just last week the Commonwealth's spokesman said they would have a discussion paper. They are playing catch up yet again with the New South Wales Government because we are getting on with the task, doing the hard policy work and putting in place the legislation to enable it.

**CHAIR:** Did I hear you correctly? Are you saying that you are opening up to private enterprise to work on the recycling or reuse schemes using Sydney Water's infrastructure?

**Mr DAVID CAMPBELL:** We will be putting in place a process to enable third party access so the private sector can tap into Sydney Water's network and mine the sewer, treat it and then serve customers. So Sydney Water will be continuing to look for those customers and those opportunities. The Government will be doing that.

**CHAIR:** Will this be throughout the network?

**Mr DAVID CAMPBELL:** It will be throughout the Sydney Water and Hunter Water networks initially, and at some stage in the future a similar system might apply to other water authorities in the State. But the first process of it, the subject of the legislation that will be introduced in this parliamentary session, will be for all of the network that is under the operation of Sydney Water and Hunter Water as State-owned corporations.

**CHAIR:** To finish the questions about the Liverpool to Ashfield reuse pipe, can you tell the Committee how much money the Government has spent on this scheme?

**Mr DAVID CAMPBELL:** In terms of planning and procurement, to date the Government has spent \$6 million. Construction is expected to commence later this year. Recently we called for tenders for the construction but I believe those tenders have yet to close.

**CHAIR:** Can you give a ballpark figure for the cost of the scheme?

**Mr DAVID CAMPBELL:** The estimate is about \$130 million.

**CHAIR:** Are you confident that \$130 million is the best way to deal with the effluent, given the current issues of water shortage in the Sydney Basin?

**Mr DAVID CAMPBELL:** Can I correct something I just said?

**CHAIR:** Yes.

**Mr DAVID CAMPBELL:** Sydney Water has awarded a contract for about \$131 million for the design and construction of the project.

**CHAIR:** To whom?

**Mr DAVID CAMPBELL:** Leighton Contractors. I apologise.

**CHAIR:** I appreciate that.

**Mr DAVID CAMPBELL:** It is part of capital investment in a system to ensure that we get a robust system to cope with growth in the south-west.

**CHAIR:** Do you flatly reject any suggestion that this is a continuation of Sydney Water's old culture of pipes out to sea?

**Mr DAVID CAMPBELL:** It is a continuation of ensuring that we have a robust system that meets demand but has flexibility built into it to look for new ways to use that water.

**CHAIR:** Do you have any projection in terms of the expectation of reuse of that effluent flow? Can you indicate how long it will flow into the main sewer and out to ocean without being reclaimed?

**Mr DAVID CAMPBELL:** As it does already?

**CHAIR:** It is being augmented. I think you have changed the direction to augment another flow further to the south-west, unless I am mistaken.

**Mr DAVID CAMPBELL:** No. The Liverpool to Ashfield pipeline—

**CHAIR:** Does that not free up capacity—

**Mr DAVID CAMPBELL:** The effluent that will go through that pipeline goes to ocean outfall now.

**CHAIR:** Via which direction?

**Dr SCHOTT:** Via the source.

**CHAIR:** So this joins up to it again?

**Dr SCHOTT:** Yes. It provides some additional capacity to stop dry weather overflows.

**CHAIR:** So it is a storage tunnel as well, like the northside sewerage tunnel?

**Dr SCHOTT:** No, it is not. It is an additional pipe.

**The Hon. HENRY TSANG:** Running parallel?

**Dr SCHOTT:** It is running in different places, but more or less yes.

**CHAIR:** Minister, what input has your department had in the proposed desalination plant for the Central Coast? Is it primarily a local government decision or has your department been involved in the process, and what investigation has been done into alternative methods of securing a water supply for the Central Coast?

**Mr DAVID CAMPBELL:** First and foremost, primarily the responsibility of the local water authority is the two councils, but the recent severity of the drought combined with the growth pressures on water supply on the Central Coast have resulted in a need to better understand the potential capacities of the various supplies. The Central Coast has approximately 18 months supply of water available at current consumption rates, but the total storage level has been steadily declining for over a decade. Consumption in the second week of August 2006 was 490 million litres—6.3 per cent higher than in the previous week—nevertheless, 11.9 per cent less than in the same week last year. Consumption this year to 14 August was 17 billion litres, 0.4 per cent less than in the same period last year. Level 3 water restrictions are currently in place and drought contingency works are being undertaken by the Gosford-Wyong Water Authority to ensure security of supply to the 300,000 residents of the Central Coast.

One of the projects under consideration by the authority is to hire out desalination plants to augment diminishing surface water supplies. Expressions of interest have recently closed for the supply of temporary desalination plants. The estimated cost for each one megalitre per day treatment plant is \$500,000 for site establishment and power supply and a million dollar per annum rental. The authority is planning to install up to four plants by the end of the year, bringing more online as and if required.

In May the Premier announced that the New South Wales Government is contributing to the councils' efforts through the construction of a \$5 million pre-treatment plant to enable more water to be transferred from the Williams River to the Central Coast. Construction of a \$30 million transfer pipeline between the Hunter and the Central Coast, which will be finished in early 2007, and extensions of the highly successful water savings fund to the Central Coast could be used to fund rebates and to assist industry to introduce innovative recycling.

So, the New South Wales Government has taken, and supported, a number of initiatives. We continue to work with the councils to monitor the situation, but at the end of the day the primary responsibility rests with the two councils, who continue to assert their independence and continue to demand that they remain as the water supply authority.

**CHAIR:** So the local councils are dictating desalination plants on the Central Coast?

**Mr DAVID CAMPBELL:** They are the local water authority.

**The Hon. TONY CATANZARITI:** What part are businesses and industry playing to help to save water and how is the Government encouraging these high-water users to reduce their water usage?

