

# GENERAL PURPOSE STANDING COMMITTEE No. 4

Thursday 4 September 2003

Examination of proposed expenditure for the portfolio areas

## INFRASTRUCTURE AND PLANNING, AND NATURAL RESOURCES

The Committee met at 5.30 p.m.

### MEMBERS

The Hon. J. A. Gardiner (Chair)

Ms S. P. Hale  
The Hon. J. C. Burnswoods  
The Hon. K. F. Griffin

The Hon. A. Catanzariti  
The Hon. D. E. Oldfield  
The Hon. P. Forsythe

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### PRESENT

**The Hon. C. J. Knowles**, *Minister for Infrastructure, Planning and Natural Resources*

**Department of Infrastructure, Planning and Natural Resources**

**Ms J. Westacott**, *Director-General*  
**Mr A. Cappie-Wood**, *Deputy Director-General*  
**Dr C. Guest**, *Deputy Director-General*  
**Mr P. Lucas**, *Chief Financial Officer*

**State Forests of New South Wales**

**Mr P. Duncan**, *Assistant Managing Director*

**Department of Lands**

**Mr W. Watkins**, *Director-General*  
**Ms L. Scambler**, *Director, Corporate and Finance Services*

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

**Corrections should be marked on a photocopy of the proof and forwarded by 30 September 2003 to:**

**Budget Estimates  
General Purpose Standing Committee Secretariat  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000**

**CHAIR:** Ladies and gentlemen, I welcome you to this public hearing of General Purpose Standing Committee No. 4. I thank the Minister and departmental officers for attending today. At this meeting the Committee will examine the proposed expenditure for the portfolio areas of Infrastructure, Planning and Natural Resources. In terms of the time allocation this Committee has resolved that be left in the hands of the Chair, and I intend to conduct the meeting as I have with other meetings of General Purpose Standing Committee No. 4, around the table.

We have agreed between ourselves that this hearing will not necessarily go for three hours. We will see how we go, but we will try to keep it to the time frame for the other Committee hearings of GPS4. I intend to deal with Natural Resources and Planning and then Infrastructure. With respect to the broadcasting of proceedings, part 4 of the resolution referring the budget estimates to the Committee requires evidence to be heard in public. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of the public proceedings. Copies of the guidelines for broadcasting are available from the attendants.

I point out that in accordance with the Legislative Council's guidelines for the broadcast of proceedings, only members of the Committee 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 you place on anything that is said before the Committee.

Again, I ask the members to have messages provided through the attendants or the Clerks. If I could ask the departmental officers, for the benefit of members and Hansard, could departmental members identify themselves by name, position and department or agency, before answering any question referred to them. That is fairly important to note, of course, because there are quite a large number of officers.

Again, I ask members in seeking information it would be helpful to indicate a subprogram or program, and I declare the proposed expenditure, Natural Resources, open for examination. Minister, do you wish to make a brief opening statement?

**Mr KNOWLES:** No, fine thanks, particularly in respect of your very kind thoughts about keeping to the time frame down.

**CHAIR:** Are there any questions? I have some questions to kick off, Minister. Can you outline the structure of your new department as it relates to Natural Resources?

**Mr KNOWLES:** Yes, I can. But it may be appropriate that I make some general remarks and then ask Jennifer Westacott, the new Director-General, to perhaps go into a bit more detail for you. As members would be aware the new Department of Infrastructure, Planning and Natural Resources [DIPNR] was intended to be an opportunity to bring together many of the historic silos, if you like, of Government that have some stake historically in the management of natural resources and the environmental considerations and the economic capacity of our natural resource bases in this State. I think it has been, in general terms, the policy of many Governments historically.

I can remember Tim Moore and Gary West talking about it a long time ago, the need to bring those things together, and certainly I have written about it over the last 10 years. This is in some ways a real opportunity to better strike a balance in the way in which we go about managing the natural resource base. The template is to, if I can say in the most general terms, be neither green nor brown, but to endeavour to manage sensibly and practically those things that are within our portfolio responsibilities and particularly by seeking to involve, where it is practical, a broad range of external stakeholders.

As one brief example before I pass to Ms Westacott, the work we have done downstream of the Premier's announcement prior to the election in accepting the Wentworth Group, and that is the establishment of the Sinclair Committee to oversee the reform of the native vegetation laws in this State and to move towards different methods of management of that particular part of the natural resource base. That has involved, by and large, external stakeholders with the assistance of Government officials, including people representing the New South Wales Farmers Federation, the Total Environment Centre, World Wildlife Fund and members of the Wentworth Group in a

collaborative approach to deal with these things.

Similar models, to varying degrees, can be evidenced—and I will not, for the time reasons, go through each of them—in the broad areas of review and reform that we have been undertaking since the new portfolio was established. I might conclude there and ask Ms Westacott if she would like to make some comments.

**Ms WESTACOTT:** The new department comprises the previous structures of the Department of Land and Water Conservation, Planning New South Wales, the Infrastructure Co-ordination Unit which previously sat in the Premier's Department and the planning arm of the former Department of Transport. The organisations that were split off from the former Department of Land and Water Conservation were State Water; and the Country Towns Water Supply and Sewerage Scheme, which has moved to the Ministry of Energy and Utilities; and Crown Lands Administration, the Soil Services Unit, which have moved to the Department of Lands.

The department is currently going through a restructure to accommodate the integration of the land use and natural resource management. We currently retain eight regions which operate across the State. Our priorities in natural resource management continue to be the devolution of natural resource management decisions to local community organisations in the form of catchment management organisations; to progress the salinity strategy funded under the National Action Plan [NAP]; to progress the water sharing arrangements that were forecast last year, which are currently delayed while we implement the outcomes of the Council of Australian Government's [COAG] agreement on water; and to direct resources from the department directly to farms and communities. Our current priority is to merge the corporate parts of the organisation; marketing, media, corporate services. We have made over \$1.7 million of savings alone, in merging the marketing and communications. That is probably all I wanted to say, Minister, in terms of adding to your opening comment.

**CHAIR:** Would either of you like to give us a timetable for the completion of the review in respect to corporate services, or is it finished?

**Ms WESTACOTT:** The review of corporate services has finished. We are about to present the Minister with a final report, but we have already taken action to merge all of the main corporate activities of the department; a single legal branch, a single IT organisation, a single corporate services and HR group—

**Mr KNOWLES:** Sorry. Jenny, it is fair to say that some of those things are no-brainers; you do not need three when you only need one. Obviously, commonsense would tell you to get on with that. As Jennifer indicated, I had a brief and informal preliminary briefing on the overall review of the entire structure of the new agency last night. That was a verbal presentation, so I have no papers to give you but I would be happy at an opportune time to table the directions, because I would like to be very clear both to the external stakeholders, who have traditionally dealt with the various Government agencies, but also internally within the organisation, that we have not brought together a number of departments just for fun. It is about seeking to get some sensible cultural change within the organisation to ensure that, where it is logical commonsense and practical, we free up as much of the resources that have been traditionally locked in bureaucracy, and deliver them by way of programs into the various areas that Jennifer has touched on, be it water or the native vegetation or salinity or catchment management, and in that sense the reshaping of the agencies—whilst I know people, I do it myself, still refer to the old DWC, the old Department of Planning, the old this and so on.

I would be the first to acknowledge that it will take some time for everybody to recognise that the old things have changed and in many ways it will be the performance of the agency over time that will demonstrate, not only the capacity of the organisation to achieve its brief, but to deliver on that cultural change that frankly goes beyond any structural and reorganisational—

**CHAIR:** Maybe the best way to deal with that is to draft a question on notice giving you an opportunity to, a month or so down the track, give us—

**Mr KNOWLES:** I will be seeking—I suspect it will not be me, it will more likely be Jennifer—to publish it anyway, so if you would like to do that by all means, but I do not think you will need to because we will be wanting to put it out there.

**CHAIR:** We will see how we go with that. One last question on that restructure. Can you tell us what has happened to the Threatened Species Unit?

**Ms WESTACOTT:** The Threatened Species Unit remains in the National Parks and Wildlife administration.

**CHAIR:** Why is that?

**Mr KNOWLES:** As I have said publicly on many occasions, I did not believe when the Government was re-elected and I was appointed to this portfolio, and in discussion with my colleague, Bob Debus, and the Cabinet Office and, indeed, the Premier, in terms of the shaping of the new portfolio, that the old DLWC, the new DIPNR, was ready to receive the Threatened Species Legislation. To be frank about it, this does go to the very culture of an organisation and I felt that it was important to the environmental movement particularly, that we had to demonstrate our capacity to perform before we sought to bring across legislation that is quite totemic in its import to those in the environmental movement. Those opposed to the environment movement—

**CHAIR:** It is also totemic for them.

**Mr KNOWLES:** It is totemic to a lot of people, myself included, because I was there when it was originally born in Opposition under the hung Parliament of Nick Greiner, from opposition with Clover Moore, Peter Macdonald and John Patton. We introduced the Endangered Fauna (Interim Protection) Act. That is where the Threatened Species Act that we have today was born. I know it well. I know that when it was created, it was bastardised in the upper House—I use that in the dictionary sense of the word—by John Ryan moving amendments to it. You only have to talk to the National Party about what they think about that, do we not, Jenny? Depending on your view of the world, therein lies a problem or a magnificent act that has almost no fetter and no veto by executive Government, and it is a matter of perspective.

The point I would make is that in the context of seeking to manage better the natural resource base when we talk about, for example, managing catchments, we are talking far beyond managing the subset components of the catchment, be they the threatened species subsets or the water subsets or the salinity subsets, and seeking to manage those holistically is the order of the day. There is an argument to be had as to whether or not it is necessary to see that piece of legislation in DIPNR or not. My preference would be that it is, but as and when I believe it is necessary to have that discussion with my colleagues at a Cabinet level, that will only occur when I believe I have been able to demonstrate firstly to myself, and importantly to the constituencies internally and externally, that the new organisation is ready and competent to take it.

**The Hon. PATRICIA FORSYTHE:** Minister, are recent media reports correct that you have announced a scoping study to be carried out by ADI and AMR into the sale of State's pine plantations? If so, what is the Government's rationale in proposing to sell the plantations?

