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# GENERAL PURPOSE STANDING COMMITTEE No. 1

Monday 13 September 2010

Examination of proposed expenditure for the portfolio area

## MINERAL AND FOREST RESOURCES

The Committee met at 4.15 p.m.

### MEMBERS

Reverend the Hon. F. J. Nile (Chair)

The Hon. R. Borsak  
The Hon. L. A. Foley  
The Hon. D. J. Gay  
The Hon. K. F. Griffin

Dr J. Kaye  
The Hon. M. R. Mason-Cox  
The Hon. M. S. Veitch

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### PRESENT

**The Hon. Steve Whan**, *Minister for Primary Industries, Minister for Emergency Services, Minister for Rural Affairs, and Minister for Mineral and Forest Resources*

#### **Industry and Investment**

**Dr R. Sheldrake**, *Director General*

**Mr N. Roberts**, *Forests NSW*

**Mr B. Mullard**, *Executive Director, Mineral Resources*

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## **CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS**

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

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

**CHAIR:** I declare open to the public this hearing, which will inquire into budget estimates for 2010-2011. I welcome Minister Whan and accompanying officials to the hearing. Today the Committee will examine the proposed expenditure for the portfolio of Mineral and Forest Resources. I refer witnesses and the audience and members of the media to my earlier statement about procedural matters such as the broadcasting of proceedings. The Committee has resolved that answers to questions on notice must be provided within 21 days, or as otherwise determined by the Committee. The Committee has not varied that 21-day time frame. All witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. I remind the Minister that he does not need to be sworn as he has already sworn an oath to his office as a member of Parliament. All other witnesses will be asked to state their full name, job title and agency, and whether they wish to either swear an oath or take an affirmation.

**RICHARD FREDERICK SHELDRAKE**, Director General, Department of Industry and Investment, affirmed,

**NICHOLAS JOHN VAUGHAN ROBERTS**, Chief Executive Officer, Forests NSW, and

**BRAD WILLIAM MULLARD**, Executive Director, Mineral Resources, Department of Industry and Investment, sworn and examined:

**CHAIR:** I now declare the proposed expenditure for the portfolio of Mineral and Forest Resources open for examination. As there is no provision for the Minister to make an opening statement before the Committee commences questioning we will begin with questions from the Opposition. However, I am prepared to allow some of my time if the Minister wishes to make a brief statement.

**Mr STEVE WHAN:** I am happy to go straight to questions.

**The Hon. MATTHEW MASON-COX:** I direct my first question to Dr Sheldrake. Are you aware of the report on 28 July 2010 on Channel 10 that Mr Ben Edwards was hired to work as an adviser in the office of former Minister Paul McLeay?

**Dr SHELDRAKE:** Yes.

**The Hon. MATTHEW MASON-COX:** Can you confirm whether that is true and in what position Ben Edwards was employed? Was it a departmental position or as an adviser?

**Dr SHELDRAKE:** He was employed as a departmental liaison officer.

**The Hon. MATTHEW MASON-COX:** Is it correct to state that a departmental liaison officer is a member of the public service—a member of the department—rather than the Minister's personal staff?

**Dr SHELDRAKE:** He was a temporary employee of the department.

**The Hon. MATTHEW MASON-COX:** Can you give a brief description of the position filled by Mr Edwards?

**Dr SHELDRAKE:** The position of a departmental liaison officer is to interact between the department and the Minister's office.

**The Hon. MATTHEW MASON-COX:** Can you confirm the remuneration package for that position?

**Dr SHELDRAKE:** I do not have that detail but I can provide it.

**The Hon. MATTHEW MASON-COX:** Did you, as Director General, have to approve this appointment in accordance with the staffing freeze administered by this Government?

**Dr SHELDRAKE:** The position was approved by me. It was considered that the position was essential for the Government to undertake its work and for the department to be able to service the needs of the Minister's office.

**The Hon. MATTHEW MASON-COX:** When did you or the department first become aware of Ben Edwards and the possibility of his working in the department?

**Dr SHELDRAKE:** I will have to take the details of that question on notice because I cannot recall the date on which that would have occurred.

**The Hon. MATTHEW MASON-COX:** Dr Sheldrake, did you have any discussions or any form of correspondence with former Minister Paul McLeay in that regard?

**Dr SHELDRAKE:** Some correspondence certainly exists and we are in the process of compiling that. So, yes, correspondence exists between the Minister's office and the department.

**The Hon. MATTHEW MASON-COX:** Was the initial contact from the Minister by way of a phone call?

**Dr SHELDRAKE:** I do not recall that there was a phone call but there certainly is email correspondence.

**The Hon. MATTHEW MASON-COX:** Was that directly from the Minister concerned?

**Dr SHELDRAKE:** From the Minister's office.

**The Hon. MATTHEW MASON-COX:** Can you identify the person in the Minister's office who sent you that email?

**Dr SHELDRAKE:** Yes, I can.

**The Hon. MATTHEW MASON-COX:** Would you give the Committee that name?

**Dr SHELDRAKE:** It was the Chief of Staff, Mr Sam Crosby.

**The Hon. MATTHEW MASON-COX:** Can you confirm whether there was a formal recruitment process for this position?

**Dr SHELDRAKE:** It was a temporary position—less than a 12-month appointment. The recruitment process does not require an interview or a competitive selection process.

**The Hon. MATTHEW MASON-COX:** In filling positions of this type is it normal for a recommendation to be taken from the Minister and to be acted upon by the department?

**Dr SHELDRAKE:** In this case we received a recommendation from the Minister's office in relation to Mr Ben Edwards' suitability for the position.

**The Hon. MATTHEW MASON-COX:** Can you confirm the suitability of that position? What was undertaken to review the suitability of Ben Edwards for that position?

**Dr SHELDRAKE:** In the role that the Minister had in mind for the work that was required in the interaction and liaison between the department we took the advice and the recommendation from the Minister's office.

**The Hon. MATTHEW MASON-COX:** There was no independent review by the department of the qualification or the suitability of Ben Edwards for that position?

**Dr SHELDRAKE:** I will take that part of the question on notice in that I did not look, for example, at his qualifications. We would have established that he had the appropriate qualifications. I will take that part of the series of questions on notice.

**The Hon. MATTHEW MASON-COX:** Naturally you would have taken into account the strong recommendation from the Minister's office in that regard?

**Dr SHELDRAKE:** We certainly took into account the recommendation from the Minister's office in the appointment of Mr Edwards.

**The Hon. MATTHEW MASON-COX:** I note in particular that the former Minister informed media outlets that Mr Ben Edwards was "a special temporary employee that had a life of employment whilst ever I am the Minister" and not a permanent public service position as you have had outlined. Now that Paul McLeay is no longer a Minister, is Ben Edwards still employed by the Department of Industry and Investment?

**Dr SHELDRAKE:** No he is not.

**The Hon. MATTHEW MASON-COX:** When did his employment cease?

**Dr SHELDRAKE:** He was advised on 6 September.

**The Hon. MATTHEW MASON-COX:** Were you aware at the time of receiving the strong recommendation from the Minister's office that Ben Edwards was a close personal friend of the former Minister?