**Mr DAVID CAMPBELL:** I think first and foremost through the water savings action plans the Government has. It is an initiative that encourages major water users, such as industry, business and local government. In February, for example, I joined the Premier to announce the successful application to round one of the water savings fund. This exciting fund has been designed to support investment in new technology, investment in recycling, sewer mining, storm and rainwater harvesting and efficiency in education programs to encourage wise use of water in the long term. Twenty-seven projects were offered total funding of \$9.3 million in the first round. The water savings forecasts from those 27 projects are expected to be more than two billion litres of drinking water each year.

Applications for the second funding round closed in May and I will be announcing successful projects in round two in the very near future, after they have been assessed by an independent ranking committee. The water savings fund provides \$30 million a year for four years to encourage water savings and recycling in Sydney Water's area of operations. The water savings fund was extended to the Central Coast area in May this year, and applications for the fund for the Central Coast were called recently. An extra \$10 million has been allocated to the water savings fund for 2006. The extra funding was announced by the New South Wales Government in the 2006 progress report for the metropolitan water plan. It will help high-water using councils and businesses to implement actions identified in water savings action plans.

The Government introduced the mandatory requirement for high-water users to prepare water savings action plans in May last year. A total of 244 businesses, government agencies and local councils are required to prepare water savings action plans for 326 sites in Sydney, the Blue Mountains and the Illawarra. Last month I approved the first 10 of those action plans.

The water saving action plans involve assessing current water use and identifying actions to save water. The organisations involved are expected to save five billion litres of water a year by implementing cost-effective actions to improve efficiency and further improvements that may be eligible for funding support through the water savings fund. The most recent plans have been assessed by the department's water savings experts, and they were extremely impressed with the standard of plans and the water savings they have identified.

The combined potential water savings in the latest group of plans is close to 700 million litres of water a year, taking the overall total savings of the 15 plans to more than a billion litres of water. This group of plans includes Campbelltown City Council, Bonds Industries, Merck Sharp and Dome, the City of Canada Bay Council and Blue Mountains City Council. If the five councils and businesses adopt the water savings, they will also save almost \$340,000 on their water bills. The action plans developed by these leading businesses and councils show what can be achieved when one measures water use and looks at how one can save. They are an outstanding initiative of the Iemma Government in conjunction with large water using businesses and councils.

On top of that, Sydney Water has the Every Drop Counts program. Dairy Farmers at Lidcombe has reduced its water use. It has implemented water reuse on its site and has saved water there. Boral Quarries at Penrith, for example, is using reuse projects under Sydney Water's Every Drop Counts business program. So, on a number of fronts the Government is encouraging high-water users in industry to reduce the amount of fresh water they use or to take up recycling.

For example, on the water savings fund, we are working with Kogarah Council, which is undertaking a sewer-mining project, recycling the water on site and then watering a golf course at Beverley Park, just behind the St George Leagues Club, an area the Hon. Don Harwin would know well from his childhood, I would think. That is just one example. At the Cammeray Golf Club, North Sydney Council is harvesting water off the Warringah Freeway and using it to water the golf course. They are some of the initiatives, some of the specifics available under a range of programs that are meant to limit use and encourage reuse and recycling.

**The Hon. HENRY TSANG:** Minister, you have answered specific questions by the Committee on recycling. Does the Government have any plans to further boost recycling to secure our water supply?

**Mr DAVID CAMPBELL:** There is a want by the Government to improve from where we were in 1995, with 17 million litres of wastewater recycled each day, to where we are in 2006, with 44 million litres of wastewater recycled each day, to 2015, where we want to get to 70 billion litres of wastewater a year. That would be 70 billion litres in 2015. If we could get to 70 billion litres before then that would be great. Our efforts, our programs, are aimed at getting as much reuse and recycling as possible. As I am wont to say sometimes, and as officers of agencies report to me, people sometimes get a bit bored when I say, "Recycling, recycling, recycling." But that is the approach, that is the focus of the Government. But it needs to be where it is safe to use and it needs to be used where it is viable to do so. It is not possible to just simply, as I think the member for Vaucluse suggests, whack a plug in the end of a pipe and suddenly that water will be used somewhere-else. It needs to be a viable project; it needs to be safe. There is a strong desire to do that by the Government.

I believe that the two agencies—Sydney Water and the Department of Energy, Utilities and Sustainability—understand that is the Government's approach. I have confidence that those agencies are working to encourage it. Recycling is very much on the agenda. We have got a proud demonstration of that. I talked about Rouse Hill earlier, which is the largest residential recycling project in Australia. People sometimes forget that all of the water at Sydney Olympic Park, whether it is waste water or stormwater, is recycled and used in the suburb of Newington, for example. So those residential reuse projects will be expanded upon. Also, as I have said a few times now, encouraging industry to use recycled water wherever possible is a strong part of the Government's Metropolitan Water Plan.

**The Hon. DON HARWIN:** Minister, I go back to a matter that the Chair was pursuing with you in relation to the development and administration of the Metropolitan Water Plan. I have a question about the administrative arrangements. Which is the lead agency?

**Mr DAVID CAMPBELL:** The Cabinet Office is the lead agency.

**The Hon. DON HARWIN:** So the Cabinet Office co-ordinates it. Is there an interdepartmental committee involving Ministers?

**Mr DAVID CAMPBELL:** Yes, there is a Cabinet committee as well.

**The Hon. DON HARWIN:** Who chairs it?

**Mr DAVID CAMPBELL:** The Premier.

**The Hon. DUNCAN GAY:** Minister, are you on that committee?

**Mr DAVID CAMPBELL:** Yes.

**The Hon. DUNCAN GAY:** Minister, given that there is a Government plan, as you indicate, for the overall management of Sydney water and given that part of that is the environmental flow that goes down the Hawkesbury, why can you not tell this Committee what the total of that flow is?