**Mr KNOWLES:** You are in part correct, Patricia, but I did not announce it; the Treasurer did, and the scoping study is being undertaken by Treasury. Without wanting to play the silly games that usually go on in these things, it is a matter that is appropriately directed to the Treasurer. It is appropriately a Treasury function because scoping studies of that nature, as you know, when they are conducted by the agency responsible for the entity that is being studied, are usually subject of accusations of bias. The Treasurer, therefore, takes the precedent role to oversee the scoping study to determine, for Cabinet consideration, the issues of any such study.

Having said that, this issue is not a new one. I take the view that it is appropriate that we have a look at the relationship between the softwood plantations and pine plantations generally and its relationship to the rest of the forestry sector, particularly the native hardwood sector. Whilst I know that some media reports have led to a conclusion that this proposes a sale, at this stage that is not the Government's position that we will not understand better the relationship with the softwood component of the forestry operations within the Government's domain.

The relative issues associated between softwoods and hardwoods, I can remember from

Forestry Committee inquiries going back to years that I have sat on and when I used to chair the Forestry Committee eight years ago, there was always argument about alleged cross-subsidies and all those sorts of things. Frankly, I want to tease those things out, and I am very comfortable for the details of that study to be made available if the Treasurer agrees to in his estimates committee. Has he had it yet, I wonder?

**CHAIR:** Yes, he has. We had so many poker machine tax type things we did not get around to that.

**Mr KNOWLES:** Maybe it is a supplementary question to the Treasurer.

**CHAIR:** Indeed.

**The Hon. PATRICIA FORSYTHE:** Minister, how confident is the Government that it will be able to give long-term wood supply agreement holders assurances that their contracts will be able to be met?

**Mr KNOWLES:** Very. I suspect you are talking about the north-east forest, Patricia, because that has been the subject of some scally-wagging by those who want to scally-wag about timber volumes. In the end, in all parts of the State where there is productive forestry, there are these funny things called Regional Forest Agreements [RFA]. Most of them extend back quite some time. They were signed when I was last involved in this area of Government administration some time around 1997-98, early 1999, depending on which part of the State you are talking about. For example, in the south-east of the State where Harris-Daishowa have the substantive contract—they have had a contract that takes them through to 2018; and I have made public and explicit that the Government will, as it has always intended to, honour those contracts as we will in the north. It is with some pleasure that, for example, a week or so I was able to sign the wood supply agreements with Boral in the north-east.

Without spending a lot of time, it is worth me noting a couple of things, if you would. In the north-east—and I am sure this is what your question relates to—the Committee will recall that the Premier was quite explicit when he announced pre-election that in regard to the north-east forest, there would be two commitments. One was to preserve the last remaining icons and I underline the words "last remaining icons". I think that means what it says. In return for that, we would provide security for the timber industry at a level that had not been achieved historically. That meant doing two things: firstly, it meant in the case of Boral, signing a long-term wood supply agreement in return for them undertaking to value add to their existing and historic investments by a number of means.

For example, engineered flooring, Boral have announced, since the agreement was signed in the last couple of weeks, a \$9 million new investment to get more out of the available timber that they have historically taken to using in a smaller role, as the salvage material that historically had been wasted. And there are a range of other contractual obligations on Boral's behalf to get that certainty. But the Government did the next logical, sensible and reasonable thing, and that was to say to the numerous other small mill owners, the non-Boral mill owners in that part of the world, that we would afford them the same opportunity for security in similar terms to that which we offered Boral pre-election.

There have been, I can report, some very constructive discussions with those mills' peak representative group, the Forest Products Association [FPA], noting in parenthesis that there are a number of groups out there who parade themselves as representatives of the industry. Some of them are politically motivated, some of them have different motivations. It is fair to say that historically the FPA has been regarded as the core representative group, and certainly it is the group that the small mill owners up there have chosen to work with. We have set a timetable, being through September and October, to endeavour to reach the heads of agreement which would underpin the contracts for those mills.

The supply volumes in those cases are predicated on the RFA that was historically signed, as I said, some time back, I think it was in about 1998. I know, having been away doing Health for four years—and I can assure you, you do not watch Forestry when you are doing Health—that over the intervening period that some of the cats that have to be herded in this forestry debate have all sort of

run out of the room and some of them now have different views of the world about what constitutes an appropriate level of volume in those forests. But in the end there is one RFA. It is the one that the Commonwealth Government and the State Government signs off on. It is the one that funds FISAP funding, for example, for structural adjustment. It is the base line which we all plan on. If I can say to those who might be taking an interest when they read this in *Hansard*, the one thing that distressed me more than anything was to come back and find that the usual suspects that were there all that time ago had all run off into the middle distance, each claiming their own sets of numbers, and in the end the Government has one base line figure, and that is the figure contained in the RFA.

In the end this is about getting the balance right, and I will draw to a conclusion on this. I have this terrific press release from a bloke I admire enormously, Geoff Angel, congratulating the Government on the saving of the forest icon—we put that through—referring to the decades of conflict; referring to the need to put this to bed, and congratulating all the various players in getting to that conclusion to conserve those last remaining icons, and recognising that that was "a magnificent decision". But equally the Government's commitment was to both sides of the debate; preserving the icons and providing the security. I know that there has been some backdoor efforts, for example, through the green shareholders' groups at Boral and so on to try and unravel that. My message to all those groups is: you cannot have it both ways. The Government took to an election a balanced approach. The last remaining icon is security, and we are delivering that.

Whilst I recognise there will always be, around the fringes of this debate, the arguments about have they got it right, is the timber there, is it not there, all those sorts of things, in the end the proof of the pudding is our signature on those contracts because they are compensable, and equally for those who fought for those icons, the proof of the pudding for them is the legislation which has created those national parks, and that has been done.

**The Hon. PATRICIA FORSYTHE:** Minister, I have a question that might have a very simple answer to it, and that is, what is the current value of the New South Wales Government softwood plantations?

**Mr KNOWLES:** Patricia, I genuinely do not know that. If I did, I would not tell you other than in confidence.

**The Hon. PATRICIA FORSYTHE:** Are you saying your department does not have a current asset value for its—

**Mr KNOWLES:** No. You asked me and I said I do not know. I am sure that they have book values and—

**The Hon. PATRICIA FORSYTHE:** Do you think I could get some assistance from your departmental advisers?

**Mr KNOWLES:** Yes, but in these terms and only for the reasons of the fact that the earlier question I think you asked about the scoping study. I am not going to foreshadow to all the crows that are hanging on the fence waiting to see the outcome of this study what the Government might think the softwood plantations are worth. We are not commercially stupid and, more importantly, we are not handling our own assets, we are handling assets in the context of a trustee relationship on behalf of the community. Because you and I have a good historic relationship, if that information is available, I am willing to have it provided to the Committee in confidence, and on the undertaking that it remains in confidence because you are dealing with some very sensitive issues, as you well know.

**The Hon. PATRICIA FORSYTHE:** It is not a decision I can make in isolation from the Committee, but I have heard your—

**Mr KNOWLES:** It is a fair offer, and I think my reasons are pretty clear. Patricia, if you were selling your house by auction, would you go and stick a sign out the front telling everyone what the reserve was before you—

**The Hon. PATRICIA FORSYTHE:** I have heard your comments, Minister. I will take them on board. It is not a decision I can make in isolation from the Committee.

**CHAIR:** I will come back to that in a separate inquiry if need be. Minister, could I ask you what the current status is of the Brigalow assessment process?

**Mr KNOWLES:** Minister Debus and I visited the Brigalow together. I cannot remember exactly when, but it was in recent weeks. It might have been four or five weeks ago. We spent two days; one day with the industry lobby and the next day with the environmental lobby. Can I put on record my thanks to all of them because it was a fascinating and educative 48 hours—interrupted by Richard Torbay telling jokes over dinner, he turned up on spec at Coonabarabran—and to the people of Siding Springs up there who showed us some of the latest technology.

**The Hon. PATRICIA FORSYTHE:** I am probably not as interested in this current status.

**Mr KNOWLES:** I think it is polite to be recognising people who put in a good effort, because a lot of those people who were with us on tour were with us during those processes, and in many ways understanding the issues is about spending time with the people, as opposed to necessarily walking around in the bush looking at the trees, as important as all those things are. What I am trying to portray is that it was a constructive and friendly dialogue among all the players over that period.

**CHAIR:** Have you made a decision on your options?

**Mr KNOWLES:** No, I have not. Of course I have not. You have asked me a question and I will address where I am up to, which was I think the substance of your question: where is it up to? What are you doing, Minister? I know that it has been an issue for a while. I will scope it out. People have a right to understand what is in my mind and how I will come to a decision. I inherited this Brigalow issue, and what I inherited from the best of my recollection—I will try and pick it up in my notes—was something like nine options. The two well-known options are the things called the Western Conservation Alliance option and the Bruce option, and then there are seven in between those, if you like.

**CHAIR:** Can you give a guarantee that the Government will accept the Bruce option which represents a balance between conservation outcomes and economic viability.

**Mr KNOWLES:** That is a subjective view, with respect. That is your view. I bet there will be people in this room, probably Sylvia, who would take a fundamentally different view as to whether that was right. My job is to try and balance those views. The way we seek to balance those views is traditionally through an organisation called RACAC. RACAC was the body that was established a long time ago to do things like the RFA in the south-east forests and north-east forests, which we have been talking about, and now they have been turning their attention here in this part of the State. I am told that there was a meeting in Dubbo some time ago where, over a few days, these options were developed. My preference would be for RACAC to go back to the drawing board and try and provide the Government with an option rather than nine options.