**Dr SHELDRAKE:** I was not aware of the fact that he was a close personal friend of the Minister.

**Mr STEVE WHAN:** Mr Chair, suggesting he was a close personal friend is something based only on media reports. I suggest the member should ask the people involved as to whether they were close personal friends. Perhaps the line of questioning could relate more to the director general's actual administration role.

**The Hon. MATTHEW MASON-COX:** In view of all the circumstances, Dr Sheldrake, in your view could it be said that the former Minister used his influence to secure a job for his friend Mr Ben Edwards?

**Dr SHELDRAKE:** I think the Minister has just indicated that that may not be the case. So I do not think it is appropriate I answer that.

**The Hon. MATTHEW MASON-COX:** It may not be the case, but that came from the chief of staff of the Minister, did it not?

**Dr SHELDRAKE:** I am not aware of that.

**Mr STEVE WHAN:** Mr Chair, it is very common for Ministers to have an influence over who works in their offices, as do the chiefs of staff. Certainly when it comes to departmental liaison officers, a Minister certainly would be able to say whether he or she wanted an individual in the office—or the chief of staff would. I suggest that the line of questioning is now probably going a bit beyond the scope of this hearing.

**The Hon. MATTHEW MASON-COX:** This is not about a Minister choosing his staff. This is about a departmental liaison officer, who is an officer of the public service not appointed by the whim of the Minister but by processes through the public service. Is that not the case, Dr Sheldrake?

**Dr SHELDRAKE:** He was employed as a temporary departmental liaison officer. That is correct.

**The Hon. MATTHEW MASON-COX:** Again, this is the case where public service provisions actually apply to this position, do they not?

**Dr SHELDRAKE:** Yes, they do.

**The Hon. MATTHEW MASON-COX:** In all the circumstances and given your wide experience as a public servant, do you think it was proper or appropriate in the circumstances for the Minister's office to act in this way?

**Dr SHELDRAKE:** I do not think it is my role to assess whether the Minister's office has acted appropriately.

**The Hon. MATTHEW MASON-COX:** Let me put it another way. If you were in the Minister's position, would you have acted in this way?

**Dr SHELDRAKE:** Again, I think that is a question you need to ask the former Minister. It is not for me to answer whether I would act in a way that he acted.

**CHAIR:** It is a hypothetical question.

**The Hon. MATTHEW MASON-COX:** Is it usual or standard practice in the public service for departmental liaison officers to be appointed in this way—that is, a call or email from the chief of staff of a particular Minister?

**Dr SHELDRAKE:** A lot of communication is relatively informal in the modern communication between a Minister's office and the department. If you do not have use of electronic communication, it becomes incredibly difficult to manage the organisation.

**The Hon. MATTHEW MASON-COX:** I understand that. What I am asking is: Is it usual practice within the public service of New South Wales for departmental liaison officers to be appointed by your department on the advice of an email from a chief of staff of the relevant Minister—yes or no?

**Dr SHELDRAKE:** In most cases, normal practice would be that we would work together to identify a position to service the needs of the Minister's office in the way that works best for the Minister and works best for the department. One of the difficult things we have in our organisation is that a lot of our staff are rural and regional based. Often it is very difficult for us to attract people with the right set of skills who can assist the Minister's office. Often the way we fill departmental liaison officer positions is by working closely with the Minister's office.

**The Hon. MATTHEW MASON-COX:** In the case of Ben Edwards, let me put to you that his background is experience in the community service and health industry skills area rather than in the forestry area, where his expertise was going to be utilised. Would you not have people within your department who could act as departmental liaison officers with the skill set background in policy in forestry that could best advise the Minister?

**Dr SHELDRAKE:** Much of the work that is required in the Minister's office sometimes is not the technical expertise in the disciplinary area that is required. Often it is the development of policy to assist Ministers to prepare material for government, legislation et cetera. The fact that he did not have technical skills in forestry or forestry science related areas is not an issue. He had the skill set to be a policy adviser—

**The Hon. MATTHEW MASON-COX:** It would be a consideration, would it not?

**Dr SHELDRAKE:** —and a liaison officer and fulfil the role that he intended to fulfil.

**The Hon. MATTHEW MASON-COX:** Are you suggesting that in your department there were no other suitable candidates who had a forestry background to fill that departmental liaison role?

**Dr SHELDRAKE:** There may have been officers within the department who could have fulfilled that role. One of the problems, as I said, that we have within the organisation because of the regional make-up of the Department of Industry and Investment is getting people willing to do it—for family reasons largely—and move to Sydney to take up those sorts of positions. It is actually an issue.

**The Hon. MATTHEW MASON-COX:** I will refer to the five-year comparison as at 30 June 2009 in the Forests NSW annual report, if I may, Mr Sheldrake.

**The Hon. MICHAEL VEITCH:** Is this a financial question?

**The Hon. MATTHEW MASON-COX:** How do you explain a trading turnaround of \$31 million between the years 2008 and 2009 in the table entitled "Five Year Comparison as at 30 June 2009"? You are talking about a profit of \$14.5 million in 2008 and a loss of just under \$16.5 million in 2009, so there is a turnaround of \$31 million in 12 months.

**Mr STEVE WHAN:** I might pass that on to Nick Roberts, who is the head of Forests NSW, and he can give you what is a very good story about the financial situation of Forests NSW, particularly since he has been managing the organisation.

**The Hon. MATTHEW MASON-COX:** Not a story. I would just prefer the facts, if that is okay.

**Mr ROBERTS:** Look, I am not sure whether I can answer the question directly without reference to the specific item in the report, but turnarounds can occur for quite a large number of reasons. The two major ones that drive it would be changes in the underlying valuation of the forest, and those numbers can change quite significantly from year to year. The other impact on our results that moves the numbers quite significantly is the superannuation benefit scheme. As share markets go up and down, the accrued benefits in that scheme go

up and down, and our liabilities for those payments into the future go up and down. So they can move our profit quite significantly from year to year at the bottom line trading level.

**The Hon. DUNCAN GAY:** Could you give us some details?

**Mr ROBERTS:** Yes.

**The Hon. DUNCAN GAY:** Not now, but on notice—on the movement that caused it?

**Mr ROBERTS:** Yes.

**The Hon. DUNCAN GAY:** Most people are exposed, but I am surprised that Forests NSW was exposed to that extent.

**Mr ROBERTS:** Both of these adjustments are non-cash adjustments. That is what I suspect is driving the number. I would have to come back and confirm that, but I expect it is non-cash. A lot of the focus on the business over the last three years has been to not focus so much on the bottom line profit number, which can be influenced by other non-cash issues, and focus more instead on cash generation. In that regard, the business has produced significant cash, particularly in the last 12 months.

**The Hon. MATTHEW MASON-COX:** Could you take that on notice, along with providing details of estimated profit and loss or trading profit and loss for 2010?