**Mr DAVID CAMPBELL:** Because the environmental flow is the responsibility of the Department of Natural Resources.

**The Hon. DUNCAN GAY:** Minister, you said there is a total plan. Integral to that total plan would be the environmental flow. One of the things that needs to be sourced out of this plan of management is the environmental flow and you are one of the people making the decisions. How can you tell this Committee today that you cannot give us the amount of that environmental flow if you are one of the people who is making the decisions on Sydney water?

**Mr DAVID CAMPBELL:** I can sit here and answer with absolute confidence the questions that relate to my administration of the Metropolitan Water Plan. Questions on those aspects of the administration of the Metropolitan Water Plan that rest with other Ministers should be addressed to those Ministers.

**The Hon. DON HARWIN:** What are the total expenses, the total operational costs, involved in the water restrictions patrols that are occurring within the area of Sydney Water's operations?

**Mr DAVID CAMPBELL:** To ensure accuracy we will take that on notice and make sure you have the exact figure.

**The Hon. DON HARWIN:** Can you provide to the Committee details of how much money has been raised in fines during the last financial year?

**Mr DAVID CAMPBELL:** We will provide that on notice as well.

**The Hon. DON HARWIN:** Also, Minister, can you outline to the Committee the distribution of the money collected in proceeds from fines?

**Mr DAVID CAMPBELL:** We will give that in the same answer. There is a package then.

**The Hon. DON HARWIN:** I have one or two questions on the Country Towns Water Supply and Sewerage Program. Given that there is a very lengthy backlog of projects on the Country Towns Water Supply and Sewerage Program list, why was this program allocated only \$32.2 million last year?

**Mr DAVID CAMPBELL:** It is interesting: the Leader of The Nationals has been wandering around saying it was allocated only \$7 million.

**The Hon. DON HARWIN:** I am coming to that. You have actually spent only \$7.5 million. You allocated \$32.2 million. Since we have come to the \$7.5 million we will throw that in straightaway.

**Mr DAVID CAMPBELL:** It shows the disarray between The Nationals and the Liberal Party.

**The Hon. DON HARWIN:** There is no disarray at all, Minister.

**CHAIR:** I have got \$38 million in a \$400 million backlog, so I am interested to hear what you have to say.

**The Hon. DON HARWIN:** There is no disarray, no inconsistency at all. I asked a question about the allocation and then I was going to ask a follow-up question about the amount spent, which is a typical routine of questions at budget estimates. Since you have raised it you can answer it all at once.

**Mr DAVID CAMPBELL:** Revised expenditure shown in the budget papers for 2005-06 reflects there was \$7.5 million against a budget of \$32 million. Real New South Wales government-funded expenditure in 2005-06 was in fact \$36 million. These are actual payments made to councils and project managers for water supply and sewerage projects. The difference in these two figures is because the budget papers are prepared on an accrual accounting basis which does not clearly identify payments made out of accumulated funds.

The \$7.5 million identified in the budget papers represents government funding actually drawn and spent in 2005-06 while the balance of \$28.5 million was paid out of accumulated funds. These accumulated funds have been built up over the past few years due to project delays when local water utilities have not been able to meet their timetable for the start of construction for a variety of legitimate reasons.

Revised accounting arrangements now require accumulated funds to be spent on new and existing projects prior to new government funding being drawn. Government funding not drawn in 2005-06 has been transferred to a later budget year. There has been no overall reduction in program funding, which remains at \$915 million. Not one project within the approved program has been delayed by the funding situation, which as I stated before is as a result of changed accounting arrangements. The ongoing commitment of the New South Wales Government to this program is demonstrated by the allocation of \$70 million to water supply and sewerage in country areas in the 2006-07 budget.

The Government has now allocated \$757 million to the program to provide assistance to local water utilities for the provision of essential water supply and sewerage services. This spending has already provided assistance to around 350 projects either completed or under construction—which have directly benefited over a million people living in country areas—including 7 new or upgraded storage dams, 47 new water reservoirs, 78 new or upgraded sewerage treatment plants, 27 new or upgraded water treatment plants, 35 new sewerage schemes to communities to replace failing septic systems, telemetry systems to enable utilities to better manage their facilities, upgraded reticulation systems, disinfection systems to ensure water systems are safe and expanded water distribution systems. The funding that was effectively allocated in the budget was spent and was drawn down in accordance with the needs of the local water authorities who have responsibility to implement those projects.

**The Hon. DON HARWIN:** I refer to the Currarong sewerage scheme, which has an added dry-solids ranking of five. Has Shoalhaven City Council contributed in any way, as you suggested some water authorities have, given that the scheme has not yet been funded? When might the people of Currarong expect funds to be allocated under the program to complete their sewerage scheme?

**Mr DAVID CAMPBELL:** The responsibility for implementation of the Currarong scheme rests with Shoalhaven City Council as the local water authority. It can do the work at any time that suits it. It has that responsibility and authority, and the ability to allocate resources to commence and complete the project.

**The Hon. DON HARWIN:** Why, unlike any number of other sewerage schemes in the Shoalhaven area, did the Currarong scheme attract no State Government funding? How can you justify that?

**Mr DAVID CAMPBELL:** The funding is part of a subsidy program; it is not the primary funding program. I reiterate that the responsibility rests with the local council.

**The Hon. DON HARWIN:** Is it not a fact that, despite the amount you have claimed was spent, in 1995 there was a backlog of \$1,700 million worth of projects? How much progress has been made in clearing that backlog? When do you envisage it will be cleared? Can you provide a list of which councils are next due to be funded, and in which order?