When I made my opening remarks to your first question, Jennifer, I made the point that part of the way we seek to manage here, and I use Sinclair as an example, RACAC is a classic other example of incorporating external stakeholders. My view is that it would be appropriate, and this is what we are seeking to do at the moment, is to get the RACAC process refocussed on the Brigalow with an attempt to hone down on those various options to give the Government a bit more clarity around the range of options. Can I make this point in terms of some of my views. You cannot help but be impressed if you go to the Brigalow and go to some of the mills, say at Baradine, to see how much competence there is in terms of the work that they are now doing in terms of developing export markets, managing some of those businesses, and that is good. Equally, you cannot help but be impressed by some of the compelling arguments made by some of the environmental groups about the need to have regard for some of those areas. The choice for the stakeholder communities is, I can make the decision out of one of these nine options or they can have another dig at it. I would prefer them to have another go and see where that takes us, and that is where we are up to.

**CHAIR:** Have there been impact studies in relation to economic and social impacts of those eight or nine options to date?



**Mr KNOWLES:** To varying degrees I suspect the answer to that is, yes. Depending upon which people you talk to, you will see different views about the competence and quality of those various studies that have been undertaken. But it is usually the case as a general observation, that there is usually a great deal of competence and skill in the environmental assessments and frequently the social and economic impact statements are a little more woolly, because they are harder to do and they are likely to be more subjective, especially around impacts on multipliers, in terms of economic multipliers and those sorts of things.

The bottom line is the RACAC process I have historically believed in as a good way of dealing with these issues, because it forces all the various competing views in the same room at the same time and gets them to work together as best they can. This is the first time that I can remember that there has been so many options come out of that process and, whilst I am a little disappointed, I remain optimistic that if given another chance and some great clarity around some of the prescriptions, then there may be a chance at a more definite outcome.

**CHAIR:** Ms Hale?

**Ms SYLVIA HALE:** Minister, how many staff do you have?

**Mr KNOWLES:** My ministerial staff?

**Ms SYLVIA HALE:** Yes.

**Mr KNOWLES:** Can I give you a staff list?

**Ms SYLVIA HALE:** Yes, you may. Have any of your overseas trips in the past year been paid in part or in full out of public money and, if so, did any of your relatives or friends accompany you on these trips?

**Mr KNOWLES:** I wish I had an overseas trip in the last 12 months.

**Ms SYLVIA HALE:** All right. Minister, what are the estimated costs for the merging and restructure of the newly created IPNR?

**Mr KNOWLES:** Do you want to take that on notice or do you want to—

**Ms WESTACOTT:** Yes, I will take that on notice.

**Ms SYLVIA HALE:** What were the costs associated with the creation of the former Department of Land and Water Conservation?

**Mr KNOWLES:** When it was created years ago?

**Ms SYLVIA HALE:** Yes, when it was first set up.

**Mr KNOWLES:** In 1916?

**Ms SYLVIA HALE:** Minister, how much has been allocated to the process of integration of Regional Planning and Natural Resources at a centralised departmental level and at a regional level? Do you take that on notice?

**Mr KNOWLES:** Yes, I think I will have to.

**Ms SYLVIA HALE:** Minister, how much money—

**Mr KNOWLES:** It is worth me interrupting your train a little bit to make the observation that much of what we are doing is still being done. There is no secret that the Government's agenda is to devolve as much activity to the regional and local level and the move towards Catchment Management Authority type models is articulated in everything from the Wentworth Report right through the last several months in everything we are doing. The objective is to move as many

resources out of, metaphorically, the grand old building down in Bridge Street, into the regions to give local communities a greater chance at some local determination and local control, subject of course always to working within an overarching strategic frame work which it is the Government's responsibility to set.

**Ms SYLVIA HALE:** Thank you, but you will get back with the—

**Mr KNOWLES:** Yes, of course.

**Ms SYLVIA HALE:** Thank you. Minister, how much will be allocated to water quality monitoring and reporting in 2003-04?

**Mr KNOWLES:** I will take that on notice.

**Ms SYLVIA HALE:** How much money was dedicated, minus external funding, to monitoring the effectiveness of interim environmental flow rules and their implementation in 2000-01, 2001-02, and 2002-03—that is, three financial years? You will take it on notice then.

**Mr KNOWLES:** No, I think I should try to give you an answer, because if this is going to be a potpourri of an ongoing series of questions then we will take the time to dig it out. I am very happy to do it.

**Ms SYLVIA HALE:** Will I go on to another question while that is being dug out? How much will be allocated to monitoring of environmental flow rules and their implementation in 2003-04?

**Mr KNOWLES:** The starting point on environmental flow rules, of course, is embedded in our Water Sharing Plans and, as you know, as a consequence of COAG and the looming National Plan for Water announced by the Deputy Prime Minister in advance of COAG, I suspended the commencement of those Water Sharing Plans until 1 January, to at least give us time to find out what was on the table at COAG and then to give us ideally, some time between last Friday and 1 January to work, with the Deputy Prime Minister and his people, on the model to deal with the stuff that has now been published in the public domain about the perpetual rights and so on and so forth.

I guess, in the broader sense, the allocation of funds is for the moment nominally half what it would have been had it been implemented on 1 July when they should have started, but equally it is fair to recognise that those funds have now substantially increased because of a further allocation of \$115 million from the New South Wales contribution toward the \$500 million package announced last Friday by the Prime Minister and the Premiers and Territory leaders.

When you talk about money allocated for environmental flows, there are a couple of questions that arise out of that. In part the answer to your question cannot be answered until we get some clear determination, most likely I would suspect from the Deputy Prime Minister seeing that he appears to have carriage of this issue in Canberra with the Prime Minister, until we see how much money is likely to be put aside out of the \$500 million for the establishment of what we are loosely and generically calling a trading market, a trading market being for purchaser and/or sale and, therefore, trading of water either for productive purposes or for environmental purposes.

I think everybody recognises that part of the trading regime will be trading for and on behalf of the environment, therefore, in loose terms, an environmental banker buying water for the environment and out of the quantum. It is fair to say, based on the outcomes of COAG, they are yet to be determined and are largely contingent on what the Deputy Prime Minister and Commonwealth officials work through. Equally, in the context of the remarks I made in the Parliament yesterday, I think it is appropriate for me to flag here that I will be proposing that the \$500 million not be pooled—no pun intended—as NHT and AP funds have been because the value of those dollars get dissipated very quickly with unbearable bureaucracy. Rather, our preference would be to see an overarching strategy established where the Commonwealth, for example, could use its \$200 million contribution in establishing water markets, trading regimes, and so on, and the States, Victoria, New South Wales and South Australia could use their contributions towards establishing infrastructure.

I have to say, until that is nussed out—and again without intending any pun—the situation is

very fluid. The Deputy Prime Minister deserves some congratulations, in my view, for undertaking what must have been a lonely task until fairly recently, to get that money out of Commonwealth Treasury. As a reasonable first step—and I think that is the way most commentators have regarded it, from the environmental movement through to the farming movement—the one thing that has changed within a matter of days is there is now a new \$500 million on the table that will affect how all of our budgets, in terms of the way in which everything from environmental flows through to flows for productive purposes, are both managed and funded.

**Ms WESTACOTT:** Minister, if I could add to that. If the question is about what are we allocating for the Water Sharing Plan, \$64.7 million was allocated over four years to manage the Water Sharing Plans, of which \$9.5 million will be allocated this coming financial year.

**Ms SYLVIA HALE:** Minister, following on from your remarks, you have recently stated that the national functioning water markets will be pivotal to achieving comprehensive national water reform. What action have you taken to investigate and assess how inclusion of water services in the WTO general agreement on trades and services, would impact on the National Water Initiative and specifically on regulation of water in New South Wales?

**Mr KNOWLES:** John Anderson was talking about this the other day when we were down in Mildura. I will not tell you what the communities we met down there thought of the WTO agreement because it would not be polite. What they are looking for is some clarity out of the Commonwealth, not out of the States, because by definition the phrase "national water market" implies a national strategy. There are two models the nation is looking at and which I am aware of. Unless the Commonwealth Government has another one up its sleeve which they are not telling people about—and I do not believe that is the case—you have the Anderson model and you have the Bill Heffernan model.

Anderson argues that for most efficient use, most efficient practice, you have to establish an environment where every drop of water is used for as productive purposes as is possible. It is probably a simplistic image but it might help the Committee. Anderson is down the right wing end of the spectrum of opportunities. He is saying a free market, and economically rational approach drives a most efficient set of outcomes and by getting the price of water to its optimum level it drives, for example, changing farm practices—and Tony Cantanzariti knows those arguments from living down in that part of the world where the rice communities will talk about that sort of thing until the cows come home.

I would have to say it is quite an unusual position for the agrarian socialists to take, but John has done that and that is his view. Then on the other side of the schizophrenia equation you have Bill Heffernan, who you would think might normally take from the Liberal Party's view of the world, a more rational view of the world, he is taking the agrarian socialist view of the world in saying, "Markets are okay providing they are restricted and restrict them to"—I think he started off by saying "restricted to trading within the river valley and you cannot trade out".

There is a bit of a straw man argument in both of those things because in almost every State, including New South Wales—it is me, in this case, who has the right under the water sharing legislation, the Water Management Act—to define who can and who cannot trade anyway. In many ways these market debates are a little theoretical. Having said that, the one common position we all take is no-one, or no-one I have spoken to, wants to establish markets that can be manipulated or controlled by water barons, as they are called, where basically the image is—for example, David Oldfield, you have a zillion dollars. You go and buy licences and then stick them in a bank vault in Zurich and capture the market in water. You are not using the water for growing things; you are using it as a trading capacity.

**The Hon. DAVID OLDFIELD:** Do you think there is something wrong with that?

**Mr KNOWLES:** You might put your views on the table, but in the driest continent on the planet, and in an environment where we seek to use water to grow food and provide clothing, it is not an unreasonable position to take; that water should primarily be used for its intended purposes, not as a trading chip. I think there is a little bit more to play out on that at a national level, but inevitably it is true that, unless there is a trading regime, you will not get water for the environment. That has been

endorsed by everyone from Tim Fisher—not Deputy Prime Minister Tim Fisher, the other environmentalist, Tim Fisher, who understands the Murray better than anyone I have ever struck—through to the Wentworth Group through to the various farming and irrigation communities.