**Mr ROBERTS:** Yes.

**The Hon. MATTHEW MASON-COX:** In that same table you will note further down in the balance sheet that the value of biological assets over the course of the last five years has fallen from approximately \$1.6 billion to \$670 million. I just want to understand why there was such a massive diminution in value in relation to biological assets over that time.

**Mr ROBERTS:** Yes. The reason for that is the way that we are undertaking forest valuations. The fundamental methodology has changed. There are two commonly used ways of valuing forests. One is called a liquidation valuation. The premise with liquidation is that you cut every tree on a date certain and you sell those logs on a date certain, and that derives the value of your forest. That is the traditional method, or one of the traditional methods, of valuing a forest. The other method is a discounted cash flow, where you project your earnings into the future and you generate your net cash flows on an annual basis. You apply a discount rate to those cash flows and you generate a net present value. There are two methodologies that can be used under the accounting standard. Forests NSW, for historical reasons, has been using the liquidation methodology. One of the changes we have brought over the last few years is to move to a discounted cash flow methodology, which is what you would not typically see in the private sector.

**The Hon. DUNCAN GAY:** Has the New South Wales Government provided Willmott Forests with any grants? If so, what are they?

**Mr STEVE WHAN:** Through this portfolio—I will refer to part of this—what we have had with Willmott Forests over a number of years is contractual agreements over the supply of softwood to their mills, in Bombala particularly. They have had a contract for timber supply. Willmott have been the proponent of a softwood mill development in Bombala and there are questions that would pertain to State and Regional Development about assistance that may have been offered there.

**The Hon. DUNCAN GAY:** No, this is specifically relating to grants.

**Mr STEVE WHAN:** I will refer specifics on any grants to Nick. I do not believe we have, from this portfolio.

**Mr ROBERTS:** Not that I am aware of, no.

**The Hon. DUNCAN GAY:** Given that Willmott Forests have been re-establishing plantations on behalf of Forests NSW following harvest, what remuneration has the company received for this service? In liquidation, where does that leave the department?

**Mr STEVE WHAN:** Forests NSW is in discussion with the receivers of Willmott Forests about their obligations under the work that they have been doing to replant plantation forests in southern New South Wales. There are some financial implications that I will ask Nick Roberts to cover.

**Mr ROBERTS:** The Willmott arrangement is as you have described. It was to plant trees on second rotation country—where the initial plantation had been clear fallen for the sale of those logs. So the Willmott funds, which had been raised through retail investors, were being used to fund those second rotation plantations. In exchange for that right to plant the trees on the land, Forest NSW was accruing a rental for the land and was also accruing management fees to manage those trees on behalf of the investors and Willmott.

**The Hon. DUNCAN GAY:** What sort of realised exposure does Forests NSW have with Willmott?

**Mr ROBERTS:** I guess that is a fairly complex legal issue. Certainly when we entered into the arrangements with Willmott, we considered all the various outcomes that might be likely, and I guess this was one outcome which, in a commercial sense, you would always look to consider. Most of the funding we received from Willmott was up-front. As the plantations were being established, they were paying a significant portion of the funds to us at that particular time. There are ongoing management fees that will fall due to Forests NSW. The question will then be: What is the nature of the ownership of the asset retained on State forests? That is a legal question that I cannot give you a firm answer on today, but it certainly had been considered at the time of executing the contract.

**The Hon. DUNCAN GAY:** You will endeavour to do that?

**Mr ROBERTS:** Yes, we will. We are talking at the moment to our legal advisers.

**The Hon. DUNCAN GAY:** Because you are potentially a creditor.

**Mr STEVE WHAN:** At this stage, though, there is no outstanding debt from Willmott to Forests NSW. Obviously there is a discussion now about where the receivers go from here with Willmott. When debts or payments fall due to Forests NSW, obviously that is when they may become creditors. That discussion is ongoing with the receivers at the moment.

**The Hon. DUNCAN GAY:** Minister, how many Forests NSW officers have been made redundant this year?

**Mr STEVE WHAN:** Forests NSW has been working over a considerable length of time to bring the business into a profitable situation to which that actually refers.

**The Hon. DUNCAN GAY:** How many, Minister? We do not need a story. It is a simple question.

**Mr STEVE WHAN:** We have had a number of discussions with the unions over redundancies. Nick can give you the precise numbers.

**The Hon. MATTHEW MASON-COX:** Mr Roberts?

**Mr ROBERTS:** I would have to take the question on notice in terms of the exact number because I do not have it in my head. If you want an approximation this year, I would say it is somewhere around about 15 to 20.

**The Hon. DUNCAN GAY:** When you get that number for us, will you tell us from which regions they come from as well, please?

**Mr ROBERTS:** Yes.

**The Hon. DUNCAN GAY:** And a comparison with last year.

**Mr ROBERTS:** Yes.

**Dr JOHN KAYE:** I want to go back to a comment that I think Mr Roberts made earlier when he spoke about moving away from the factors that are about longer-term cash flow and focusing more on current cash flow. Is it not correct to say that another way of expressing that is that we are not worrying too much about the future; we are just going to extract as much value from the financial value as we can right now?

**Mr STEVE WHAN:** I will let Mr Roberts answer that specifically, but I do not think it would be correct to characterise that as being the approach of Forests NSW. Forests NSW and the New South Wales Government are very keen to manage an industry that is sustainable in the long term, and that is something which is very important, both in our native forest operations and our plantation forests. But I will let Mr Roberts address that as well.

**Mr ROBERTS:** The comment was in the context of an annual profit number. In terms of the annual profit where we get a lot of non-cash items that can affect the profit, while obviously we are cognisant of those and need to take them into account in the way we run the business, we are really more interested on an annual basis as to whether the business is producing cash, is able to pay its bills on an ongoing basis, and pay a dividend to government. In the long term we are very concerned about the sustainability of the forests.

**Dr JOHN KAYE:** But if you are focusing on short-term cash how are you possibly incorporating the longer-term issues? Those two comments seem to be contradictory. You seem to have gone back on what you said earlier when you said you were focusing on the short-term cash.

**Mr ROBERTS:** That was in the context of the annual profit. In running a forestry business in my view you have to be able to balance the books every year as a business but the future of the business lies in the future resource, so our focus is on endeavouring to establish our plantations in the best possible condition so that they will produce a crop for the future and maintaining the native forests in the best condition so they can do the same.

**Dr JOHN KAYE:** Those two statements do seem incredibly contradictory. If you are taking the long-term value out of the equation and focusing on short-term cash then you are focusing way above maximum sustainable yield. The only way you can focus on maximum sustainable yield is if your profit is based on what you have referred to as non-cash items, which are the future value of the forest.

**Mr ROBERTS:** The big change that I was answering the question about earlier was about a change in methodology of valuation. Both of those two valuation methodologies project cash flows out for 50 to 60 years as opposed to the historical valuation methodology which was based on a liquidation on a date certain: on a single date you would assume all the trees were felled. I think the change in the valuation methodology forces us to look more closely and more intently at the future of the business and the fact that it is sustainable and will be able to continue to provide products to our customers and all the other benefits to New South Wales.