**Mr DAVID CAMPBELL:** I will take that question on notice and provide the Committee with the report of the ranking committee.

**The Hon. DUNCAN GAY:** How much money in total was spent on Water for Life advertising?

**Mr DAVID CAMPBELL:** Governments must communicate a wide range of information to the public dealing with public health, community welfare and safety, transport services, public education and training, environmental and rural support, arts, tourism and business development. These campaigns include warning people about fatal diseases such as meningococcal, and vaccinations for the flu, advertising to help celebrate Anzac Day and Australia Day, new transport services for the growing number of commuters and safety information such as preparing for the bushfire seasons.

The advertisement of tenders is co-ordinated by the Government's advertising agency, which closely monitors the size of advertisements and assesses all applications. These requirements apply to the advertising of recruitment tenders, statutory and regulatory notices, important information and campaign advertising.

In its final year in government the Coalition increased its advertising expenditure by nearly 37 per cent over the previous year to a record of \$80.3 million, or \$106.3 million in today's dollars. In contrast, in the 2005-06 financial year this Government's advertising costs were only \$55.3 million, almost 50 per cent of what the Opposition spent in its last year in government. Total advertising expenditure for community awareness, public notices and public information, including advertising by state-owned corporations, from 1 July 2005 to 30 June 2006 was \$92.1 million compared with \$106.3 million in 1994-95. That is a saving of \$4.2 million since the last year of the Greiner-Fahey Coalition Government.

The Iemma Government is delivering on its financial commitments, unlike the Commonwealth Government, which continues to waste taxpayers' money on politically motivated campaigns. The Howard Government has ignored draft guidelines on advertising released by the Commonwealth Auditor General. The *Sydney Morning Herald* reported on 27 May 2006 that the Federal Government's advertising plans represent a \$250-million propaganda blitz in the 2007 election year. The Howard Government has allocated at least \$250 million in the 2006-07 budget for the campaign—

**The Hon. DUNCAN GAY:** Point of order: My point is relevance. The question was about how much money was spent on the Water for Life advertising. Federal Government authorities have nothing to do with that.

**CHAIR:** I would appreciate hearing about the Water for Life campaign.

**Mr DAVID CAMPBELL:** The Government is spending less money on advertising with a whole-of-government approach than the Coalition did in its last year in government.

**The Hon. DUNCAN GAY:** How much money in total was spent on the Water for Life advertising?

**Mr DAVID CAMPBELL:** That forms part of the Government's total budget spending.

**The Hon. DUNCAN GAY:** Minister, are you refusing to answer this question?

**Mr DAVID CAMPBELL:** No.

**The Hon. DUNCAN GAY:** How much money was spent on the Water for Life advertising?

**Mr DAVID CAMPBELL:** The Government's spending on advertising is part of a global budget, and it is spending less than the previous Government spent. Water for Life is part of the New South Wales whole-of-government education plan to communicate with the greater Sydney community about a broad range of issues that form part of the Metropolitan Water Plan. As such, Water for Life is co-ordinated centrally and funding is shared across a number of agencies. Sydney Water's contribution was \$250,000 in 2005-06 and it is expected to be about the same in 2006-07.

**The Hon. DUNCAN GAY:** From where did that money come?

**Mr DAVID CAMPBELL:** Sydney Water's contribution came from its organisational budget.

**Dr SCHOTT:** We have a budget that we use for advertising about things such as restrictions and do-it-yourself kits to save water in homes. We also spent a small amount on desalination advertising early in the piece to inform people about what was going on. That is part and parcel of what we do all the time. Our \$250,000 contribution to the Water for Life campaign was designed to ensure that people were informed about the Metropolitan Water Plan and the fact that we had a plan and were not about to run out of water.

**The Hon. DUNCAN GAY:** So that money came from the Water and Energy Savings Fund.

**Dr SCHOTT:** It came from Sydney Water's general advertising budget.

**The Hon. DUNCAN GAY:** How much is your general advertising budget?

**Dr SCHOTT:** I will have to take that question on notice.

**The Hon. DUNCAN GAY:** Can you comment on the accuracy of the statement in the *Sydney Morning Herald* that \$4.1 million was spent on the Water for Life initiative and that reportedly \$3 million of that came from the Water and Energy Savings Fund. Has the *Sydney Morning Herald* got it dramatically wrong?

**Mr DAVID CAMPBELL:** As I said, government advertising is handled centrally. Suffice to say that the legislation establishing the Water and Energy Savings Fund makes provision for an education program.

**The Hon. DUNCAN GAY:** You did not answer my question: Has the *Sydney Morning Herald* got it dramatically wrong?

**Mr DAVID CAMPBELL:** I do not think it is appropriate to comment on newspaper reports.

**The Hon. DUNCAN GAY:** It is a simple yes or no. The *Sydney Morning Herald* said that the Government spent \$4.1 million, \$3 million of which came from the Water and Energy Savings Fund. You would be in a position to know whether that is accurate.

**Mr DAVID CAMPBELL:** Government advertising is handled centrally. I have given an answer.

**The Hon. DUNCAN GAY:** Minister, what are you trying to achieve with the Water for Life advertising?

**Mr DAVID CAMPBELL:** The campaign informs the community that our water supply is secure and that assistance programs are available. For example, the Government has implemented the rainwater tank rebate, which has been utilised by about 24,000 households, and the washing machine rebate, which has been utilised by about 10,000 households. The advertising campaign is designed to inform people about ways in which they can reduce the amount of water they use and, as a consequence, save money because they are purchasing less water. It also informs the community that the Metropolitan Water Plan is integrated and secures Sydney's water supply.