You need to be able to buy and sell water and bank it up to allow it to flow for environmental purposes. There are some very good examples of that. There is a wetlands group down in the Murray who, by trading water, not only get water for the environment; they have built up a cash reserve that allows them to do environmental works, and it is a commonsense, logical approach that I think is likely to extrapolate right around the country, as the further detail of the COAG decisions last Friday play themselves out.

**CHAIR:** Where will the \$115 million from the New South Wales Government, as its contribution to the National Water Initiative, come from?

**Mr KNOWLES:** It is new money; it is from the Con Fund and it is over five years.

**CHAIR:** Have you another one on the same topic?

**Ms SYLVIA HALE:** Yes, on water sharing, given that substantial components of the State's water infrastructure have been privatised and State Water has moved to a new department, what is the breakdown for the \$44.4 million allocated for operating costs and works programs for irrigation areas?

**Mr KNOWLES:** I will get somebody to dig that out, but I am not sure that it is fair to assert great parts of the State's water assets have been privatised. In the urban areas they have been corporatised. Nick Greiner wanted to privatise them and the legislative model and the corporatisation vehicle was on the road to privatisation and we stopped that. There are private irrigation schemes, Murrumbidgee is a classic, which was an initiative, if I remember correctly, again of the Greiner-Murray Government, but buy and large I would have to assert that in relative terms the private water schemes are, in terms of the overall State's water assets, absolutely minuscule. In terms of the expenditures I think you will find, if we are talking about expenditures on those private schemes, they relate to historic agreements that were contracted when they were privatised under Nick Greiner—and Mr Guest is nodding in affirmation.

**Ms SYLVIA HALE:** Thank you, Minister. While they are looking at those figures for that breakdown, could they also find out how much of the money will be spent on environmental works programs?

**Mr KNOWLES:** In those private areas?

**Ms SYLVIA HALE:** Of the \$44.4 million that has been allocated—

**Mr KNOWLES:** Yes, we will take that on notice, but I will put a caveat on that. If that expenditure does relate to payments to those private schemes as part of ongoing contractual obligations we will endeavour to gain from them what works they are doing for environmental benefit but I am not sure I can compel them to give that information, but we will certainly make every endeavour to get the information.

**CHAIR:** Minister, could you tell us how the decisions will be made about which projects receive support or which water licence holders receive support from the \$115 million and where is that money coming from? You said it was new money.

**Mr KNOWLES:** I answered your question about where that money came from. It is from the Con Fund; \$115 million divided by five. I can tell you what the new allocation is: \$23 million a year, and Victoria contributing the same and the Commonwealth contributing \$200 million over five years; \$40 million a year. As I said in my earlier answer, the issue of how the money is used has to be discussed. This is not new news. It has been discussed since last Friday. It has to be determined largely by sitting down with the Deputy Prime Minister, who I repeat I believe is taking the leadership role on behalf of the Commonwealth Government in working out which bags of money get used for what. The Commonwealth may still have the view that they want the \$500 million pool to be an agglomerated pool and centrally managed as they insisted under the National Action Plan for Salinity

funds and the National Heritage Trusts 1 and 2 [NHT].

There is a countervailing view, one which I share, that says it may be better to disaggregate the \$500 million and apply it to an agreed strategy, with each jurisdiction—the three States, the ACT and the Commonwealth—applying their money to different works and different components of the national plan. I indicated a model, but it is only a speculative model as I made clear in the Parliament yesterday, where for example you may have the Commonwealth allocating its funding to structural adjustment and market development initiatives, and the States could undertake infrastructure works. That is a model. It is a model that I think has some merit. The Commonwealth traditionally does industry assistance, whether it is car plans or whatever it might be. The States traditionally do service delivery infrastructure provision, so the model that I have just broadly outlined is pretty orthodox. But it is different to the traditional model of NAP, NHT.

I have to say to you, Jenny, until such time as we get some clarity from the Commonwealth—I am not being critical, this only happened last Friday, and I have spoken to John Anderson three or four times since. He is very amenable to sitting down and talking, and we are trying to slot time in, and it is most likely next week. Until we sit down and talk this stuff through you are going to have an environment where people will still want to know how the money will be spent. The good thing though is that we are now able to have a discussion about how the money will be spent because up until last Friday there was not \$500 million there, and I would rather be having a discussion about how you spend \$500 million than not have the money in the first place. That is where we are up to.

**CHAIR:** With respect to any future water plans and policies from a New South Wales point of view, will you guarantee that objective environmental and hydrological science and quality community consultation will be the basis for such plans and policies?

**Mr KNOWLES:** Yes, because I have given that undertaking publicly, most recently on the state of John Anderson's Moree, in front of some of your colleagues, I might add. The great mystery to me is that Governments of all political persuasions launch down these paths and then find themselves backing up, trying to sort out economic impacts, social impacts, environmental impacts. Inevitably, for every scientist that asserts position X, there will be another scientist that asserts position Y. In that sense, it is the Government's collective responsibility to have as transparent a process as is possible to give people some certainty about the basis for decision-making, and that is certainly an undertaking I have given publicly on many occasions.

**CHAIR:** With respect to any changes to the Water Management Act, will you also undertake that any such changes will be done only after thorough and with thorough community consultation?

**Mr KNOWLES:** Yes. I think we are already hitting that nerve though and, without being clever about it, it is not often that you get half-page ads in this week's *Land* congratulating the respective Governments for their work and their consultation on those issues. It is a pleasure when you can sit down with people like Geoff Angel and Mal Peters, people who are diametrically opposed, and sit in a room for long enough, you discover that 75 per cent of the stuff they can generally agree on. Then you have the donnybrook around the remainder, and you try to focus on the matters of substance, not the matters of rhetoric. It is not a complex concept. It is commonsense that you bring these people into the equation, and by and large you find for a lot of people there is common ground. If I can mention one example, the Lachlan Valley irrigators were taking the Government to court over their water-sharing plan. Through sitting down and talking it through, what are the problems, what are the real problems, and what are just the totemic anger points, we have seen them withdraw their court action.

If only we could do that on the rest of the court actions, there would be happy days. It is a real world, and people still have a right to pursue their interests, and if that means pursue them in a court, so be it. But I think it is fair for me to assert—and, Jenny, I know that you keep your ear to the ground pretty closely in the bush—that the inclusive model that I spoke of earlier is at least letting people understand there is a willingness to listen and hear their views; not necessarily agree, but at least let people have a say. That adds a nice affirmation of at least that approach.

**CHAIR:** With respect to native vegetation reform, can you tell the Committee when the Government is going to finalise its response to the Native Vegetation Reform Implementation Group

report?

**Mr KNOWLES:** Yes, I can. The Premier said in the launch of the Government's Getting the Balance Right policy that we took to the election that we would have a process and the Government would respond six weeks after the process had concluded. I have received the Sinclair Committee's report. I received it—please do not hold me to this exactly for the purposes of the *Hansard*, so I put this slight qualification—about three weeks ago, so within about three weeks the Government proposes to respond. If I can take this opportunity for the record to thank the participants who worked hard on that, both the external stakeholders, the staff of the organisation—they are the ones that frequently get belted by all of us—but most particularly Ian Sinclair who, like the work he did in Rural Health, managed to take on some very difficult issues frequently with diametrically opposing views, and has come up with what I think is a pretty workable document.

There is no surprise and no coincidence that as a consequence of that there has been general agreement, as I understand it, and an announcement by the Deputy Prime Minister of his appointment as President of the Murray-Darling Basin Commission. That is a fitting tribute for his work in this area, and it bodes well for the future of the Murray-Darling to see that balance between the need for the environment, healthy rivers and healthy farm communities.

**CHAIR:** Will final directions about whether or not land-holders can remove native vegetation be made at a local level?

**Mr KNOWLES:** The intent is to move towards Catchment Management Authorities, as I said. We will be publishing, when I am satisfied and when Cabinet has had a chance to endorse my plans, a model which will see a transition away from what is frequently in shorthand described as the centralised control from Macquarie Street into local communities. Devolving resources and authority is based on a couple of things. Firstly, it is based on trust. There is traditionally a lack of trust in thinking that local communities can get it right. My observation, historically, particularly in rural communities is that with trust and with clear rules and with resources, you can by and large get good results, sometimes there are absolute failures and you have to have systems in place to audit and monitor performance.

The second fundamental is you need these organisations to walk before they run. It would be, in my view, catastrophic if from day one all the rule books and the cheque books were handed over to the new Catchment Management Authority and they were told, "We used to do it, but now you do and good luck." There needs to be some skilling and some development of capacity and the starting point for that is to begin to reconcile many of the good pieces of work that have been done over recent years under my predecessor's watch, things like the catchment blueprints, things like the native vegetation plans, things like the salinity plans, to name three, but there are many more I can assure you.

They all form bits of the jigsaw that make up the big picture called catchment management. The catchment model, particularly in other States, spans from being a participant in the setting of objectives and strategies for the improvement of the catchment, both environmentally and economically and socially, through to the consenting role, which is the point relating particularly to your question and, ultimately and I think desirably, a capacity to free people from the shackles of Government by having them produce what are lovingly, and in a jargon sense, known as property management plans, property vegetation plans.

Basically, that means you have a plan which fits into the bigger plan and as long as you comply with that plan you get a tick in all the boxes and you do not need to come near the Government again and the Government does not need to come near you other than from time to time to check on how things are going. That is not a new model, that is the model which was articulated by the Wentworth Group. It has been a model that has been articulated by many other players and, as I said, it has been an issue of trust where Governments and communities, in my view, have not had the degree of trust necessary to say, "Let's work towards that problem."

The sorts of things we seek to do are moving down that path but in time and properly structured so that we do not set these groups up to fail.

**CHAIR:** Minister, will farmers have a majority in any future decision-making forums on

catchment management?

**Mr KNOWLES:** Everyone wants to have the casting vote, everyone wants to be the boss, everyone wants to say, "Yes, I will go along with this in the fair fight and we will all do it nicely and co-operate, but when the whips are cracking I want to have the control." It does not work like that, Jenny. If you are fair dinkum about this you do not have the bloke with the hammer up the back of the jumper unless that is me. You either do this properly and encourage people to be good at what they do and participate genuinely and openly and give people a chance to have a go, or you do not. If you set up a structure of governance where people turn up knowing that no matter how much they huff and puff, no matter how good their argument is or how good the science and evidence is, but some bloke over the other side, whether he is a farmer or a greenie, has the casting vote, you think you are on a hiding to nothing from day one, don't you?