**Dr JOHN KAYE:** I turn now to the Eden chip mill. As I understand it, in a good year the Eden chip mill processes about one million tonnes of woodchips and the logs that are chipped come from forests in Victoria and New South Wales that produce about 100,000 tonnes of sawlogs. Is that about right by your reckoning, roughly speaking?

**Mr ROBERTS:** In terms of woodchips from sawmills—

**Dr JOHN KAYE:** No, woodchips in the chip mill.

**Mr ROBERTS:** But you said saw logs. There are no saw logs going to the mill at Eden.

**Dr JOHN KAYE:** You misunderstood my question. I talked about one million tonnes of wood going through the chipper each year coming from forests which also produce about 100,000 tonnes of sawlogs. That is about the right order of magnitude?

**Mr ROBERTS:** Roughly, on the South Coast, yes.

**Dr JOHN KAYE:** Am I correct in saying that the language that is used about the chip mill is that the wood that goes into the chip mill is waste?

**Mr STEVE WHAN:** It is not suitable for saw logs is the way it is termed, I think.

**Dr JOHN KAYE:** So we have changed the language now. Your predecessor used to refer to it as waste always.

**Mr STEVE WHAN:** I guess it depends on your definition of "waste". Forests NSW can add more to it but clearly the logs which went in there would not be suitable for the more high-value processing, for instance, done at Blue Ridge Hardwoods in Eden, which is a significant local employer as well.

**Dr JOHN KAYE:** So this is a change of direction for the Government from calling it waste to calling it not suitable for saw logs. Is that correct? Is it a policy change?

**Mr STEVE WHAN:** No. We have a south-east forest agreement, as you are aware, and the Government is committed to that and a quantity of log comes out of that. Mr Roberts might want to add further to that.

**Mr ROBERTS:** I guess in terms of the resource in the south-east it is a mixture of species, some of which are suitable for sawing. The straighter they are, the better they are in that regard. The tops of those trees are very often of a small diameter and unsuitable for putting into a sawmill and they would be the logs which would end up in the chip mill.

**Dr JOHN KAYE:** So the language is no longer about waste. It is no longer the waste of the forestry product; it is the unsuitable parts of the forestry industry that go to the chip mill.

**Mr ROBERTS:** I cannot comment about the terminology that is being used at any time. I guess I just think about it as pulp.

**Dr JOHN KAYE:** It is interesting because I cannot count back how far it was but a couple of predecessors before the current Minister then Minister Macdonald made a big issue about the only thing going into the chip mill was waste from the forestry activities in the south-east. Now I am hearing a whole new set of language, presumably with a new meaning behind it.

**Mr STEVE WHAN:** I am not sure what my predecessors have said in estimates hearings or in those sort of things but I think we are splitting hairs a bit on definitions. Certainly, wood for wood pulp is not waste. It is being used but it is less valuable logs. It is logs which are not suitable to be used for saw logs and for higher-value products. It is clear that a lot of the product out of the south-east forests is not suitable for saw logs and an amount of it is going to the chip mill.

**Dr JOHN KAYE:** Thank you. That is interesting. I will have to think about that. I turn now to the other end of the State, the north of the State. Of course, you would be aware that there have been a number of independent audits recently of harvested State forests in northern New South Wales and these have all shown up considerable non-compliance, particularly Girard State Forest, Clouds Creek State Forest, Chaelundi State Forest, Grange State forest and Doubleduke State Forest. Presumably there have been a number of fines imposed on Forests NSW for non-compliance with environmental licences. How much has been imposed over the past two years?

**Mr STEVE WHAN:** The specifics of any fines I will pass on to Mr Roberts. Firstly, the Government certainly welcomes scrutiny of its forest operations. We are happy to have people looking over to see whether or not they are being conducted appropriately and we intend in all cases to conduct them appropriately and in compliance with all requirements. We are certainly not scared of having independent audits or audits of areas such as Doubleduke Forest, which is one that you mentioned. I am advised that in that case no high conservation value old-growth habitat trees, wetlands or endangered ecological communities were disturbed in that forest. But obviously we are happy to have scrutiny and where necessary deal with any practices that we need to change, but I will hand over to Mr Roberts on any specifics of fines.

**Mr ROBERTS:** I would have to take that on notice for the past two years.

**Dr JOHN KAYE:** Can you get back to us on that? Would it be fair to say that the vast majority of the non-compliance in State forests is a result of Forests NSW contractors, or is Forests NSW general management of planting and harvesting operations leading to the non-compliance issues?

**Mr STEVE WHAN:** First, I do not know that it would be fair to characterise non-compliance as being as widespread as may be inferred from that. From the information I am being given, it is not that common. But I will hand over to Mr Roberts for more detail.

**Mr ROBERTS:** I guess the non-compliance can arise from either of those two areas, but I would agree with the Minister that most of our operations are conducted very tightly. We have had occasions where contractors have been fined and indeed the most recent one was in the last 10 days.

**Dr JOHN KAYE:** I presume you will get back to us with a breakdown between that which was a result of contractors and that which was a result of State Forests' own management?

**Mr STEVE WHAN:** Yes, we will get back to you.

**The Hon. ROBERT BORSAK:** The Greens are demanding that the Government phase out logging in native forests. This is addressed to Mr Roberts.

**Dr JOHN KAYE:** I thought it was addressed to me.

**The Hon. ROBERT BORSAK:** You make the demand anyway.

**Dr JOHN KAYE:** Do you mean us or do you mean the environmental movement?

**The Hon. ROBERT BORSAK:** The Greens. I said the Greens are demanding.

**CHAIR:** Let the member ask his question.

**The Hon. ROBERT BORSAK:** Do you want to answer the question?

**Dr JOHN KAYE:** No.

**The Hon. ROBERT BORSAK:** Then let me ask it. The Greens are demanding that the Government phase out logging of native forests, particularly in the south-east of the State, but no doubt they want a total ban. What immediate impact would such a ban have on jobs, as in the number of jobs that would be lost and also in the timber supply contracts?

**Mr ROBERTS:** I am trying to find the number. I will have to take the question on notice in terms of the actual number of employees but it would be fair to say that Forests is a significant employer—the overall forestry activity in terms of contractors, millworkers and sawmill workers. It is a significant employer in the south-east.

**The Hon. ROBERT BORSAK:** Do you have a dollar economic value in rural communities?

**Mr ROBERTS:** My recollection is it is well in the order of \$60 million a year.

**Mr STEVE WHAN:** The information I have is that the south-east fibre exports [SEFE] on their own contribute more than \$50 million a year to the New South Wales economy and that they employ about 100 people in milling, wharfage activities, mill management or harvesting and haulage in the south-east. That is just those exports. Of course, there are other mills in the south-east that rely on forests. There are timber mills, including Blue Ridge Hardwoods in Eden and mills further up the coast at Narooma and Bateman's Bay at least. The Forests NSW business overall employs 891 people, a significant number of whom are field workers and involved in forest operations.