**The Hon. DUNCAN GAY:** Do you believe that?

**Mr DAVID CAMPBELL:** Absolutely.

**The Hon. DUNCAN GAY:** Why will you not extend a rebate for rainwater tanks and water-efficient washing machines to country and coastal regions?

**Mr DAVID CAMPBELL:** Because the local water authority has the responsibility for those locations. The washing machine rebate and the rainwater tank rebate for the area that is covered by Sydney Water—that is, Sydney, the Blue Mountains and the Wollongong, Shellharbour and Kiama local government areas—are paid for through the customer base. It would be inappropriate for water users in those locations to be paying for rebates in other locations. Many local water authorities throughout the State provide a rebate of one kind or another for that type of infrastructure in other locations.

**The Hon. DUNCAN GAY:** You stated in the *Northern Daily Leader* on 7 March 2006:

The funds for the Sydney Water Washing Machine Rebate come from Sydney Water's customers in Sydney, the Illawarra and Blue Mountains—it comes out of their rates and charges.

Why then does a recent radio advertisement say:

... the New South Wales Government has a plan to secure our water for life ... we're also offering rebates on rainwater tanks and water-efficient washing machines ... A message from the New South Wales Government.

Is it not misleading to claim that the Government is offering rebates on rainwater tanks and water-efficient washing machines?

**Mr DAVID CAMPBELL:** Given that Sydney Water is a State-owned corporation, the answer is no.

**The Hon. DUNCAN GAY:** In the advertisement you are saying you are giving the rebate, yet your answer here tells us that it comes from the customers.

**Mr DAVID CAMPBELL:** Sydney Water is a State-owned corporation. The rebates, as I have said, come through Sydney Water's operations.

**The Hon. DUNCAN GAY:** Why are new home owners not eligible for a rebate under the BASIX regime?

**Mr DAVID CAMPBELL:** Because the BASIX regime encourages people to install a rainwater tank as part of the construction.

**The Hon. DUNCAN GAY:** With regard to the water restrictions patrol, is it not hypocritical to fine water users given that the Government has consistently failed to meet the demand management targets?

**Mr DAVID CAMPBELL:** No.

**The Hon. DUNCAN GAY:** If the dam levels increase, will you abolish the water restrictions patrol and stop fining Sydneysiders, who have performed admirably to reduce their water consumption?

**Mr DAVID CAMPBELL:** Probably about the first thing we have agreed on all afternoon is that Sydney families have very much responded to the call to reduce the amount of water they use. I think they have realised that there is a broad community service goal there, if you like, but they also know that if they reduce water and do not waste it they will save money. I certainly take every opportunity—and I take the opportunity now—to acknowledge and congratulate families right across Sydney, and indeed right across the State, on the way they have taken to the challenge of not wasting water and, as a consequence, saving money.

**The Hon. DUNCAN GAY:** Are you going to stop the patrols when the water levels go up?

**Mr DAVID CAMPBELL:** Obviously the total capacity of dams is a matter the Government monitors continuously. We certainly work with the community to keep them advised of that and take decisions that are aimed at ensuring we can secure Sydney's water supply.

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

**Mr DAVID CAMPBELL:** It is the answer I gave.

**The Hon. DUNCAN GAY:** Minister, is that a "yes" or a "no"?

**Mr DAVID CAMPBELL:** It is the answer I gave.

**The Hon. DUNCAN GAY:** You refuse to answer whether you are going to keep the patrols?

**CHAIR:** I think the Minister has answered the question.

**The Hon. DON HARWIN:** How many applications for funding have been made under the Water Savings Fund?

**Mr DAVID CAMPBELL:** To get the exact number, I will take the question on notice. In round one there were 27 successful applications. But the exact number in round one and round two I am not sure of, so I will take the question on notice.

**The Hon. DON HARWIN:** As part of that answer, how many were refused?

**Mr DAVID CAMPBELL:** I will provide that in the same answer.

**The Hon. DON HARWIN:** As part of your answer, could you advise how much water will be saved as a result of the successful applications?

**Mr DAVID CAMPBELL:** I will do that. I made some comment on the amount to be saved in answer to an earlier question. But I am happy to repeat it in the answer on notice.

**The Hon. HENRY TSANG:** Minister, with regard to advertising for water savings, are you aware of advertising, particularly in the media, about restaurant uses, to advise and encourage restaurants to save water? Apparently some research has been done on water-saving devices and so on. Are they effective?

**Mr DAVID CAMPBELL:** One of the projects approved under round one of the Water Savings Fund was to work with the New South Wales Ethnic Communities Council to encourage Asian restaurants to use what is known as a waterless wok. I might say the wok was pretty much developed in-house by Sydney Water. Under the Water Savings Fund project the Ethnic Communities Council will receive some money to promote the use of these waterless woks in Asian restaurants. I think it is a pretty exciting initiative.

For anyone who has seen an Asian kitchen, traditionally there is running water all the time and very significant amounts of water are used on a daily basis. The waterless wok uses air to replace that water. The chefs who have used the wok say it makes no difference to the food they are able to prepare and serve. A restaurant owner who purchases and uses one of these waterless woks, thereby gaining water and cost savings, receives a payback in about 12 months.

It is one of those examples of using new and innovative technology to save water—again showing the Government's preparedness to work with businesses, particularly from non-English speaking backgrounds. The initiative is being picked up strongly by a number of restaurants here in the city and in regional locations. The Asian restaurant at the Illawarra Master Builders Club in Wollongong, for example, is using it. It is innovative technology that is saving money and saving water.

**The Hon. HENRY TSANG:** Would you advise Sydney Water to export this technology to Asia?

**Mr DAVID CAMPBELL:** We will take the suggestion on board. Our particular focus at the moment is to encourage the greater uptake of it here in Sydney. It will be another example of Sydney and New South Wales leading the world, and we will encourage people from overseas to visit us and see the waterless wok in situ, to see the opportunity it presents.