The objective here is to get good people working together doing good things. There is plenty of evidence where this works. Some of it is in my former portfolio in Health where, on the basis of evidence and constructive dialogue about the things that really matter, not the rhetoric of Health but evidence based medicine, I have seen clinicians forgo income—that is a big thing for a doctor to do—to change practices and change the location of where medicine is practised, for example, or change the way we deal with people having heart attacks or strokes. That does not get the headlines, but it has been the quiet revolution there based on the fact that if you do ask these people—and my observation is when you talk to environmental groups or farming groups they tend to say the same thing as doctoring groups or nursing groups and that is, "If you give us a go and give us a chance to have a go, we think we can, in the majority of cases, get you a better result than if you try and control it centrally."

The make-up of the various groups will be a collaborative effort, hopefully, built on the values of trust and co-operation and if it does not work then there is—a bit like the Brigalow—there is always me and I can make decisions. I am happy to make decisions but people tell me they would prefer to have a lash themselves first, and that is the opportunity we are seeking to provide here.

**CHAIR:** If I could perhaps ask you to speed up your answers so that we do not endanger the earlier deadline. Does the Government's announcement that it will allocate \$120 million over four years to provide incentives to conserve native vegetation and to end land clearing, involve any new funds and, if so, how much in such new funds?

**Mr KNOWLES:** I am referring to Getting the Balance Right, Labor's plan for natural resource management; the policy that was released prior to the election and, of course, Michael Egan is such a tyrant, t-y-r-a-n-t—

**CHAIR:** As distinct from a tyro?

**Mr KNOWLES:** He is also a tyro. He is a very good Treasurer, Michael. If ever you get into Government, you had better get one like him because he puts a rigour into the organisation. One of the rigours he required was that on each of these statements we identified where the money was coming from, a bit different from some of the competing organisations—

**The Hon. DAVID OLDFIELD:** Stamp duties it mostly comes from.

**Mr KNOWLES:** Do not be churlish, David. I will read it into the record:

Financial impact. The \$120 million four-year cost of the Conservation Plan will be met from within existing forward budget allocations. It is made up of \$90 million already earmarked to implement the National Action Plan on Salinity and Water Quality, but not committed to specific projects and \$30 million from a \$200 million-plus Sustainability Trust to be established by a re-elected Carr Government which will combine the current resources of the Environmental Trust, the Waste Fund and the Catchment Protection Scheme.

**CHAIR:** Will any of those funds be used for a purpose other than providing direct financial assistance to landowners?

**Mr KNOWLES:** What I want to do with that money, and indeed other pools of funds which we have been talking about, is glomerate them and desegregate them to the catchments. If you would

help me in this, you might telephone your mate, Warren Truss, and say to him that it would be really good if the Feds would also do as I am trying to do—and I am not saying it is easy—which is unpick the six layers of assessment that passes for management in the disbursement of some of these funds and get them to the catchments and to the projects a lot quicker.

These are big dollars we are talking about. Jennifer, you might want to touch on some of those processes because they are just mind-boggling and hopeless. They do not add value. What they do is create a whole lot of work for a whole lot of people in Macquarie Street and in Canberra and very little else, in my view. The money always goes out to the catchments, that is the funny thing. It takes nine months to get there and is eroded by the assessment processes.

**CHAIR:** Could I short-cut that and ask you, will any of the fund be used to administer the fund itself, as you are talking about money being eaten up by bureaucrats?

**Mr KNOWLES:** Some will but a lot less than is presently the case. I have no doubt unless you want me to put a cheque book in the middle of the room and let people come in and write their own cheques, somebody is going to have to administer it, so there will be an administration cost, as there is. That is the wonder of Government. But the point I make, and the point I have spoken about in the Parliament, is that we can do it a lot more efficiently than we presently do. The great thing on the new money on water, for example, the \$500 million—I already have a pre-undertaking from John Anderson that we will not do the administration on water money as we have done with NAP and NHT money.

**CHAIR:** I think Ms Hale has some native vegetation questions as well.

**Ms SYLVIA HALE:** Minister, in the opinion of the department, what was the real figure for land clearing in 2002, taking into account clearing under the numerous exemptions in the vegetation and conservation acts and illegal clearing?

**Mr KNOWLES:** I did something with Parliament on this because I took some offence at some of the assertions that were made at the time that there was panic land clearing in advance of the Sinclair Committee's report, and when one looked at the statistics that was far from the case and I have a table here that I read into the *Hansard*. At the time, which was over the previous years, 2000-01, 2001-02—and at the time the figures I had were up to February this year—the average monthly rate of land clearing over the period was lower, it was about the mid range, for those figures when compared with any of the previous years, so hardly evidence of panic clearing. When you look at those when compared with any of the previous years, so hardly evidence of panic clearing. When you look at those figures you realise that the bulk of the figures for this year were made up of two particular applications, one in the central west which was removing some vegetation on already cleared pastoral land and they were being removed to install more water efficient management systems; so an environmental dividend. The good news is that those figures have continued to improve since February and we are now at a point where against allegations of panic land clearing, this year has been the lowest rate of land clearing of any of the preceding three years. I am happy to have those figures tabled, because they are publicly available and in fact I read them into the *Hansard*.

**Ms SYLVIA HALE:** So that is the extent—not just the rate of land clearing—the extent of land clearing.

**Mr KNOWLES:** The total area, yes.

**Ms SYLVIA HALE:** Minister, under the current native vegetation reforms do you intend to incorporate vegetation retention targets based on bio-regions or something similar, into the assessment process?

**Mr KNOWLES:** You will have to wait until the Government responds to the Sinclair Inquiry, but I expect that the various players on that Committee have already spread the word about what their views are, but the Government will respond in the time frame.

**Ms SYLVIA HALE:** Minister, how much money was allocated for enforcement of or compliance with the Native Vegetation Conservation Act in 2002?



**Mr KNOWLES:** We will take that on notice.

**Ms SYLVIA HALE:** How many successful prosecutions for illegal land clearing were made in 2002-03?

**Mr KNOWLES:** We will take that on notice.

**Ms SYLVIA HALE:** What was the total revenue raised from such prosecutions?

**Mr KNOWLES:** Obviously, if I have to take the first two on notice, I will take that on notice. Can I make an observation on revenue raising from land clearing. It has been my observation that some of these larger companies factor in the cost of the fine into their budgets because they are big organisations and it is a cost of business. One of the things we are certainly looking at is a stronger compliance regime to have recognition of the fact that if you are, for example—I will not pick an industry—if you are big agricultural business and you got the D9 out and cleared the back paddock the several thousands of dollars of fines you might end up with, in relative terms to the overall cost of the operation of your business, is a bit of a pimple on the back of the elephant.

We are a wake-up to that, so I guess the message to those people who might think of getting the D9 out and happily cop the fine—part of the good work of the Sinclair Committee is to have regard to that.

**CHAIR:** Thank you. We might switch focus to the Planning area.

**Mr KNOWLES:** Jen, can we get a two-minute comfort stop?

**CHAIR:** Yes, then we will zap through some questions and, as I said, we have to switch over the Hansard gear at 7.00, so we will have two brief breaks.

*[Short adjournment]*

**CHAIR:** The Hon. Patricia Forsythe.

**The Hon. PATRICIA FORSYTHE:** Thank you, Madam Chair. Minister, what was the reason for the sacking of the former Director-General of Planning, Sue Holliday?

**Mr KNOWLES:** Because it is my prerogative to make the necessary changes I wish to make when establishing a new portfolio.

**The Hon. PATRICIA FORSYTHE:** Where is Ms Holliday now?

**Mr KNOWLES:** In the Premier's Department. I think it is called—

**Ms WESTACOTT:** Grants Review. Sorry, she is reviewing grants, grants administration in the Premier's Department, as I understand it.

**The Hon. PATRICIA FORSYTHE:** Her current salary is not being paid for by your department.

**Ms WESTACOTT:** Yes, it is.

**The Hon. PATRICIA FORSYTHE:** Yes, it is?

**Mr KNOWLES:** Yes, it would be.

**The Hon. PATRICIA FORSYTHE:** Could you indicate what her salary and other remuneration was at the time of her dismissal?

**Mr KNOWLES:** I will have to take that on notice.

**The Hon. PATRICIA FORSYTHE:** You will take that on notice. What about her current remuneration?

**Mr KNOWLES:** The same thing, Pat.

**The Hon. PATRICIA FORSYTHE:** Could you elaborate a bit more clearly about the nature of her current duties?

**Mr KNOWLES:** No, I cannot, because I am running this portfolio and Sue is working out of the Premier's Department.

**The Hon. PATRICIA FORSYTHE:** Her salary is coming from your department. How long would you anticipate that situation to last?

**Mr KNOWLES:** I do not know. You would need to refer these questions to, I would suspect, Dr Gellatly.

**The Hon. PATRICIA FORSYTHE:** Although it does impact on your budget.

**Mr KNOWLES:** I would imagine that the rules that apply here are those long-standing rules relating to SES appointments since Nick Greiner introduced them.

**The Hon. PATRICIA FORSYTHE:** Has Ms Holliday made any claim for unfair dismissal or other compensation from the Government in relation to her sacking from her position?

**Mr KNOWLES:** Not to my knowledge.

**The Hon. PATRICIA FORSYTHE:** Could I now ask some questions in relation to Landcom, please?

**Mr KNOWLES:** You could but it is not in my portfolio.

**The Hon. PATRICIA FORSYTHE:** It is not in the portfolio.

**Mr KNOWLES:** Minister Scully has carriage of Landcom.

**The Hon. PATRICIA FORSYTHE:** I will come back to those shortly because I have plenty more. Can I follow up a little bit further on the questions that Ms Hale was asking about the cost of your department restructure. You inferred some savings, but what about costs, for example, of the printing of new stationery?