**Dr JOHN KAYE:** Is that in the south-east?

**Mr STEVE WHAN:** No, not only in the south-east; that is New South Wales overall.

**The Hon. ROBERT BORSAK:** How many, if any, legal cases have been brought against Forests NSW or any of its sub-departments by the Environmental Defenders Office in the past 12 months? How many of the cases did the department win? How much did it cost to defend those actions?

**Mr ROBERTS:** There have been no cases taken to court.

**The Hon. ROBERT BORSAK:** A former commissioner of forests in Victoria has called for the Government there to triple its fuel reduction burn targets in the wake of their disastrous fires last year. The commissioner said that a minimum burn of 5 per cent of public land would improve the forests' health. What is the situation with Forests NSW? How much percentage-wise is targeted to be burnt each year in the interests of hazard reduction and, given what happened in Victoria, is New South Wales doing enough to prevent a similar catastrophe here?

**Mr STEVE WHAN:** I will first make some general points about hazard reduction. New South Wales does not believe that setting percentage targets is the right way to go about hazard reduction. It leads to, with a percentage target of Crown land particularly, just a hectare target. You can then use your performance targets essentially simply burning a number of hectares rather than actually protecting assets. Clearly we need to ensure that we protect assets and that means sometimes you might burn less area, or clear it mechanically, but do it in a way that protects people's homes, Forests' assets et cetera. We reject a 5 per cent target. We do, though, recognise the need to continue to do hazard reduction, and State Forests is certainly a part of that. We are working, now that we have the interesting crossover with me as Minister for Emergency Services and Forests NSW, to ensure that we are targeting our work as effectively as possible. On that percentage target, the danger is that you could very easily go out and burn hundreds of thousands of hectares—drop a few incendiary devices in areas that are relatively uninhabited—but it would not actually protect a lot of lives or property. That is why we are wary of that. But Mr Roberts might want to add something.

**Mr ROBERTS:** I do not want to add anything in relation to the situation with Forests.

**The Hon. ROBERT BORSAK:** How much on a dollars-per-hectare basis does it cost the taxpayers of New South Wales to manage State Forests?

**Mr ROBERTS:** Is that across the entire operation, business plantations.

**The Hon. ROBERT BORSAK:** Would you break it up between plantation and hardwood?

**Mr ROBERTS:** Again, I would have to come back to you on notice to give accurate figures on that.

**The Hon. ROBERT BORSAK:** Mr Roberts, I refer to use by Forests NSW of sodium monofluoroacetate, or 1080 poison, to control feral animals. I preface my comments by stating that Tasmania has admitted having used 15 kilograms of the poison in 1999-2000 but reduced that amount to slightly less than 1 kilogram last year. Will you tell the Committee the weight amount, rather than the number of baits, used by Forests NSW last year?

**Mr STEVE WHAN:** That is a specific question that we will take on notice. There are different standards in different States for distribution of baits.

**The Hon. ROBERT BORSAK:** Is Forests NSW responsible for distributing the baits—for example, in forests in the northern part of the State around Nundle a lot of baiting is done for wild dogs—or does National Parks bait in State forests on your behalf?

**Mr STEVE WHAN:** It varies around the State. Obviously Forests NSW as a landowner has responsibility for feral pests in forests, and that includes feral pest animals and plants, weeds and other things. In some parts of the State there is a nil tenure approach to baiting that involves the Livestock, Health and Pest Authority and that crosses over into different tenures of land, with assistances from Parks. Obviously as a landowner, Forests NSW has a responsibility as well.

**Mr ROBERTS:** We have responsibility for controlling feral dogs and we do set baits for them, particularly in the south-east as I am aware. I am not fully aware of the activities up around Nundle but it is an activity in which we participate.

**The Hon. ROBERT BORSAK:** So Forests NSW subcontracts its own subcontractors to go in and lay baits?

**Mr ROBERTS:** We have some of our own staff involved in that activity.

**The Hon. ROBERT BORSAK:** I note that a major Forests service contractor in Tasmania has claimed that 1080 poison could be a more humane method of controlling wildlife than shooting. He also alludes to the fact that all major forestry companies in that State have now stopped using the poison. Does Forests NSW consider 1080 poison more humane than shooting?

**Mr STEVE WHAN:** Government overall used 1080 baits in various tenures of land in New South Wales and shooting, and I would expect that to continue. There is certainly no judgement about which is more humane. As you are aware, we have very strict regulations on who can shoot in State Forests so that they are effectively able to achieve a kill with minimal suffering to the animal.

**The Hon. ROBERT BORSAK:** Is Forests NSW planning to phase out the use of 1080?

**Mr STEVE WHAN:** Not that I am aware of.

**Mr ROBERTS:** No plans at this stage, no.

**The Hon. DUNCAN GAY:** Nor are farmers.

**CHAIR:** The budget papers refer to managing and maintaining exploration and mining titles et cetera. Minister, do you have a role in that area?

**Mr STEVE WHAN:** The portfolio signs over the titles for mining. Obviously the planning Minister goes through the planning process of approval of a mine. The department's role is in the exploration permit and then the granting of the lease and also then monitoring a number of conditions, mine safety and so on as things go through. But the actual process of whether a company gets permission to mine an area is taken under the planning process, so there is a slight separation there. I can pass to Mr Mullard for more detail if you want.

**CHAIR:** Only in relation to the exploration part, particularly in regard to what has been happening at Liverpool Plains and the concerns of farmers in that area.

**Mr MULLARD:** Yes, the Minister is responsible for granting exploration licences. An exploration licence does not imply or give any approval that there will be a mining lease in the future or that the company will gain approval to mine—that is the responsibility of the Minister for Planning.

**The Hon. DUNCAN GAY:** I refer to Doyles Creek mine and something that occurred under the previous Minister in the main and Dr Sheldrake, but Mr Mullard may well be able to help. Is the Minister aware that the local community was told that Doyles Creek mine would be a training mine? Are there other training mines in New South Wales? What size does a training mine have to be?

**Mr STEVE WHAN:** No, there are no other training mines in New South Wales. An exploration licence was awarded to Doyles Creek Mining Pty Limited and NuCoal Resources now has that. It is or would be the first training mine in New South Wales.

**The Hon. DUNCAN GAY:** Is it correct that training is usually done on the job in normal coalmines, so is it a fact that all mines are training mines?

**Mr STEVE WHAN:** Obviously I would certainly hope that training does continue on all mine sites, but this would be the only one that was designated as a training mine specifically.

**The Hon. DUNCAN GAY:** Is there a training facility nearby in Singleton?

**Mr STEVE WHAN:** I would need to refer that to Mr Mullard.

**Mr MULLARD:** When you say nearby, there certainly are local TAFE colleges that offer some courses and the University of Newcastle is a training centre for geologists and other qualifications—engineers—but I am not quite sure what you are referring to specifically.