**The Hon. DON HARWIN:** Who decides which grants will be approved under the Water Savings Fund?

**Mr DAVID CAMPBELL:** There is a committee at arm's-length chaired by a former CEO of Integral Energy and a former CEO of Sydney Water.

**The Hon. DUNCAN GAY:** Alex Walker?

**Mr DAVID CAMPBELL:** Alex Walker, and some other people, so it is at arm's-length.

**The Hon. DON HARWIN:** Could you provide a full list of the names of the persons on that committee?

**Mr DAVID CAMPBELL:** We will do that in that same answer.

**The Hon. DON HARWIN:** On what criteria are the grants approved or denied?

**Mr DAVID CAMPBELL:** We will give the criteria in that written answer.

**The Hon. DON HARWIN:** Did you approve all the recommendations that were put to you for round one of the water savings grants by that committee?

**Mr DAVID CAMPBELL:** I am confident that I did, but I will provide the certainty of it in that written answer. Let me say that I did not approve any that they did not recommend, if that is where you are going. I did not slip any in at the last minute.

**The Hon. DON HARWIN:** Could you outline where, if at all, it differed from the advice given to you by the committee?

**Mr DAVID CAMPBELL:** I think I just did. I did not substitute any projects that the committee did not recommend and I do not believe I refused any that the committee recommended.

**The Hon. DON HARWIN:** If you could on notice please check that and, if you did, tell us why you did that?

**Mr DAVID CAMPBELL:** I am happy to give the clarification for that.

**CHAIR:** Minister, in a letter you sent me on 30 May you wrote:

The Country Towns Water Supply and Sewerage Program provides financial assistance to local water utilities to assist in the delivery of affordable and appropriate water supply and sewerage facilities to urban areas in regional NSW, in accordance with the Program's funding guidelines.

Are you aware of the situation in Tilligery Creek in which oyster farmers have been forced to close down their operations due to water pollution from septic tanks at a cost of millions of dollars and dozens of local jobs? The department as well as the Department of Natural Resources, DEC and Port Stephens Council have been shifting blame onto each other since the closure of oyster production. How do you consider this to be "the delivery of appropriate water supply and sewerage facilities"?

**Mr DAVID CAMPBELL:** I think the key point is in the early part of the quote you gave from my letter: you said "assistance". The Country Towns Water Supply and Sewerage Program provides assistance but responsibility rests with the local council or the local water authority. In some instances that is the county council.

**CHAIR:** So you do not feel your department has any responsibility there to the oyster growers?

**Mr DAVID CAMPBELL:** In terms of your question, which was about the Country Towns Water Supply and Sewerage Program, it is assistance against a set of criteria.

**CHAIR:** But your department takes no responsibility for this quite significant environmental, social and health issue?

**Mr DAVID CAMPBELL:** The department has a responsibility, as I say, to provide advice and assistance but the responsibility for the management of a local sewerage plant rests with the local council. I think again we can ask the question several times in several different ways, but the responsibility for the operation of a plant rests with the local water authority.

**The Hon. DON HARWIN:** Even if it is flowing into a marine park, like it is at Currawong?

**Mr DAVID CAMPBELL:** The answer remains the same from my portfolio responsibility: the responsibility rests with the local water authority.

**CHAIR:** Just another country area—and perhaps I will get the same answer—Evans Head STP did not receive funding from the Country Towns Water Supply and Sewerage Program because it was not high enough on the list to be eligible for funding. Could you tell the Committee why the plant was not high enough on the list to receive funding in the last round of allocation?

**Mr DAVID CAMPBELL:** I indicated a little while ago that we would give the report of the latest ranking committee, which will provide that information. There is already a question on notice that will answer that.

**CHAIR:** The Department of Environment and Conservation informed Richmond Valley Council in November last year that the Evans Head STP had exceeded capacity and recommended a moratorium on development. Is this STP still overloaded?

**Mr DAVID CAMPBELL:** Unless the council as the local water authority has invested in its capacity, then that probably remains the case. I do not have responsibility for the advice that DEC gave, but logically, if they gave that advice in November last year, if the local water authority—i.e. the local council—has not made any investment in it, then it may well be still the case.

**CHAIR:** Are you aware of council subsequently implementing a moratorium on development?

**Mr DAVID CAMPBELL:** I am not aware one way or the other whether that has occurred.

**CHAIR:** If the STP was overloaded in November last year and has remained so ever since, do you have any idea why the Department of Planning told my office in May of this year that the STP had "some identified spare capacity"?

**Mr DAVID CAMPBELL:** If the Department of Planning gave you some advice I would suggest that the question should go to the Department of Planning.

**CHAIR:** As I did not get anywhere on that one I will go to another area, which is unfortunate, I think, because this is an area where they should be receiving support from your organisation and the Evans Head sewage treatment plant has been an issue on the North Coast for some time. It is quite clear that there are major health problems and environmental problems with the current plant.

**Mr DAVID CAMPBELL:** I think it is fair to say that DEC remains prepared to give technical advice and capacity advice, so advice is available from some very well experienced public sector employees, employees who are probably under threat from Opposition policies to sack 29,000—

**CHAIR:** I think it is more a lack of funding from the Government that is the point. It is good to pass the buck sometimes. When will the Government move to mandate individual metering of water in apartments in order to give people living in high-density areas an incentive to save water?

**Mr DAVID CAMPBELL:** We have a trial under way of that at the moment. It is very difficult to retrofit individual meters into older apartment buildings because of the way that the

plumbing is put in place there. But, as I say, there is a trial under way led by Sydney Water into individually metering units in new developments, and it is also examining the option of using technology to simplify the collection of meter-reading data. So it is looking at using GPS systems and radio systems and the like. It is an approach that is on Sydney Water's agenda, doing some work with some people in the building industry as a means of collecting that data.