**Ms WESTACOTT:** I do not know. I can—

**The Hon. PATRICIA FORSYTHE:** Are there inherent costs in the setting up of the new departments and, if so, what would they be?

**Ms WESTACOTT:** There are some inherent costs, things like having to transfer staff eventually, having to get the CMAs established in Natural Resources, merging the two organisations, but we are expecting to make savings from those activities, not incur costs. As I said, by combining the marketing division and streamlining we have made \$1.7 million of the current savings, so we are expecting to make savings from the merger. Obviously there are some establishment costs—

**The Hon. PATRICIA FORSYTHE:** Could you outline those establishment costs?

**Ms WESTACOTT:** I will have to take that on notice.

**Mr KNOWLES:** We can go through them for you, Patricia, but if this is a fishing exercise to suggest that there are all these extra massive costs because we have changed the structure of the department, I would make the point to you—

**The Hon. PATRICIA FORSYTHE:** I do not know that it is a fishing exercise. I think it is a budget estimates, and I think we are entitled to know something about those expenses.

**Mr KNOWLES:** We will take it on notice, but the general point to make in response to your questions is an obvious one and that is, by merging a number of Government departments and merging their functions, there are inherent savings in that act, and of course by dealing with some of the management issues under whatever structure is established, for example, the discussion we were having before the break about the administration of NAP and NHT funding, frees up quite considerable amounts of money which the Government is intent to see find its way through the communities rather than be lost in bureaucracies, either in Canberra or in Sydney.

**The Hon. PATRICIA FORSYTHE:** I still think it is a fair question to ask.

**Mr KNOWLES:** We have taken it on notice, but I made a general point in response.

**The Hon. PATRICIA FORSYTHE:** If I can include as part of that the establishment costs, in particular costs of administrative adjustments including information technology and payroll, retraining of staff, and issues such as new signage, office buildings, those basic costs.

**Ms WESTACOTT:** Yes.

**The Hon. PATRICIA FORSYTHE:** Minister, when you took that on notice earlier, I asked you a question about the salary and remuneration of Sue Holliday prior to her dismissal. Can I confirm that you also took on notice about her current remuneration?

**Mr KNOWLES:** Yes, I will refer that to Dr Gellatly.

**The Hon. PATRICIA FORSYTHE:** If I could now turn to the Plan First reforms. Have you sought legal advice on the question of the constitutional authority of the State Government to raise money for a planning purpose and, if so, from whom and what was the view in that advice?

**Mr KNOWLES:** All of those issues, as is well known, are under review. The review is being undertaken by a group of people led by Ms Gabrielle Kibble, and the Government will be responding to that review in the not too distant future.

**The Hon. PATRICIA FORSYTHE:** What is the cost to date of the conduct of that review?

**Mr KNOWLES:** We will take that on notice.

**The Hon. PATRICIA FORSYTHE:** What fees or payments have or will be paid to the Chair of the review?

**Mr KNOWLES:** I will take that on notice, but I would assume Ms Kibble is being paid in accordance with the standard guidelines that no doubt, somebody sets, I suspect whoever they are in Premier's and in accordance with long-standing and historic practice.

**The Hon. PATRICIA FORSYTHE:** Why have you embarked on the review?

**Mr KNOWLES:** I made many public statements about this, Patricia. I will try to and summarise them in as short a possible time. My concern was that from the work I saw when I came that the efforts on Plan First were seeking to agglomerate all the planning instruments, the rule books—and as I have metaphorically said in many public speeches—and pile them all on top of each other, whack a staple through the top left-hand corner and call that one plan. I am not satisfied that was necessarily an appropriate outcome. Consequently, I undertook to review it. In a more general sense, it is not inappropriate that in seeking to always monitor the performance of the regulatory system, as it applies to land use management, we continue to monitor and review and reform as is necessary. Given that Plan First is a pretty important part of the processes, but not the only one, and not the only review that is under way at the moment, we embarked on that review.

**The Hon. PATRICIA FORSYTHE:** Have any of the Plan First levy moneys been spent? If so, could you give the details of the amount and the purpose of each allocation?

**Mr KNOWLES:** Yes, we can and we will provide them to you in writing.

**The Hon. PATRICIA FORSYTHE:** Why can't you provide those to us now?

**Mr KNOWLES:** It is because of how I have chosen to answer the question.

**The Hon. PATRICIA FORSYTHE:** When will the levy be abolished?

**Mr KNOWLES:** That is your assertion. I am reviewing Plan First. I am not going to make presumptions about the outcome of the review until I consider it.

**CHAIR:** As I indicated, we have to unplug the contractors and put in the Hansard plug. While we are waiting for Hansard, Sylvia, do you have some questions?

**Ms SYLVIA HALE:** Minister, some questions on Botany Bay. The environmental impact statement into the expansion of Port Botany was due for release in June 2003. Could you tell us why it has not been released, and when it will be released?

**Mr KNOWLES:** No, I cannot tell you why. I will find out for you.

**Ms SYLVIA HALE:** On 3 September 2002, 12 months ago, the then Minister for Planning and Deputy Premier, Dr Refshauge, announced that there would be a major environmental study of the development impacts on the entire Botany Bay catchment and sensitive Kurnell Peninsular. Could you tell me where this study is up to and will you be carrying through on the undertakings given by Dr Refshauge?

**Mr KNOWLES:** If I am accurate, this is the work being undertaken under the chairmanship of Bob Wilson. I have met with Bob Wilson about this, and indeed, many other matters, given his extensive knowledge of water generally. I am advised here that the Strategy Advisory Committee has met five times and they have an ongoing meeting program up to September this year. They will present recommendations on or about the end of this month. This is a note that has been given to me in the current time frame. I am assuming that that timetable will be adhered to by the group.

**Ms SYLVIA HALE:** Minister, in his press release of 3 September, Dr Refshauge said:

Any future proposal from any developer will now have to meet the strict requirements formulated by this new regional strategy which will be completed by late next year.

Do you abide by that undertaking, as given by Dr Refshauge?

**Mr KNOWLES:** Can I then clear up, the press release said:

The strategy would be completed by late next year.

**Ms SYLVIA HALE:** Yes.

**Mr KNOWLES:** Why did you say in your earlier question that it would be completed by I think June?

**CHAIR:** No, she was talking about the EIS.

**Ms SYLVIA HALE:** I was talking about Port Botany but now I switched to this one, in particular the Kurnell area.

**Mr KNOWLES:** I am confused, I apologise.

**Ms SYLVIA HALE:** I can provide you with a copy of this media release.

**Mr KNOWLES:** No, it is fine. I apologise, I was mixing up the two issues. I understand what you are saying. The question was again, the stringent environmental standards. It is my observation that over many years the environmental standards in this State are pretty stringent and they are frequently used now as models for legislative and regulatory purposes around the world. I have no doubt that any development, whether it is in Port Botany or Botany Bay or any other part of the State, will be considered on stringent environmental standards.

**CHAIR:** Minister, the Hansard people have arrived. We are going to adjourn for 15 minutes.

**The Hon. DAVID OLDFIELD:** Does that mean we are still going to finish at 7.30?

**CHAIR:** We might have to tack it on.

**Mr KNOWLES:** It does not sound like it, though.

**CHAIR:** Thank you for your forbearance.

*[Short adjournment]*

**CHAIR:** I declare the hearing open again. I know Ms Sylvia Hale has more questions to ask you about Port Botany, but she is not here at the moment so I will go on with a couple of infrastructure questions in relation to road tunnels. Are you aware of the two latest Roads and Traffic Authority [RTA] commissioned reports by Connell Wagner and of input from your own departmental officers that the electrostatic precipitators are effective at removing particles, one of the most harmful components of a vehicle's exhaust?

**Mr KNOWLES:** No I am not, Chair, but I will get you a copy of Carl Scully's comments, if you like.

**CHAIR:** Do you agree with Mr Scully's assessment of electrostatic precipitators as being high-tech placebos?

**Mr KNOWLES:** I will send you Minister Scully's comments. I do not propose to go there. This matter has been, to the best of my recollection—and you know far better than I because you have listened to it more than I—inquired into up hill and down dale. You probably had every expert sitting in this room giving evidence to your important inquiry processes as members of the Legislative Council. I do not think I can add any more to it.

**CHAIR:** When you were Minister for Planning I think you put in the conditions for the building of the M5 East tunnel, so you might recall that condition 73/5—

**Mr KNOWLES:** I remember that condition!

**CHAIR:** Can you tell us why it has taken your department and its predecessor department more than 18 months to begin investigating why that condition was not enforced, even though it was drawn to the attention of departmental officers?

**Mr KNOWLES:** Would you read condition 73/5 so I can be aware of what it says? It must have been several years ago. I honestly cannot remember the precise wording of condition 73/5. No doubt I gave thousands of approvals more than five years ago for the period between 1995 and 1999.

**CHAIR:** That is all right. It reads:

The RTA shall establish a mechanism regarding the potential for compliance about air quality impacts resulting from the stack. If complaints are received from areas where there is a reasonable potential for localised air quality impact resulting from the stack, independent local monitoring of PMT-10 shall be undertaken. Prior to undertaking localised monitoring, the timing and nature of the complaint shall be compared with corresponding in the stack and external monitoring to assess whether there is a reasonable correlation with stack emission levels.

Does that ring any bells?

**Mr KNOWLES:** I am sorry. In fairness, you are only being facetious if you ask me to recall a clause. I will make inquiries for you, but if I discover that that sort of question about compliance being a specific condition of consent has been asked in other places, I will send you copies of the responses that have already been made in respect to it.

**CHAIR:** Do you have any plans to deal satisfactorily with people who have been unable to record their difficulties with emissions and obtained possible mitigation as provided for under the conditions for approval?

**Mr KNOWLES:** Do I have any plans to—I am sorry?

**CHAIR:** To deal with people who are unable to deal with their difficulties and complaints and are unable to record their problems and obtain possible mitigation, as provided under the condition to which I have referred?

**Mr KNOWLES:** I will endeavour to find out what the contemporary regime for dealing with those issues is and then report back.