**The Hon. DUNCAN GAY:** There is a training facility in Singleton.

**Mr MULLARD:** Are you talking about—

**The Hon. DUNCAN GAY:** Safety.

**Mr MULLARD:** Mines rescue training?

**The Hon. DUNCAN GAY:** Yes.

**Mr MULLARD:** Yes.

**The Hon. DUNCAN GAY:** What is the distance between Jerrys Plains and Singleton?

**Mr MULLARD:** I think the concept of safety training is really quite different from the concept of a training mine.

**The Hon. DUNCAN GAY:** But given that part of the selling of this was on safety, you have indicated that there already is a safety facility nearby?

**Mr MULLARD:** Yes, for mine safety.

**The Hon. DUNCAN GAY:** How many kilometres apart?

**Mr MULLARD:** About 80.

**The Hon. DUNCAN GAY:** Minister, given that Doyles Creek is projected to be a 450 million-tonne coalmine, how is it any different from any other coalmine?

**Mr STEVE WHAN:** It will have conditions which are applied to it to ensure that it does perform a role in training, so that is something that will be different from conditions placed on other mines. A number of the decisions on this are obviously taken prior to myself or to the former Minister taking this portfolio, so obviously some of those are not within my knowledge.

**The Hon. DUNCAN GAY:** I will come back to those comments in a moment, but are you aware that one of the promises originally made by John Maitland as part of the Doyles Creek training mine was for a Westpac rescue helicopter training centre. Are you aware that this has not happened and that the current managing director Glen Lewis has reportedly said that he will not go ahead with this? Given this was one of the promises that helped to sell the mine as a training mine, why has this promise been broken and is this not more evidence that this is not in fact a training mine?

**Mr STEVE WHAN:** I will take on notice the aspects of what conditions or commitments were made and come back to you with an answer on that.

**The Hon. DUNCAN GAY:** Does it get to a stage where you believe that a con has been perpetrated on the people of New South Wales and what is meant to have happened is not happening and something very inappropriate is happening? Is that not the case with this and have you, as the incoming Minister, been reviewing this situation?

**Mr STEVE WHAN:** The former Minister, Minister McLeay, did ask the Director General of the Department of Premier and Cabinet to engage an independent probity auditor to review the allocation of this exploration licence. The report was by O'Connor Marsden and Associates. We received a copy of the report on Monday 30 August. It concluded that the then Minister for Mineral Resources acted within the powers afforded to him under the legislation in granting this licence to Doyles Creek Mining Pty Limited, but it also made a series of recommendations and options to enhance the credibility and transparency of the exploration licence allocation process and the Government has asked Dr Sheldrake to implement those recommendations.

**The Hon. DUNCAN GAY:** Will you be making that report public?

**Mr STEVE WHAN:** I need to seek advice on the legality of that. The conditions of the probity auditor's contract need to be checked.

**The Hon. DUNCAN GAY:** What is the current situation with Cobbora? Were you part of the Government's inability to negotiate with Whitehaven Coal over a supply deal for the three generators?

**Mr STEVE WHAN:** Obviously I have been in the portfolio for a week, so I have not been a part of many of the decisions in these areas at this stage, but my understanding of it is that the Government has undertaken coal exploration in western coalfields covering the Cobbora area. It is, I am advised, an ideal resource for domestic coal for New South Wales power stations and it is a project which is now proceeding through the comprehensive development, assessment and approval process. An exploration licence was granted to Macquarie Generation, Delta Electricity and Eraring and I am advised that Macquarie Generation, representing the joint venture, has held discussions with landholders and has purchased properties in the area. So from the information I have, things are proceeding with that project. I do not know if there is anything to add?

**Mr MULLARD:** In terms of mineral resources, our role essentially ceased with the grant of the exploration licence.

**The Hon. MATTHEW MASON-COX:** Minister, you may be aware, although if you are not you will be forgiven, that the Coal Industry Act requires coalmining companies in New South Wales to only insure with Coal Mines Insurance, which is part of Coal Services Pty Limited, also established under the Coal Industry Act. This is an unregulated statutory monopoly, which is not only unique to New South Wales but unprecedented in Australia. Given that background, why has the Government excluded the coal industry from the reforms it introduced to WorkCover?

**Mr STEVE WHAN:** I will refer that question to Mr Mullard.

**Mr MULLARD:** You are talking about the non-safety reform. There is a separate process that is taking place between governments at a national level looking at the reforms and harmonisation of mine safety legislation across all States.

**The Hon. MATTHEW MASON-COX:** I am speaking specifically to the unique situation in New South Wales that requires under legislation all coal companies to insure with Coal Mines Insurance. Why were the reforms undertaken previously by your Government in relation to WorkCover not extended to mining companies so that they might be able to insure through WorkCover themselves and therefore pick up some of the efficiencies that would be available to them if that was the course they chose?

**Mr MULLARD:** I think the agency you refer to was actually part of WorkCover. I might need to take that on notice, but I am not sure it falls within—

**Mr STEVE WHAN:** We will take it on notice and give you a more detailed response.

**The Hon. DUNCAN GAY:** Minister, are you aware that when your predecessor Ian Macdonald introduced the Mine Safety (Cost Recovery) Act into the House he said that the estimate will take into account any surplus or deficit from the previous year and adjustment will be made according to the total to be levied. Are you aware that in 2008-09 the levy was \$2.6 million over-budgeted and in 2009-10 this has been repeated by \$2.47 million? Can you explain why, against the intent of the Act and against your Government's past promises, your department continues to roll over large amounts of industry money each year?

**Mr STEVE WHAN:** I will ask Dr Sheldrake to answer that question.

**Dr SHELDRAKE:** What we have achieved with mine safety cost recovery is to reduce the cost to the industry in terms of the percentage of their wages bill. In terms of the rollover, where we have not expended we have not continued to increase, so effectively the unspent funds have been rolled over to the next year. The proportion of the payroll and wages that the industry is paying this year is less as a percentage than it was last year—down from 0.891 per cent to 0.847 per cent, in 2009-10.

**The Hon. DUNCAN GAY:** Dr Sheldrake, if the department is determined to maintain this surplus can you confirm that the unspent funds provided by the industry have been invested and are thus earning interest as provided for by section 8 of the Act?

**Dr SHELDRAKE:** I will take that on notice.

**The Hon. DUNCAN GAY:** Minister, are you aware that in a letter to industry the then Director General, Mr Buffier, stated, "Funds collected under the Mine Safety (Cost Recovery) Act are placed in a special deposit account and can be only used for mine health and safety purposes"? Given this commitment, why has your department repeatedly failed to provide the mining industry with a detailed breakdown of the full financials in the Mine Safety Levy estimate process?

**Mr STEVE WHAN:** My understanding is that the department does provide a breakdown each year of the use of the funds, but I am happy to get further information on exactly what has been provided to industry.

**The Hon. DUNCAN GAY:** Are you aware that the mining industry is expected to pay nearly \$2.4 million for corporate services and accommodation and that sum has risen by 8 per cent since last year? Can you or the department provide an assurance that the Mine Safety Levy is not funding the general corporate costs of Industry and Investment NSW or those of other industries within the Industry and Investment portfolio?