The first part of that involved the installation of some manually read meters for some Meriton buildings at Rhodes, for example, and the second part of the pilot project involves installing meters that can be read remotely, as I indicated. Construction of the building for the second part of the project, which is located in Hornsby, commenced in July 2005 and it is expected that construction of that building will be completed in November this year. The second pilot project building contains about 198 residential and 52 commercial units, so there is an opportunity to get a broad range of information.

**CHAIR:** Does Sydney Water have sole responsibility for and over the management of environmental water in New South Wales?

**Mr DAVID CAMPBELL:** I do not understand what you mean by "environmental water".

**CHAIR:** Environmental flows.

**Mr DAVID CAMPBELL:** No, Sydney Water does not. Environmental flows rest with the Department of Natural Resources.

**CHAIR:** I understand that Sydney Water recently opened some gates in the Macquarie Marshes draining a Ramsar-listed wetland to give water to a landholder for agricultural purposes. Is it also true that the Department of Environment and Conservation was not notified of this action, as it should have been? What actions will Sydney Water take to remedy the environmental damage it has caused and legislation it has breached?

**Mr DAVID CAMPBELL:** I will take the question on notice.

**CHAIR:** Regarding the Water Savings Fund, will your Government commit to continuing the scheme to ensure that small, localised recycling schemes have opportunities to get off the ground?

**Mr DAVID CAMPBELL:** I think if we were to look at the projects approved under stage one of the Water Savings Fund we would see that those projects are well supported. The example I would give is the Beverley Park project, which is a sewer mining and recycling project. Again, that project is demonstrating technology. The Water Savings Fund is certainly about promoting that sort of thing, as, I might say, is the third-party access process—the legislative package I talked about earlier—which is about encouraging recycling projects of all sizes, large or small.

**CHAIR:** In your area of the Illawarra, you are probably aware that about 12 months ago Minister Sartor refused to go ahead with the Jamberoo pipeline to reuse effluent back in the farming areas in Jamberoo Valley. In light of the succeeding drought and water problems, would you agree that was a mistake?

**Mr DAVID CAMPBELL:** It is not a project that I have specific details about, so it would not be possible for me to agree or disagree on the knowledge that I have of that particular project.

**CHAIR:** Perhaps you could take it on notice because it is something that has frustrated many of the farmers because of problems with lack of water and they were begging the Government for that reuse pipeline. In fact, I took a delegation to see Minister Sartor about that and at the time he said it did not add up, but we have subsequently had very serious drought conditions. Would you perhaps undertake to investigate that matter?

**Mr DAVID CAMPBELL:** I will undertake to look at it.

**The Hon. DON HARWIN:** It is squarely in your portfolio. It is a Sydney Water scheme.

**Mr DAVID CAMPBELL:** As I said, I will undertake to have a look at it.

**CHAIR:** In the recent spills of radioactive material at the Lucas Heights nuclear reactor in June this year I understand that water was used in the clean-up of the spillage. How was that water disposed of and was it allowed to enter the sewage system untreated?

**Mr DAVID CAMPBELL:** Because it is such a serious matter, I think I should take it on notice and make sure that I am not relying on memory but on facts.

**CHAIR:** Will your department establish a uniform code covering the recycling and reuse of domestic and other water supplies, therefore enabling easier approval of such systems at the local level?

**Mr DAVID CAMPBELL:** The Government has announced some changes to the plumbing code that will make it easier for households to reuse water on site where they use it for subsurface drainage. For example, the updated code was released on 1 July. It provides requirements for the installation of water conservation devices such as rainwater tanks and grey water reuse systems, which may be installed to meet the Government's BASIX water savings requirements. The code outlines plumbing requirements for rainwater tanks and provides suggested configurations for connecting above and below ground rainwater tanks.

In addition, where councils set requirements for on-site detention the code suggests that the rainwater tanks may be designed and used as combined rainwater and detention tanks. The code updates requirements for grey water diversion or treatment systems in line with the current regulatory changes that are being prepared, and provides suggested configurations for connecting reclaimed water for single and multi-occupancy residential dwellings. The code updates requirements for pumped discharge of sewage. The section facilitates the use of systems such as light pressure pumped systems, which provide economic solutions for small town and village applications.

Water authorities have been given the power to require each unit within a multi-unit development to be metered to encourage residents to use water more efficiently. The code also permits the householder, subject to the approval of the water authority, to undertake the basic plumbing work of installing water-efficient showerheads and tap aerators and changing tap washers without the need to use a licensed plumber. The old code said that if you wanted to change a tap washer, you should get a licensed plumber, but that bit of red tape has been abolished. There has been some recent work on that and, for example, an environmental impact statement might be required for a smaller, on-site recycling system. In a range of areas there has been some work to make it more efficient and easier for households to reuse grey water on their site.

**CHAIR:** Would that include all current methods on on-site sewage management, such as dry composting and anaerobic digesting?

**Mr DAVID CAMPBELL:** They are systems that have approval to be operated. Is the question whether we have reduced the regulation?

**CHAIR:** Do you have a uniform code covering all the recycling of domestic sewage carried out on site?

**Mr DAVID CAMPBELL:** I will take that question on notice.

**The Hon. DON HARWIN:** Minister, can you tell me the current status of the pilot desalination plant at Kurnell and whether it is operational? Secondly, can you tell me what discussions you have had about the need for an increased electricity supply, which I am sure was not necessary before the desalination plant, and if necessary take on notice, given the time, what the actual electricity needs are to operate the fully commissioned desalination plant?