**CHAIR:** As you have noted, another parliamentary inquiry into the M5 East tunnel made a number of recommendations last year in relation to that project. I wonder where your department is up to in implementing those recommendations, particularly recommendations Nos 1, 2 and 3, which I can read if you wish.

**Mr KNOWLES:** Please.

**CHAIR:** They are:

That Planning NSW reconsider its refusal to implement recommendation 1 of the committee's 2001 report to amend the EP&A Act to prevent the approval of developments with modifications which have a significant impact upon a different group of citizens to those affected by the initial proposed development unless those modifications have been exhibited for public comment

**Mr KNOWLES:** You are reading that far too fast to absorb it.

**CHAIR:** I will send them to you.

**Mr KNOWLES:** Why not send me the things you want me to answer and I will make sure the department replies.

**CHAIR:** Within the 35 days?

**Mr KNOWLES:** Yes.

**The Hon. PATRICIA FORSYTHE:** Which agencies or enterprises in your portfolio pay dividends to the Government?

**Mr KNOWLES:** Of the various organisations, the Sydney Harbour Foreshore Authority would be the only one. If that is not correct, I will stand corrected. State Forests is not technically a corporation, it is a GTE.

**The Hon. PATRICIA FORSYTHE:** I kept it broadly as agencies or enterprises. So State Forests would be, you are prepared to say?

**Mr KNOWLES:** Yes, I think so. Mr Duncan is not here. I think you were after Landcom before, too. While it is not my agency, it is certainly an organisation that pays a dividend.

**The Hon. PATRICIA FORSYTHE:** I asked about your portfolio. I just asked which agencies in your portfolio pay dividends to the Government. Do you want to clarify? It is the Sydney Harbour Foreshore Authority?

**Mr KNOWLES:** And State Forests.

**Ms WESTACOTT:** And Land and Property Information.

**The Hon. PATRICIA FORSYTHE:** For each of them, could you provide details of the budget and the actual dividends paid?

**Mr KNOWLES:** I can refer you to the annual reports or I will take it on notice, whatever you prefer. They are published in the annual reports.

**The Hon. PATRICIA FORSYTHE:** I beg to differ about the dividends that are actually paid. I am not sure we can find that information in published form.

**Mr KNOWLES:** I will make sure they are provided to you. The only history of these sorts of things—and the reason I pointed to the annual reports for these entities—is that when I had Sydney Water I know that the dividends of that State-owned corporation were certainly published. I think they are required under the annual report procedures. I have bureaucrats behind me nodding.

**The Hon. PATRICIA FORSYTHE:** You have lots of bureaucrats, that is why I thought we might get some answers tonight.

**Mr KNOWLES:** They are in the annual reports; you can pore over them infinitely.

**The Hon. PATRICIA FORSYTHE:** Unfortunately "staff" is a single word when it comes to the Opposition in the Legislative Council. We do not have the people to do research that you have.

**Mr KNOWLES:** Then to assist you, I will undertake to provide you with the information, which I understand is also available in the annual reports. I am happy to provide it.

**The Hon. PATRICIA FORSYTHE:** I thought, with the number of people you have here that you would have been able to provide the answers tonight. Can you provide the budgeted figures and the actual dividends paid in the years 2000-01, 2001-02, 2002-03, and the estimated dividends in the budget and the anticipated dividends in the following two years?

**Mr KNOWLES:** Yes.

**CHAIR:** Ms Hale, we will go back to your line of questioning.

**Ms SYLVIA HALE:** What studies has the Government undertaken to assess the benefits of expanding port facilities in Wollongong rather than in Botany Bay?

**Mr KNOWLES:** I will provide you with a list of all the work that has been done, both historically and in a contemporary time frame, but I think, as most members would know, that various ports have been studied to death over many years.

**Ms SYLVIA HALE:** You mentioned earlier meetings of the Botany Bay Strategy Advisory Committee. Its final meeting will be on Wednesday 10 September. I believe you have been asked to personally attend those meetings but you have refused to do so. Do you think it is appropriate for a Minister to be so disengaged from the local community on such an important planning decision?

**Mr KNOWLES:** Who personally asked me?

**Ms SYLVIA HALE:** I believe members of the advisory committee.

**Mr KNOWLES:** I met with the chairman of that advisory committee. Without getting him into trouble with his members, he did not ask me. I have known Bob Wilson for 25 years. Far from being disengaged from Bob Wilson, it is a joy to be back working with him.

**Ms SYLVIA HALE:** There is great unease among members of the committee as a result of the Orica fiasco and the seepage of groundwater. Are you prepared to attend the meeting next Wednesday, 10 September, so you can allay residents' fears about subsequent development proposals

in Botany Bay?

**Mr KNOWLES:** I will check my diary. If I am available I will endeavour to attend. I point out that I have a pretty full dance card, particularly when Parliament is not sitting. I tend to be booked up well in advance. But I will give you that undertaking.

**Ms SYLVIA HALE:** In 2001 there was quite an important case in the Land and Environment Court—*Terrace Holdings v Sutherland Shire Council*. In that case Cabinet decision No. 206 was used as evidence. Would you please provide me with a copy of that Cabinet decision?

**Mr KNOWLES:** I do not believe I am at liberty to provide Cabinet information.

**Ms SYLVIA HALE:** But you are at liberty to use it in a court case?

**Mr KNOWLES:** You are asserting I did.

**Ms SYLVIA HALE:** If it was produced as evidence in a court case, will you provide a copy of it?

**Mr KNOWLES:** I think I have answered the first part of your question.

**The Hon. DAVID OLDFIELD:** You can get a copy from the court.

**Ms SYLVIA HALE:** Not if the evidence list was not tendered.

**Mr KNOWLES:** Was it tendered or was it not?

**Ms SYLVIA HALE:** It was tendered, I believe.

**Mr KNOWLES:** Then why can you not get a copy from the court, particularly if it was tabled in evidence in 2001?

**Ms SYLVIA HALE:** Can you indicate why Cook's Cove was excluded from the Botany Bay strategy?

**Mr KNOWLES:** I honestly do not know. I think the Cooks Cove decision—certainly the Sydney Harbour Foreshore Authority [SHFA]—preceded my time.

**Ms SYLVIA HALE:** Would you tell me why the estuaries of Botany Bay were not included in the strategy?

**Mr KNOWLES:** You probably have all the press releases relating to when this process was set up. Therefore, you probably have more understanding, if you have got people who are telling you what I have been invited to and not invited to. You probably have a whole lot of information.

**Ms SYLVIA HALE:** I would not be asking you if I knew.

**Mr KNOWLES:** I will seek advice from the chairman of the committee. Bear in mind, if it is concluding its process in September, as your information seems to be saying—I think you said 10 September was the final meeting?

**Ms SYLVIA HALE:** Next Wednesday.

**Mr KNOWLES:** You have better briefing material than I have. I would just say by the end of September. One would assume that many of these issues will be canvassed when the report is published.

**Ms SYLVIA HALE:** When you let me know why the estuaries were not included, would you also tell me why Kurnell was included when only half of the peninsula is in the Botany Bay catchment?



**Mr KNOWLES:** I am not sure I understand the question. Would you repeat it?

**Ms SYLVIA HALE:** The Botany Bay estuaries were excluded from the strategy.

**Mr KNOWLES:** Such as Georges River and Cooks River?

**Ms SYLVIA HALE:** Yes. But the Kurnell Peninsula was included, although only half the peninsula is actually in the catchment area. It seems a somewhat arbitrary inclusion and exclusion of areas.

**Mr KNOWLES:** It has been my experience over a long time in the land use management industry, as a public representative, as a Minister, in whatever form, that lines on maps usually do tend to be arbitrary. I do not pretend to suggest that the lines drawn in this assessment area could or could not have been better delineated. If you are suggesting that the focus on Botany Bay should cover all of its estuaries and all the surrounding hinterlands, you are talking about taking it as far south as, I think, Appin, that part of one of the estuaries where the Georges River has its origins, or perhaps Cataract Creek, which flows into the Georges River. I suggest that, technically, that is an estuary of Botany Bay catchment. Therefore, the people who make those decisions had to make some decisions about where to stop and start.

**Ms SYLVIA HALE:** Will you be able to provide me with an indication of the basis why those decisions were made about where to stop and start?

**Mr KNOWLES:** I will endeavour to do that.

**Ms SYLVIA HALE:** I understand that the Sydney Harbour Foreshore Authority has recently become its own consent authority. Is that true?

**Mr KNOWLES:** In part. I have reorganised the delegations. Essentially I remain the consent authority. Where the Sydney Harbour Foreshore Authority [SHFA], in its historic roles as The Rocks Authority and the Darling Harbour Authority, had consent authority for minor matters, they have been extended to include the entire Sydney Harbour Foreshore Authority precincts, which essentially is logical. For the larger matters I still remain the consent authority. The issue is actually about the transmission of advice on any particular application. It is all based on the order of batting whereby until recently advice would go from SHFA to the old Department of Planning. I changed that around. The SHFA provides me with the advice and the Department of Planning provides the advice on the overall scheme for larger matters to the consent authority.

**Ms SYLVIA HALE:** On page 26 of Budget Paper No. 4 SHFA is shown as having spent \$15 million on the Australian Technology Park. Does this figure represent a purchase cost? If so, for what parts of the park? Why should SHFA purchase an inland site?

**Mr KNOWLES:** I will take the details of the financials on notice and provide an answer. The history of the administration of the Australian Technology Park by the Sydney Harbour Foreshore Authority goes back to the time—please forgive me if I do not give the precise dates, but I am fairly sure—of the administration by Brian Howe and Robert West in the context of the Better Cities program and the then City West Development Corporation. The assets of that corporation included the Australian Technology Park and, of course, the foreshore areas around Pyrmont. They obviously have conglomerated into the Sydney Harbour Foreshore Authority, along with the various considerations of The Rocks Authority over the years and the Darling Harbour Authority, which were amalgamated into the Sydney Harbour Foreshore Authority following the wind-up of the 2000 Olympics.