**Mr STEVE WHAN:** I am advised that that money is going directly to the services provided. Obviously the taxpayers of New South Wales would probably appreciate that by collecting enough money to cover the administrative costs they were not subsidising its operation. I think that is a reasonable outcome. My information is that it is being used for the expressed purposes.

**The Hon. DUNCAN GAY:** Could you give us details?

**Mr STEVE WHAN:** We will certainly provide the detail of what has been provided to industry, as I said before, and if there is more detail that we can provide I am happy to try to do so.

**The Hon. DUNCAN GAY:** This question precedes your term as Minister by a little while. Are you aware that a draft policy paper, "Aquifer Interference Approvals", was distributed by the then Department of Infrastructure, Planning and Natural Resources in November 2003? Are you aware that a panel was formed, which reportedly met several times in 2003, however no further progress was made and no final paper was issued? Are you also aware that in 2005 the issue was resurrected by the same department but to this day a policy has not been produced? What are the reasons for such an extensive delay and when can the industry expect the policy to be ready?

**Mr STEVE WHAN:** I will take on notice the historical aspects of the question. I am certainly not aware of the 2003 committee. Mr Mullard may be able to add something.

**Mr MULLARD:** I point out that a policy like that goes way beyond just the Mineral Resources portfolio. Clearly, it has implications broadly with Planning and other agencies. I am not fully aware of the historical background but it would be a broader whole-of-government issue. I am not sure whether you are implying that minerals are the only issue here or not.

**The Hon. DUNCAN GAY:** It is an important paper and given the current situation with mining, aquifers and water, this sort of evidence and work that was done in the past is interesting, and not the least of it is that it may save some expenditure in the current climate.

**Mr MULLARD:** I think it is a whole-of-government issue that is broader than just minerals.

**Mr STEVE WHAN:** It is worth pointing out that obviously the Government recognises the concerns in the community about the impacts of mining on catchments and rivers. That is the reason we have the Namoi Catchment Water Study, which was recently announced and is chaired by Mal Peters. That committee will be responsible for appointing an independent expert to undertake a water study, and for the ongoing administrative oversight of the study. We are certainly very aware of that—

**The Hon. DUNCAN GAY:** You might have already done the work. You do not know.

**Mr STEVE WHAN:** That is an interesting question. We will look at the history you mentioned and get a more detailed answer on that aspect, but the Government is very conscious of the concern in the community about water catchments and that is being reflected in a number of the initiatives we are taking at the moment, such as the Namoi Catchment Water Study and the work going on across government to ensure we can try to better deal with potential conflicts between mining and other industries.

**Dr JOHN KAYE:** Am I correct in saying that the Department of Industry and Investment monitors compliance with the annual environmental management reports submitted by coalmining operations?

**Mr MULLARD:** Yes, along with other agencies. We are not the sole agency that looks at those environmental reports.

**Dr JOHN KAYE:** How many officers do you have employed in that activity?

**Mr MULLARD:** Within our environmental group there would be in the order of 20. I would have to get you exact numbers.

**Dr JOHN KAYE:** Will you get back to us with the exact number?

**Mr MULLARD:** Yes.

**Dr JOHN KAYE:** Is that across all of Industry and Investment or just within your department?

**Mr MULLARD:** That is just within Mineral Resources.

**Dr JOHN KAYE:** Would there be other officers within Industry and Investment involved in compliance monitoring of coalmines?

**Mr STEVE WHAN:** Not Industry and Investment but obviously in the Department of Environment, Climate Change and Water [DECCW].

**Dr JOHN KAYE:** We will put that question to DECCW as well. What is the process if a mining operation is found to be non-compliant with its mining operation plans or conditions of approval?

**Mr MULLARD:** The conditions of approval are basically planning approvals and there are also licences issued by DECCW and other agencies. Where there is a breach there is a range of actions that can be taken from directions through to rectifying the situation, stopping work and potential prosecution. There is a whole raft of enforcement actions that can take place depending on the nature of the breach.

**Dr JOHN KAYE:** Some of those are compliance with the mining licence. Is that correct?

**Mr MULLARD:** No, they could vary.

**Dr JOHN KAYE:** Some of them might be against mining licences.

**Mr MULLARD:** The mining licences are subservient to the planning approval, so the major instrument is the planning approval conditions. Then you have licences that might relate to noise, water and other matters and that are issued by other agencies. The action taken would depend on what the breach was and which agency was responsible for monitoring that activity or licensing that activity.

**Dr JOHN KAYE:** Which licences do you monitor? Which aspects do you monitor?

**Mr MULLARD:** Mineral Resources is principally responsible for rehabilitation.

**Dr JOHN KAYE:** How much money do you spend? What is your annual budget for monitoring?

**Mr MULLARD:** As I said, it is largely involved in staff—

**Dr JOHN KAYE:** I was asking for a dollar amount.

**Mr MULLARD:** I would have to get you the budget—

**Mr STEVE WHAN:** We will take that on notice.

**Dr JOHN KAYE:** Thank you. Do you also raise levies associated with licences issued to dump coal wash wastes?

**Mr MULLARD:** No, we do not. That is DECCW.

**Dr JOHN KAYE:** What reporting occurs during the exploration process?

**Mr MULLARD:** Companies are required to submit annual reports to the department about their activities and they are looked at and assessed. That consists of reports related to their drilling activities and the results they have identified as well as rehabilitation that has been undertaken.

**Dr JOHN KAYE:** Do those reports include day-to-day drilling activities, where they drilled, how often they drilled and what they did to rehabilitate the sites at which they drilled?

**Mr MULLARD:** That is correct.

**Dr JOHN KAYE:** As you said, they are submitted annually. Are they available to landholders affected by the licence?

**Mr MULLARD:** Some of the information can be made available. However, a lot of the information—in particular, the information relating to the drilling results on the property of the company—is commercial in confidence.

**Dr JOHN KAYE:** Landowners do not have access to what was found under their properties?

**Mr MULLARD:** It is up to the companies. The companies might give that information. Most companies talk to the landholders about what they found. However, I am saying to you that we, as a department, do not release that information to landholders.

**Dr JOHN KAYE:** But you release all information about rehabilitation?

**Mr MULLARD:** Are you referring to activities that are taking place on the land?

**Dr JOHN KAYE:** You said earlier that the companies report back their rehabilitation activities—what they did to rehabilitate after drilling had occurred. Do you report that in full? The companies report to you, but do you make that public?

**Mr MULLARD:** Companies are required to make available the activities that they are doing and any approvals that are given for those activities, and we publish that on our website.

**Dr JOHN KAYE:** What about the rehabilitation activities? Do you publish that?

**Mr MULLARD:** Not directly, no.

**Dr JOHN KAYE:** If you do not publish them directly do you publish them indirectly?

**Mr MULLARD:** The companies are required to submit their part 5 approvals, which include some rehabilitation aspects, and that is made available.

**Dr JOHN KAYE:** You are saying that the companies are required to make public or available to landholders all the activities that they conduct in respect of rehabilitation?