**Mr DAVID CAMPBELL:** I will take that on notice. I do not have the technical detail of electricity supply.

**The Hon. DON HARWIN:** But in terms of the pilot plant being operational, presumably you do not need to take that on notice; it is either yes or no.

**Dr SCHOTT:** If it is not, it is imminent. As to the power supply, no further upgrade is required, but the other technical matters you asked we will take on notice.

**The Hon. DON HARWIN:** Given that last year Sydney Water lost 10 per cent of its supply through unaccounted losses, why will the Government not increase the amount it spends on upgrading ageing water infrastructure rather than paying an enormous amount in dividends, more than \$500 million for example in the past five years? Are there any plans to reduce the dividend payments made to Treasury, and how much was the dividend for 2005-06?

**Mr DAVID CAMPBELL:** The issues of dividend should be addressed to the shareholder Ministers. That is the requirement there. In terms of pipes, can I say this: Sydney Water's supply system is a complex network of 21,000 kilometres of mains with about five million joints. The system is the largest and the first to be established as a water network in Australia. Most water loss is not due to visual main breaks and leaks but is a result of underground seepage from some of the five million joints. That is why we have a program known as the Active Leak Reduction Program where Sydney Water uses technology, which is a listening device. When I heard it through the earphones I thought I was watching a war movie with a submarine and sonar and that sort of stuff. It is a matter of investing in preventative maintenance using technology to identify where a leak might occur. Last year 18,000 kilometres of the 21,000 kilometres main system were looked at. The other 3,000 is a larger main where that technology does not work. In the past two weeks Sydney Water has been trialling a device known as the Sahara device, which is British technology that looks at those larger water mains.

So there is an active program to identify leaks and replace them. This year about \$650 million of capital expenditure has been allocated by Sydney Water to invest in infrastructure. That is about a range of infrastructure matters, but certainly a deal of that expenditure is targeted at reducing leaks. It is always difficult to compare but Sydney Water has reduced its level of leakage from 10 per cent in 2004-05 to about 8.5 per cent in 2005-06, which is currently saving about 50 million litres of water every day. As I said, comparing is difficult, but if you look internationally, leakage in the United Kingdom is generally between 12 per cent and 15 per cent; in parts of London leakage from the water system was in excess of 20 per cent in 2004-05. Over the three years from 2006-07 to 2008-09, Sydney Water is investing more than \$300 million to further reduce leakage, including approximately \$100 million in 2006-07. So using technology and the skills of a skilled and diversified work force we are getting stuck into the issue.

**CHAIR:** We discussed the issue regarding Tilligerry Creek and the responsibility of the local council to manage those situations. I think you might agree that local councils have not been given additional resources, although they have been given greater responsibility over approvals and regulations of grey water systems and rainwater tanks. Will your department help to adequately resource councils to deal with these matters by providing consultants for example?

**Mr DAVID CAMPBELL:** There is a great deal of expertise in the department from experienced public servants. They are available and they work on a daily and weekly basis with local water authorities to provide engineering advice and technical information. That is in place and it is quite separate to the Government's very strong financial commitment to the country towns water service and sewerage scheme.

**CHAIR:** I am still seeing the glaring example of Tilligerry Creek, but you are saying that the level of advice is sufficient and plentiful enough to resolve these problems, yet we still have these problems. I think we all agree, do we not, that local councils are often overstressed with what they call unfunded mandates where different legislation and restrictions have been forced on to them from the State Government level?

**Mr DAVID CAMPBELL:** The advice is available. Whether an individual council takes it up or not is another matter. In terms of water supply, no council is saying that it does not want responsibility for that. Indeed, councils are demanding that they maintain it. The other point I make is that the Local Government and Shires Association recently had a review of its finances and infrastructure needs conducted by a group of people led by Percy Allen. If Committee members

looked at that report they would see that the water businesses of the local councils are in very strong financial shape. I would contend that that is a result of the advice, the information and the subsidies and financial assistance provided by the Government's series of programs.

Local government might say that we have all this cost shifting. No council is clamouring to say, "We want to give up responsibility for water." The Allen report makes it clear that that aspect of local government is in relatively good financial shape. Everybody can have more money to spend but the Allen report makes it clear that the water businesses have been well managed. As I said, I would contend that that is a result of the advice provided by dedicated public servants of the State.

**CHAIR:** At the other end, so to speak, we have major problems—Tilligerry Creek, Evans Head sewerage works, Currawong Creek. There is either a lack of capacity by local council or a lack of support from the State level to achieve levels that are not a danger to both environmental and human health. That is a fact. Is there not a lack somewhere? You cannot simply say a council might be the responsible authority, but there is a lack of support and finance to allow them to cope with these situations.

**Mr DAVID CAMPBELL:** Yes, you can say that the council has a local responsibility because—

**CHAIR:** We know that. I agree with that.

**Mr DAVID CAMPBELL:** —the legislation provides for that. They all take it on, and it is the local council's responsibility to allocate the finance to meet those responsibilities.

**CHAIR:** Earlier a question was asked to the effect that the amount of money going to consolidated revenue from your department is substantial, even if it is paid back to consolidated revenue for Treasury. Surely there is a primary responsibility to sort out some of these major health problems in regional areas?

**Mr DAVID CAMPBELL:** The Government has all sorts of demands on its revenue and that is in a sense a priority. What I find particularly interesting, as is always the case, is that you are contending that the Government should spend more money in this area, and I interpret from an earlier question that the Opposition is saying that the Government should not collect revenue and should not have as much money in consolidated revenue.

**CHAIR:** The Greens are right and the Opposition is wrong in this case.

**The Hon. DUNCAN GAY:** We do not always accept that what he says is true.

**CHAIR:** Time has expired.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**

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