**Ms SYLVIA HALE:** The same section of the budget paper shows a total of \$73.9 million being spent in total acquisitions. The listed sites add up to only \$48 million. Can you indicate what the remaining \$25.9 million was spent on?

**Mr KNOWLES:** I will take that on notice. I apologise. If I had known there would be specific questions about SHFA, I would have had the Chief Executive Officer of SHFA here. I thought the forms of the Committee were that if entities such as SHFA were required, notice would be

given. I will take that on notice.

**The Hon. PATRICIA FORSYTHE:** Given that housing is now largely beyond the reach of many people in Sydney, with \$465,000 as the mean price, would you explain what role your department has in ensuring there is an adequate supply of affordable land for affordable housing? Does the department have a policy development role and, if so, could you outline that role?

**Mr KNOWLES:** This could be a very long answer because it is a very complex equation. I will try to keep it as brief as possible. Generally the components of the land supply and affordability equation run something like Commonwealth settings, State settings and local government settings. In no particular order, I will try to do it from the macro down to the micro. The Commonwealth settings tend to relate to things like population policy, immigration policy, interest rate policy and taxation policy, all of which affect affordability. Particularly in Sydney the population and immigration policies dramatically affect affordability. The rate of growth in those areas is well known. I will not bore the committee by going into the details here. People know the numbers.

The State-based settings tend to be around the supply side issues—that is, urban release on the urban fringe versus urban consolidation type settings—and the standards we set in the provision of services for the communities, such as water and sewerage standards. In local government you have effectively the cost of regulation, the cost of development, the provision of minor services—parks and swings and those sorts of things—drainage reserves, and flood mitigation. I think that is reasonable to understand.

**The Hon. PATRICIA FORSYTHE:** Let us narrow it down to urban release.

**Mr KNOWLES:** You cannot narrow it down if you are talking about affordability. That is the point that is regularly missed in this debate. You have to regard all those components in policy development as important. In the context of the Sydney region, I think most members who are spending a whole lot of time going through the details would understand that the former urban development program, now called the Metropolitan Development program, manages the supply of the release of land. It is worth noting in that context that in recent years about 70 per cent of new housing stock is on the consolidated end of the pendulum. That brings with it attendant issues associated with costs and acceptability, just as one example.

In terms of the development of the strategies, I have met with various groups. I recently met with an amalgam group of the Total Environment Centre, the Property Council, the Council of Social Service of New South Wales, the Labor Council, the Sydney Chamber of Commerce, and the Housing Industry Association, all wanting the issue of affordability addressed, all professing to want to work together. Except, that is, when you ask questions about where do you provide the stuff. Of course, the environmental movement does not want any more urban housing on the fringes, arguing that it makes a contribution to pollution, urban sprawl, and all the attendant problems. Then again, they do not want urban consolidation either—the not in my backyard syndrome.

In the same group you have people who want to build more houses on the urban fringe. Sydney faces that conundrum in managing urban growth when the advocates of affordability are not able to settle in their own minds what constitutes an appropriate way forward. Given that, we are, as it is well-known, investigating a number of precincts, from looking at ongoing opportunities where they might exist for further consolidation, if that is possible, through to investigation of, for example, the Bringelly sector on the urban fringe. I suspect that in the end it will be an amalgam of all the opportunities, because unless at those macro levels there is some change in population or immigration policy, tax or interest rate policy, people still want to come to Sydney.

The Productivity Commission report to be released in March next year will provide an interesting commentary on whether the Productivity Commission takes the opportunity, which I think should not be missed, to expand its horizons and look at the totality of the policy components associated with issues of affordability, access, and availability.

**The Hon. PATRICIA FORSYTHE:** In relation to the Metropolitan Development program, how far into the future does the department project its figures?

**Mr KNOWLES:** Historically it does not change. In the current context they try to project forward by about 20 years.

**The Hon. PATRICIA FORSYTHE:** Are those projections publicly available?

**Mr KNOWLES:** They tend to be published: the County of Cumberland plan, the Sydney region outline plan.

**The Hon. PATRICIA FORSYTHE:** Does it include an annual lot release program?

**Mr KNOWLES:** I would like to be able to produce for your satisfaction, but more for the general community's satisfaction, a response to investigations that are taking place into some of those areas at the moment. The Bringelly sectors get the headlines. In recent times about 6,200 lots came into production: Glenmore Park stage two in July this year, and the first development precinct of ADI was released in June. That, of course, is a substantial development. There are Glenfield Grove, Colby and Harrington Park stage two. The obvious next group to be part of the release program, the Elderslie local environment plan [LEP], is expected to go on exhibition in the last quarter of this year. The lots at Spring Farm, which is adjacent to Elderslie, are expected to be released in about the same time frame. That is a total of about 5,900 lots. The Balmoral Road local environmental plan [LEP], which has been the subject of endless debate over many years, is finally coming out of the sausage machine in the north-west sector. The yield there is expected to be between 4,000 and 6,000 lots. The Edmondson Park Composite LEP is also expected to go on exhibition this month. That will yield somewhere between 7,000 and 8,500 lots.

The management of Second Ponds Creek has been improved. It has been rezoned for some time but has had wastewater, water and salinity problems. That will go on exhibition in the very near future and will yield about 4,400 lots. According to the brief I have, in the past few months there have been land releases totalling about 6,200 lots. The approximately 21,000 to 25,000 lots I have just mentioned are coming out of the pipeline. Of course, we also have the longer-term investigation areas of the Bringelly sector, and sectors in north-west Sydney.

**The Hon. DAVID OLDFIELD:** Given the questions asked by the Hon. Patricia Forsythe and your answers about affordability, the environmental concerns that everyone acknowledges are way out of control, and the Premier's oft-expressed concerns about any growth in Sydney, should the Government be doing much other than allowing market forces to apply? Given all those considerations and the Premier's statements, why is the Government releasing these lots?

**Mr KNOWLES:** That is why the Premier promotes a population policy and the need for a better focus on dealing with these issues. People in the property industry, not only the developers but also the builders, usually say that there are too many rules and regulations and that we should let market forces prevail. If we were to do that, they would suddenly say that we need rules because they determine value. The standards we set for sewage or drainage determine costs and, therefore, property value. If they were removed, we would have a market free-for-all. That does not work, even in the United States—the home of the brave and the land of the free and the free market. This is about managing community standards and how and where we seek to live. Let us not pretend that, as Sydney grows and continues to be the centre of major population growth, we can have this debate about affordability without considering the total spectrum of issues in the context of some of the remarks I have made.

**Ms SYLVIA HALE:** The Sydney Airport Master Plan envisages expanding the airport's operations, thus posing increased risks to hazardous sites such as Port Botany, the Port Botany LPG terminal, the Kurnell oil refinery and the Orica chemical works. What is the Government's response to the Sydney Airport Corporation's failure to provide a new risk assessment for its expansion plans? Is the Government making any plans for a second or replacement airport for Sydney? If so, what sites does it have in mind?

**Mr KNOWLES:** The Government is not undertaking any planning for a second site.

**Ms SYLVIA HALE:** Have you told Mr Albanese that?

**Mr KNOWLES:** In fact, it may be of interest to the Committee that I have correspondence here from the Deputy Prime Minister. In the context of some of the discussions we have been having about land releases and the Bringelly study, Mr Anderson has advised the State Government:

The Bringelly study area is adjacent to the Badgerys Creek airport site and it is therefore important that aircraft noise issues be taken into account in drawing up the plans for the area.

He goes on to say:

As the Commonwealth Government has yet to settle on a particular airport option, it is important that if incompatible land use is to be avoided the noise contours for all the three options—that is, A, B and C out at Badgerys Creek—be considered in planning the surrounding region.

The honourable member should not worry about Anthony Albanese. The Commonwealth Government, which controls airports, is telling the State Government to consider its plans for an airport at Badgerys Creek. I do not know what Jackie Kelly would think of that letter.

**Ms SYLVIA HALE:** What do you think of it? Would you be happy with another airport at Badgerys Creek?

**Mr KNOWLES:** I am answering your question. As the honourable member knows, the proposals for Kingsford Smith Airport [KSA] are the Commonwealth Government's domain. The State Government has some concerns about them, and they are being formalised in a response to the proposal exhibition. Max Moore-Wilton has briefed the State Government and has met with me as a courtesy to outline the propositions in the most general terms. However, as the honourable member well knows, the Commonwealth jurisdiction over airports precludes the State having much say at all—certainly no formal say in a statutory sense—about the activity on the airport site.

The issues concern not only aircraft movements but also some of the Commonwealth's proposals for KSA and the proposed expansion of what are loosely described as ancillary activities, including warehousing and retail space. Because of the Commonwealth laws, all we can do is request, as we will, that the Federal Government have regard to sensible planning policy if it is not to disrupt the surrounding precincts and commercial areas by plonking myriad retail facilities on Commonwealth land without any control.

**Ms SYLVIA HALE:** Regardless of what the Commonwealth Government does, will you be doing a risk assessment as a result of the Sydney Airport Master Plan and will you publicly release that risk assessment?

**Mr KNOWLES:** As always, the Government will respond formally to the Commonwealth's proposal. I make the point again that unless the Commonwealth and Max Moore-Wilton want to be cooperative they can take our assessment and file it in the bottom drawer.

**Ms SYLVIA HALE:** But at least the people of Sydney will have access to the risk assessment.

**The Hon. PATRICIA FORSYTHE:** I refer again to the affordable housing issue. I recall that when you were Minister for Planning you issued a statement dated 17 June 1998 about the Government allocating \$10 million for several demonstration projects based on affordable housing models in Sydney. Is there anything in the budget papers relating to this type of expenditure? What has been spent to date? If any projects have been completed, what has been the market process? Are there any plans for the balance of the \$10 million allocation?

**Mr KNOWLES:** I will get a copy of what I said in 1998 and check it. I was Minister for Housing at the time and the allocation was in the context of the affordable housing work being done by the housing agencies and Landcom, which was my responsibility. The honourable member should refer that question to the Hon. Carl Scully.

**CHAIR:** Thank you very much Minister and departmental officers.

**The Committee proceeded to deliberate.**