**Mr MULLARD:** We make them available for any of the approvals that we have given. There are different sorts of activities. Some activities include walking across a paddock and mapping, which is not surface disturbing. If companies undertake an activity that is surface disturbing in most cases they will require approval from the department. Part of that approval includes details of what they are doing and how they are going to rehabilitate the site.

**Dr JOHN KAYE:** How they are going to rehabilitate is different from what rehabilitation they did. I am trying to find out whether their rehabilitation activities are reported.

**Dr SHELDRAKE:** Perhaps we could clarify that issue if we made the processes available to you. We will take on notice your question and outline to you exactly what we do. I think that would clarify the issue.

**Dr JOHN KAYE:** That is a sensible way forward. Obviously your department is responsible for issuing exploration licences across what is presumed to be a future large coal resource, in particular, the Liverpool Plains and parts of the Upper Hunter. In doing so does your department pay any attention to the future of the coal market, and in particular to what might happen? Does it pay attention to scenarios under which the international coal market may suffer a major downturn as other jurisdictions move away from coal because of greenhouse constraints?

**Mr STEVE WHAN:** At the moment we are doing several things. A committee that is headed by the Minister for Planning is looking at better planning for coalmining in the future. That committee will work to try to avoid and resolve earlier some of the conflicts that we have seen. That committee looks also at the resources, but at the moment it does not look specifically at demand. We must recognise that for some time coal will be a significant energy resource in New South Wales. The department and the Government overall, which are heavily involved in examining the greenhouse gas impact of coal, is examining also the work that is being done in relation to clean coal initiatives and low-emission technology. Obviously we are working also with industry to establish carbon storage areas. A lot of work is being done on issues such as greenhouse gas injection and storage. We are looking at a sector in which coal production was valued at about \$19.3 billion in this State in 2008-09. There are no immediate indications that that production will decline. In fact, at the moment coal exports are booming.

**Dr JOHN KAYE:** That does not worry you, Minister?

**CHAIR:** We will go now to the Hon. Robert Borsak.

**The Hon. ROBERT BORSAK:** According to a response to a question on notice, currently there are 751 members of staff in the Science and Research Division of the Department of Primary Industries, 45 of whom are in the administration area. How many of them are in the mining department?

**Mr STEVE WHAN:** I will ask Dr Sheldrake whether he has that detail. Until last week the Mineral and Forest Resources portfolio was not in my Primary Industries portfolio. As I recollect, earlier I referred to those 700 staff as being in the portfolio for which I had responsibility. I am sure that Dr Sheldrake can provide you with that information.

**Dr SHELDRAKE:** I can provide you with staff numbers for various parts of the department.

**Mr STEVE WHAN:** Are you interested specifically in the research side of it?

**The Hon. ROBERT BORSAK:** Yes.

**Mr STEVE WHAN:** We might have to take that question on notice.

**Mr MULLARD:** In the Science and Research Division of Industry and Investment NSW no minerals staff are engaged directly in minerals research. Obviously, research takes place in forests that might relate to mining sites, for example, revegetation and so on. However, no specific or dedicated staff members are available in the Science and Research Division for mining research. Industry is well funded to carry out research and it has and manages its own research funds. Industry established the COAL21 Fund—a \$1 billion fund dedicated to research. Industry established a number of research groups so there is no huge need for public servants in Industry and Investment NSW to do a lot of research into mining issues.

**CHAIR:** Does that cover clean coal and so on?

**Mr MULLARD:** That covers clean coal and so on.

**The Hon. ROBERT BORSAK:** Are you saying that none of the 751 employees is doing research in the mining area?

**Dr SHELDRAKE:** Those 751 staff members are located in the Primary Industries Division. The Primary Industries Division primarily has responsibility for agriculture, fisheries and some forestry research.

**The Hon. ROBERT BORSAK:** Are you saying that any research that is being done is occurring outside of government?

**Dr SHELDRAKE:** That is correct.

**The Hon. ROBERT BORSAK:** According to a response to a question on notice, currently there are 244 mining staff, 88 administration staff and 108 field staff. How many staff did you have in previous years?

**Dr SHELDRAKE:** We will take that question on notice and provide you with the figures.

**Mr STEVE WHAN:** For how many years would you like us to provide figures?

**The Hon. ROBERT BORSAK:** Three years.

**Dr SHELDRAKE:** We will take that question on notice.

**CHAIR:** I ask a general question relating to the exploration area that comes under your portfolio. Do you monitor the situation on the Liverpool Plains, where farmers are selling their properties to the mining companies? Could it be said that half those farm properties belong to mining companies in that area?

**Mr STEVE WHAN:** I guess in wearing my two hats of agriculture and minerals, we certainly are looking at how we resolve those potential land use conflicts. The Government is looking at that very carefully. As I mentioned before, we have a cross-portfolio committee, which is now looking at taking up some of these issues. The committee, which is chaired by the Minister for Planning, is looking at how we can better deal with some of those existing conflicts. As Minister for Agriculture I am conscious of the need to ensure food security in New South Wales. That is very important in the long term.

The Minister for Planning and I initiated a cross-departmental committee, in which Dr Sheldrake is involved, to examine how we can better plan for food security in New South Wales. Part of that is land use conflict and impacts of mining versus agriculture. Of course, we need to recognise that the mining industry is a massive employer in country and regional New South Wales, with 29,000 people directly employed in mining, 80,000-odd indirectly. Equally, with agriculture 73,400 people are directly involved in that industry. It is a difficult balance. The Government overall certainly is involved in trying to ensure that any mining development does not impact on water resources, for example, in the Liverpool Plains. A number of conditions already have been outlined on development in certain areas of the Liverpool Plains.

**CHAIR:** Following up that question about farms being sold to mining companies, would that reduce the primary production on those properties?

**Mr STEVE WHAN:** It depends on the sort of mining development undertaken and whether it alienates the whole land—that is, whether it is open cut or some other sort of development. Obviously, one difficulty is that whenever a farmer is told, "Look, we are going to restrict your right to sell to somebody else" they will say, "You're taking away my capacity to earn my retirement income from my property." That is one of the balances to be considered by that process. It is possible on lands bought by mines, in many cases it already happens, that farming continues as an activity on those properties in areas outside the direct mine area. Whether that is conducted under the ownership of the land by the mining company or leased to a farmer is up to the arrangement the companies make. I am aware that in the Hunter certainly there are areas where farming continues on mine-owned land. That is something that is important. We certainly are very conscious of the issues on the Liverpool Plains. A number of commitments have been made: longwall mining underneath the deep alluvial irrigation aquifers will not be included, longwall mining under the floodplains and open cut mining on the floodplains will not be allowed there.

**CHAIR:** That brings us to the conclusion of this hearing. Thank you, Minister, for attending. For any questions you have taken on notice you will have 21 days in which to answer them from the day you receive the questions. Committee members have two days in which to submit further questions on notice. Thank you and your staff very much. We appreciate your cooperation and information.

**Mr STEVE WHAN:** Thank you.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**

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